

Ex post evaluation

Good Local Governance (UGIIP 2), Bangladesh



Title	Good Local Governance (UGIIP 2)		
Sector and CRS code	Urban development and management (CRS code:43030) Urban development and management		
Project number	2007 66 618		
Commissioned by	BMZ		
Recipient/Project-executing	Local Government Engineering Department (LGED)		
Project volume/financing instrument	EUR 23 million, grant		
Project duration	2009 - 2015		
Year of report	2021	Year of random sample	2017

Objectives and project outline

The Urban Governance Infrastructure Improvement project (UGIIP 2) is the follow-up to the non-sector-specific programme UGIIP, which has been running since 2003. It included institutional capacity building measures as well as financing for urban infrastructure and working capital of medium-sized cities (pourashavas). After a preliminary phase, the disbursement was made in two steps depending on the fulfilment of different criteria of good urban governance.

The objectives of the FC measure on a material level were the increased use of urban infrastructure and municipal services through improved access and, at structural level, strengthening the capacities of the supported municipalities in planning, implementing and maintaining the urban infrastructure (dual module objective/outcome). The two overall objectives were the sustainable improvement of the urban environment and the living conditions of the urban residents as well as an improvement in local governance (dual overall objective/impact).

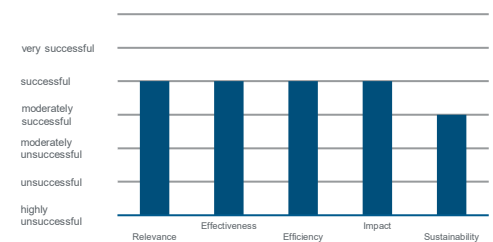
The project was planned by ADB and the executing agency LGED and was expanded from 37 to 51 cities through parallel financing by FC. The financing was supplemented by national and municipal counterpart contributions and by German TC.

Key findings

The project achieved good developmental impacts, and the objectives were also met at outcome level. The project is rated successful for the following reasons:

- The new and rehabilitated infrastructure as well as the capacity building measures addressed several core problems of the pourashavas.
- Together with the executing agency LGED, a large number of needs-based infrastructure measures were implemented efficiently in different regions of Bangladesh.
- Impacts such as the increase in income of the target group and improved access to social and economic infrastructure made a significant positive contribution to the living situation of the residents.

Overall rating:
Successful



Conclusions

- The concept of performance-based payments to promote good governance has been successfully implemented and continuously improved in UGIIP.
- The positive impacts of the project on the income of the pourashavas are not sufficient to significantly reduce the cities' dependence on financing projects.
- Smaller pourashavas in particular are often excluded from financing projects. UGIIP 2 showed that in these cases, even a small number of investments can have a large impact and build the necessary capacities for participation in other projects.

Rating according to DAC criteria

Overall rating: 2

Relevance

The rapid pace of urbanisation in Bangladesh at the time of the programme appraisal (PA) in 2008 had led to unplanned and unchecked growth of medium-sized urban communities called pourashavas. This caused a deterioration of the already lacking infrastructure, poor housing and transport conditions and inadequate provision of basic services to the population. There was also a lack of expertise in good urban governance. The municipal administrations were often not yet computerised and worked inefficiently, which was also due to a lack of or unqualified staff. In addition, despite democratic structures, decision-making processes and administration were still not very participatory, and insufficient attention was paid to the needs of women and the poor. Moreover, the pourashavas were highly dependent on the central government for funds and staff.

From today's perspective, the project's dual approach of financing urban infrastructure and working capital as well as promoting good urban governance through capacity building is still coherent. The core problems of the cities described in the previous paragraph were correctly identified in project planning and addressed by UGIIP. The measures in the area of citizen participation, administrative efficiency, urban planning, as well as financial accountability and transparency combined with the financing of local economic and social infrastructure were appropriate to meet the objectives. These were, at material level, the increased use of urban infrastructure and municipal services through improved access and, at structural level, strengthening the capacities of the supported municipalities in planning, implementing and maintaining the urban infrastructure. This is coherently linked to the two overall objectives, which were aimed at the sustainable improvement of the urban environment and the living conditions of the urban residents as well as an improvement in local governance.

