



1. Project Data

Project ID

P124514

Project Name

BD: Local Governance Support Project II

Country

Bangladesh

Practice Area(Lead)

Social, Urban, Rural and Resilience Global Practice

L/C/TF Number(s)

IDA-50190

Closing Date (Original)

30-Nov-2016

Total Project Cost (USD)

532,000,000.00

Bank Approval Date

29-Nov-2011

Closing Date (Actual)

30-Jun-2017

IBRD/IDA (USD)
Grants (USD)

Original Commitment

290,000,000.00

0.00

Revised Commitment

290,000,000.00

0.00

Actual

265,917,116.75

0.00

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2. Project Objectives and Components

a. Objectives

Both the Financing Agreement (FA) and the Project Appraisal Document (PAD) stated the Project Development Objective (PDO) as: "to strengthen Union Parishads (UPs) to become accountable and responsive, supported by an efficient and transparent intergovernmental fiscal system (FA, p. 5, PAD, paragraph 14)."

This PDO was amended in the March 2015 Restructuring to clarify that the fiscal transfer system targeted only the UP level of government. The PDO was revised "to strengthen UPs to become accountable and responsive, through an efficient and transparent fiscal transfer system **to UPs**."

This Review focused on the amended PDO. Union Parishads (UP) were the lowest tier of local government



in Bangladesh.

b. Were the project objectives/key associated outcome targets revised during implementation?
Yes

Did the Board approve the revised objectives/key associated outcome targets?
No

c. Will a split evaluation be undertaken?
No

d. Components

1. Union Parishad (UP) Grants (US\$460.42 million at appraisal, US\$460.40 million actual). This component financed basic block grants and performance based grants used by UPs to execute assigned expenditure mandates. Funds were also used to provide incentives (Performance Based Grants) for performance in governance and public financial management areas such as (i) Planning and Budgeting, (ii) Public Financial Management, (iii) Own Source Revenue, (iv) Monitoring, transparency and accountability, and (v) Effectiveness of Village Courts.

2. Information Flows and Accountability (US\$8.92 million at appraisal, US\$8.21 million actual) This component financed UP audits and audit reviews, quality assurance audits by the Comptroller and Auditor General, accreditation of auditors, expansion of the Management Information System (MIS) of the Local Government Division (LGD) to district level, project related information, education and communication activities, and mid-term and final project evaluations. These activities were to strengthen accountability systems, improve transparency, and inform decision making among UPs.

3. Institutional Development (US\$30.21 million at appraisal, US\$24.02 million actual). This component financed direct UP training; accreditation of capacity building service providers; personnel, training and equipment to strengthen the office of the Deputy Director for Local Government (DDLG); dissemination of the UP Operations Manual (UP OM); capacity building of LGD and other agencies, including training and technical expertise; and policy studies to strengthen the intergovernmental system at all levels. According to the Task Team Leader in an email dated February 19, 2018, the difference in disbursements and appraisal cost was the non-completion of training of newly elected UP officials (in late 2016-early 2017). In addition, there were savings from the procurement of vehicles; and the non-use of TA directed at LGD and other agencies.

4. Project Management (US\$3.83 million at appraisal, US\$2.81 million actual). This component financed technical and financial support to the National Project Director (NPD) and two Deputy Project Directors (DPDs) and other project implementing staff in: (i) financial management, (ii) procurement, (iii) safeguards, and (iv) project management. It also covered logistical and incremental operating costs associated with project implementation.



e. Comments on Project Cost, Financing, Borrower Contribution, and Dates

Project Cost: The total project cost reached US\$532.00 million and disbursed US\$265.92 million. The International Development Association (IDA) Credit reached US\$290 million at appraisal and disbursed US\$265.92 million. The difference was due to (i) exchange rate losses between the US\$ and SDR, (ii) use of savings from procurement of vehicles, and (iii) non use of training to newly elected government officials and technical assistance to LGD and other agencies.

