URBAN PARTNERSHIPS FOR POVERTY REDUCTION (UPPR)

MID-TERM REVIEW 2012: AIDE MEMOIRE

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SUMMARY OF FINDINGS AND RECOMMENDATIONS

The Urban Partnerships for Poverty Reduction (UPPR) is proving to be an efficiently targeted delivery model for infrastructure improvements and livelihood benefits. It is delivering at scale both in terms of social mobilisation and in the delivery of infrastructure and socio-economic benefits. The population mobilised or benefitting from CDC activities already totals 2.86 million and this figure together with those mobilised into PGs (2.1 million) represents good progress. Whilst infrastructure delivery is below logframe targets, schemes set out in Community Action Plans are being met, and livelihood and education grant beneficiaries are above target. CDCs were observed to be targeting poor and extremely poor people for SIF and SEF benefits. Expenditure of both SIF and SEF is above the annual budget allocation for 2011 and showing an increase over 2010. The unit cost of mobilisation and supervision including project management has likely decreased over time and the project unit cost is substantially lower than that of other similar projects in Bangladesh. In addition, the programme is generating or levering significant additional resources which are not captured in current reporting e.g. £2.3 million in savings, £0.5 million in O&M accounts, £12.6 million in wage and income generation, and £1.5 million in services accessed from other providers.

The programme is largely on track to meet the Outcome target of 3 million poor and extremely poor people. However the programme needs a more accurate measurement of poverty to be able to be certain of its progress against logframe milestones.

The project is not on track with regard to the phase-out from the 11 towns and stakeholders have been debating whether the Outcome target of 3 million people should be met within the existing 23 towns or whether to expand to the remaining 7 towns. The programme is not on track with regard to financial forecasts, and rationalisation of the budget is required.

Key <u>challenges</u> for the programme are:

- Achieving poverty reduction impact: It is important for the programme to maintain a focus on defining approaches which will provide strategic and structural poverty reduction impacts
- Seeking sustainability for the UPPR model through improved engagement of local government, strengthened community organisation through clusters and Federations, increased effectiveness of skills training and block grants to better reflect local markets, and scaling up of the improved systems for savings and credit (S&C) groups.
- Balancing the pressures to respond to needs and to develop sustainability for exit
- Working in an unfavourable policy environment
- Achieving effective project management for a large and complex programme. Management is challenged by the scale of operation, the number of cities/towns in which the programme operates, the number and variety of interventions, and the difficulty in recruiting and retaining qualified staff in a demanding work environment.

<u>Recommendations</u> are summarised as follows:

1. Changes are suggested to logframe indicators at Output level mainly to assess efficiency of inputs and to better reflect intended outputs. Milestones and targets need to be more closely defined particularly for Output 2. Outcome indicators need baseline and mid-point data as a matter of urgency.
2. UPPR should renew its efforts to encourage the strength and sustainability of community organisations particularly by the formation of Federations, facilitating exchange activities within and between towns, and by promoting improved governance of CDCs including accountability to PG members.
3. The successes of the pilot governance improvements (e.g. social audit, contract display boards, competitive bidding and Community Resource Centres) should be shared with other towns, and the improvements to community banking management should be scaled up as soon as possible.
4. UPPR should promote and monitor agreements to ensure that slum landlords do not increase rents for 3-5 years on account of infrastructure provided under the project.
5. UPPR should work more closely with local governments and local landowners to develop a more strategic approach to obtaining security of tenure for slum dwellers based on the Settlement Maps. This could include a process of slum categorisation and slum-by-slum examination of tenure options. The aim should be to obtain agreements that slum communities will not be evicted

at least for one generation (15-30 years) thereby allowing inter-generational benefits to accrue through the project.

6. Improved analysis of local market conditions should be undertaken to identify appropriate new businesses and employment opportunities for SEF support. Small enterprise grant recipients need continuing business development support.
7. Review SEF activities to identify those which are most effective and providing best value for money. These should form the focus of SEF expenditure for the remainder of the programme.
8. DFID and UNDP should jointly examine coordinated policy interventions to support national policy changes, notably adoption of the Draft Urban Strategy.
9. The project management needs to explore ways to increase the proportion of women staff, including at senior management level. This may include a review of terms and conditions and training opportunities.
10. Undertake an external poverty impact assessment to review at household level the impact of infrastructure and livelihood benefits. Are households in areas covered by CDCs experiencing an improvement both in living conditions and livelihoods?
11. Decisions are required on the future funding of UPPR, first and foremost how to compensate for exchange rate loss. If it is decided to proceed with further scaling up of project expenditures following the trend of the last three years, then additional funding will be required. Otherwise there will be a requirement to rationalize expenditures by phasing out of CDCs/towns, focusing on allocations for activities that directly contribute to stated project outputs and/or reduce allocations for community grants which in turn likely will impact on project benefits for the target group. Another option is to engage with GoB to include additional funding from the state budget, e.g. state budget allocations to complement external funding for community grants.
12. UPPR needs a clear exit strategy. This should comprise:
    - a clear vision of the long-term sustainability of the programme and the short-to-medium targets for hand-over and capacity-building.
    - acosted programme for phasing-out from the 11 towns. This requires renewed focus on CDC maturity and detailed, town-by-town planning for a reduction of UPPR financial and technical support balanced by an increasing role for CDC Clusters and Federations.
13. Proposed expansion to 7 new towns should only be planned for when the costed phase-out programme is completed and available resources are known. The nature of the programme in expanded towns should be more focused, informed by the reviews recommended above of the SIF and SEF grants so that the most cost-effective ‘menu’ of activities is offered to communities.
14. Expansion will depend on implementation of the OD Plan to ensure that management structures and resources are in place. Time is likely to be a critical additional constraint.
15. Funding partners (DFID, UNDP and GoB) should begin the process now to consider the design of a possible new phase of the programme.

1 INTRODUCTION

The Mid-Term Review (MTR) of the Urban Partnerships for Poverty Reduction (UPPR) took place in Bangladesh from 25th April to 3rd May 2012. An independent team of four consultants was contracted by DFID and UNDP and this team was joined by DFID India's Urban Adviser and UNDP Bangladesh's economist[1]. TheMid-Term Review was also combined with the Annual Review.

The review team wasasked to look at four main areas:

- the performance of the project against its log-frame and expected results;
- possible expansion into 7 new towns and sustainability and phase out with respect to existing old towns;
- UPPR's role in lesson learning and sharing as well as influencing wider policy; and
- effectiveness of project management, including value for money, efficiency and risks of DFID's, UNDP's and GoB's current and future investment.

The Review Team visited slum communities in Dhaka and in 3 separate groups visited 3 other towns: Chittagong, Tangail and Tongi. Key stakeholders interviewed included:

- CDC leaders and programme beneficiaries in slum communities;
- UPPR partners including CARE Bangladesh and Concern;
- Local government stakeholders including Mayors, Ward Councillors and officers
- Government of Bangladesh representatives including Secretary, Ministry of Local Government, Rural Development & Cooperatives; the Chief Engineer, Programme Director and staff of LGED;
- DFID and UNDP staff;
- UPPR team.

The Review has relied on data and reports provided by the UPPR team. Our findings and recommendations are thus based on analysis of documentation given to us, field observations from a small sample of towns and settlements, and as wide a series of stakeholder interviews as was possible in the time available.

The following report sets out in Sections 2and 3, the key achievements, findings and recommendations associated with the programme's Outputs and expected Outcome; in Section 4 it covers additional issues for Policy Advocacy; Section 5 examines Value for Money and Risk; and Sections 6-8 conclude with Main Challenges, Conclusions and a Summary of Recommendations.

2 KEY ACHIEVEMENTS

The Urban Partnerships for Poverty Reduction (UPPR) programme has made good progress with acceleratedactivity since the end of 2008. Over the last year alone, the population covered by the programme has increased by over half a million from 2.3 million in at the end of 2010 to 2.86 million at the end of 2011.

The programme is delivering at scale both in terms of social mobilisation and in the delivery of infrastructure and socio-economic benefits. During 2011, UPPR coverage has grown from 1,788 Community Development Committees (CDC) to 2,221. The number of primary groups has increased substantially from 19,000 to 24,678 now reaching over half a million households or 2.1 million people. The savings and credit groups (SCG) have increased from 15,400 to 19,000 during 2011 benefitting a total of 317,000 households. Community

[1] The independent consultants' team was Janet Gardener, Babar Mumtaz, Iftekhar Ahmed and Jens Claussen. They were joined by Abhijit Ray from DFID, India and Richard Marshall from UNDP, Bangladesh.

contracts awarded under the social infrastructure fund (SIF) and the socio-economic fund (SEF) have increased to 2,549 contracts, an increase of 817 over the year.Expenditure of both SIF and SEF is above budget allocation and showing an increase over 2010. Since project inception in 2007, SIF expenditure has now reached £16.5 million (£4.7 million in 2011) or 40% of the budget allocation (in £s); SEF expenditure has reached £6.05 million (£3.02 million in 2011) or 42% of the budget allocation (in £s).

Table 2.1 Summary of Progress

	Total by end-2010	During 2011	Total (2007-11)
Population in CDC areas	2.3 million	0.56 million	2.86 million
CDCs	1,778	243	2,221
PGs	19,000	5,678	24,678
PG households		119,000	501, 839
SCGs	15,400	3,600	19,000
SCG households			317,546
Community contracts		817	2,549
SIF expenditure	£11.8 million	£4.7 million	£16.5 million
SEF expenditure	£3.03 million	£3.02 million	£6.05 million

Source: UPPR reports

The programme is successfully targeting poor people. Based on the programme's own Participatory Identification of the Poor (PIP) analysis, 39% of households in all of the CDC areas are extremely poor, 42% are poor and 20%are not poor. Furthermore, the increased focus of UPPR on the extreme poor is reflected in higher percentage of extreme poor households in the new CDCs (42%) compared to CDCs in the former LPUPAP towns (33%).

The UPPR is generating a number of important partners and linkages leveraging additional service delivery to slum dwellers. These and the communities' own efforts are leveraging significant additional resources e.g. £2.3 million in savings, £0.5 million in O&M accounts, £12.6 million in wage and income generation, and £1.5 million in services accessed from other providers.

There are considerable challenges to improve the policy environment for urban poverty reduction in particular to achieve a structural breakthrough for urban slum dwellers in terms of security of tenure. The UPPR has had some success at national level with the Bangladesh Urban Forum and at local level the review team was impressed by the enthusiasm of the Mayors and Ward Councillors in the towns visited. A UPPR settlement mapping exercise presents an important entry-point for UPPR to work with local governments and land-owners to develop town-wide approaches which will mainstream slum settlements into municipal planning and resource allocation, and on a slum-by-slum basis to seek agreements providing more security of tenure for slum dwellers.

Whilst there is no data yet on the specific Outcome indicators there is emerging evidence from Outputs that the UPPR is largely on course to reach the target population of 3 million poor and extremely poor people by 2015. Although a more accurate measurement of poverty is required to ensure that this number of poor and extremely poor people are benefitting from the programme.

3 KEY FINDINGS & RECOMMENDATIONS

This section sets out findings and recommendations for each of the UPPR Outputs and expected Outcome. Conclusions and a summary of recommendations are in Sections 7 and 8 below.

3.1 OUTPUT 1: Urban poor communities mobilised to form representative and inclusive groups and prepare community action plans

The areas in which CDCs operate now cover a population of 0.68 million households or 2.86 million people. Over half a million households comprising 2.1 million people are mobilised in to primary groups – 73% of the population of the CDC areas. Of the primary group members, 317,000 members (63%) have joined SCGs. This is an impressive scale of social mobilisation.

The programme has set itself targets to ensure the inclusion of vulnerable or socially excluded groups and through its PIP process is able to identify such households. The UPPR reports show that 98% of primary groups are exclusively women and that upwards of 70% of the identified vulnerable or socially excluded households (female-headed, with one disabled family member, ethnic minorities or scheduled castes) have been mobilised into primary groups.

The Community Action Plan (CAP) process appears to work well and the CDCs we met show a great deal of pride and ownership of the plans produced. There was not sufficient time to review the detail of the frequency of the planning process or the community contracting but this, too seems to be an empowering process as CDCs prepare contract documents, select beneficiaries, set up their own bank accounts, hire labour and procure materials, supervise the construction, and collect household contribution fees. The 2011 OPR recommended that UPPR should review the status of the CAPs in each CDC. UPPR report that some towns have not yet updated their CAPs, but that these towns have provided a schedule for updating.

The foundation of the social mobilization and the likely source of sustainability are the savings and credit groups. The programme has worked hard to overhaul the management systems. In 10 pilot CDCs, UPPR has worked with communities to verify existing records from individual savers to CDC level and redesign savings and credit management at individual, group and CDC level. As a result, UPPR report that the pilot CDCs meet more regularity, have improved monitoring at town level, and produce regular error-free financial reports and year-end financial statements. Cash held by leaders is reported to have decreased by 58% thus maintaining a best practice limit of less than 1% of savings. Perhaps because of the greater transparency and confidence in the system, savings have increased by 14% and loans by 30%. Following the recommendation of the 2011 OPR, UPPR has recruited a Community Banking Adviser and is scaling up the pilot. So far more than 1500 CDCs have completed initial savings and credit record verification process and are documenting current deficits and weakness.

Key issues

- It is important that this Output is not seen as a 'means to the end' for CAP and SIF/SEF expenditure. The foundation of the UPPR approach is social mobilisation – building community voice, self-initiative and partnerships building. It is an important end in itself. Thus, ensuring that community mobilisers are well trained and appropriately resourced is an essential input for the programme.
- The formation of Federations of CDC clusters is low at only 4 towns and this is limiting the collective strength of community organisations and the building of confidence for independent initiatives. Activities such as exchanges within towns and between towns which can strengthen clusters and Federations are needed.
- The activities of CDCs, CDC clusters and Federations depend largely on UPPR activities and funds. The costs of managing these community governance structures rely in part on management fees on UPPR projects, rather than, for example a membership fee. UPPR has noted that PGs function less well than CDCs and that many CDCs are not holding annual general meetings and elections. Improved accountability to PGs is

needed. The on-going improvement to community savings systems and the pilot governance improvement activities will help transparency and confidence in the groups.

Recommendations

- UPPR should place greater emphasis on social mobilisation as an end in itself. This requires more focus on facilitating networking amongst CDCs promoting empowerment for independent activity, and on building capacity of cluster and federations to take on a support role.
- Community mobilisers, including those to be recruited under the OD Plan, need more thorough induction and refresher training on social mobilisation concepts as well as technical procedure.
- The successes of the pilot governance improvements (e.g. social audit, contract display boards, competitive bidding and Community Resource Centres) should be shared with other towns, and the improvements to community banking management should be scaled up as soon as possible.

