



1. Project Data

Project ID P090157		Project Name BT: Urban Development-II	
Country Bhutan		Practice Area(Lead) Urban, Resilience and Land	
L/C/TF Number(s) IDA-47440,IDA-54310		Closing Date (Original) 31-Dec-2015	Total Project Cost (USD) 24,847,447.58
Bank Approval Date 29-Apr-2010		Closing Date (Actual) 30-Jun-2019	
		IBRD/IDA (USD)	Grants (USD)
Original Commitment		12,007,500.00	0.00
Revised Commitment		29,407,500.00	0.00
Actual		24,769,094.80	0.00
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2. Project Objectives and Components

a. Objectives

The Project Development Objectives (PDOs) as stated in the Financing Agreement (Schedule 1, page 5) and the Project Appraisal Document (PAD, page 3):



a) To support Bhutan's municipal reform program by strengthening municipal finance and management systems in Thimphu and Phuentsholing: and (b) to improve infrastructure services in Northern Thimphu where no formal services are currently available.

An additional objective was added with the Additional Financing (AF) for the project on August 13, 2014. The revised PDOs as stated in the AF Agreement (Schedule 1, page 5) were:

(a) To strengthen the municipal finance and management systems in selected Thromdes (local government equivalent to a municipality or city corporation): (b) To improve infrastructure services in Thimphu: and (c) To support implementation of the urbanization policies under the government's Eleventh Five Year Plan (FYP).

This review is based on the PDOs as stated in the AF Agreement.

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

Yes

Did the Board approve the revised objectives/key associated outcome targets?

Yes

Date of Board Approval

13-Aug-2014

c. Will a split evaluation be undertaken?

No

d. Components

There were three components (PAD, pages 4 -5) and Schedule 1, page 5 in the AF Agreement).

1. Municipal Finance & Management. The estimated cost at appraisal was US\$1.5 million. With the AF, the revised estimated cost was US\$2.2 million. The actual cost was US\$1.8 million. This component aimed at strengthening the institutional systems of the Thimphu and Phuentsholing municipalities. There were two sub-components: (i) strengthening their local revenue administration systems: and (ii) strengthening their expenditure and financial management systems. The scope of this activity was scaled up with the AF to include strengthening the local revenue administration, expenditure and financial management systems of Gelephu and Samdrup Jongkhar, which were designated as municipalities in 2010.

2. Thimphu Northern Area Development. The estimated cost at appraisal was US\$9.3 million. With the AF, the estimated cost was US\$25.2 million. The actual cost was US\$20.1 million. This component aimed at developing urban infrastructure (internal roads, water and sewerage systems and street lighting in two areas on the northern edges of the Thimphu city, under the land-pooling approach (This approach refers to a planning technique aimed at minimizing displacement and land acquisition costs, through voluntary agreements with land owners to redraw their plots in exchange for improvements in basic



infrastructure. According to the ICR (page 54) variants of this approach have been used by urban governments in Japan, Korea, Germany and India). The scope of this activity was expanded with the AF to include infrastructure investments in the Lower Taba Local Area Plan (LAP, refers to a local level master plan that defined land uses, laid out plots and included location of infrastructure facilities to serve a projected future population).

3. Capacity Building. The estimated cost at appraisal was US\$1.2 million. With the AF, the estimated cost was US\$2.0 million. The actual cost was US\$2.2 million. This component aimed at financing training and technical assistance for the municipalities and capacity building of the Ministry of Works and Human Settlement (MoWHS).

With the AF, the third component was renamed as Support for Policy Implementation. The scope of this component was revised to include additional assistance to the MoWHS and the municipalities for : (i) implementing a national human settlements strategy: (ii) drafting national planning legislation and standards: and (iii) implementing architectural guidelines for land use.

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

Project cost. The estimated cost at appraisal was US\$12.7 million. The revised estimate with the AF was US\$29.4 million. The actual cost was US\$24.7 million.

Project financing. The project was financed by an IDA credit of US\$12.0 million. AF of US\$17.4 million was approved on August 24, 2010. With this the IDA credit for the project was US\$29.4 million. The amount disbursed US\$24.7 million. There was parallel financing for similar activities in the southern part of Thimphu city from the Asian Development Bank (ADB).

Borrower contribution. Borrower contribution was estimated at US\$0.7 million at appraisal. The Bank project team clarified that there was an actual borrower contribution of US\$0.7 million for the original project and US\$0.1 million for contribution to the AF project.