Financing: The International Development Association financed this Specific Investment Loan.

Borrower Contribution: The Borrower committed US\$242 million at appraisal but no disbursements were reported by project close. However, the ICR stated that the Government fully met counterpart funding requirements in a timely fashion (ICR, paragraph 44). The Task Team Leader confirmed in an email on February 19, 2018 that the Borrower did disburse the full US\$242 million but that a portal glitch did not capture this information. The team will correct the datasheet.

Dates: The project became effective on February 2012 and was scheduled to close by November 2016. A Mid Term Review was conducted in September 2014, as planned. There were two Restructurings:

- Level 1 In April 2015 to clarify the focus of the PDO, amend the Project Results Framework, and change legal covenants.
- Level 2 in November 2016 to extend the project closing date to June 2017 and reallocate resources among disbursement categories.

3. Relevance of Objectives

Rationale

The PDO - *"to strengthen UPs to become accountable and responsive, through an efficient and transparent fiscal transfer system to UPs."* - was relevant to the country's long-term development plan called Vision 2021. Vision 2021 envisaged the devolution of power, function, and fiscal authority to local government according to the constitutional provisions for elected bodies at each level of administration. To implement this vision, the Government prepared a Perspective Plan 2010-2021. Under this Perspective Plan, the country's Seventh Five Year Plan (FY2016-2020) "Accelerating Growth, Empowering Citizens," aimed to develop strategies, policies and institutions to accelerate inclusive growth, reduce poverty, empower citizens and promote sustainable development. The plan identified development priorities such as ensuring sound governance institutions, addressing globalization and regional cooperation, energy security, sound infrastructure and managing the urban challenge, and mitigating the impacts of climate change. The plan cited that one of the institutional foundations of stability to support this nascent lower middle income economy (status achieved in 2015) was facilitating change in the political system through local governance. The plan recognized that the



devolution of fiscal authority required a strengthened capacity for accountable local resource mobilization and responsive expenditure management. These factors formed part of the PDO.

The PDO was relevant to the Bank's FY2016-20 Country Partnership Framework (CPF). The primary objective of the CPF was to increase engagement in the three foundational and five transformational priorities identified in the country diagnostic. The three foundational priorities were (1) maintaining macroeconomic stability, (2) promoting human development, and (3) strengthening institutions. The five transformational priorities were: (1) energy, (2) inland connectivity, (3) regional and global integration, (4) urbanization, and (5) adaptive river delta management. The CPF indicated that Bank support to strengthening the government's governance systems was critical to increasing the country's competitiveness. The PDO was relevant to this approach as well as to the Bank's support to operational designs that help enhance the functions and service delivery of local governments through fiscal decentralization and performance-based resource allocation (CPF, paragraph 43). The PDO contributed to meeting the CPF Focus Area 1 - Growth and Competitiveness and Objective 1.3 Improved delivery of basic urban services. The PDO complemented the Bank's efforts to work with local governments in enhancing their performance and service delivery during the CPF period. The CPF noted that the LGSP series supported the establishment of Union Digital Centers to enable the rural population to access citizen services to complement the implementation of the 2009 Right to Information (RTI) Act that gave Bangladeshi citizens greater access to information. These centers were piloted in 30 UPs in 2009 and rolled out to all 4,547 UPs by 2011. (CPF, Annex 2, paragraph 25). The relevance of the PDO was also evident in the recently approved follow-on project, LGSP III, which built on the LGSP II objectives intending to replicate project outcomes at the municipal level.

Rating

High

4. Achievement of Objectives (Efficacy)

Objective 1

Objective

"to strengthen Union Parishads (UPs) to become accountable and responsive, through an efficient and transparent fiscal transfer system to UPs."