The design of UGIIP 2 is based on its predecessor UGIIP, which was implemented by the executing agency Local Government Engineering Department (LGED) and the Asian Development Bank. LGED is a long-standing partner of German and international development cooperation in Bangladesh and plays a key role in the development of rural and urban infrastructure. UGIIP 2 is essentially the expansion of UGIIP to other cities in Bangladesh. The first UGIIP is also based on the principle of performance-based payments. The provision of funds for infrastructure was contingent on the participating pourashavas to meet good urban governance criteria, here the Urban Governance Improvement Action Plan (UGIAP). In this process, they were supported in the three operational steps of the project by means of capacity building and the provision of financial resources. The funds for working capital to strengthen administrative activities and provide community services, as well as the investments in urban infrastructure, were released in steps two and three once the successive UGIAP criteria were met by the pourashavas in each phase. In the event of non-compliance, the pourashavas dropped out of the project. The UGIAP criteria included various measures, such as the establishment of town-level coordination committees (TLCC) and ward-level coordination committees (WLCC), which would serve as a platform for citizens to voice their needs and demand accountability of local government to citizens.

Important aspects in this context were the inclusion of women and parts of the population particularly affected by poverty through their participation in the committees, the improvement of the situation in the informal communities through infrastructure measures and the activities to promote income-generating activities. Positive highlights are the extensive adjustments in the phase evaluated here based on the experiences of the first UGIIP, e.g. with regard to the expansion of the UGIAP criteria. In addition, the first disbursement was also tied to UGIAP criteria, whereas this was not yet the case in UGIIP1.

The open nature of the programme meant that the infrastructure was selected in a participatory process in dialogue with the local community and documented in a Project Development Plan (PDP). The programme design thus enabled a high level of local ownership. At the same time, however, the possibility of limiting investments to certain sectors was not taken advantage of. The open nature of the programme therefore stands in contrast to the sector-specific indicators selected by KfW in the areas of water supply, waste disposal, sanitation, transport and improvement of informal communities.

From today’s perspective, the project should have focused more on the sustainability of the impacts. The risk of inadequate maintenance was already identified at project appraisal and was not sufficiently addressed in the project. One negative aspect is that investments to improve informal communities are not sustainable in the long term unless a process of formalising the communities is initiated at the same time. Although assurances were given by the pourashavas at the time of project appraisal that no resettlement would take place 5 years after the end of the project, there were no further assurances that the communities would continue to exist thereafter. In addition, sub-optimal locations for infrastructure were used since construction could only take place on communal land and the project provided no financing for the purchase of additional land. This was also a known fact at the beginning of the project and could have been addressed.

The pourashavas were selected in a transparent and accountable process in which the 125 candidate cities were scored and selected based on weighted criteria (demographics, economic growth potential, infrastructure and services, investment, poverty, local government capacity and creditworthiness).

The design and formulation of the project was aligned with the National Poverty Reduction Strategy (2005) and the 5th Five-Year Plan. UGIIP 2 was implemented in the sub-area “Local governance and municipal development” and complemented other FC and TC projects in the same sub-area. In all projects, German FC cooperated with ADB and the executing agency LGED.

Other donors are also involved in the area of improved urban governance. Programmes such as the World Bank’s Municipal Governance and Services Project (MGSP) or JICA’s Inclusive City Governance Project (ICGP), like UGIIP, have already successfully used performance-based approaches to improve municipal governance and basic urban services.

In summary, UGIIP 2 was deemed to be highly relevant as it addressed several core problems from the perspective at the time, as well as today. Overall, the project design was suitable for remedying the lack of infrastructure and significantly improving urban governance, thus improving the living conditions of urban residents. The performance-based approach, which was considered innovative at the time, has proven effective and was appropriate.