Dates. The original project approved on April 29, 2010 was scheduled to close on December 31, 2015. The AF was approved on August 24, 2010. The project eventually closed on June 30, 2019.

Other changes. These changes were made through a Level 1 restructuring on August 13, 2014. In 2013, the government requested support for implementing the Municipal Finance Policy and the 11th FYP's objective of strengthening the financial management systems of the municipalities. Following the Mid-Term Review in May 2013, the Bank agreed to the government's request for additional support through an AF credit.

- The project was scaled up to expand its geographical scope.
- While the two original PDOs essentially remained the same, an additional PDO was added. The results framework was modified in lieu of the activities added through AF.
- The closing date was extended to June 30, 2019 for completing the scaled up activities.



Split rating. An additional PDO was added and PDO targets were revised following the AF. However, given that the revised PDOs were overall completely consistent with the original PDOs for the project, there is no split rating of objectives in this ICRR.

3. Relevance of Objectives

Rationale

Country context. Economic growth before appraisal, had led to rapid urbanization, with urban population estimated to have grown by about 4.7% annually since 2000. Urban population accounted for a third of the total population, and was expected to reach 50% of the total population by 2020. Meeting the challenges of urbanization was therefore important in the country context. The urbanization issues (such as, providing water and sewerage facilities and housing), were particularly important in Thimphu, the country's capital and biggest municipality (accounting for around 40% of Bhutan's total urban population) and Phuentsholing, the next most populous municipality.

Government Strategy. The PDOs were consistent with Bhutan's 10th Five Year Plan (FYP) for 2008-2013 and the *National Urbanization Strategy* (BNUS) of 2008. The plan outlined the goals of sustainable urban development, increasing housing supply and supporting decentralized governance. The BNUS articulated the urbanization issues: municipal reform towards decentralization: balanced regional development: prioritization of investments in two major cities and regional centers: environmental protection and cultural conservation: and capacity building of urban institutions. In 2007, Bhutan enacted the Local Government Act and the Public Finance Act in 2007. These acts delegated Thromdes with service delivery responsibilities and gave them power for collecting and managing own-source revenues. The PDOs were very consistent with Bhutan's 11th FYP for 2013-2018 and with the current 12th FYP for 2018-2023. While the 11th FYP highlighted the need for deepening the institutional and policy framework for urbanization, the 12th FYP underscored the need for creating a "just, harmonious and sustainable society through enhanced decentralization".

Bank strategy. The PDOs continue to be relevant to the Bank strategy. At appraisal, the first pillar of the Bank's Country Assistance Strategy (CAS) for 2006-2009, highlighted the need for "promoting quality of urban life and balanced regional development" through "satisfactory urban service delivery" in Thimphu and selected towns (CAS, page 20). The Second Area of Engagement of the Bank's Country Partnership Strategy (CPS) for 2011-2014, highlighted the need for "spatial planning and public services" and "Integrated sustainable urban-rural development" (CPS, page 21). The PDOs are highly relevant to the current CPS for 2015-2019. The Results Area three of the CPF aimed at "*supporting green development*" and highlighted the need for "*improving infrastructure management*". (CPS, page 13).

This project succeeded a prior project (Bhutan Urban Development Project), which financed basic infrastructure in ten smaller settlements in Bhutan. Unlike the prior project, this project focused on investments in basic infrastructure in Thimphu municipality, where population growth concerns were most urgent. With the AF, the project activities were appropriately expanded to include the two areas that had been designated as municipalities in 2010. The relevance of objective is rated as High.



Rating

High

4. Achievement of Objectives (Efficacy)

OBJECTIVE 1

Objective

Strengthen the municipal finance and management systems in selected Thromdes

Rationale

Theory of change. Capacity building of the municipalities and staff training, were aimed at improving the revenue collection and expenditure management of the two municipalities. Scaling up activities (such as strengthening the expenditure and financial management systems of two more municipalities) were core activities aimed at improving their revenue collection and expenditure management capacity. The causal links between project activities, outputs and outcomes were logical and the intended outcomes were monitorable.

Outputs (ICR, pages 12- 14 and page 34).