Rationale

The design of LGSP II benefitted from lessons gained during the implementation of the predecessor LGSP. LGSP II aimed to improve and accelerate local government delivery of public goods and services by (i) making discretionary fiscal resources available to UPs in a timely and transparent manner; (ii) putting in place institutionally sustainable mechanisms for accountability; (iii) supporting capacity and institutional development of the inter-governmental system; and (iv) improving the ways in which local government performance and activities were monitored, evaluated and supervised.

OUTPUTS:

The following outputs were exceeded:



- UPs achieved 68.7% increase in mobilizing own source revenues (baseline 0, original target 33%)
- There was a 17.38% annual increase in basic block grants transferred to UPs (baseline 12.2%, target 12%). The ICR reported reaching 144.8% increase in the final year.
- There were 83,767 functionaries from the UPs trained by Upazila-based Resource Teams (baseline 0, original target 62,382, revised target 78,132)
- The Deputy Director for Local Governments submitted all required biannual reports according to schedule (baseline 0, original target 75%, revised target 90%).
- 99.5% of all UPs submitted biannual performance reports according to schedule (baseline 0, original target 50%, revised target 90%, exceeded)

The following outputs were achieved or substantially met:

- A Fiscal Transfer Wing for UPs was established at the Local Government Division (LGD) to institutionalize the fiscal transfer system for UPs (baseline 0, target achieved)
- A Performance Based Grant system was established for all UPs and was operational nationwide at project close (baseline 0, target achieved).
- UP performance audits were conducted annually (baseline 0, target annual). Chartered accountants overseen by the Comptroller & Auditor General (CAG) conducted more than 11,000 audits of UPs under the project.
- Safeguards review was carried out annually in 1 UP per Upazila (baseline 0, target annual). An Upazila (or sub-district) is an administrative unit of the Government of Bangladesh above the UP. There are 450 Upazillas in the country.
- Annual Project Steering Committee meetings were held to take stock of project progress (baseline 0, original target, annual)
- Annual work plans, including procurement plans were submitted to the Project Steering Committee and the World Bank by June 30th of previous FY (baseline 0, target annual)
- Ward Sabahs (local councils) were functional in all UPs (baseline 0, original target 50%, revised target 100%)
- 97% of all UPs had periodic plans (baseline 0, original target 50%, revised target 100%, substantially met).
- 97.5% of all UPs submitted annual budget plans to the Upazila Nirbahi Officer according to schedule (baseline 0, original target 50%, revised target 100%, substantially met)
- There were 470 Upazila Women's Forums that were functional by project close (baseline 80, original target 242, revised target 486, substantially met)

OUTCOMES:

- 71% of beneficiaries surveyed expressed satisfaction that UPs were responsive to the service delivery preferences of their constituents and were meeting local priorities (baseline 40%, original target 50%,



revised to 60.5%, exceeded).

- Based on a 12-point scale, the average nationwide performance scores of UPs indicating improvements in governance and public financial management areas reached 7.8 (baseline 0, target 7.5, achieved)
- Two basic block grant tranches a year were released that were formula-based (transparent), announced in advance and disbursed to eligible UPs on a predetermined schedule (predictable), representing fiscal transfers to UPs (baseline 0, target 2, achieved). The Expanded Block Grants (EBGs) based on population and disbursed directly to UP bank accounts more than quadrupled resource transfers to UPs.

Rating
High

Rationale

The Project achieved its development objective of strengthening the capacity of the local governments at the UP level to provide constituent-responsive services. There were minor shortcomings in achieving some of the outputs but most were either exceeded or substantially achieved. Project components such as the Expanded Block Grants (EBGs) based on population and disbursed directly to UP bank accounts more than quadrupled resource transfers to UPs. Chartered accountants overseen by the Comptroller & Auditor General (CAG) conducted more than 11,000 audits of UPs under the project. Nearly 84,000 local public officials were trained in planning, budgeting, public financial management, safeguards compliance, and good governance. UPs reported on good governance on a six-monthly basis to LGD who then aggregated these reports for oversight and program adjustments. Participation through mandatory disclosure obligations, inclusive systems of planning, budgeting and scheme implementation improved transparency and accountability. Small local infrastructures and service delivery schemes responded to local needs.