Relevance rating: 2

Effectiveness

The programme objectives underlying the EPE were, at material level, the increased use of urban infrastructure and municipal services through improved access and, at structural level, strengthening the capacities of the supported municipalities in planning, implementing and maintaining the urban infrastructure. The selected targets are high, as they are aligned with the UGIAP criteria to be met during the project.

The achievement of the indicators underlying the EPE can be summarised as follows:

Indicator	Status PA, target PA	Ex post evaluation (2020/21)
Increase in the use of urban infrastructure and municipal services through improved accessibility:		
(1) 5 years after the end of the project, the financed infrastructure is in place and being used by the target group.	N/A, 90 %	Achieved: 92 %*
(2) 5 years after the end of the project, the infrastructure is in satisfactory condition.	N/A, 90 %	Not achieved: 84 %*
(3) 5 years after the end of the project, the income-generating infrastructure has a very high rate of use.****	N/A, 75 %	Not achieved: 60 %*

Strengthening the capacities of the supported municipalities in planning, implementing and maintaining the urban infrastructure:		
(4) Five years after the end of the project, the cities have a sufficient budget to finance maintenance of the infrastructure, using a maintenance plan.	N/A, 100 %	Not achieved: 0 of 6 (0 %) **
(5) 5 years after the end of the project, the urban committees (WLCC and TLCC) are still active and consider their influence on urban governance issues to be high to very high.	0%, 100 %	Not achieved: 4 of 5 (80 %) ***
(6) 5 years after the end of the project, the municipal revenues of the cities have increased.	N/A, 100 %	Achieved: 6 of 6 (100 %) **
(7) 5 years after the end of the project, most of the administrative staff trained under the project are still employed and important positions (urban planners) are filled in all pourashavas.	0%, 100 %	Not achieved: 1 of 6 (17 %) ***

*) In six pourashavas, a total of 25 of the funded measures were visited and evaluated.

***) The data used was provided by the representatives of the local governments of the 6 pourashavas. The budget data relates to 2018.

****) The data refers to statements made by the six municipal committees and local governments visited. Since Mymensingh is assigned a different administrative status (city corporation) today, it is no longer required by law to run the committees.

*****) Includes rate of use of the markets, slaughterhouses and community centres

The project financed a total of 500 infrastructure measures and 2,482 pieces of equipment to improve the management and provision of basic municipal services. FC financed 171 infrastructure packages and 1,158 pieces of equipment in 14 pourashavas. All pourashavas invested in roads/bridges, 12 pourashavas invested in drainage canals and 8 pourashavas invested in markets and slaughterhouses. Investments in the waste management (4 pourashavas) and water supply (2 pourashavas) sectors were low. 92 % of the infrastructure projects visited during the evaluation were able to be used without restrictions. The visited roads/bridges, markets and parks were used a lot, but in some cases, infrastructure was used very little or not at all. In 90 % of the cases, the infrastructure was in a satisfactory condition. A lower rate of use was found especially in the multi-storey markets and slaughterhouses visited.

With respect to the operation and maintenance indicator, it was found that only some of the pourashavas budgeted for maintenance and repairs since the financial resources were not sufficient to ensure adequate maintenance of the entire infrastructure, according to the pourashavas. In addition, none of the pourashavas visited reported that they planned maintenance systematically. Local governments said no major repairs had yet become necessary thanks to the good building standards. According to LGED and on-site observations, the roads need initial maintenance only after 10 years thanks to their good quality.

The financial indicator "to increase self-generated municipal revenues" has been met in all pourashavas visited. In this context, tax revenues as well as revenues from renting out FC-financed infrastructure made an important contribution to increasing municipal revenues. However, considering their small percentages of the budget, the funds are not sufficient to finance other investments or to cover their expenses.