- Revenue Management Systems (RMS) and Digital Asset Registers (DARs) were installed in four targeted cities (Thimphu, Phuentsholing, Samdrup Jongkhar and Gelephu), to improve collection of property taxes. Budget and Accounting Manuals were drafted in these municipalities as targeted. The budgets and manuals enabled Thimphu municipality to meet recurrent expenditures through the revenue from property taxes. Thimphu also linked the Digital Asset Registers and Revenue Management System to the water service billings and introduced an e-payment system for collecting water tariffs.
- 8,738 Property Tax Records were computerized, exceeding the target of 7,000 in Thimphu municipality. The corresponding figures for Phuentsholing and Gelephu municipalities were 2,803 (target 2,000) and 1,199 (target 1,100) respectively. The target for the Samdrup Jongkhar municipality (1,500), was expected to be reached in 2020, as implementation of the system was started just before project closure in that municipality.

Outcomes. (ICR, paragraph 25).

- Property taxes collected in Thimphu municipality increased to over 250 million Bhutanese Ngultrum (BTM), as compared to the target of 200 million BTM between 2011 and 2017. Property taxes collected in Phuentsholing municipality increased from BTN 11 million in 2016 to BTN 106 million in 2017, representing an increase of 963% during the period (there were no targets). Due to delays in the roll-out of the property and tax record digitization, Gelephu and Samdrup Jongkhar



municipalities did not report figures of property taxes when the project closed. The ICR (paragraph 25) notes that these figures are expected at the end of 2020.

Increases in revenue collections do not necessarily result only from digitization of property records. It is therefore impossible to ascertain the extent to which the digitization of property records contributed to improving the finance and management systems, since there are no data in the ICR to confirm the direct impact of activities associated with digitization of property records. Hence, given the lack of evidence regarding the extent to which the municipal finance and management were strengthened and the lack of indicators that could serve to measure their impact and attribution to the project, the achievement of this objective is rated as Modest.

Rating
Modest

OBJECTIVE 2

Objective

Improve infrastructure services in Thimphu

Rationale

Theory of change. Developing urban infrastructure (roads, water and sewerage systems and street lighting) under the land-pooling approach for Thimphu municipality and the central water supply scheme for Thimphu municipality, were expected to improve service delivery in Thimphu. Likewise, infrastructure investments in the Lower Taba Local Area Plan for Thimphu, were likely to aid in accommodating the population growth in the municipality. These activities were expected to contribute to improving the infrastructure services in Thimphu. The causal links between project activities, outputs and outcomes were logical, and the intended outcomes were monitorable.

Outputs (ICR, pages 14-16 and pages 30-34).

- 624 serviced plots were developed for construction under the Dechencholing, Lanjopakha and Taba Local Area Plans (LAPs) at closure. This exceeded the target of 300.
- 14.58 kilometer (km) of roadside footpaths were constructed in the three LAPs, exceeding the target of 10.98 km. 1.12 km off-road footpaths were constructed, exceeding the target of 0.62 km.
- 20.40 km of non-rural internal roads were constructed as targeted.
- 10.39 km of roadside drains were constructed as targeted.
- 20.30 km of water pipelines were provided at closure. This was slightly short of the revised target of 20.70 km.
- 13.75 km sewerage pipelines were provided, exceeding the target of 13.05 km.
- 404 staff of the Thimphu and Phuentsholing municipalities were trained, exceeding the target of 80.



Outcomes. (ICR, page 14-16).

The targets for the following outcomes were either realized or exceeded.

- 33,309 persons in urban areas had access to all season roads within a 500 meter range under the project in December 2018. This exceeded the target of 1,200.
- 732 households were provided with new piped water connections, exceeding the target of 600.

On the other hand, the targets of the following outcomes were partly realized.

- 364 demand-determined new building permits were issued in the Local Area Plans. This represented 85% of the target of 430 permits.
- 510 households were provided with new sewerage connections. This represented 85% of the target of 600.

According to a beneficiary survey conducted in November 2019 in the three interviewed project areas, an average of 87% of respondents reported high levels of satisfaction with the connections to piped water systems, and 92% of respondents reported satisfaction with the flush toilets.

Rating

Substantial

OBJECTIVE 3

Objective

Support implementation of the urbanization policies under the government's Eleventh FYP.

Rationale

Theory of change. Technical assistance to the Ministry of Works and Human Settlements and the municipalities (such as for developing a national human settlement strategy, developing urban development guidelines and planning regulations), were likely to support the implementation of urban policies under the government's 11th FYP. The causal links between the project activities, outputs and outcomes were logical

Outputs (ICR, page 16).