3.2 OUTPUT 2: Poor urban communities have healthy and secure living environments

Ensuring the technical quality of physical works remains a challenge given the limited numbers of technical field staff and the complexity of the work. Only two towns have settlement improvement experts, the rest only assistants. Community organisers are trained to support some settlement work, but cannot handle the more technical aspects. Factors that contribute to the work load and its complexity include: sectoral diversity (water supply, sanitation, drainage, footpaths, and more); the number and geographic spread of the communities; the heterogeneity of communities and their capacities; and time pressure to complete the work within the calendar year. Quality issues that need priority attention include: Skilled construction and good quality of materials; siting of latrines and tube wells to avoid contamination of water supplies; placement of drains to align with site topography; maintaining the proper slope, width and depth of drains; designing footpaths to conform to topography and integration with drainage; rehabilitating existing before constructing new facilities; and selecting the appropriate facility design for the given context. Whilst CDCs are trained to manage construction, UPPR and particularly municipal staff need to be able to monitor activities at least on a sample basis.

Improving Infrastructure Planning and implementation only on the basis of CAP without adequate technical planning may create a problem in sustainability and quality of infrastructure intervention. For example, selection and installation of double pit latrines option as a blanket approach for sanitation without consideration of its limitations, expensive latrine super structure, installation of tube wells without consideration of available city water supply and construction of drainage without consideration final outlet are observed in several places.

Addressing seasonal flooding and water logging remains an unmet and serious challenge in most CDCs. Most poor settlements are built on low-lying, flood-prone land or on ungraded land not which has not been prepared for development. The result of which is areas that cannot be easily drained. Settlements are either not serviced by city-level storm drains or serviced by drains that are not maintained. Poor solid waste management add to the drainage problem, especially in the rainy season, resulting in highly unhygienic conditions.

Construction cost inflation, a result of both increasing labor and materials costs, is limiting the numbers or compromising the quality of facilities that a given budget can deliver. Shortages of skilled masons and bricks have lead to construction delays. Lowering of water tables in several towns, caused by over extraction, requires deeper tube wells, adding to increased costs and sometimes abandonment of existing facilities.

Improving operation and maintenance of physical works is nominally addressed by the operations and maintenance fund, which is derived from a charge to the beneficiaries of tube well and latrines equal to ten percent of the construction cost of these facilities. On the whole, the maintenance fund remains untapped. Yet there are many instances of where maintenance is neglected or funded by households themselves. At the same time some communities are lobbying to use the fund for non-maintenance purposes, but the project staff believes that this may be short-sighted. The 2011 OPR recommended that the UPPR should deliver a repair and maintenance awareness raising programme during 2011. The UPPR reports that, in addition to hands on training during field visits by the SIF HQ team, two formal sessions were held to train teams on Operation and Maintenance. An O&M fund management guideline has been drafted with inputs from all.

Addressing housing issues. Increasingly community action plans are citing the lack of decent housing as a priority, but UPPR does not have a budget to address this directly. UPPR is meeting this challenge in part by supporting improved, concrete floors, piloting an improved wall technology, and piloting a housing scheme for evicted-households in Gopalganj as a learning and demonstration project only, and working at the policy level to address tenure security – which may encourage households and others to invest their resources in housing. There are instances of households using their savings account funds, or the O&M budget, for making housing improvements (brick walls replacing bamboo/CI sheet walls).

Other essential services, such as electricity and solid waste management, are not provided. It is beyond the scope of UPPR to provide additional services, but in the process of policy advocacy and collaboration with local authorities for project implementation, linkages with other service providers should be established and strengthened with a view to gain future coverage by their services.UPPR also supports improving access to other basic infrastructure requirements of the community including solid waste management (SWM), metered electricity connections and housing improvements (raising of plinth levels, concrete posts, soil-cement blocks, etc.). However, demand for these services is not prioritised by all communities and therefore overall remains lower in priority compared to water and sanitation justifying their non-inclusion as logframe indicators. The logframe should, therefore, focus on the four critical infrastructure services prioritised by almost all communities – water supply, sanitation, footpath, drainage.

The key critical issue relating to infrastructure provision is the likeliness of owners increasing rent of slum accommodation. In some towns, UPPR has innovated by drawing up agreements with slum owners that they will not increase rent for the next 5-7 years as a consequence of improved infrastructure provided by the project. This needs to be replicated across all UPPR targeted slums with a minimum safeguard of 3-5 years against rental increase built in.

Threat of eviction is a major concern in slums where tenure security is not available. UPPR could aim to get a declaration from project municipalities indicating that these communities will not be evicted at least for 15-30 years. This will ensure that slum residents invest in physical improvements in housing (improved walls, metered electricity connections, etc.) and assets thereby allowing inter-generational benefits to accrue through the project. International evidence clearly indicates that development projects facilitating inter-generational benefits to flow have the maximum impact on sustained poverty reduction and wealth creation.

Recommendations:

- UPPR should support CDCs to promote and monitor agreements to ensure that slum landlords do not increase rents for 3-5 years on account of infrastructure provided under the project.

- UPPR can work with favourable municipalities and, on a slum-by-slum basis with CDCs and land-owners, to obtain agreements or statements of intent that these communities will not be evicted at least for one generation (15-30 years) thereby allowing inter-generational benefits to accrue through the project. Any such agreements should be disseminated as examples for replication in other slums/towns/cities.
- UPPR should include hygiene education as a part of the CAP process and in association with water and sanitation provision.
- To achieve the intended Outcome, UPPR should encourage the provision of all four basic infrastructure services - improved water supply, improved sanitation, footpath and drainage - so that health outcomes are not jeopardised. Specifically, improved water supplies and footpaths must be designed with adequate drainage to avoid ponding and waterlogging. Town teams should work with municipalities to connect with off-site network drainage wherever possible. CDCs should be required to organise drain cleaning as a part of general health and hygiene awareness.

3.3 OUTPUT 3:Urban poor and extremely poor people acquire the resources, knowledge and skills to increase their income and assets

There are essentially two sets of activities that contribute to this output: skills and employment training and a savings and credit scheme.

The skills and employment training ranges from apprentice training to grants to enable school dropouts to resume their education. In addition, there are block grants that provide capital for initiating or supporting trading or other income generating acting activities. Lastly, linkages are made to existing schemes and services, such as access to free health, which most of the extreme poor have been denied largely because of an awareness gap, or because they did not meet residential or other such eligibility criteria.

- Training and Apprenticeship schemes seem to be working well, but they need to be linked more firmly with local, more permanent and stable employment. Greater analysis should be made of apprentice schemes. In at least one case, a former apprentice had set up as an electrician, and had taken on 3 apprentices to cope with expanding demand

- Education and school attendance is likely to be positively impacted by the shift from annual to multi-year grants but not all drop-outs are due to financial circumstances, and in any case, drop-outs may need “catch-up” coaching, there is a need for better focus and targeting of support to need. Similarly, while day care is essential for the income and employment prospects of many women, to make it sustainable and meet the demand, the possibility of transforming it from a community-subsidised activity to a community-provided (paid) service needs to be explored.

- Block Grants are “freebies”, so there is a high demand for them, and therefore their purpose and award needs clarity: whether these are social support grants or employment-enhancing grants. Giving block grants to older, extreme poor women, and expecting them to become successful traders without adequate training or market viability analyses may be counterproductive and leave them indebted if their enterprise fails.

- Linkages to urban social services such as Health have been made by UPPR but the increased demand has further degraded those facilities that were already understaffed or lacking supplies. Moreover, 29 Community Resource Centres have been set up in 11 towns to facilitate form-filling and overcome other eligibility and access constraints.

The savings and credit scheme is perhaps the real corner stone for the income and asset increasing strategy. Not only does it provide the basis for the extreme poor to initiate the process of saving, but also builds and empowers their status and standing in the wider community. For the individual household it provides the possibility of a better standard of living through the acquisition of assets and later, the improvement of their housing. The use of a share of the profits from the savings and credit that goes towards supporting management costs is perhaps even more crucial, since they provide the basis for a longer-term empowerment of the community.

Currently UPPR has been piloting a community banking initiative that is likely to prove more effective in this regard, as it is likely to generate greater revenues for the community as well as savings and loans for the individual household.

Recommendations:

- The savings and credit scheme, and its improvement by the introduction of community banking, should be closely monitored and nurtured to enable it to fulfil its promise – and eventually provide the basis of increased community assets and sustainability.
- Under the apprenticeship scheme, course selection should be done based on a review of local market requirements to ensure quick absorption of beneficiaries.
- There is a need to focus more on training for wage employment rather than self-employment in the informal sector as a more strategic approach to poverty reduction.
- Sustainability of SEF component needs to be closely reviewed. In addition to logframe indicators, SEF comprises of numerous other support initiatives. This adds to burden of the project team in terms of implementation. UPPR should review which components of SEF provide greatest value for money and, going forward, focus on these – in an easy-to follow “menu” of “priced” choices outlining key benefits.
- Stronger engagement with stakeholders is required so that handing over of SEF can be undertaken in a phased manner. UPPR should target to hand over by end of 2013, with UPPR team providing technical and administrative support to local governments and other service providers after hand over of SEF activities. This initiative will also need to be supported by DFID and UNDP at Government level.

3.4 OUTPUT 4:Pro-poor urban policies and partnerships supported at the national and local levels

This output comprises two areas of activity, which are somewhat distinguished by their geographical focus:

- The first are a set of policy advocacy and institutional building initiatives, which are generally national in character and aim to shape urban policy generally, the Project’s operating environment, and in turn, the living conditions of the urban poor.
- The second set focus on developing partnerships and relationships, generally but not exclusively at the local level, to promote better local policymaking and to improve service delivery from a variety of official sector actors.

As is highlighted in the Annual Review reaching a view on UPPR’s effectiveness on this output proved difficult. This was due both the nature of the activities and the paucity of data. It is also worth noting that the current indicators are inadequate, and a number recommendations are made to better hone the reporting framework (see below).

It must also be underlined that this is a challenging brief, particularly in reference to policy influence. This is part due to nature of the nature of the project, which is founded on a bottom-up approach; and more so by difficulties imposed by weak governance and a problematic political economy. The two main policy targets illustrate the difficulties faced; these are the adoption of the GoB’s Draft Urban Strategy which remains moribund; and the improvement land tenure security conditions; where there has been little movement nationally, but some successes have been recorded at town-level.

On partnerships, the operating space was less challenging and progress was generally stronger. However as was noted in the Annual Review and below, further improvements might be made on levering stronger service delivery and in solidifying the key partisanship with the town-level authorities.

Nevertheless, the review Team was generally positive about overall progress, but was keen to see acceleration during the latter years of the Project. Specific issues are picked up below:

- The national policy impact was felt to be a weaker area of performance, but the team acknowledged the very significant barriers faced. Moreover, the theory of change adopted by the Project, which relies on the creation of demand side pressures via social mobilization, has two delivery implications. First, inevitably there will be a lag between mobilization and impact; and second, the structure is not well-suited to macro-level advocacy. The Project has addressed the latter by orchestrating national lobbying efforts and undertaking policy research work in partnership with the Centre for Urban Studies (CUS). The results have included: organization of the Bangladesh Urban Forum (BUF) and the Urban Declaration issued by Government at the BUF; town-level and national reports based on the Settlement and Vacant Land Mapping (SLM) exercise; and various ad hoc pieces of research by the Project's staff and jointly with CUS. These efforts should be consolidated and a stronger focus afforded to the key policy target of land tenure.
- The team felt the existing policy indicator structure was inadequate - notably the use of press reports to reflect policymaking influence. As yet no evidence is available on number of reports published and although UPPR has committed to entering into a media monitoring arrangement, it has offered only anecdotal evidence of coverage. The Review Team felt that this ought to be replaced by measures which directly reflect UPPR's lobbying interventions.
- Local level policy impacts were more tangible. The authorities of four towns (Gopalganj, Tongi, Narayangonj and Savar) have recognised the existence, location and characteristics of low-income settlements, based on the SLM exercise. Gains are likely to accrue through better urban planning and infrastructure provision. But its most significant implication is the partial recognition of land tenure in these areas. Although falling well-short of formal tenure, the local Mayor's signing-off on local SLM maps, does at least provide a basis for further development. This would be further consolidated by the adoption of resolutions within Town Councils and TLCCs, which explicitly reference tenure security.
- On partnerships and linkages, performance was strong and the indicators substantially exceeded milestone targets. Partnerships have ensured real service benefits including among others: delivery of improved water and sanitation to school children; an improved water supply to households in Dhaka; training in handicrafts and shoe making and improved access to healthcare. It is estimated that the setting up of effective linkages has leveraged additional resources for UPPR communities of around £1.5 million from various partners. However, these impacts ought to be better reflected in the reporting matrix.
- While there had been some progress in to establishing larger structures – clusters and federations of CDCs – these efforts need to be accelerated and employed as a basis for building more substantive and sustainable partnerships. These governance models may yield benefits in levering greater resources from Government (town and national level) and in securing better service delivery. The water sector and electricity providers were identified during field visits as primary targets for such partnerships. They may also be lobbying and advocacy gains.

Recommendations:

- The Project should aim to ensure: the BUF is institutionalized and a standing annual event takes place; follow-up on Urban Declaration commitments is undertaken at regular intervals; and research efforts expanded, and if possible further located within the CUS or an alternative policy institute. The latter should include a specific examination of land tenure security issues.
- National policy lobbying efforts should also be better reflected within the reporting indicators. To accommodate any changes, the indicator reflecting press reports should be deleted.
- DFID and UNDP should jointly examine coordinated policy interventions to support national policy changes, notably adoption of the Draft Urban Strategy.
- Project town teams should (where possible) facilitate more formalized recognition based on local SLM maps through adoption of pro-forma resolutions at the town level. An additional indicator should be added reflecting the formal recognition of low income settlements by Municipal mayors.
- The formation of higher level community structures – CDC clusters and federations - should be encouraged and supported to form new partnerships with local authorities and key service providers (notably water and electricity supply).
- Work with local governments and local landowners to develop a more strategic approach to obtaining security of tenure for slum dwellers based on the Settlement Maps. This could include a process of slum categorisation and slum-by-slum examination of tenure options.

3.5 OUTPUT 5:Effective project management systems established and operational

The logframeindicator 5.1 and 5.2 measures rate of community grant disbursements. Indicator 5.3 and 5.4 measures staffing of project positions. There are no milestones defined for this “output”. Output 5 is in many respects not an output by itself, but rather means of achieving other outputs and was initially not included as a separate output in the logframe.

For the assessing results of indicators 5.1 and 5.2, a comparison to previous fiscal year outturns and total project budget were used as proxies. Since transfer of grants have continued to increase year by year in tandem with mobilisation of new communities, the milestones used were achieved and would have been so each year when using the above milestones. This indicator is correlated with indicators for output 1 and 2 in as much as they measure number of households and CDCs implementing SIF and SEF funded activities i.e. if some of the milestones for the former are achieved then milestones for community grant disbursements will likely also be achieved.