Overall Efficacy Rating
High

5. Efficiency

Economic Efficiency: No traditional economic analysis was carried out at the time of appraisal because infrastructure investments were identified during implementation. There was also no ex-post cost-benefit analysis because the size of the investments averaged about US\$2,000 per project. The 4,500 participating UPs each identified about 10 projects a year. Following similar local government projects financed by the Bank, efficiency was measured according to whether or not schemes met the needs of beneficiaries (allocative efficiency). The ICR presented evidence from a beneficiary survey that 71% of constituents surveyed confirmed that projects financed by the UPs reflected local priorities and were selected in a transparent manner (ICR, paragraph 31). Technical efficiency was measured in terms of design parameters utilized, approved vs. actual costs, and time overruns. Two hundred UPs were surveyed at project close who



reported that no significant deviations from design parameters, actual costs were in line with approved costs, cost overruns were insignificant, and 85% of the projects were implemented within the allocated time. The 15% that missed the deadlines were considered insignificant because of the small size of the project contracts.

Operational and Administrative Efficiency: Ninety eight percent of the IDA Credit was utilized. A mid-term review (MTR) was undertaken as planned and the changes and adjustments agreed during the MTR were implemented. The closing date was extended by seven months to utilize remaining funds, due primarily to the exchange rate gains between the Taka and SDR. The additional time was also used to finalize some remaining aspects in operationalizing the delayed implementation of the MIS system. Delay was due to lack of initial talent, compounded by unstable electric supply and available bandwidth at the UP level. The full operationalization of the MIS system was carried over to the recently approved follow-up LGSP III project.

Efficiency Rating

Substantial

a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

	Rate Available?	Point value (%)	*Coverage/Scope (%)
Appraisal		0	0 <input type="checkbox"/> Not Applicable
ICR Estimate		0	0 <input type="checkbox"/> Not Applicable

* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome

The project's objective was achieved with substantial efficiency. The relevance of the objective and the achievement of efficacy were rated high. A minor shortcoming in efficiency related to the delayed operationalization of an MIS system designed to cover reporting of outputs and outcomes from the UP level to the LGD level. A beneficiary survey conducted at project close and the periodic reporting by the UPs and the DDLG mitigated this shortcoming during implementation. The MIS system was expected to be fully functional during the follow on LGSP III.

a. Outcome Rating

Highly Satisfactory



7. Risk to Development Outcome

Building on lessons from the implementation of the predecessor LGSP, the LGSP II design faced reduced risks during implementation. LGSP II closed after disbursing about 98% of the IDA credit and exceeding, achieving, or substantially meeting PDO level and intermediate outcome indicator targets. The Government's share of the block grants stood at 60:40 at project close compared to 50:50 in FY 2011-12 and was expected to increase to 100% by the end of the recently approved follow on project - the Third Local Government Support Project (LGSP III). UPs reported a 68.7% increase in own source revenues, up from a baseline of 0 in 2011. Financial and performance audits were routinely carried out and expected to continue as part of accessing block grants for local projects. Audit quality was good and steadily improving. Citizen participation has increased for the Ward Committees, Scheme Supervision Committees, Upazila women's development fora and open budget meetings. Capacity building and training of UP and District officials was expected to continue under the recently approved LGSP III. With the ongoing implementation of LGSP III, there was little risk to maintaining the development outcomes of LGSP II.