- Technical documents and policy guidelines and standards for urbanization policies (such as the Bhutanese Architectural Guidelines, the National Human Settlements Strategy (NHSS), the Spatial Planning Act and Planning Regulations and Standards), were completed as targeted.
- 404 people were trained to use the architectural guidelines and standards at closure, exceeding the target of 80.

Outcomes.



- The National Settlement Strategy was used for identifying the investment priorities of the MoWHS and other ministries for the 12th Five Year Plan and for preparing the Comprehensive National Development Plan.
- Nine plans were prepared incorporating the findings and recommendations of the outputs described above, exceeding the target of five. The plans included the Paro Valley Development Plan for 2015 - 2035, the Punakha Urban Development Plan for 2016, two LAPs in Samdrup Jongkhar, two in Dagana and three in Bumthang.

While it is difficult to ascertain the extent to which the outputs produced under the auspices of this project contributed to realizing the PDO, based on the information in the ICR (paragraph 38), this review concludes that the activities significantly contributed to realizing the PDO.

Rating
Substantial

OVERALL EFFICACY

Rationale

While there was no direct evidence that Objective 1 was achieved, the efficacy of the achievement of Objectives 2 and 3 was substantial. Hence, although Objective 1 was important for the support of municipal reform and the improvement of urban infrastructure, the overall efficacy of the project's achievements was rated substantial, but marginally so.

Overall Efficacy Rating

Substantial

5. Efficiency

Economic analysis. An economic analysis was conducted at appraisal and at closure for activities under the LAPs. These components accounted for 86% of the estimated cost at appraisal and 81% of the actual cost. The project activities aimed at improving the service delivery of water and sewerage facilities in the project-intervened areas. The project benefits were to be reflected through land value increase in the project areas. The ex post Economic Internal Rate of Return (EIRR) for Dechencholing and Lanjopakha LAPs were estimated at 28% and 39% as compared to the ex ante EIRR of 33% and 28% respectively.



An economic analysis was also conducted for activities added through the AF for the project (LAP for Taba and the Central water supply scheme). The estimated ex post EIRR for Taba LAP, was 25% as compared to the ex ante EIRR of 12%. The ex post EIRR for Taba was considerably lower than the ex ante EIRR, due to the slower than forecast uptake of water and sewer connections. The ex post EIRR for the Central water supply scheme was 29% as compared to the ex ante EIRR of 24%.

Administrative and Operational issues. Project savings were realized due to a combination of factors, including exchange rate fluctuations and competitive procurement. These savings were used to implement water, sewerage, road and streetlight improvements in two other adjacent LAPs. On the other hand, due to weak implementation capacities, the implementation of finance and management systems was slower in all municipalities other than Thimphu. Consequently, as noted already in Section 4 of this review, Gelephu and Samdrup Jongkhar municipalities were unable to report figures of property taxes collected when the project closed.

Despite some administrative and operational weaknesses, the efficiency with which the project was implemented is rated as substantial.

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	✓	30.50	86.00 <input type="checkbox"/> Not Applicable
ICR Estimate	✓	30.50	81.00 <input type="checkbox"/> Not Applicable

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

6. Outcome

Relevance of the original PDOs and revised objectives included in the AF to the government and Bank strategy is High. The efficacy of the achievement of one of the three objectives (to strengthen the municipal finance and management systems in selected Thromdes), was rated modest due to inadequate evidence. On the other hand, the efficacy of the other two objectives (to improve infrastructure services in Thimphu and to support implementation of the urbanization policies under the government's Eleventh FYP) were rated substantial and overall efficacy was rated substantial, although marginally so because of the considerable importance of strengthening the municipal finance and management systems. Efficiency was rated substantial, in view of the sound economic rates of return for local area plans which accounted for close to 80% of all



investments. Given the weakness of the overall efficacy rating, the project's overall outcome is rated moderately satisfactory.

a. Outcome Rating

Moderately Satisfactory

7. Risk to Development Outcome

Government commitment. The ICR (paragraph 77) notes that the long-term development outcome of stronger urban management and decentralized governance, is contingent upon improved institutional capacity. For municipalities this would include appropriate staffing and training to ensure that the municipal finance and management systems are consistently utilized. It would also require a deeper commitment by the government to ensure that new technical staff are trained in the principles of municipal finance and management.

Technical risk. The ICR (paragraph 78) notes that the water and wastewater systems in this project were financed under a design-build-operate transfer fixed term contract. This meant that Operation and Maintenance (O&M) costs needed to be covered once the contract concludes in 2022. It is not clear if revenues from the current tariff system will be adequate to cover the future O&M costs.