The share of positions filled and the ratio of female to total number of project staff employed are also used indicators of “Effective project management systems”. The latter indicator is still well below target with only 22% women employed by end 2012.

The above indicators expressing spending levels for grants compared to budget and share of staffing positions filled are not necessarily the most relevant indicators to measure “Effective project management systems”. For instance a high level of grants disbursed, but with limited outreach for the target group may be an indicator of less effective project management. Filling staff positions resulting in higher cost per unit of output will similarly be an indication of lower efficiency.

Other indicators that better reflect “an effective project management system” could instead be process indicators like the extent to which expenditures are contained within budget ceilings, that management information is produced in a timely manner for decision making, that effective internal controls are implemented to ensure “value for money” and/or that a major share of resources focus on service delivery rather than general project management and administration.

An assessment of financial data suggests that the budget is not fully used as an effective management tool to contain expenditures within approved ceilings. It further shows that staff and consultancy costs have increased and relatively more than the increase in number of households and communities mobilised/receiving support. It shows that standard budget management and project progress reports as basis for decision making, also enabling tracking of project developments over time, is not produced regularly. It also shows that there are several challenges associated to quality and timeliness of project monitoring information, among others due to constrains in implementation of a management and monitoring system. Finally, the project has yet to be subject for an external audit. If subject to annual audits a indicator of "Effective project management systems" will then be the extent to which audit qualifications are addressed over time as confirmed by consecutive audits.

Previous OPRs, the SMR and this review have all found that the management resources for this large and complex programme are stretched. The recommendations of the SMR and the OD Plan produced in March this year will help to address the issues raised (lack of strategic management, centralised decision-making, absence of systematic monitoring, shortage of technical leadership capacity and too few community mobilisers).

Recommendations:

- Indicators of effective project management should either be incorporated under the other outputs to reflect efficiency in delivering the outputs (resource effort/inputs compared to "volume of service delivery") or;
- Output 5 should be measured by other indicators that better reflect project management efficiency like share of resources for general management, administration and supervision versus resources directly reaching target group, that the budget is used as an effective management tool to contained expenditures within approved ceilings (i.e. level of variance between budget and expenditures), frequency in delivery of management reports and information, etc.
- The project management needs to explore ways to increase the proportion of women staff. It should pursue the gender consultancy as recommended by Strategic Management Review to review the UPPR's programmatic and organisational policies with a focus on engendered programming and gender equality in staffing (recruitment, development and retention).This may include a review of the current working culture/environment and what remedial measures can be adopted.
- Urgent implementation of the OD Plan is necessary to complete the proposed restructuring and recruitment recommended in the SMR.

3.6 OUTCOME: Livelihoods and living conditions of 3 million poor and extreme poor people living in urban areas, especially women and children, sustainably improved

The Outcome target of 3 million poor and extremely poor people is taken to be the population of the areas covered by the CDCs – currently 2.86 million people. However there is uncertainty concerning the measurement of poverty in the slums covered by the CDCs. Using the PIP analysis that 20% of the CDC areas are non-poor, current progress towards the end of project target of 3.017 million poor and extremely poor people stands at 2.29 million. This is somewhat behind the logframe target of 2.586 million by December 2011. However, the PIP analysis measures only relative poverty and could be misleading. This highlights the need for a more accurate measure of poverty. The MPI will help to provide such a baseline.

Recommendations

The UPPR should:

- Undertake a poverty impact assessment to review at household level the impact of infrastructure and livelihood benefits. Are households in areas covered by CDCs experiencing an improvement both in living conditions and livelihoods?
- Roll out the work on the Multi-dimensional Poverty Index to provide a more accurate measure of poverty incidence and impact.
- Review SIF and SEF activities to identify those which are most effective and providing best value for money. These should form the focus of funds expenditure for the remainder of the programme.
- UPPR needs a clear exit strategy. This should comprise:
  - a clear vision of the long-term sustainability of the programme and the short-to-medium targets for hand-over and capacity-building.
  - acosted programme for phasing-out from the 11 towns. This requires renewed focus on CDC maturity and detailed, town-by-town planning for a reduction of UPPR financial and technical support balanced by an increasing role for CDC Clusters and Federations.
- The proposed expansion to 7 new towns should only be planned for when the costed phase-out programme is completed and available resources are known. The nature of the programme in expanded towns should be more focused, informed by the reviews recommended above of the SIF and SEF grants so that the most cost-effective 'menu' of activities is offered to communities.
- Expansion will depend on implementation of the OD Plan to ensure that management structures and resources are in place. Time is likely to be a critical additional constraint.
- Funding partners (DFID, UNDP and GoB) should begin the process now to consider the design of a possible new phase of the programme.

4 Policy Advocacy

Within Output 4, the review team makes strong recommendations in relation to policy influence on land tenure security and adoption of the draft Urban Strategy. However, it must be recognized that achieving full recognition of tenure rights is somewhat beyond the reach of the Project. Moreover, adoption of the generally progressive stance taken within the Urban Strategy would mark a major policy shift within Government. In the light of these realties and the challenging political landscape (not least the forthcoming electoral cycle), success here is likely require lobbying from a coalition of interests. As such there is scope for UNDP and DFID, and other partners, to undertake complimentary advocacy within policy circles.

It is recommended therefore that UNDP and DFID should be encouraged to engage with wider lobbying efforts on tenure and adoption of the Urban Strategy. Equally, progress on these issues should also be reflected within outcome level indicators within the reporting matrix.

5 VFM and Risk Assessment

The main deliverable of this project is mobilisation and empowerment of the target group in urban areas through PGs and CDCs. The main inputs are training and supervision by town based support teams. In addition, grants are allocated to the target group to partially meet their demand for infrastructure and to promote income generation activities and access to public social services like education and health.

There is not yet any outcome data available to assess actual impact on the livelihood of the target group of the project deliverables. Thus the following assessment of value for money is limited to an assessment of cost efficiency.

According to data collected by the project management, approximately 449 000 new households have been organised into PGs and subsequently 1619 new CDCs. In total this constitutes a target population of 1.8 million persons. In addition, the project has continued to extend services and grants to existing PGs and CDCs established under the Local Partnership for Urban Poverty Alleviation Project (LPUPAP).

A CDC is at the centre of all development activities, and as it matures it is to be phased out as a direct project beneficiary. Then the project is to reallocate its resources to new CDCs in the same or other towns.

While the project delivers a "standardised package of services" in the form of training and supervision by town based support teams to CDCs, the grants allocated to finance initial investments, promote employment generation and access to social services vary. The composition of the latter depends on individual CDCs demand as expressed by their Community Action Plans (CAP) which vary across CDCs and through time pending the individual CDC's own priorities. On the supply side, the project has also expanded type of eligible expenditures that can be financed from SIF and SEF grants.

Since the main project output is individuals empowered through PGs and CDCs, then unit costs of this output can be calculated using project expenditures in USD. Table 5.1presents unit costs per new person targeted by the project. The unit cost per person has increased over time when using data on new persons and households mobilised through the project. For the year 2008 the unit cost was at its peak since the project was still in its initial phase of building up capacity to deliver services. Since then, the number of new persons targeted have declined from 2009 – 2011 while project costs have increased hence a gradually increasing unit cost.

Part of the cost may be attributed to increases in personnel and other costs. However, the main explanation is due to increase in grants allocated from SIF and SEF which eventually are assumed to improve livelihood for the target group. As compared to similar projects in Bangladesh the unit cost is at low level.

Table 5.1 Number of new persons targeted by the project and unit cost per persons in USD

	2007	2008	2009	2010	2011
No of new persons empowered through PGs/CDCs annually	49,318	79,951	726,532	561,901	418,481
Project cost per "new" person in USD	9.7	58.8	14.2	22.7	45.4

Table 5.2 presents the accumulated number of new persons targeted by the project.The associated unit cost assumes that all new persons mobilised continue to receive services from the project each year. Data on how many persons continue to benefit from project activities, like training and supervision by town teams through their CDCs, is not available. However, it may serve to illustrate project costs per beneficiary if assuming that most of the new PGs/CDCs continue to receive services from the project even after initial mobilisation into PGs and CDCs. In this case the unit cost is substantially lower and cost per person remained the same over the last three years despite increased spending on personnel and grants i.e. the growth in expenditures are justified by an increasing number of persons/PGs/CDCs receiving project benefits.

Table 5.2 Cumulative number of new persons targeted by the project and unit cost per persons in USD

	2007	2008	2009	2010	2011
Cumulative number of new persons empowered through PGs/CDCs	49,318	129,268	855,801	1,417,701	1,836,182
Project cost per "new" person	9.7	36.4	12.1	9.0	10.4

Table 5.3 includes the number of persons from households in PGs and CDCs mobilised through LPUPAP. This is based on the assumption that, in addition to new households mobilised, existing PGs and CDCs continue to receive services from UPPR. There are limited data available to confirm if, and how many, actually receive services from the project. If assuming they are, then the unit cost per person was on average only 5.8 USD per person which is extremely low in comparison with other similar projects in Bangladesh.

Table 5.3 Cumulative number of new persons targeted by the project and unit cost per persons in USD

	2007	2008	2009	2010	2011
Cumulative no of persons including persons in "old" PGs/CDCs	1,073,956	1,153,906	1,880,439	2,442,340	2,860,820
Project cost per "old" and "new" person	0.4	4.1	5.5	5.2	6.6

The data does not allow segregation of which households have benefitted from one or more investment/service i.e. some may be beneficiaries of more than one. However, the data suggest that the number of households and CDCs benefitting from SIF and SEF grants has increased over time and so has the financial value of the grants transferred. The share of grants relative to other project expenditures has also increased. While 34% of expenditures were in the form of SIF and SEF grants in 2007, they constituted 70% of total expenditures in 2011.

In total the above suggest that the effective unit cost of mobilisation and supervision including project management has likely decreased over time and the project unit cost is substantially lower than that of other similar projects in Bangladesh.

6 MAIN CHALLENGES

Achieving poverty reduction impact: It is important for the programme to maintain a focus on defining approaches which will provide strategic and structural poverty reduction impacts focusing on the outcome of improved living conditions and livelihoods. This will mean monitoring:

- the extent to which programme benefits are felt at household level through a combination of improved services and improved livelihood security. Benefits of improved services may not provide sufficient impact unless combined for individual households with livelihood security.
- the extent to which the programme is promoting more comprehensive infrastructure improvement to cover the integrated provision of water, sanitation, drainage and footpaths in order to achieve, in particular health and livelihood outcomes
- the achievement of structural changes in livelihood security through a shift to formal wage employment
- the extent to which SEF is being used for social welfare (e.g. for vulnerable elderly women) and, if necessary, devising alternative mechanisms to provide for their needs e.g. social welfare grant or use of CDC funds for social welfare. opportunities to achieve more secure tenure for slum dwellers both at national policy level and at a town level developing practical options on a slum-by-slum basis
- opportunities to work with local governments to better integrate slum communities within municipal planning, resource allocation and service delivery
- poverty impact. The PIP methodology measures relative poverty only and is therefore not an accurate measure of poverty impact. Furthermore it does not capture households' graduation from poverty. There is some disincentive for communities to acknowledge this. The progress made on the Multi-dimensional Poverty Index (MPI) may help with this and its completion and update surveys should be rolled out as soon as possible.

Seeking sustainability for the UPPR model through:

- At programme level, improved engagement, ownership and adoption by local government to provide technical support and service delivery to CDCs and for a gradual transfer of responsibility and resource allocation
- At community level, strengthened community organisation through clusters and Federations with financial sustainability for independent initiatives, and through increased accountability to primary group members; sustainability of community infrastructure integrating slum infrastructure and service delivery with municipal services, and effective use of CDC O&M accounts
- At household level, through increased effectiveness of skills training and block grants to better reflect local markets, and scaling up of the improved systems for S&C groups.

Balancing the pressures to respond to needs and to develop sustainability for exit: The settlement and vacant land mapping exercise has again highlighted the scale of need within the rapidly increasing urban poor population. Municipal leaders have limited resources for pro-poor expenditure and have expressed the desire to retain the UPPR resources. Alongside this the UPPR was designed to leave behind strengthened capacity and partnerships to sustain initiatives for poverty reduction. Phasing out of CDCs and towns is a key aspect of success. The remaining towns which have not yet received UPPR assistance are pressing to be included. The UPPR urgently needs a strategic plan to identify conditions for exit based on criteria of sustainability, and a model for expansion defining a focused programme based on lessons learnt so far.

Working in an unfavourable policy environment: It continues to be important for the UPPR (and DFID and UNDP) to promote urban policy initiatives such as the Draft Urban Strategy and the Bangladesh Urban Forum. Demonstrating successes from the UPPR including partnerships and linkages with other service delivery agencies and, in particular, possible models for improved security of tenure can help to mitigate any anti-urban policy bias and provide alternative policy paths.

Achieving effective project management for a large and complex programme is challenged by the scale of operation, the number of cities/towns in which the programme operates, the number and variety of interventions, and the difficulty in recruiting and retaining qualified staff in a demanding work environment. More effective project management will rely on:

- Efficient and appropriate organisational structure and human resources, including prompt implementation of the recommendations of the Strategic Management Review and OD plan;
- Improved monitoring and learning systems including data management and reporting; external user satisfaction/verification of outputs, which should be undertaken as soon as possible: and a poverty impact assessment
- Systems for external oversight of programme financial management. These are needed to retain trust and confidence in the programme and to promote financial discipline. In addition to the external audit planned by the OAI of UNDP, annual external audits and an external expenditure tracking survey are suggested.

Project financing: Decisions are required on the future funding of UPPR, first and foremost on how to compensate for exchange rate loss. If to proceed with further scaling up project expenditures following the trend of the last three years, then additional funding will be required. Otherwise there will be a requirement to rationalise expenditures by phasing out of CDCs/towns, focusing on allocations for activities that directly contribute to stated project outputs and/or reduce allocations for community grants which in turn likely will impact on project benefits for the target group. Another option is to engage with GoB to include additional funding from the state budget, e.g. state budget allocations to complement external funding for community grants.

7 CONCLUSIONS

The UPPR programme represents an effective model for the delivery of improved living conditions and livelihoods at scale. The programme has continued to maintain a high level of delivery against targets set. Over the year an additional 361,000 people, mainly women, have been brought into PGs; SIF expenditure of £4.65 million has resulted in the provision of much-needed basic infrastructure and SEF expenditure of £3.03 million has benefitted extremely poor people with grants to develop small businesses, school age children the opportunity to enrol or stay in school, and young people with the skills to access wage employment. At the national policy level, the UPPR has supported the Bangladesh Urban Forum promoting pro-poor urban policy and practice. The unit cost of mobilisation and supervision including project management has likely decreased over time and the project unit cost is substantially lower than that of other similar projects in Bangladesh.