8. Assessment of Bank Performance

a. Quality-at-Entry

LGSP II was prepared during the implementation of the first nationwide effort to strengthen local governments, LGSP. Lessons from that operation were included in the LGSP II design such as (i) adopting a results-based approach to decentralization and supporting policy reform with technical assistance to strengthen local capacity; (ii) predictable and timely release of block grants to strengthen UP planning and budgeting expenditures; (iii) introducing performance based grants as incentives to recognize improved local service delivery. The PDO was simple, fully consistent with the government's policy on improved decentralization and empowerment while being fully aligned with the Bank's FY2011-15 CAS (see section on Relevance of PDO) and long-term lending strategy for Bangladesh. Decentralization to subnational tiers of Government is a complex matter requiring continuous research about the ever changing socioeconomic and political scenario in the country. Involvement in LGSP afforded the opportunity to stay abreast of the changing environment and the design of LGSP II incorporated all the lessons learned. LGSP II continued to focus on UPs as these were the oldest and lowest tier of local government that were also closest to people in the target population; at the time of LGSP II, UPs covered approximately 75 percent of the total population of the country. International experience encouraged the introduction of performance based financing. All the project components complemented each other to achieve the project objectives and outcomes. The appraisal of the project was thorough and paid close attention to all relevant technical, economic, institutional, fiduciary, social and environmental aspects. Risk assessment was appropriate, as were the proposed mitigation measures. The Results Framework was clear although modified in the 2015 Restructuring to remove ambiguity in the UP level focus of the PDO and the measure of its indicators and targets. The one shortcoming in the design of this follow on project was the over-optimistic assessment of the operationalization of a web based MIS system that would gather data from the UP level and flow up to the LGD level.



Quality-at-Entry Rating

Satisfactory

b. Quality of supervision

The Bank adequately supported the project agencies throughout project implementation. Capacity building aspects of the project were addressed early on. For example, the Bank conducted training in the environmental, social, financial management, procurement and M&E aspects of the project to ensure compliance with Bank policies considering the first time implementation at the UP level. In addition, LGSP III was prepared in a timely manner to ensure the sustainability of LGSP II outcomes. Progress was delayed in the early period of project implementation and another 8 months toward project close mainly due to the delay in the introduction of an MIS system to improve and strengthen the project M&E and complete UP financial and performance audits for FY 2016. Recruiting staff, hiring of an MIS software development firm, and training adequate numbers of UP staff to operate the MIS were delayed. This was accompanied by a lack of reliable power and unavailable internet systems in the UP areas. Although delayed, the MIS was functional by project closure and was anticipated to be fully operational during the follow-up project, LGSP III. Bank supervision and other resources, including timely support from the field office, were adequate.

Quality of Supervision Rating

Satisfactory

Overall Bank Performance Rating

Satisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design

The project implementing entity, the Local Government Division (LGD) is located in the Ministry of Local Governments, Rural Development, and Cooperatives in Bangladesh and was, among other project implementation responsibilities, tasked with project Monitoring and Evaluation (M&E). Design of the project M&E ensured that reporting, monitoring, and impact evaluation were mainstreamed in the LGD's system and integrated monitoring and impact evaluation with policy making by strengthening the M&E wing of the LGD. A senior M&E specialist advised LGD regarding M&E systems and introduced activities to strengthen M&E such as rolling out MIS to the subnational levels, introduced annual performance audits. submission of bi-annual reports to the Deputy Director for Local Governments. A survey at the end of the predecessor LGSP project served as baseline for LGSP II. A Mid Term evaluation and end of project evaluation were planned.

The theory of change was reflected in the project's results framework consisting of one PDO and three outcome indicators. Baseline data were established under the predecessor LGSP. Ambiguity in the PDO was addressed in the 2015 Restructuring to note that inter-governmental fiscal transfers only applied to UP level transfers. Specific, measurable, time bound intermediate outcome indicators were provided under each of the four project components although refinements were introduced in the 2015 Restructuring. M&E design also called for the installation and operationalized of a properly functioning management information system (MIS) and was to be



installed from the UP level to the LGD level. This web-based MIS system included accountability mechanisms in its design.