8. Assessment of Bank Performance

a. Quality-at-Entry

According to the ICR, this project was prepared based on the experience of a prior Bank project - the Bhutan Urban Development Project (BUDP 1). Lessons from this previous operation were incorporated into the design, including focusing only on investments in Thimphu, a new approach to land assessment through the Land Pool approach, and focus on building local government capacity. A Project Management Unit was established in the Ministry of Works and Human Settlements which oversaw the project and was responsible for implementation of Components 1 and 3. For Component 1, project focal points were designated in each Thromde. A Project Implementation Unit was established for Thimphu for the works implementation for Local Area Plans. These arrangements were appropriate for strengthening their institutional capacities. Several risks were identified at appraisal, including risks associated with weak implementation capacity of the Thimphu City Corporation and weak capacity for financial and procurement management. Mitigation measures incorporated at design to address these issues, included training relevant staff on procurement and financial management during implementation. With mitigation measures, the overall project risk was rated as moderate at appraisal.



Appropriate arrangements were made at appraisal for safeguards and fiduciary compliance (discussed in Section 10 of this review).

There were shortcomings in M&E (discussed in Section 9a of this review).

Quality-at-Entry Rating Moderately Satisfactory

b. Quality of supervision

Nineteen Implementation Results Reports were filed and twenty seven supervision missions were held over the project lifetime of ten years. The ICR (paragraph 74) notes that supervision team was appropriately staffed, and continuity of leadership was maintained with two Task Team Leaders during project implementation. The supervision team responded to government priorities such as through identifying separate trust fund resources (from the Institutional Fund) to support fiscal decentralization studies and training. This freed credit resources for other activities under the original credit. The ICR (paragraph 74) notes that the Mid Term Review provided a comprehensive assessment of project performance and this provided the basis to scale up the project with AF. The team also worked closely with the Project Management Unit to identify and utilize the cost savings (due to exchange rate changes and competitive bidding), for financing additional activities in the two LAPs. The support provided by the supervision team aided in safeguards and fiduciary compliance (discussed in Section 10).

The Bank failed to make the necessary changes to remedy the weaknesses of M&E (discussed in Section 9b of this review).

Quality of Supervision Rating Moderately Satisfactory

Overall Bank Performance Rating Moderately Satisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design

Of the three key outcome indicators - the number of building permits issued by Thimphu municipality and number of households with permits in Dechencholing and Lanjopakha - were appropriate for monitoring



project performance. The third indicator - percent change in local revenues collected by the two municipalities - was inadequate, as outputs other than digitization of property records, would be required for strengthening the municipal finance and management systems of municipalities for improving collection of local revenue. Likewise, although the Thromode M&E cell tracked the number of beneficiaries within and adjacent to the Local Area Plans that benefitted from access to these services, there was no specific indicator to capture this outcome.

b. M&E Implementation

A household survey was conducted at appraisal to establish baseline data on parameters against which the project's performance was to be measured (PAD, paragraph 37). However, given that the data held by municipalities on the number of properties was incomplete, targets were set based on best estimates. The project staff were trained on M&E at appraisal by the MoWHS.

c. M&E Utilization

The ICR (paragraph 63) notes that regular reporting of results allowed the team to refine the PDO indicators during the Mid Term Review. For example, the change from "local revenue" collected to "property tax collected" was a better measure of the project's contribution. Likewise, splitting water and sewerage conditions enabled the team to identify and track progress on both types of connections. This enabled the municipalities outreach efforts to improve connection rates, when the water and wastewater treatment plants became operational.

M&E Quality Rating

Modest

10. Other Issues

a. Safeguards

The project was classified as a category B project under World Bank Safeguard policies. Two safeguard policies were triggered at appraisal: Environmental Assessment (OP/BP 4.01): and Involuntary Resettlement (OP/BP 4.12) (PAD, page 16). Three additional safeguards were triggered with the project with AF: Natural Habitats (OP/BP 4.04): Physical Cultural Resources (OP/BP 4.11): and Projects on International Waterways (OP 7.50).

Environmental Assessment. The PAD (paragraph 75) notes that an environmental assessment was conducted at appraisal. The expected environmental impacts, (such as, due to the clearing of



trees, construction-related impacts, temporary disturbance to local traffic and operation stage impacts due to sewerage disposal), were expected to be limited. The ICR (paragraph 66) notes that there were no major or irreversible impacts and compliance with environmental impacts was deemed to be satisfactory.