At the mid-point of the programme key issues concern future programming:

- The programme is largely on track to meet the Outcome target of 3 million poor and extremely poor people. However the programme needs a more accurate measurement of poverty to be able to be certain of its progress against logframe milestones.
- The project is not on track with regard to the phase-out from the 11 towns and stakeholders have been debating whether the Outcome target of 3 million people should be met within the existing 23 towns or whether to expand to the remaining 7 towns. The programme is not on track with regard to financial forecasts, and rationalisation of the budget is required.
- Defining conditions for exit from CDCs and towns including engagement, ownership and adoption by local government to provide technical support to CDCs and for a gradual transfer of responsibility and resource allocation; strengthened community organisation through clusters and Federations and increased accountability to primary group members; sustainability of community infrastructure by integrating slum infrastructure and service delivery with municipal services, and effective use of CDC O&M accounts;
- Defining conditions for expansion to new towns in terms of time, resources and management capacity for social mobilisation, infrastructure delivery and a core set of livelihood interventions;
- Reviewing project financing to address exchange rate losses

8 SUMMARY OF RECOMMENDATIONS

A complete list of recommendations is at Annex 4. The summary is as follows:

1. A number of changes are suggested in Annex 4 to logframe indicators at Output level mainly to assess efficiency of inputs and to better reflect intended outputs. Milestones and targets need to be more closely defined particularly for Output 2. Outcome indicators need baseline and mid-point data as a matter of urgency.
2. UPPR should renew its efforts to encourage the strength and sustainability of community organisations particularly by the formation of Federations, facilitating exchange activities within and between towns, and by promoting improved governance of CDCs including accountability to PG members.
3. The successes of the pilot governance improvements (e.g. social audit, contract display boards, competitive bidding and Community Resource Centres) should be shared with other towns, and the improvements to community banking management should be scaled up as soon as possible.
4. UPPR should promote and monitor agreements to ensure that slum landlords do not increase rents for 3-5 years on account of infrastructure provided under the project.

5. UPPR should work more closely with local governments and local landowners to develop a more strategic approach to obtaining security of tenure for slum dwellers based on the Settlement Maps. This could include a process of slum categorisation and slum-by-slum examination of tenure options. The aim should be to obtain agreements that slum communities will not be evicted at least for one generation (15-30 years) thereby allowing inter-generational benefits to accrue through the project.
6. Improved analysis of local market conditions should be undertaken to identify appropriate new businesses and employment opportunities for SEF support. Small enterprise grant recipients need continuing business development support.
7. Review SEF activities to identify those which are most effective and providing best value for money. These should form the focus of SEF expenditure for the remainder of the programme.
8. DFID and UNDP should jointly examine coordinated policy interventions to support national policy changes, notably adoption of the Draft Urban Strategy.
9. The project management needs to explore ways to increase the proportion of women staff, including at senior management level. This may include a review of terms and conditions and training opportunities.
10. Undertake an external poverty impact assessment to review at household level the impact of infrastructure and livelihood benefits. Are households in areas covered by CDCs experiencing an improvement both in living conditions and livelihoods?
11. Decisions are required on the future funding of UPPR, first and foremost how to compensate for exchange rate loss. If it is decided to proceed with further scaling up of project expenditures following the trend of the last three years, then additional funding will be required. Otherwise there will be a requirement to rationalize expenditures by phasing out of CDCs/towns, focusing on allocations for activities that directly contribute to stated project outputs and/or reduce allocations for community grants which in turn likely will impact on project benefits for the target group. Another option is to engage with GoB to include additional funding from the state budget, e.g. state budget allocations to complement external funding for community grants.
12. UPPR needs a clear exit strategy. This should comprise:
    - a clear vision of the long-term sustainability of the programme and the short-to-medium targets for hand-over and capacity-building.
    - acosted programme for phasing-out from the 11 towns. This requires renewed focus on CDC maturity and detailed, town-by-town planning for a reduction of UPPR financial and technical support balanced by an increasing role for CDC Clusters and Federations.
13. Proposed expansion to 7 new towns should only be planned for when the costed phase-out programme is completed and available resources are known. The nature of the programme in expanded towns should be more focused, informed by the reviews recommended above of the SIF and SEF grants so that the most cost-effective ‘menu’ of activities is offered to communities.
14. Expansion will depend on implementation of the OD Plan to ensure that management structures and resources are in place. Time is likely to be a critical additional constraint.
15. Funding partners (DFID, UNDP and GoB) should begin the process now to consider the design of a possible new phase of the programme.

ANNEX 1: TERMS OF REFERENCE

TERMS OF REFERENCE

URBAN PARTNERSHIPS FOR POVERTY REDUCTION (UPPR)

MID-TERM REVIEW 2012

Introduction

1. The Urban Partnerships for Poverty Reduction (UPPR) (March 2008- August 2014) is the largest urban poverty reduction initiative in Bangladesh, and one of the largest in the world. The UPPR programme is implemented by UNDP and financed predominantly by DFID, with support from UNDP and in-kind support from the Government of Bangladesh's Local Government Engineering Department.

2. The goal of UPPR is to reduce urban poverty in Bangladesh. Its purpose is to improve the living conditions and livelihoods of three million urban poor and extreme poor people, especially women and girls, in thirty cities and towns by 2015. UPPR builds the capacity of the urban poor and extreme poor to manage and improve their own lives. The centrepiece - or spine – of the UPPR is a process of community mobilisation in poor and vulnerable settlements. The settlement improvement fund (SIF) is used to improve living conditions in urban slums – providing safe water, sanitation and a range of other physical and environmental improvements. The socio economic fund (SEF) is used to increase the knowledge and skills of the urban poor and extreme poor in accessing employment and business opportunities, generating increased income and assets, and resolving social development issues. UPPR is also designed to influence the policy and build partnership to ensure that central and local government, donors and NGOs address urban poverty reduction in Bangladesh.

Purpose

3. The purpose of the mid-term review 2012 is to assess the overall relevance; effectiveness; efficiency; results & impact; and sustainability in the context of Bangladesh.

> a. Relevance – the extent to which the project is contributing to local and national development priorities and organizational policies viz. urban poverty reduction;
>
> b. Effectiveness – the extent to which progress towards project objectives and outputs have been achieved or how likely it is to be achieved over the remaining implementation period;
>
> c. Efficiency – the extent to which best-value for money has been obtained (results delivered versus resources expended) including the efficiency of various systems;
>
> d. Results – the positive and negative, and foreseen and unforeseen, changes and effects driven by project-supported interventions. Results include direct project outputs, short-to medium term outcomes, and longer-term impact including national benefits, replication effects and other, local effects;
>
> e. Sustainability – the likely ability of project-supported intervention to continue to deliver benefits for an extended period of time after completion.

Objectives

4. The specific objectives of the mid-term review of UPPR are to assess progress of UPPR against outputs and make recommendations for any changes in approach or emphasis to ensure the programme delivers optimal results and maximises value for money. These include to:

> a. Assess the performance of the project against its log-frame and expected results
>
> b. Assess progress and make recommendations with respect to possible expansion into 7 new towns and sustainability and phase out with respect to existing old towns
>
> c. Assess UPPR's role in lesson learning and sharing as well as influencing wider policy;
>
> d. Assess the effectiveness of project management, including value for money, efficiency and risks of DFID's, UNDP's and GoB's current and future investment

Progress and Results

5. Assess the performance of the project against its log-frame and expected results, including project's overall achievements and progress, particularly against log-frame indicators, and provide information and analysis needed for completing DFID Review format (Annex 1) requirements.

The Review Team will:

a. Check if the programme is on track to achieve outcomes, and determine if any adjustments need to be made during the remainder of the programme;

b. Assess progress according to the annual work plans and specific sections assessing beneficiary feedback, risks and value for money.

c. Assess progress on key recommendations from the May 2011 Annual Review' (Annex 2)

d. Make recommendations where appropriate to improve project performance;

e. Assess and make any recommended changes for strengthened logframe indicators, milestones and targets;

f. Record programme innovation and lessons learnt

g. Assess whether proposed improvements in M&E will be able to efficiently track the revised Log Frame indicators

h. Review the quality and timing of regular progress reports as agreed in the programme's Project Memorandum and MoU.

Expansion and Sustainability/Phasing Out Strategy

6. Assess progress and make recommendations regarding possible expansion into 7 new towns as well as with respect to sustainability and phase out with respect to existing old towns

UPPR currently operates in 24 city corporations and municipalities. Under the Project Memorandum and the GoB Development Programme Pro Forma (DPP), UPPR is expected to expand into a further 7 towns, whilst phasing out activities in ten of the eleven older towns. Settlement mapping of the new towns – Syedpur, Pabna, Feni, Chanpur, Satkhira, Jhenaidaha and Faridpur – has been completed, but community mobilisation and project activities are yet to begin.

The Review team will:

a. Assess the feasibility and capacity to expand into the 7 new towns as originally envisioned in the Project Memorandum and DPP, including implications of planned expansion on the project team and operations in existing 24 towns and beyond.

b. Assess the appropriateness and feasibility of the planned phase out as outlined in Project Memorandum and DPP especially in terms of sustainability of outputs and outcomes; and

c. Assess the implications of planned expansion and phase out on the overall outcomes, the achievement of project outputs; value for money for DFID, UNDP and GoB's investments so far and effective inclusion of the extreme poor.

d. In doing this, the review team will suggest sequencing options for expansion and/or phase-out, as well as articulate possible new approaches for phase-out or expansion e.g. more direct involvement of municipality authorities and/or NGOs;

Policy Advocacy

7. Assess UPPR's role in lesson learning and sharing as well as influencing wider policy.

UPPR is producing important insights into urban poverty dynamics in Bangladesh and these insights need to be fully disseminated and exploited. The team will need to:

a. Assess whether the programme is adequately and proportionately contributing to the broader issues relating to urban development in Bangladesh and globally;

b. Assess the capacity of the UPPR project team to deliver on wider policy influencing agendas related to urban development in Bangladesh;

c. Make recommendations for future priorities on policy influencing agenda related to urban development in Bangladesh.

Value for Money and Risk Assessment

8. Assess the effectiveness of project management, including value for money, efficiency and risks of DFID's, UNDP's and GoB's current and future investment

a. Assess programme's financial management and procurement procedures including analysis of (i) budget spend vs planned, (ii) any reviews and evaluations undertaken, and how recommendations were taken up, (iii) how value for money is achieved through effective procurement and contracting (both within the programme and through first and second tier suppliers), and how allegations of fraud and corruption are addressed and whether planned improvements will adequately address risk.

b. Assess progress against implementation of the recent Management Review recommendations to streamline project management and to strengthen monitoring and evaluation, accountability, and other administrative process areas such as funding through community contracts.

c. Assess the alignment of programme budget with the budget breakdown as agreed in the project MoU with UNDP. The review should consider how the devaluation of the GBP against the USD, which has been as high as 25% since the MoU was signed, impacts the ability of the project to achieve intended results and maintain the original budget breakdown.

d. Support revision of UPPR Budget Breakdown - ensuring a clear plan for use of existing finances until the end of the programme. Ensure any agreed actions from the Management review are factored into the revised budget. Recommend financial management reporting taking into account three different exchange rates (GBP, USD and BDT).

The Recipient

9. The recipient is the Government of Bangladesh.

Methodology

10. The review team will:

a. Read key background documentation on UPPR, prepared by the Project Team, DFID and others. These documents include, inter alia: UPPR's annual work plan and budgets for 2010/11 and 2011/2012; relevant policy related documents and partnership documents/references; database and financial reports; and the UPPR Programme Memorandum and relevant annexes, including the technical annex, annual and interim reviews.

b. Receive a separate briefing from DFID, UNDP and LGD/LGED.

c. Meet key stakeholders in Bangladesh, including representatives from central (MLGRDC, LGED) and local government; UPPR management team and selected staff members from HQ and town teams, DFID; UNDP management; key multilaterals, bilateral and NGOs working in urban areas.

d. Make structured visits to at least three UPPR towns (both new and 'old' i.e under UPPR) and visit a number of settlements to meet CDC and Primary Group leaders as well as other poor and extremely poor people, interview beneficiaries, and observe physical, social and institutional developments/results.

e. Present draft findings to DFID, UNDP and UPPR management in the form of a power point presentation, a draft report, and a financial reporting template, obtain feedback and finalise the draft report.

Reporting and Time bound Outputs

11. The review reports will be submitted to Rabya Nizam, the Lead Adviser of UPPR in DFID, Bangladesh; Mary-Ann Taylor, the DFID Project Officer, UNDP senior management and UPPR Project Management; National Project Director (NPD) and the Project Steering Committee, chaired by the Secretary, Ministry of Local Government, Rural Development and Cooperatives (MLGRDC), Government of Bangladesh.

12. Two key outputs (below) should be submitted to DFID and UNDP in draft by 6 May 2012. DFID and UNDP will respond with comments by 8 May 2012. The reports will then be finalised (responding in full to comments) and submitted to DFID and UNDP by 10 of May.

a. A completed DFID Annual Report template (new MS Word template). This is a very important new DFID document which is made public at the end of the review (blank template attached at Annex 3). The UPPR management will complete the Annual Review template in draft in advance of the review to assist the team.

b. A narrative Aide Memoire or Synthesis Report that expands on the DFID Annual Report template and responds to the wider ToRs - maximum of 15 pages (excluding annexes) including one page summary of findings and recommendations which is clearly linked to the Annual Review template. This report will require the following specific annexes:

i. A separate summary strategy for phasing out of towns and cities maximum 6-8 pages, and recommendations about extending into 7 new town.

ii. A separate financial report with recommendations for strengthened financial planning for the remainder of the programme, as well as reporting and financial delivery system for community contracts.

c. In addition to the above reports, the consultants will also produce a power point presentation that highlights key findings and recommendations that will be presented during the feedback session at the conclusion of the fieldwork.

Timing

13. The Review will take place between 25 April 2012 and 10 May 2012. The maximum number of working days is 12 working days for each of the four member team (including preparation, local travel, meetings, field visits, interviews, workshops and report writing).. This timetable is indicative only and should be negotiated and agreed with the Lead Adviser and UNDP at the beginning of the assignment.

Key deliverables/dates: Item/Activities	**Date**	**Responsibility**
Team mobilisation	Early April	DFIDB ,UNDP
Introductory briefing at DFIDB Offices	25 April 2012	DFIDB
Review including field visits (2 or 3 separate field visits between team)	26 – 1 May April 2012	Consultants and other team members.
Debriefing on Field Findings	2 May/to be confirmed	Consultants/Review Team with DFIDB and UNDP
Report Writing	3-4 May 2012	Team
Wrap up meeting at DFID and submission of draft Report along with completed DFID Annual Review Template	5 May 2012	Consultants/Team Leader UNDP and UPPR team members will be invited
Finalisation of the Report	6-10 May 2012	Team Leader with inputs from team members, comments from DFID, UNDP and GoB.