The urban committees established under the project, which were legislated by the Local Government Pourashava Act (2009), continue to be active in most pourashavas. Since the pourashavas have no funds for investment without more revenue-generating projects, the representatives of one committee considered their influence on urban governance to be low. Although this was rated as high to very high in other pourashavas, the fear of losing relevance in the future was also expressed here.

One very positive aspect was that technical and administrative staff of the pourashavas were trained under UGIP 2. However, the pourashavas visited during the EPE showed that only a small number of these

employees continue to work in the pourashava. The position of urban planner, which is set as a criterion in the UGIAP, continues to be filled in only one pourashava. This is explained by the very limited budgets of the cities, which make it difficult to pay employee salaries.

Due to the high use and consistently high quality, the effectiveness can be rated as good to very good in the area of infrastructure, despite the fact that in some cases indicators with a high target level were narrowly missed. Target indicators in good governance were almost universally not achieved and must therefore be given a negative rating. These depend on many other factors, however, and are given less weight in the evaluation. Since the financed infrastructure had a very direct impact on the living conditions of the target group and most of the FC funds were spent on the financed infrastructure, these target indicators are given greater importance in the evaluation of effectiveness. As a result, effectiveness is assessed as good overall.

Effectiveness rating: 2

Efficiency

When assessing production efficiency, the specific costs for infrastructure and equipment can be classified as typical for the industry and are of a similar scale to comparable infrastructure projects. For example, the average cost per road kilometre is EUR 40,000-54,000/km, which is on a par with the costs of previous FC projects. Particularly the financed markets were cost-intensive elements since their foundations are designed for several storeys. It is questionable to what extent other floors will be added by the pourashavas in the future and if the full potential of the foundations will actually be used. This is all the more true when considering the low rate of use seen on the floors that have been added so far.

Most of the infrastructure was completed within the project timeframe and only a small number of measures were delayed due to new contracts being awarded, but this did not have a major impact on project completion. Combining multiple packages might have led to a slight increase in efficiency. It is important to mention that a large number of the contracts went to the same bidders, which is due to the fact that only a few companies are able to implement the measures envisaged in the project. The interviewed representatives of the pourashavas rated the communication with LGED and the project office of UGIIP within the project as positive in all aspects. The bidding process for the packages of measures and the disbursement procedure also received good ratings.

Most of the project's expenditure (roughly 89 %) was spent on the implementation of 171 tendered packages for infrastructure measures. This is understandable since these are the project's key instruments and served as motivation to implement the requirements in good urban governance. Approximately 11 % was used for equipment to help the pourashavas provide municipal services (e.g. rubbish collection trucks, excavators) or administrative tasks (e.g. fax machine, photocopier). German TC and ADB were responsible for the measures and for financing capacity building. The costs for FC budgeted at the project appraisal were not exceeded. Successful cooperation with LGED was essential for efficient implementation in the different regions.

From a developmental perspective, the programme has had a wide range of impacts in the participating pourashavas. Investments in infrastructure created income opportunities and access to basic infrastructure significantly improved the living conditions of the local population in several areas. The low rate of use observed in the slaughterhouses and the additional floors of the markets have a negative impact on the efficiency rating. The limited demand is due, among other things, to weaknesses in the design and the poor location within the pourashavas. For example, it was impossible to see shops in the markets from the outside, and the infrastructure visited was located in the more remote neighbourhoods of the city. The use of standardised building designs by LGED is one reason why the infrastructure has not been ideally adapted to local conditions in some cases, which has a negative impact on efficiency. Another negative factor are the restrictions in the use of sanitation facilities in the informal communities. Here, the toilets and water pumps were built within the enclosed areas shared by a handful of families, thus excluding other users.

Considering the high costs of some investments (markets), several smaller investments could potentially have a greater impact. This is also true with regard to the large share of investments in roads and

drainage, which the pourashavas have prioritised to the detriment of other sectors. Despite the negative aspects, the allocation efficiency is still rated as high due to the many positive effects seen.