Involuntary Resettlement. All project affected families title owners, who had agreed to the Land Pooling Approach and contribute 25% of their land, were to receive compensation for structures, other assets and livelihood plus resettlement assistance (PAD, page 66). Resettlement Action Plans (RAPs) were prepared and publicly-disclosed at appraisal (PAD, page 64). The ICR (paragraphs 68 and 69) notes that resettlement and rehabilitation of the affected households and persons were managed as per the RAPs and compensation payments were made to the affected people (ICR, paragraph 69).

Natural Habitats. The ICR (paragraph 66) notes that there were no major or irreversible impacts and no damage or loss to important flora and fauna as a result of project activities in the development of LAPs, rehabilitation of roads and construction of the water supply scheme.

Physical Cultural Resources (PCR). According to the clarification provided by the team, the project assessed the risk to PCR prior to implementation and there was no destruction or damage to PCR during implementation.

Projects on International Waterways. The ICR (paragraph 65) notes that in accordance with the guidelines for this safeguards, India and Bangladesh were notified, with India responding with no objection and Bangladesh submitting no response.

b. Fiduciary Compliance

Financial management. There was no separate Financial Management Assessment of the MoWHS, as the ministry had earlier implemented Bank-finance projects and was familiar with Bank's financial management policies (PAD, page 39). The financial management risk was rated as "modest" during preparation. The ICR (paragraph 70) notes that financial management performance of the project was satisfactory. Good quality Interim Unaudited Financial Reports and external audit reports were submitted in a timely fashion. The team clarified that the audits were unqualified.

Procurement management. An assessment of the procurement arrangements of the Thimbu City Corporation (TCC) and the Phuentsholing City Corporation (PCC) - was made at appraisal (PAD, paragraph 61). Overall procurement risk was rated as Moderate. The ICR (paragraph 71) states that overall procurement performance was rated as moderately satisfactory. Although there were significant delays in the initial years due to a combination of factors, including understaffing of the implementing agencies, lack of understanding of appropriate contract provisions and a scarcity of qualified bidders on initial contracts, these issues were rectified during implementation (ICR, paragraph 72).

c. Unintended impacts (Positive or Negative)



d. Other

11. Ratings

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

12. Lessons

The ICR drew six lessons and recommendations from the project's experience. Half of them were very much focused on the specifics of issues faced by this project such as procurement and safeguards. The following are three lessons, mentioned in the ICR that have potential implications for other Bank-financed projects, with some adaptation of language.

1. Land pooling arrangements can be an effective planning instrument to land acquisition required as part of urban development. The experience of this project demonstrated that land pooling (a technique aimed at minimizing displacement and land acquisition costs through voluntary agreements arranged by municipalities between land owners to redraw their plots in exchange for improvements in basic infrastructure), could minimize resettlement costs during urban development. The lesson is that there are many potential options for collaborative strategies to reduce or even eliminate the disruptive impact of urban development, such as land pooling..

2. The project underscored the benefits of capacity building through training activities. There were delays in the activities pertaining to municipal financial management, due in part to the lack of familiarity with fiscal decentralization and municipal financing principles. These delays were rectified with training aimed specifically at capacity building of financial management staff in municipalities. The lesson is that training on a specific subject provided to staff who have an urgent need to gain knowledge of a subject and remain in their jobs is likely to be successful.

3. Project design should include outreach activities for avoiding implementation delays. Delays in completion of water and wastewater connections in this project were mainly due to the response to the problems related to connection fees expressed by households. The nature and extent of the problems were eventually understood and resolved during implementation, following a series of outreach activities by the municipalities to encourage households to connect to the system. The lesson is that improved public services are not necessarily welcomed, if the additional cost is not known and effectively communicated in the context of the benefits.



13. Assessment Recommended?

No

14. Comments on Quality of ICR

The ICR is well-written and reasonably concise and its structure is consistent with OPCS guidelines. Annex 7 in the ICR provides useful information on the use of land pooling which was an important institutional aspect of the project. The ICR candidly discusses issues pertaining to shortcomings in M&E. The ICR also draws some useful lessons from the experience of implementing this project.

It is necessary to provide information on all safeguards that were triggered. The ICR provides no information on whether there was compliance with safeguards on physical cultural resources, although the Bank project team provided information on compliance with this safeguard to IEG in the course of this review.

a. Quality of ICR Rating

Substantial