ANNEX 2 - FINANCIAL MANAGEMENT AND REPORTING

1 Project design and financial monitoring

The project was defined by a project log. frame consisting of 3 main outputs as per the initial UNDP project document signed with the Government of Bangladesh and the DFID project memorandum. The current log.frame has been expanded to 5 outputs.

Table 1.1 Project logframe according to the initial project memorandum and current logframe

UNDP project document/DFID project memo		Current log. Frame	
		Output 1	Urban poor communities mobilized to form representative and inclusive groups and prepare community action plans
Output 1	Urban poor communities mobilized to form healthy and secure living environments	**Output 2**	Poor urban communities have healthy and secure living environments
Output 2	Urban poor families acquire the resources, knowledge and skills to increase their income and assets	**Output 3**	Urban poor and extremely poor people acquire the resources, knowledge and skills to increase their income and assets
Output 3	Pro poor urban policy environment delivering benefits to poor people.	**Output 4**	Pro-poor urban policies and partnerships supported at the national and local levels
		Output 5	Effective project management systems established and operational

The initial budget in the UNDP project document presented cost estimates in accordance with the initial log. frame with additional details for each activity (ref. detailed budget attached). The cost estimates were distributed according to the initial project log. frame reflecting costs for delivering the three outputs and with additional allocation for general project management, supervision and support services.

Table 1.2 Project budget as per UNDP project document (in USD)

Output/activity	Budget	Percent of total
Output 1 - Urban poor communities mobilized for healthy / secure living environments	50,363,000	42.0 %
Output 2 - Urban poor families acquire the resources, knowledge and skills	41,478,515	34.6 %
Output 3 - Pro poor urban policy environment	3,696,526	3.1 %
Project Management/other TA[2]	15,907,750	13.3 %
Total direct project costs	**111,445,791**	92.9 %
Unallocated/contingency[3]	8,554,209	7.1 %
Grand total	**120,000,000**	100.0 %
Financing		
UNDP	3,000,000	2.5%
DFID	117,000,000	97.8%
Total	**120,000,000**	**100.0%**

[2] Project management/additional TA is shown as output 3 but should likely have been output 4. In any case, there inputs were not directly linked to any particular output when the budget was presented but instead were allocations for project management, various positions for project supervision across outputs and monitoring and evaluation.

[3] This is the balance between total estimated financing requirement and the sum total of costs distributed by output and activity as presented in the project document.

The total cost estimate of allocations to project components was 111.5 million USD. The estimated financial requirement was 120.0 million USD. This leaves a balance of 8.5 million USD likely to cover cost of some of the activities without a cost estimate and additional cost for UNDP General Management Services. Of the estimated total financing requirement, UNDP would contribute with 3.0 million USD and DFID with 117.0 million USD. In addition, GoB would provide contributions in kind in the form of personnel and offices, other support services and input from Town administration.

The project budget as per the DFID project memorandum was prepared according to a different classification. While output 1 and 2 in the UNDP budget contained allocations both for community grants, community mobilization and supervision, the DFID memorandum budget segregated the grants from other costs and showed the balance of cost according to broad expenditure categories. It also excluded UNDPs contributions which finances the same activities and components[4].

Table 1.3 Project budget as per DFID project memorandum (in USD and GBP)

Description	USD[5]	GBP	%
Community Grants			
Settlement Improvement Fund	46,800,000	24,000,000	40.0 %
Socio-Economic Fund	28,368,031[6]	14,547,708	24.2 %
Total Community Grants	**75,168,031**	**38,547,708**	**64.2 %**
Other costs			
Training	3,236,300	1,659,641	2.8 %
Sub Contractsto implementing agencies	8,753,000	4,488,718	7.5 %
Additional Support To Monitoring, Evaluation	1,415,000	725,641	1.2 %
Personnel Costs	18,721,460	9,600,749	16.0 %
Equipment/Miscellaneous	2,052,000	1,052,308	1.8 %
Total Other Costs	**34,177,760**	**17,527,057**	**29.2 %**
Total Direct Project Costs	**109,345,791**	**56,074,765**	**93.5 %**
General Management Support fee to UNDP (7% of USD 109,345,791)	7,654,209	3,925,235	7.0%
Grand Total	**117,000,000**	**60,000,000**	**100.0%**

None of the above budgets fully reflect the current log frame. The UNDP structure of budget classification was used for charging expenditures up to 2010 when a separate activity code was introduced for segregation of expenditures for Community Mobilization. With a revised log.frame new activity codes have been introduced. This creates a challenge in assessing progress against initial budgets.

1.2 Recommendation:

The two budgets above should be merged into one and revised to reflect the current log .frame if to serve as an budget effective management tool. It should be one overall budget for the program. If the budget allocations are made both by activity and type of cost, the budget should be presented according to these to classification codes; ether separately or with details by type of expenditures under each component (ref. format for initial budget in attached).

[4] The UNDP budget shows an allocation of 45 million USD for SIF which is below the DFID budget and 34 million USD for SEF which is above the DFID budget. In total the UNDP budget for community grants exceeds the budget allocation of 75.1 million USD to community grants as per DFID budget by approximately 9 million USD.

[5] Exchange rate used was 1 GBP= 1.95 USD for planning purposes.

[6]The DFID project memorandum budget states 28,358,031 which is likely a typing error since otherwise the figures and calculation of GMS for UNDP would not add up.

2 Project expenditures and financial reporting

Project expenditures have been contain within annual budget allocations except for technical assistance which in the last two years have exceeded annual budget allocations (ref. detailed budget attached). The table below presents total expenditures 2007-2011 as compared to the initial approved budget between the GoB and UNDP.

Table 2.1 Project budget and expenditure as per UNDP project document (in USD)

Output/Activity	Project Budget	Expenditure 2007-2011	Expenditure/ budget
1-Urban poor settlements improvement	50,363,000	17,872,592	35%
2-Socio-economic conditions improved	41,478,515	16,342,353	39%
3-Pro-poor Urban Policy Env.Dev.	3,696,526	1,430,981	39%
4-Tecnical Assistance	15,907,750	7,588,919	48%
5-Community Mobilization	-	1,126,916	-
Unallocated/contingency including GMS	8,554,209	2,920,026	34%
Grand Total	**120,000,000**	**47,281,788**	**39%**

Expenditures for components 1 and 2 in the UNDP budget include the SIF and SEF grants to communities and associated costs including cost of technical assistance charged. As of end 2011 total project expenditures was 39% of the initial approved budget.

Comparing expenditure with budget allocations in accordance with DFID project memorandum (ref. table below) shows that as of end 2011 approximately 38% of the initial budget has been utilized. The expenditure include only those that has been entered in the UNDP project accounts as charged to DFID contributions.

Transfers in the form of community constitute approximately 61% of total expenditures (ref. table below). If including expenditures charged to both UNDP and DFID contributions, the expenditure on grants are higher relative to total expenditures (63%).

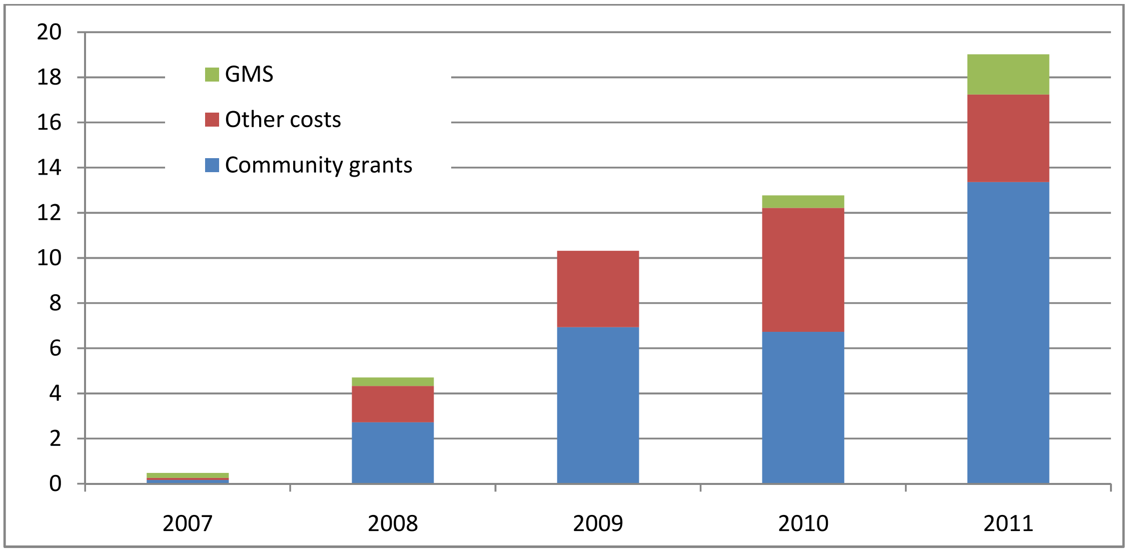
Other expenditures, and in particular for personnel, constitute a higher share compared to budget as reflected by a higher level of spending on TA and other costs relative to community grants. The above table excludes expenditures charged to UNDP contributions which finance the same activities and types of costs. The share of expenditures between the differences sources are adjusted at the end of the year and does not reflect the reality of which source of funding was used to finance which expenditure i.e. UNDP funded expenditures are the balance of total expenditures minus what has been charged to DFID contributions.

Table 2.2 Project budget as per DFID project memorandum (in USD)

	Budget	Expenditure 2007-11	Expenditure/ Budget
SIF grant	46,800,000	16,504,712	35 %
SEF grant	28,368,031	10,503,777	37 %
Total grants	**75,168,031**	**27,008,489**	**36 %**
Training	3,236,300	1,860,862	57 %
Sub Contracts	8,753,000	976,046	11 %
Personnel	18,721,460	9,693,764	52 %
Equipment/Miscellaneous	3,467,000	1,915,559	55 %
General Management Support	7,654,209	2,920,026	38 %
Grand Total	**117,000,000**	**44,374,746**	**38 %**

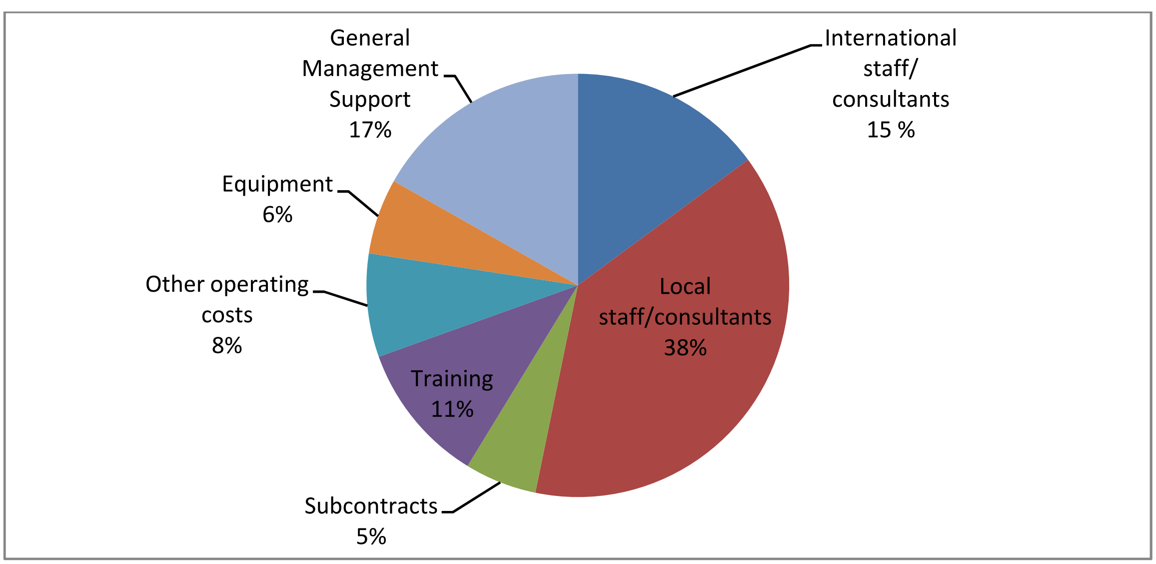
The balance of total expenditures minus DFID funded expenditures is 3.1 million USD. This is the amount charged as UNDP funded expenditures and exceed the initial UNDP financial contribution of 3 million USD. Since community grants have been charged a higher share UNDP funded expenditures then subsequently the share of grants to total expenditures are higher than what is reflected in the above table.

Figure 2.1 Project expenditures 2007-2011 by main components (in million USD)



The figure above shows the trend in composition of expenditures for community grants, other operational costs (personnel, equipment, training and various running costs) as well as the General Management Services for UNDP. In 2010 the costs exceeded the annual budget for training costs and cost of locally recruited staff/consultants. In total the major share of expenditure excluding community grants are Local staff/consultants, UNDP general management services, international project staff/consultants and training. In particular the cost for training and Local staff/consultants have increased more significantly over the years than other cost components at times exceed the annual budget allocation.

Figure 2.2 Project expenditures excluding community grants 2007-2011 by main components (percent distribution)



If the current trend in expenditures continues, the project will exceed the budget allocated by approximately 10 million USD. This is under the assumption that the share of community grants relative to other costs are to reach 65% as per DFID project memorandum. It appears to be options for rationalizing expenditures. Some cost components have exceeded their annual allocations and with an increasing share for Local staff/consultants and training. While this may be justified to achieve project results, then it should also be reflected by a revision of the overall budget.

The UNDP project accounting system has the opportunity to produce reports by project specific activity codes, according to type of expenditures as per UNDP chart of accounts, by source of funding and by executing agency i.e. reports can be produced along several dimensions. All these dimensions are important for monitoring execution of the project and should be produced at regular intervals for budget management purposes.

The UNDP chart of accounts (project expenditure codes) does not match the expenditure categories in the DFID project memorandum. To monitor actual spending according to the budget in the DFID project memorandum some adjustments to the UNDP financial statements needs to be made manually.

Firstly, the expenditure for the two grants can be segregated in the UNDP accounts by activity code (grants under activity 1 is SIF and under activity 2 SEF). Secondly, when charging expenditures to other costs related to the same activities like supervision by town teams, training, subcontracted services, they can also be segregated by the same activity codes.

Other costs across the different output/activity codes can be segregated by broad categories like international and national personnel, training, equipment and other operational expenditures. However, despite this it will not be a direct match. This suggest to a revision of the "DFID budget format" as was suggested in the section above; i.e. that there should be one budget only and then with a presentation of the budget along two dimensions; budget by activity/component and budget by type of cost.

Recommendations:

"Project budget management" reports should be produced regularly showing cost versus budget along at least two dimensions of the project budget; cost by activity and cost by main cost items. The reports can be produced separately along each dimension and/or with a combination of the two; cost by activity with subheadings under each activity showing costs for each main cost component. This will enable more efficient monitoring of budget execution and resource allocation and will serve to focus the attention to allocations on activities directly delivering the stated outputs.