Overall, the efficiency of the project is rated as good since the production efficiency and allocation efficiency are high.

Efficiency rating: 2

Impact

The objective at impact level was the sustainable improvement of the urban environment, the living conditions of the urban residents and an improvement in local governance. The programme components contributed to the achievement of this dual objective to varying degrees.

Unfortunately, no disaggregated data or statistically meaningful target group surveys on the situation of the target group – which would make reliable conclusions about the project’s effects on living conditions – were available. That is why we rely on the survey of indicators recorded as part of the EPE.

The achievement of the indicators underlying the EPE can be summarised as follows:

Indicator	Status PA, target PA	Ex post evaluation (2020/21)
(1) 5 years after the end of the project, users report that the financed infrastructure meets the needs of the local population.	N/A	Achieved: 100 %*
(2) 5 years after the end of the project, users report that their living conditions have improved due to the financed infrastructure.	N/A	Achieved; 100 %**
(3) 5 years after the end of the project, the pourashavas can participate more in government and/or international financing projects.	N/A	Achieved; 100 %***

*: A total of 21 infrastructure users and 6 urban committees were interviewed in 6 pourashavas.

** : In 6 pourashavas, 21 infrastructure users were interviewed, each of whom was able to back this up with actual examples.

***: Local government representatives were interviewed in 6 pourashavas.

The sample survey conducted as part of the evaluation showed that the target group is very satisfied with the infrastructure provided and that the investment meets the needs of the local population.

A sustainable improvement of the urban environment as well as the living conditions of the urban population by strengthening the basic infrastructure in the municipalities seems plausible overall. According to the survey, roads and bridges improved the accessibility of core infrastructure, e.g. schools, markets and hospitals in the municipality. In addition, roads helped to make shops more accessible to customers and women in particular. Users with physical disabilities also reported that newly repaired walkways made it easier for them to reach sanitary facilities. Visitors to parks said that they have a positive impact on the quality of urban life. Furthermore, the positive impacts of new and rehabilitated drainage in terms of preventing flooding were confirmed by the target group. The investments in the informal communities were seen as positive in all respects and are an improvement especially with regard to the desolate conditions. Markets are an important factor in improving people’s incomes. They provide additional income for the municipalities and offer the tenants a safe and relatively inexpensive option for carrying out their business activities. One market alone housed around 200 shops. Several shopkeepers interviewed confirmed that they had more foot traffic in the markets and increased their income as a result. Shop owners also reported that better access through project-financed roads significantly increased sales. The parks are used as places to sell food and other products, thus creating further income opportunities for residents.

The increased revenues of the pourashavas associated with the project from tax revenues, infrastructure rentals and other municipal sources of income represent an important contribution towards more balanced budgets for the cities. However, it must be stressed that the positive effects only represent a very small contribution in relation to the overall budget and do not allow the pourashavas to make independent investments in infrastructure. However, it is noteworthy that UGIIP 2 has enabled the pourashavas to benefit from future government and/or donor activities, such as the Bangladesh Municipal Development Fund (BMDF), as they now meet prerequisites in good urban governance and are more likely to be able to afford the required counterpart contributions.

The above-mentioned impacts are even more pronounced in smaller pourashavas since they are often unable to make any investments in infrastructure - the rehabilitation of a single road already can have far-reaching effects for the entire community. In addition, smaller pourashavas are generally less involved in similar infrastructure projects. As a result, for these pourashavas in particular, participation in these projects can be an important starting point for obtaining other funding.

Only one specific environmental risk was identified in the EPE: The unchecked discharge of wastewater from a slaughterhouse into an adjacent river. Since slaughterhouses account for only a small part of the investment, the risks to the environment are considered low.