b. M&E Implementation

The 2015 Restructuring addressed ambiguity in the PDO to reinforce the focus of the project at the UP level only. For example, two of the three outcome indicators clarified the unit of measure applicable to scoring the performance of UPs and that the release of tranches was counted annually. One intermediate outcome indicator was dropped because it referred to all local governments and was outside the scope of the project. In addition, the fiscal cell at LGD managed only UP transfers, and performance audits were to be measured annually. A couple of the intermediate outcome indicators were revised to show percentages with absolute numbers and targets inferred. Data were collected routinely as a continuation of LGSP I processes. District reports by the Deputy Director for Local Governments together with field visit reports prepared by LGD teams were used to generate data to track the use of project funds and monitor results. Annual reports on training activities for UPs were prepared by the training providers such as the National Institute of Local Government, Bangladesh Academy for Rural Development, Rural Development Academy and the Local Government Engineering Department. LGD consolidated an annual report from these various sources. Difficulties in recruiting a suitable MIS Expert delayed MIS software development. A lack of uninterrupted electricity at steady voltage and inadequate internet band-width contributed to the delays in operationalizing the MIS system. The web-based MIS system started functioning at the UP level but not at the district level by project close and LGSP III was expected to complete the full installation and use of the system.

c. M&E Utilization

The UPs, with the help of the Deputy Director for Local Governments and District Facilitators submitted operational and financial monitoring reports and data. Private chartered accountants carried out financial audits of all UPs annually and all UPs were in compliance. Performance audits were also carried out based on data collected by the UPs and through inspection of completed sub-projects. These performance audits determined eligibility rankings for accessing performance block grants, which were allocated to qualified UPs. UPs and LGD prepared periodic progress reports for managing project activities and policy discussions. Adjustments were made to the PDO, modified a couple of outcome indicators and some intermediate indicators were also modified accordingly. A Mid Term Review was conducted as planned, which contributed to the modifications of targets and mid-term measures of some indicators and 200 randomly selected UPs participated in a beneficiary survey at project closure. The M&E activities reported on project impact, cost effective use of project resources, and facilitated the approval of LGSP III. An example in the use of MIS was the submission of annual performance audits to inform performance block grant decision making. For another, MIS reporting also informed transparency and accountability policy, which facilitated participatory budgeting.

M&E Quality Rating
Substantial



10. Other Issues

a. Safeguards

The LGSP II was classified as Category B and triggered the following safeguards - an Environmental Assessment (OP/BP 4.01) and Indigenous Peoples (OP/BP 4.10). The PAD identified that minor environmental issues were anticipated when the UPs begin implementing the small scale community infrastructure schemes. These included (i) arsenic and bacterial contamination in drinking water, (ii) unplanned road construction causing drainage blockages, (iii) improper sanitation and sewage systems, (iv) inadequate solid waste management, and (v) improper land filling leading to loss of water bodies and biodiversity (PAD, paragraph 67). The ICR reported that an environment and social management framework (ESMF) was adopted to identify environmental issues, and to prepare site specific Environmental Management Plans (EMP). Compliance with environmental standards was rated satisfactory. (ICR, paragraph 54) even though a two-year lag in filling the position in the Project Management Unit hampered early compliance monitoring. Mitigation measures were identified and reported undertaken in response to environmental issues arising from land based schemes. District Facilitators, members of the Ward Committees and the Scheme Supervision Committees received training on safeguard management.

b. Fiduciary Compliance

Financial Compliance: Financial management risk was rated "substantial" at appraisal and remained during implementation because of the complex project activities and fund flow mechanism. A time bound Financial Management Action plan was prepared and adopted. Financial Management was rated satisfactory with no pending issues from the agreed action plan. Interim unaudited financial reports were submitted in a timely manner and found acceptable. Annual project financial statements were audited by the Foreign Aided Project Audit Directorate under the Comptroller and Auditor General's office and were issued unqualified opinions with a number of observations on prior audit reports. Private chartered accountants carried out annual financial audits of all UPs and were found to be in compliance. Performance audits were also carried out on the basis of data collected by the UPs and through field inspection of completed sub-projects.