The distribution of expenditure by source of funding is only *notional*. Accordingly, financial management reports should include expenditures by all sources of funding and then show "below the line" distribution of total funding by source, not for individual cost items or activities (ref. proposed formats attached). If DFID still requires segregation of costs charged to their contributions only, a separate set of reports only including DFID expenditures should be attached to the reports. This can easily be accommodated with the UNDP accounting system by producing the same reports but then only include DFID when selecting "source of funding".

The reports should be submitted to DFID every six months as per Administration Arrangement and within two months of the close of the period[7]. These will serve as *interim* financial reports for monitoring project budget execution. In addition, an annual certified financial statement is to be submitted by 30 June of the following fiscal year as per Administration Arrangement.

Some proposed formats for financial reporting are attached to this report including a proposed format for reconciliation of project financial contributions. The latter should be included with the six-monthly statements.

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[7] It is assumed that the accounts are closed monthly as per international accounting standards and within one month of the close of each period.

3 Financing the project

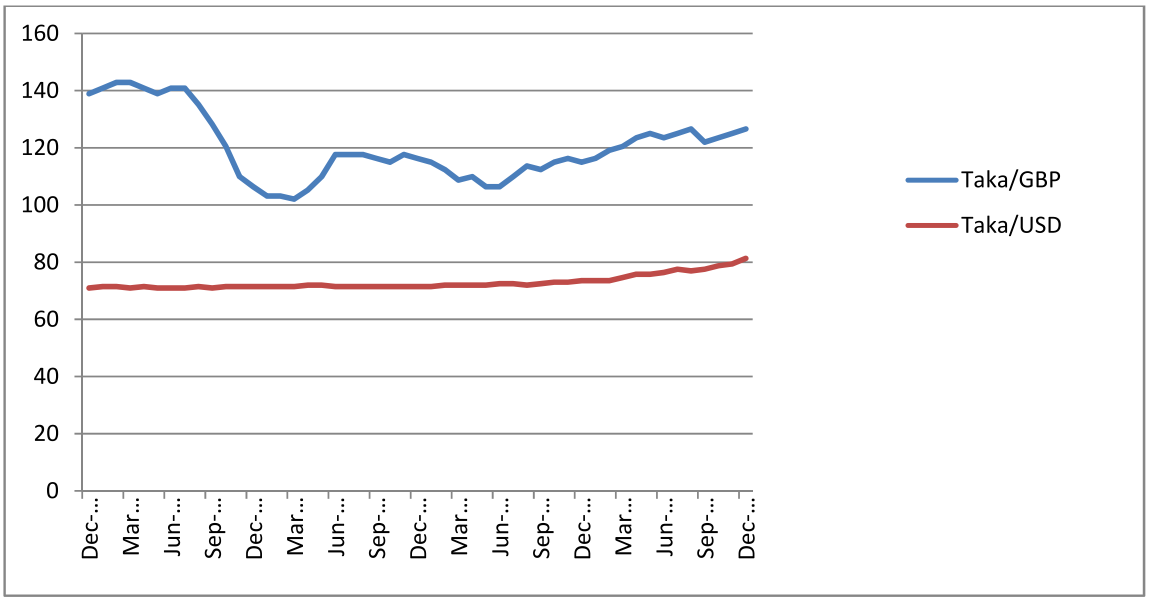
As indicated in sections above, if the current trend in expenditures continues, then project expenditures are likely to exceed available funding. Among others this is due to the depreciation of the value of the external contribution from DFID, the main source of funding for the project.

As per administration agreement between UNDP and DFID, DFID was to disburse a total of 60 million GBP in 13 tranches over the lifetime of the project with an increasing amount for each tranche reflecting project financing requirements.

The exchange rate used in the administration agreement and as basis for the budget in the Project Memorandum was 1.95 USD per GBP. At the time of the first disbursement in December 2007 the exchange rate was 2.06 USD to GBP. For the subsequent two disbursements in 2009 the exchange rate declined significantly with an exchange rate of 1.44 USD per GBP in April 2009. Since then it has fluctuated between 1.44 and 1.64. The total depreciation of the GBP disbursements by DFID has been 12.9 million USD (28%).

The project funding and accounts are maintained in USD. However, a major share of expenditures is in Taka. There was a similar depreciation of GBP versus Taka as illustrated in the figure below (the dates in the figures are those when DFID made a disbursement).

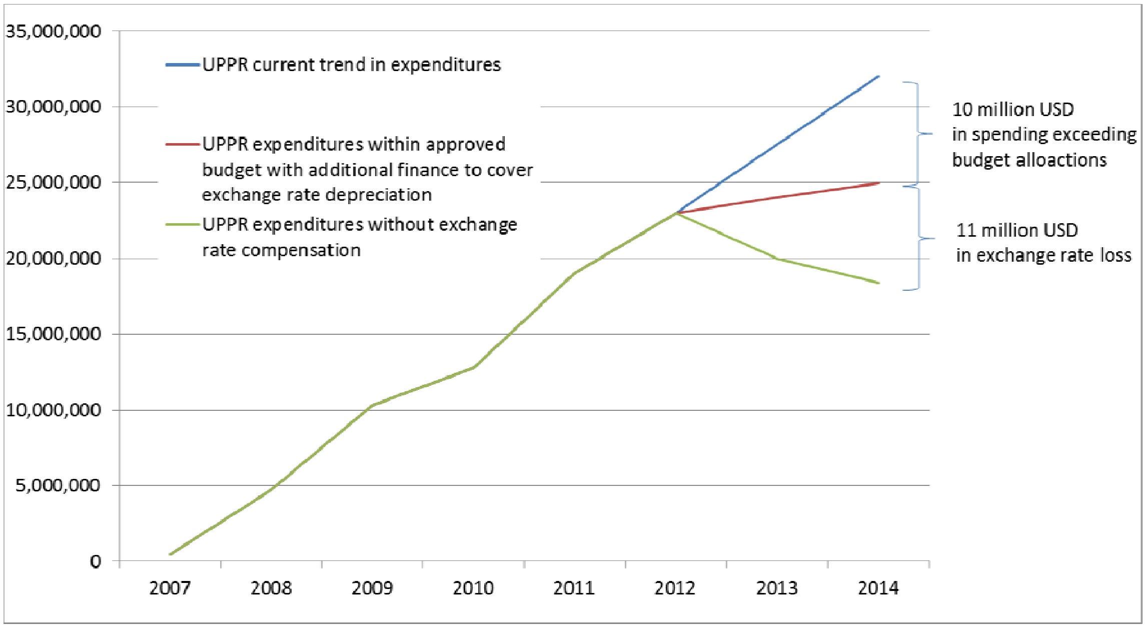
Figure 3.1 Changes in Taka exchange rates versus USD and GBP December 2007 – December 2011



The project is also impacted by changes in the USD/Taka rate. This led to an exchange rate gain although to a far lesser extent than the changes in GBP/USD rate of exchange. The USD exchange rate gain versus Taka was approximately 1.6 million USD as compared to the initial budget. This development has in total created a financing gap compared to the initially approved budget. The net impact on exchange rate fluctuations during 2007-2011 has been a reduction in available finance of 11.3 million USD.

In addition to changes in exchange rates, and as mentioned in previous sections, the trend in expenditures indicates that the project will in any event exceed the total budget allocation as per initially agreed budget if the expansion in project activities continue.

Figure 3.2 Projected trends in spending and financial requirements (in USD)



As illustrated in the figure above, if project the project does not receive additional funding as compensation for the net exchange rate loss, the level of spending have to be reduced from its current level (as indicated by the "green curve"). If the project is granted additional funding of approximately 11 million USD to compensate for exchange rate loss, then the level of expenditure may marginally increase although still with a total expenditure below the resource envelope of the initially approved budget. If the current trend in expenditure continues, among others due to new staffing following the recommendations of the SMR, the project will likely require an additional 10 million USD in external funding over the next 2 years (in addition to exchange rate compensation).

If no additional financing is provided, there may be opportunities to scale down community grants as well as the level of personnel/consultants both in the form of town teams and for general project management and supervision across project components. Which option is chosen will be linked to decisions on a phasing out strategy i.e. to include new communities in new towns, new communities in existing towns or reducing the total number of beneficiaries that are to be mobilized into PGs and CDCS and/or receiving grants. Another option yet to be fully explored is for GoB to allocate funding for the project from the state budget e.g. allocate funding for SIF/SEF grants.

Recommendation

Decisions are required on the future funding of UPPR. One issue is how to compensate for exchange rate loss. If to proceed with further scaling up project activities then, among others, it also requires assessments of opportunities to secure additional funding over and above exchange rate compensation, rationalize expenditures to focus allocations on activities that directly contribute to stated project outputs and/or change the ratio of grants to other costs.

4 Financial management and main fiduciary risks

The project is guided by UNDP rules and regulations for financial management. UNDP provides general oversight of project budget execution and UPPR is accounted for by using the UNDP accounting system (ref. sections above). It is managed with adequate internal controls and procedures for monitoring use of funds at the project management levels. Budget execution follow UNDP procedures.

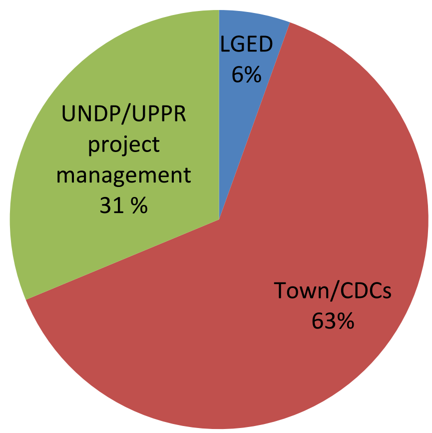
The project has four main cost components;

1. Grants disbursed to communities through bank accounts with the town administration,
2. salaries/fees for international and national recruited project personnel and consultants,

3. procurement of project equipment and;
4. payments for other project operational expenditures including lump sum payments to compensate for UNDP General Management Services.

The main amount of project funds are executed at town/community levels in the form of community grants transferred from UNDP and UNHABITAT (63%). The UNDP/UPPR project management executes spending for project personnel and other project costs (31%). LGED received approximately 6% of project funds for financing of their inputs.

Figure 4.1 Share of budget execution/cash management by cost center 2007-2011 (percent distribution)



At the project management level UNDP supervise project execution and all expenditures and transfers are entered into the UNDP accounting system.

The project makes transfers to UNHABITAT who in turn transfer money for SIF community grants SIF. Both funds SI F and SEF funds are transferred to separate bank accounts under the town administration/city corporation. The process is supervised by project town teams led by a "Town manager" and under the oversight of the UPPR project management and UNDP/UNHABITAT .

At the town administrative level, decisions on utilization of funding is made by a Project Implementation Committee and Town Steering Committee. Cash transfers are made by the town administration/city corporation with additional internal controls executed by UPPR town teams with supervision from UPPR project management.

At community level fund management is supervised by town teams employed by the project as well as through internal oversight within the CDCs. The CDC Clusters are to provide additional oversight as per UPPR guidelines, however, evidence of their effectiveness has yet to be determined.

The national project director and his team in LGED also receives transfers for execution of their portion of the budget. The LGED accounts are subject to external audit by the Foreign Aid Project Audit Directorate (FAPAD) within the Office of the Comptroller and Auditor General (OCAG) of Bangladesh.

There are at present 2212 CDCs targeted by the program of which 1619 CDCs established during 2007 – 2011. Most of them of them have received SIF and SEF grants in support of their community action plans.

In total the above constitute a complex fund management arrangement with several "cost centers" managing project funds. More than 60% of the funds are disbursed as community grants with cost for personnel/consultants as the other main cost component. From a fiduciary perspective the main risk areas are associated with CDC and "town team" cash management as well as cash management with the Town administration.

The Strategic Management Review (SMR) found that additional checks and controls are required to ensure that project funds are used according to their intended purpose, that records are maintained including adequate registration of assets and monitoring of their use. Accordingly, the SMR has recommended that a new Mutual Accountability Unit (MAU) should be established and should design and implement systematic community audits and inspections on a sampling basis, as well as implement ad hoc management inspections. Terms of reference for MAU and staff have been drafted.

While internal control and oversight are ensured with UNDP internal procedures for financial management including annual audit and inspections by the OAI, the project accounts have yet to be selected as a sample for this audit.

The project has not been subject to an external audit since its inception. However, the OAI of UNDP is planning to contract an external audit firm to implement an audit of the project September – November covering all years from 2007-2011.

There has been some allegations of misappropriation of funds and claims that assets procured through the project have not been used for the intended purpose. According to the project management only a handful of these allegations could be substantiated and corrective actions were taken for those which were. On the other hand, the project does not have a strategy on how to report on suspected cases of fraud and corruption. This is an issue that has been included as part of the MAU.

Recommendation:

While MAU and other efforts in improving internal audit and controls may strengthen internal control and oversight, the project has as of yet not been subject to any external oversight with review of fund management and utilization.

Given the size and complexity of the project including the large number of cost centers involved in cash management, the project should be subject to external audits *annually* after the close of each fiscal year. This is also in consideration for the general fiduciary environment in Bangladesh. While annual audits are conducted by FAPAD of the funds executed through LGED, this audit has only covered 6% of total expenditures. Annual external project audits of will serve to increase level of assurance, give added credibility to the project financial reports and promote fiscal discipline at all levels of project execution.

As an added assurance to the annual project external audit, an external expenditure tracking study of a sample of towns and within them, CDCs should be implemented. This is to determine the extent to which grants reaches the intended beneficiaries and for the intended purpose, validation of assets generated from community grants and to assess if the CDC internal oversight mechanisms are effective. It will also serve as feedback to the project management on opportunities to strengthen management and supervision of grant utilization.