The achievement of all selected target indicators implies a high developmental impact. However, due to the small size of the sample, the statements used for the evaluation only reflect a small section of the target group and also only represent a small aspect of the objective at impact level. Furthermore, it seems plausible that due to the acute lack of urban infrastructure, any improvement will positively change the situation of the local population. However, due to the pourashavas' investments, it also seems plausible that the impacts are limited to a small number of aspects of urban life. Despite the consistently positive evaluation of the target indicators, the overarching developmental impact is therefore rated only as good.

Overarching developmental impact rating: 2

Sustainability

There are risks to sustainability with respect to infrastructure maintenance, damage to infrastructure by extreme weather events and the relevance of urban committees.

The sustainability of the impacts described is directly linked to the maintenance and assurance of the functionality of the financed infrastructure. The increased income of the pourashavas is also partly due to the financed infrastructure. It is therefore essential that the municipalities are able and willing to ensure the maintenance of the infrastructure and thus maintain the positive effects. At the time of the survey, most of the infrastructure was well maintained and adequately serviced. This was particularly true for the revenue-generating infrastructure. However, most of the necessary maintenance activities and costs will only be incurred in the near future. Since the pourashavas say they can only raise very limited funds for maintenance, it cannot be assumed that the necessary financial resources will be available when needed. This perception is strengthened by the fact that the pourashavas do not provide detailed maintenance plans and do not maintain budgets linked to specific infrastructure. The risk of extreme weather events damaging infrastructure has already occurred in two cases and remains a persistent risk factor.

The development of the pourashavas' budgets is also closely linked to the sustainability of the structures of improved urban governance. While the municipal committees' continued existence is required by law, there is a risk that the municipal committees will steadily lose relevance if no funds are available for future investments. The high staff turnover of the pourashavas' employees trained under UGIIP 2 is another risk and is closely linked to the lack of resources of the pourashavas. Participation in UGIIP 3, which is no longer supported by DC, provides a certain continuity for some of the pourashavas, which ensures the sustainability of the impacts. However, only larger pourashavas are part of the subsequent phase, which means that the mostly small areas of Bangladesh are not considered. However, it is very positive that the UGIIP 2 enabled all pourashavas to participate in future government and/or donor activities, as these normally require and build on the implementation of the UGIAP. Furthermore, the pourashavas can use the experience they have gained and the skills they have learned when applying for future projects, and the improved financial situation makes it easier for them to make the necessary down payments for participation in projects.

During the evaluation evidence was found that suggests reduced sustainability. However due to limited data availability this does not lead to the conclusion that sustainability will decline seriously over time and that developmental impacts will cease. The good quality of the infrastructure provided and the largely adequate but limited maintenance of the infrastructure up to now result in a rating of satisfactory for project sustainability.

Sustainability rating: 3

Notes on the methods used to evaluate project success (project rating)

Projects are evaluated on a six-point scale, the criteria being **relevance, coherence, effectiveness, efficiency, overarching developmental impact** and **sustainability**. The ratings are also used to arrive at a **final assessment** of a project's overall developmental efficacy. The scale is as follows:

Level 1	Very good result that clearly exceeds expectations
Level 2	Good result, fully in line with expectations and without any significant shortcomings
Level 3	Satisfactory result – project falls short of expectations but the positive results dominate
Level 4	Unsatisfactory result – significantly below expectations, with negative results dominating despite discernible positive results
Level 5	Clearly inadequate result – despite some positive partial results, the negative results clearly dominate
Level 6	The project has no impact or the situation has actually deteriorated

Rating levels 1-3 denote a positive assessment or successful project while rating levels 4-6 denote a negative assessment.

The **overall rating** on the six-point scale is compiled from a weighting of all five individual criteria as appropriate to the project in question. Rating levels 1-3 of the overall rating denote a "successful" project while rating levels 4-6 denote an "unsuccessful" project. It should be noted that a project can generally be considered developmentally "successful" only if the achievement of the project objective ("effectiveness"), the impact on the overall objective ("overarching developmental impact") and the sustainability are rated at least "satisfactory" (level 3).