Procurement: There were two sets of procurement arrangements: (a) procurement of goods and services by LGD and (b) procurement of works and goods by the UPs. There were some minor delays in selection of consulting firms and also in procurement of goods by LGD. However, the quality of procurement was satisfactory as LGD was supported by a procurement consultant throughout the project. Major procurement in terms of cumulative value was done by UPs and these were mostly satisfactory as few issues were identified in yearly UP audits. UP Procurement covered almost 90% of the project procurement. To mitigate procurement risks, a comprehensive MIS system was developed under this project, which became partly operational in the last year of the project. The MIS system covered all activities from planning to asset management including a "procurement module". The initial MIS data showed good results and full implementation of the MIS system in LGSP III was expected to further improve the transparency and efficiency in UP procurement.



c. Unintended impacts (Positive or Negative)

d. Other

The CPF noted that the Local Governance Support Project supported the establishment of Union Digital Centers to enable the rural population access to citizen services to complement the implementation of the 2009 Right to Information (RTI) Act that gave Bangladeshi citizens greater access to information. These centers began as a pilot operation in 30 Union Parishads (UP), the lowest tier of local government in Bangladesh in 2009 and were subsequently rolled out to all 4,547 UPs by 2011. (CPF, Annex 2, paragraph 25).

11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Highly Satisfactory	Highly Satisfactory	---
Bank Performance	Satisfactory	Satisfactory	---
Quality of M&E	Substantial	Substantial	---
Quality of ICR		Substantial	---

12. Lessons

The ICR pointed to a number of lessons (ICR, paragraphs 62-71) culled from the overall Local Governance Support Project (LGSP), which consisted of a progression of intervention in support of local government decentralization in Bangladesh. LGSP III is currently under implementation following the close of LGSP II. The most important lessons are the following:

- Decentralization requires a long-term commitment by both the government and its development partners to gradually transform long held governance arrangements. Time and absorptive capacity of recipient institutions are important inputs to designing progressive interventions such as predictable and transparent intergovernmental transfer programs like block grants. For example, in this project, intergovernmental transfers were carried out using transparent formulas, predictable with a commitment made every three years by the national government to the UPs who, in turn, used the resources to plan longer term investment priorities identified after direct consultations with constituents.
- Institutional development at all levels of government and communities of constituents requires a continuous effort. Alternative arrangements for training and mentoring of critical staff are essential to build sustainable capacity at the local levels. In this project, District Facilitators trained about 63,000 UP officials on public financial management, procurement, safeguards and monitoring.
- Right sizing and proper sequencing of intergovernmental transfers are important. For example, UPs



needed adequate block grant allocations that would allow them to deliver on their mandates without encouraging rent seeking and patronage activities.

- Introducing performance based grants provided a competitive incentive to subnational governments to perform well in key governance areas and undertake accountability measures within the purview of local governments. For example, UPs improved tax revenue collections, increased participation by constituents, and improved planning, budgeting and reporting.
- When designing management information systems (MIS) to accompany the changes introduced to support decentralization efforts, a realistic assessment of the availability of key personnel and infrastructure such as a stable and uninterrupted power supply and proper internet band-width are helpful while its absence could inform alternative measures to ensure achievement of implementation targets.

13. Assessment Recommended?

No

14. Comments on Quality of ICR

The ICR was concise with a detailed project overview, following the revised 2017 guidelines. The theory of change was well presented with a particularly helpful summary table showing the evolution of the project, detailing how the project's progressive interventions accompanied government reform in local governance (ICR, Table 1 after paragraph 71). The narrative was candid, for example, in reflecting on the need to make unambiguous the UP level focus of the PDO and its indicators and the reasons that held back the timely operationalization of the focus of the M&E design, including the MIS system. Evidence of project outcomes were internally consistent, credible, and extensive.

a. Quality of ICR Rating

Substantial