UNDP project document budget (in USD)

Output/activity	In USD
Output 1 - Urban poor communities mobilized for healthy / secure living environments	
Identify urban poor settlements and mobilize into PGs/CDCs	851,089
Capacity building for CDCs	1,718,269
Infrastructure support to communities (SIF)	45,223,916
Security of tenure	360,000
Improved housing conditions	189,697
Access to health services	92,089
Technical assistance for output 1	1,927,940
Subtotal	**50,363,000**
Output 2 - Urban poor families acquire the resources, knowledge and skills	
Access to wage employment	1,153,000
Enterprise development	1,706,000
Urban Food production	1,221,213
Formation of support groups and links to LG and CSO	92,089
Education grants	442,089
Technical assistance for output 2	2,453,871
Micro capital grants for communities (SEF)	34,410,253
Subtotal	**41,478,515**
Output 3 - Pro poor urban policy environment	
Town poverty reduction strategies	306,000
Capacity development of LG staff and project personnel	146,500
Establish national funding mechanisms	80,000
International Exchange visits	687,800
Poverty policy workshops	492,000
Communication strategy	170,000
Research and documentation	900,000
National urban poverty partnerships	35,000
Linkages to national government urban poverty groups and international NGOs	84,000
Technical assistance for output 3	795,226
Subtotal	**3,696,526**
Technical assistance	5,704,698
Support staff	1,423,469
Managerial staff	3,846,922
Logistical support	3,242,750
Monitoring	1,160,911
Capacity building	529,000
Subtotal	**15,907,750**
Total estimated project cost	**111,445,791**

Annual project budget and expenditure 2007-2011 by type of expenditure (in 000 USD)[8]

	2007		2008		2009		2010		2011		Total	
Activity	**Budget**	**Expend.**	**Budget**	**Expend.**	**Budget**	**Expend.**	**Budget**	**Expend.**	**Budget**	**Expend.**	**Budget**	**Expend.**
1-Urban poor settlements improvement	420	347	2,723	2,640	4,961	5,151	6,496	2,375	8,788	7,361	23,387	17,873
2-Socio-economic conditions improved	70	53	1,297	699	3,297	3,298	6,881	6,064	6,479	6,228	18,023	16,342
3-Pro-poor Urban Policy Env.Dev.	15	-	549	87	558	246	1,036	533	1,300	565	3,458	1,431
4-Tecnical Assistance	130	77	3,018	1,278	3,414	1,623	3,057	3,422	2,475	4,110	12,093	10,509
5-Community Mobilization	-	-	-	-	-	-	656	376	1,387	751	2,043	1,127
Grand Total	634	477	7,588	4,703	12,229	10,317	18,125	12,769	20,429	19,015	59,005	47,282

[8]Budget figures are those entered into UPPR project accounting system.

Annual project budget and expenditure 2007-2011 by UNDP chart of accounts (in 000 USD)

	2007		2008		2009		2010		2011		Total	
Account	**Budget**	**Expend.**	**Budget**	**Expend.**	**Budget**	**Expend.**	**Budget**	**Expend.**	**Budget**	**Expend.**	**Budget**	**Expend.**
61300 Salary & Post AdjCst-IP Staff	-	-	-	-	-	-	-	27.5	495.0	253.7	495.0	281.2
62300 Recurrent Payroll Costs-IP Stf	-	-	-	-	-	-	-	11.0	-	92.9	-	103.9
63300 Non-Recurrent Payroll - IP Stf	-	-	-	-	-	-	-	-	-	4.7	-	4.7
63400 Learning Costs	25.0	-	480.3	243.4	565.3	541.1	-	(0.1)	-	-	1,070.6	784.4
63500 Insurance and Security Costs	-	-	-	0.7	-	8.1	-	13.4	-	66.5	-	88.7
64300 Staff Mgmt Costs - IP Staff	-	-	-	-	-	-	-	16.1	-	8.3	-	24.5
65100 After Service Insurance	-	-	-	0.0	-	0.4	-	2.0	-	14.2	-	16.6
71100 ALD Employee Costs	-	-	209.2	209.5	300.0	331.7	471.1	425.7	-	-	980.3	966.9
71200 International Consultants	30.0	28.4	450.0	(15.6)	510.0	236.5	443.0	363.6	601.0	578.0	2,034.0	1,190.9
71300 Local Consultants	71.9	58.7	92.0	140.1	196.0	8.0	42.0	28.4	65.6	526.2	467.5	761.5
71400 Contractual Services - Individual	10.1	8.9	1,646.2	518.6	2,024.6	1,518.9	2,408.2	2,193.0	2,640.1	1,660.1	8,729.1	5,899.5
71600 Travel	12.0	-	223.0	52.8	130.0	84.1	135.0	117.7	210.0	189.5	710.0	444.1
72100 Contractual Services-Companies	3.0	-	442.0	-	536.0	199.6	1,693.5	744.3	990.5	15.9	3,665.0	959.8
72200 Equipment and Furniture	10.5	-	545.0	276.1	355.0	130.3	126.0	229.9	136.0	15.2	1,172.5	651.5
72400 Comm. & Audio Visual Equip	0.3	-	-	-	5.0	5.7	70.0	47.9	68.0	37.8	143.3	91.4
72500 Supplies	-	-	20.1	16.6	30.0	35.2	43.0	40.5	43.0	31.9	136.1	124.2
72600 Grants	250.0	164.1	2,744.2	2,720.0	6,578.2	6,931.4	10,300.0	6,724.5	12,179.6	13,360.7	32,052.0	29,900.6
72700 Hospitality/Catering	-	-	-	-	-	0.5	-	4.0	-	-	-	4.5
72800 Information Technology Equipmt.	-	-	73.0	55.1	35.0	38.2	95.0	108.5	100.0	58.6	303.0	260.5
73100 Rental & Maintenance-Premises	-	-	-	-	-	-	20.0	5.6	20.0	3.3	40.0	8.9
73300 Rental &Maint of Info Tech Eq.	-	-	-	-	-	-	-	0.4	-	(0.4)	-	-
73400 Rental &Maint of Other Equip	-	-	77.6	55.0	90.0	100.3	106.0	96.6	106.0	52.5	379.6	304.3
74100 Professional Services	-	-	-	-	7.5	-	-	13.2	-	3.0	7.5	16.2
74200 Audio Visual & Print Prod Costs	-	-	-	10.2	15.0	50.1	125.0	47.5	190.0	47.8	330.0	155.6
74300 Contributions	-	-	-	-	-	24.1	55.0	53.0	55.0	-	110.0	77.1
74500 Miscellaneous Expenses	5.0	-	88.5	49.4	110.0	72.0	75.0	17.8	55.0	8.4	333.5	147.6
74700 Transport, Shipping and handle	-	-	-	-	-	-	-	1.3	-	-	-	1.3
75100 Facilities & Administration	216.5	216.5	496.4	371.5	741.1	-	1,048.0	551.8	1,336.5	1,780.2	3,838.5	2,920.0
75700 Training, Workshops and Confer	-	-	-	-	-	1.0	869.4	884.2	1,138.0	206.2	2,007.5	1,091.4
Grand Total	**634.3**	**476.6**	**7,587.5**	**4,703.3**	**12,228.7**	**10,317.3**	**18,125.3**	**12,769.2**	**20,429.2**	**19,015.2**	**59,005.0**	**47,281.8**

Annual project budget and expenditure 2007-2011 by DFID budget classification (in 000 USD)[9]

	2007		2008		2009		2010		2011		Total	
Type of expenditure	**Budget**	**Expend.**	**Budget**	**Expend.**	**Budget**	**Expend.**	**Budget**	**Expend.**	**Budget**	**Expend.**	**Budget**	**Expend.**
SIF grant	200	127	2,133	2,194	4,000	4,182	5,500	1,887	7,380	8,114	19,213	16,504
SEF grant	50	37	611	526	2,578	2,750	4,800	4,838	4,800	5,246	12,839	13,397
Training	25	-	480	243	565	542	869	884	1,138	206	3,078	1,876
Sub Contracts	13	9	2,088	519	2,568	1,719	4,102	2,951	3,631	1,679	12,402	6,876
Personnel	114	87	974	387	1,136	661	1,091	992	1,372	1,668	4,687	3,794
Equipment/ Miscellaneous	16	-	804	463	640	465	715	666	773	322	2,948	1,916
General Management Support	216	216	496	372	741	-	1,048	552	1,336	1,780	3,839	2,920
Grand Total	**634**	**477**	**7,588**	**4,703**	**12,229**	**10,317**	**18,125**	**12,769**	**20,429**	**19,015**	**59,005**	**47,282**

[9]Budget figures are those entered into UPPR project accounting system. Expenditures are total expenditures including those charged to DFID and UNDP funding.

Proposed formats for budget management reports

Budget Management Report by main project components covering [date] to [date] in USD

Project activity/expenditure	Budget for the year	Expenditure to date	Deviation (in % of budget)	Total budget	Total expenditure	Deviation (in % of budget)
1-Urban poor settlements improvement						
2-Socio-economic conditions improved						
3-Pro-poor Urban Policy Env.Dev.						
4-Tecnical Assistance						
5-Community Mobilization						
Grand total						
Financing						
Opening balance						
UNDP contributions						
DFID contributions						
Total finance						
Balance brought forward						

Budget Management Report by main cost items covering [date] to [date] in USD[10]

Type of expenditure	**Budget for the year**	**Expenditure to date**	**Deviation (in % of budget)**	**Total budget**	**Total expenditure**	**Deviation (in % of budget)**
…….						
71100 ALD Employee Costs						
71200 International Consultants						
71300 Local Consultants						
71400 Contractual Services - Individual						
……						
Grand total						
Financing						
Opening balance						
UNDP contributions						
DFID contributions						
Total finance						
Balance brought forward						

[10] As an alternative this report may also be integrated into the former by showing types of expenditures under respective activity.

Budget Management Report by main components covering [date] to [date] in USD[11]

Type of expenditure	Budget for the year	Expenditure to date	Deviation (in % of budget)	Total budget	Total expenditure	Deviation (in % of budget)
SIF grant						
SEF grant						
Training						
Sub Contracts						
International personnel						
Local personnel						
Travel						
Training						
Equipment						
Other costs						
General Management Support (UNDP)						
Grand total						
Financing						
Opening balance						
UNDP contributions						
DFID contributions						
Total finance						
Balance brought forward						

[11]This is a report that needs to be produced manually by entering data from the UPPR accounting system. It should cover all expenditures regardless of funding as to enable comparison with the former reports for purpose of assurance. If separate reports covering only DFID funding is required, a separate set of the above reports should be produced that includes only expenditures charged to DFID.

Statement for reconciliation of project receipts and expenditures covering [date] to [date][12]

A	Total receipts previous periods					Amount in USD
	DFID					
	UNDP					
	……..					
B	Total (sum of A)					
C	Total expenditure to date					
D	Opening Balance (B-C)					
	of which DFID					
	of which UNDP					
	……..					
E	Receipts during the period	Date	Currency	Amount	Exchange Rate currency/USD	Amount in USD credited project account
	DFID					
	UNDP					
	……					
F	Total Receipts during the period (sum of E)					
G	Expenditures during the period					
H	Cash surplus/deficit during the period (F-G)					
G	Closing balance (D+H)					
	of which DFID					
	of which UNDP					

[12] Since UNDP contributions are accounted for as the balance of expenditures minus DFID contributions, then the UNDP balance under A and G will likely be 0 each period.

ANNEX 3: PHASE-OUT AND EXPANSION OPTIONS

Introduction

The goal of UPPR is to reduce urban poverty in Bangladesh. Its purpose is to improve the living conditions and livelihoods of 3 million urban poor and extreme poor people, especially women and girls, in 30 cities and towns by 2015. UPPR currently operates in 23 city corporations and municipalities. The Project Memorandum and the GoB Development Programme Pro Forma (DPP) provided for a phase-out in 2010 from the 11 towns that had been covered under LPUPAP and the expansion in the same year to the remaining 7 towns to cover all 30 towns.

The Review team was asked to:

a. Assess the feasibility and capacity to expand into the 7 new towns as originally envisioned in the Project Memorandum and DPP, including implications of planned expansion on the project team and operations in existing 24 towns and beyond.

b. Assess the appropriateness and feasibility of the planned phase out as outlined in Project Memorandum and DPP especially in terms of sustainability of outputs and outcomes; and

c. Assess the implications of planned expansion and phase out on the overall outcomes, the achievement of project outputs; value for money for DFID, UNDP and GoB's investments so far and effective inclusion of the extreme poor.

d. In doing this, the review team will suggest sequencing options for expansion and/or phase-out, as well as articulate possible new approaches for phase-out or expansion e.g. more direct involvement of municipality authorities and/or NGOs.

Current Status

The Urban Partnerships for Poverty Reduction (UPPR) programme started on 1 March 2008 and is due to be completed on 31 August 2014 – a duration of 6.5 years. The programme has made good progress with accelerated activity since the end of 2008. Over the last year alone (2011), the population covered by the programme has increased by over half a million from 2.3 million in at the end of 2010 to 2.86 million at the end of 2011. It is largely on track to achieving its Outcome target of 3 million poor and extremely poor people, although the programme needs a more accurate measure of poverty.

The programme is delivering at scale both in terms of social mobilisation and in the delivery of infrastructure and socio-economic benefits. During 2011, UPPR coverage has grown from 1,788 Community Development Committees (CDC) to 2,221. The number of primary groups has increased substantially from 19,000 to 24,678 now reaching over half a million households or 2.1 million people. Expenditure of both SIF and SEF is above budget allocation and showing an increase over 2010. Since project inception in 2007, SIF expenditure has now reached £16.5 million (£4.7 million in 2011) or 40% of the budget allocation (in £s); SEF expenditure has reached £6.05 million (£3.02 million in 2011) or 42% of the budget allocation (in £s).

The MTR has concluded that the UPPR programme represents an effective model for the delivery of improved living conditions and livelihoods at scale. The unit cost of mobilisation and supervision including project management has likely decreased over time and the project unit cost is substantially lower than that of other similar projects in Bangladesh.

However, the project is not on track with regard to the phase-out from the 11 towns which were covered within the LPUPAP. This phase-out was due to take place in 2010 and to be combined with expansion into 7 new towns so that a total of 30 towns were covered under UPPR. Neither phase-out nor expansion has occurred. Settlement mapping of the new towns – Syedpur, Pabna, Feni, Chanpur, Satkhira, Jhenaidaha and Faridpur – has been completed, but community mobilisation and project activities are yet to begin.

In addition, to this, the programme is not on track with regard to financial forecasts, largely due to exchange rate losses, and rationalisation of the budget is required.

The programme has been debating whether the Outcome target of 3 million people should be met within the existing 23 towns or whether to expand to the remaining 7 towns.

Stakeholder views

During the review, the views of stakeholders were taken regarding the phase out and expansion.

The **Government of Bangladesh** regard the expansion into the 7 new towns as a commitment contained in the project document and, in particular a commitment to the towns concerned. This commitment has also been taken into account in the formulation of other programmes.

It was not possible to speak directly during the review to stakeholders in either the **'old' LPUPAP towns or in the 'new' towns**. It is understood however that stakeholders in the 'new' towns also regard the expansion as a commitment to them. In the 'old' towns there is the belief that there is considerable unmet need which was not identified during LPUPAP and the design of UPPR, and has not yet been addressed by UPPR.

The **donors – UNDP and DFID** – have slightly differing views. UNDP is keen to expand the benefits of the programme in to the 7 new towns. DFID is concerned that there should be a plan to phase out of the 11 towns before expanding into new towns. It is concerned that the management capacity of the UPPR is already stretched and will not be able to manage an expansion.

The **UPPR management** has delayed the expansion into new towns largely because of the remaining needs in the old towns both in terms of the capacities of the community governance structures (PG/CDC/cluster/federation), and the feeling that it can effectively deliver the targets of the programme in the existing towns. Concern has also been expressed about the time needed to mobilise and provide services to the extreme urban poor before the end-date of the programme. Despite this, the team have committed to the preparation of an exit strategy in each town and have stated that they would be able to expand to the new towns.

In the towns visited, the **CDC leaders** praised the programme and wanted it to remain.

Future Programme – Options

The 3 basic options being considered for the future of the UPPR programme are as follows:

A. Continue the existing programme in 23 existing towns, meeting unmet needs in as-yet unreached settlements

B. Add 7 new towns to the existing 23 towns, with or without meeting unmet needs in existing towns

C. Add 7 new towns, but gradually drop mature CDCs and eventually whole towns

Option A is the 'do nothing' option although in order to meet the Outcome target of 3 million poor and extremely poor people, it may require expanding into additional slum settlements in the existing towns.

Option B will take up the commitment to the 7 towns named in the project document. The Review Team have suggested that an expansion programme couldbe a 'leaner' programme design based on an assessment of the most effective elements of the current programme.

Option C includes expansion to the 7 new towns but also requires phase-out based on achieving 'mature' or self-reliant CDCs and sufficient capacity to withdraw from towns. This will require the UPPR team to develop further the existing CDC maturity index, to develop broader criteria for withdrawal from towns and consider what, if any, essential elements of support should remain and how current support might be sustained.

There is a fourth option of phasing out without expansion but this has not been the subject of discussion amongst UPPR stakeholders.

The Review Team has undertaken a very rapid appraisal of options based on the implications involved in each option of finance, time required, staff inputs, households mobilised, sustainability, government political commitment, replicability, risk and, finally, an overall assessment. The consideration of each factor is considered below including some of the trade-offs involved. Figure 4.1 below presents a graphic comparison of the rating of each option.

Figure 4.1 Future Programme – Comparison of Options

Finance

Decisions are already required on the future funding of UPPR, primarily to compensate for exchange rate loss. If further scaling up takes place and project expenditures follow the trend of the last three years, then additional funding will be required. If this is not available, there is a requirement to rationalise expenditures by phasing out of CDCs/towns, and review staffing and grant allocations.

Clearly, Option B - expanding to 30 towns without phasing-out of 'old' towns is the most expensive option. Option C combining phase out and expansion is unlikely to be the cheapest option largely due to the time taken to phase out and the set-up costs in new towns. Thus Option A consolidation in the 23 towns is likely to be the cheapest option.

Time Required

The UPPR programme period is due in August 2014. Consolidating activity in the existing 23 towns is likely to be the most effective in the remaining time available. Expansion to 7 towns may just be possible in the remaining 2.5 years. However, this would be a more time-consuming operation if combined with a phase-out. Again, Option A would be preferable for the most effective use of time available.

Staff Inputs

The same conclusions could be reached if staff inputs are considered. Option A remaining in the 23 towns would be preferable since expansion under Option B will require additional staff and, even if phase-out is adopted under Option C, there is likely to be a net increase of staff.

Households Mobilised

However, in terms of target numbers and social mobilisation impact, this should be optimised under Option C – expansion and phase-out. Whilst Option B remains in 30 towns, Option C includes a phase-out programme which will require a focus on CDC maturity and promote self-reliance and sustained community mobilisation.

Sustainability

Sustainability maybe best achieved by consolidating in 23 towns – Option A. However similar conclusions as above are reached. There is likely to be more of an effort to achieve sustainability under Option C where there is a phase-out programme and expansion has considered the development of a 'leaner' programme based on a review of the lessons of experience from the 'old' towns.

Government Commitment

The Government's own project document commits to both expansion and phase-out. Whilst it may consider that the most benefit will be gained by remaining in 30 towns – Option B, it may also consider that the most effective use of resources may be obtained by phasing out of the 'old' towns. Thus, Option C is the preferred option.

Replicability

Option C is the best option for replicability. Expansion to new towns will provide a larger demonstration effect and provide a wider 'development platform' for a national programme. It will also require the design of a phase-out programme and a 'leaner' programme for expansion based on the best practice from 'old' towns. The combination of programme elements is likely to be the most replicable.

Risk

The least risky option appears to be Option A – to remain in the 23 towns and consolidate activities with the existing target population. The most risks lie with expanding but with no element of phase-out – Option B. This requires no focus on graduation from poverty or CDC maturity and is likely to be the most costly option. Option C also involves the risks of overloading management in a more complex programme of phase-out and expansion.

Overall

The Review Team has concluded that **Option C – to add 7 new towns, but gradually drop mature CDCs and eventually whole towns –** is the preferred option.

It agrees with the 2011 OPR report (Annex on Expansion to 7 Towns) which stated:

- On phase-out: "The cities and communities will never be ready (for independence) by doing more of the same, without a focused attempt within the framework of an exit strategy to make them ready….. UPPR staying longer in a city is not the answer. Achieving numbers is a necessary but not a sufficient objective. OPR also feels that exit from the cities should not be on the chronological order of their enrolment in the programme. Rather, the criteria should be the readiness to exit".
- On expansion: "Although the population numbers could be matched by increased coverage in the present cities, the real impact of the programme is not just in its numbers. It is in the solid development platform it creates to promote several other

enabling interventions such as empowerment, self-reliance and the confidence in collective strength…. UPPR is an opportunity to spread this message to a wider section of the poor".

The 2012 Review Team believes that expansion presents an important opportunity to use the ongoing UPPR experience to develop a sustainable model of partnerships to address urban poverty reduction. The Review Team echoes the views of the Strategic Management Review and considers that taking a strategic approach to phase-out combined with expansion should be seen as the forerunner of a national programme.

4.2 Recommendations

Given the trade-offs and risks discussed above, it is recommended that the future programme should consist of 4 essential elements:

- **Phase-out strategies at both programme- and town-levels** based on graduation criteria & clear identification of remaining assistance required
- **Consolidation** in 'new' existing towns – identifying and focusing on what has worked well
- A **sustainability programme** focusing on exit and transfer, including a closer **partnershipwith GoB**
- Design of a **new phase of support**to allow timefor intended impact in the newer towns.

Primarily, UPPR needs a clear exit strategy. This should comprise:

- a clear vision of the long-term sustainability of the programme and the short-to-medium targets for hand-over and capacity-building.
- acosted programme for phasing-out from the 11 towns. This requires renewed focus on CDC maturity and detailed, town-by-town planning for a reduction of UPPR financial and technical support balanced by an increasing role for CDC Clusters and Federations.

The proposed expansion to 7 new towns should only be planned for when the costed phase-out programme is completed and available resources are known. The nature of the programme in expanded towns should be more focused, informed by the reviews recommended above of the SIF and SEF grants so that the most cost-effective 'menu' of activities is offered to communities.

Expansion will depend on implementation of the OD Plan to ensure that management structures and resources are in place. Time is likely to be a critical additional constraint.

Funding partners (DFID, UNDP and GoB) should begin the process now to consider the design of a possible new phase of the programme.

ANNEX 4: LIST OF RECOMMENDATIONS

The recommendations are set out below for 1) each Output and the project Outcome; 2) for Finance and Financial Management; and 3) for recommended changes to the logframe.

1 Output Recommendations

Output 1

- UPPR should place greater emphasis on social mobilisation as an end in itself. This requires more focus on facilitating networking amongst CDCs promoting empowerment for independent activity, and on building capacity of cluster and federations to take on a support role.
- Community mobilisers, including those to be recruited under the OD Plan, need more thorough induction and refresher training on social mobilisation concepts as well as technical procedure.
- The successes of the pilot governance improvements (e.g. social audit, contract display boards, competitive bidding and Community Resource Centres) should be shared with other towns, and the improvements to community banking management should be scaled up as soon as possible.

Output 2

- UPPR should support CDCs to promote and monitor agreements to ensure that slum landlords do not increase rents for 3-5 years on account of infrastructure provided under the project.
- UPPR can work with favourable municipalities and, on a slum-by-slum basis with CDCs and land-owners, to obtain agreements or statements of intent that these communities will not be evicted at least for one generation (15-30 years) thereby allowing inter-generational benefits to accrue through the project. Any such agreements should be disseminated as examples for replication in other slums/towns/cities.
- UPPR should include hygiene education as a part of the CAP process and in association with water and sanitation provision.
- To achieve the intended Outcome, UPPR should encourage the provision of all four basic infrastructure services - improved water supply, improved sanitation, footpath and drainage - so that health outcomes are not jeopardised. Specifically, improved water supplies and footpaths must be designed with adequate drainage to avoid ponding and waterlogging. Town teams should work with municipalities to connect with off-site network drainage wherever possible. CDCs should be required to organise drain cleaning as a part of general health and hygiene awareness.

Output 3

- The savings and credit scheme, and its improvement by the introduction of community banking, should be closely monitored and nurtured to enable it to fulfil its promise – and eventually provide the basis of increased community assets and sustainability.
- Under the apprenticeship scheme, course selection should be done based on a review of local market requirements to ensure quick absorption of beneficiaries.
- There is a need to focus more on training for wage employment rather than self-employment in the informal sector as a more strategic approach to poverty reduction.
- Sustainability of SEF component needs to be closely reviewed. In addition to logframe indicators, SEF comprises of numerous other support initiatives. This adds to burden of the project team in terms of implementation. UPPR should review which components of SEF provide greatest value for money and, going forward, focus on these – in an easy-to follow “menu” of “priced” choices outlining key benefits.

- Stronger engagement with stakeholders is required so that handing over of SEF can be undertaken in a phased manner. UPPR should target to hand over by end of 2013, with UPPR team providing technical and administrative support to local governments and other service providers after hand over of SEF activities. This initiative will also need to be supported by DFID and UNDP at Government level.

Output 4

- The Project should aim to ensure: the BUF is institutionalized and a standing annual event takes place; follow-up on Urban Declaration commitments is undertaken at regular intervals; and research efforts expanded, and if possible further located within the CUS or an alternative policy institute. The latter should include a specific examination of land tenure security issues.
- National policy lobbying efforts should also be better reflected within the reporting indicators. To accommodate any changes, the indicator reflecting press reports should be deleted.
- DFID and UNDP should jointly examine coordinated policy interventions to support national policy changes, notably adoption of the Draft Urban Strategy.
- Project town teams should (where possible) facilitate more formalized recognition based on local SLM maps through adoption of pro-forma resolutions at the town level. An additional indicator should be added reflecting the formal recognition of low income settlements by Municipal mayors.
- The formation of higher level community structures – CDC clusters and federations - should be encouraged and supported to form new partnerships with local authorities and key service providers (notably water and electricity supply).
- Work with local governments and local landowners to develop a more strategic approach to obtaining security of tenure for slum dwellers based on the Settlement Maps. This could include a process of slum categorisation and slum-by-slum examination of tenure options.

Output 5

- Indicators of effective project management should either be incorporated under the other outputs to reflect efficiency in delivering the outputs (resource effort/inputs compared to “volume of service delivery”) or;
- Output 5 should be measured by other indicators that better reflect project management efficiency like share of resources for general management, administration and supervision versus resources directly reaching target group, that the budget is used as an effective management tool to contained expenditures within approved ceilings (i.e. level of variance between budget and expenditures), frequency in delivery of management reports and information, etc.
- The project management needs to explore ways to increase the proportion of women staff. It should pursue the gender consultancy as recommended by Strategic Management Review to review the UPPR’s programmatic and organisational policies with a focus on engendered programming and gender equality in staffing (recruitment, development and retention).This may include a review of the current working culture/environment and what remedial measures can be adopted.
- Urgent implementation of the OD Plan is necessary to complete the proposed restructuring and recruitment recommended in the SMR.

Outcome Recommendations

- Undertake a poverty impact assessment to review at household level the impact of infrastructure and livelihood benefits. Are households in areas covered by CDCs experiencing an improvement both in living conditions and livelihoods?

- Roll out the work on the Multi-dimensional Poverty Index to provide a more accurate measure of poverty incidence and impact.
- Review SIF and SEF activities to identify those which are most effective and providing best value for money. These should form the focus of funds expenditure for the remainder of the programme.
- UPPR needs a clear exit strategy. This should comprise:
  - a clear vision of the long-term sustainability of the programme and the short-to-medium targets for hand-over and capacity-building.
  - acosted programme for phasing-out from the 11 towns. This requires renewed focus on CDC maturity and detailed, town-by-town planning for a reduction of UPPR financial and technical support balanced by an increasing role for CDC Clusters and Federations.
- Proposed expansion to 7 new towns should only be planned for when the costed phase-out programme is completed and available resources are known. The nature of the programme in expanded towns should be more focused, informed by the reviews recommended above of the SIF and SEF grants so that the most cost-effective 'menu' of activities is offered to communities.
- Expansion will depend on implementation of the OD Plan to ensure that management structures and resources are in place. Time is likely to be a critical additional constraint.
- Funding partners (DFID, UNDP and GoB) should begin the process now to consider the design of a possible new phase of the programme.

2 Recommendations on Finance and Financial management

- Decisions are required on the future funding of UPPR, first and foremost on how to compensate for exchange rate loss, secondly if to proceed with further scaling up project expenditures and phasing out of CDCs/towns. There are several measures to consider among others;

  1. Rationalization of expenditures to focus allocations on activities those directly contributing to stated project outputs.
  2. Scale down allocation for grants (reduce the 65% share for grants).
  3. Source funding for grants from the GoB state budget.
  4. Source additional funding from development partners like DFID.

  Clearly these measures need to be informed by planned reviews and other assessments suggested here e.g. to assess the effectiveness of different SEF grants. Measures 2, 3 and 4 may also depend on the success of partnership and policy influence. Fundamentally however they need to be considered in the light of the programme's exit strategy including decisions concerning phasing out of CDCs/towns and scaling up into new towns.

- Independent external project audits should be conducted each year. This will serve to increase level of assurance, give added credibility to the project financial reports and promote fiscal discipline at all levels of project execution.
- As an added assurance to the annual project external audit, an external expenditure tracking study of a sample of towns and CDCs should be implemented. This is to determine the extent to which grants reach the intended beneficiaries and are used for the intended purpose, validation of assets generated from community grants and to assess if the CDC internal oversight mechanisms are effective. It will also serve as feedback to the project management on opportunities to strengthen management and supervision of grant utilisation.

3 Recommendations for changes to logframe

Output 1

- The sub-indicators of 1.1 need to be more clearly termed as:
  - a) individuals/households included in CDC areas,
  - b) poor and extreme poor individuals/households included in CDC areas
  - c) individuals/households mobilised into primary groups.
- Reduce the number of sub-indicators of Indicator 1.1 perhaps by summarising to:
  - 1.1 d) 'proportion of extreme poor households and individuals mobilised into primary groups'. This may exclude households and individuals mobilised into PGs under LPUPAP.
  - 1.1 e) proportion of vulnerable and socially excluded group households i.e. female-headed households, households with one disabled member, ethnic minority or scheduled caste households
- A new indicator to reflect work of programme on developing leadership capacity of women i.e. # of women serving as CDC Cluster and Federation office-bearers; and # of women CDC leaders standing as Ward Councillors should be included
- Whilst all the poor and extreme poor population covered by the CDCs (sub-indicator 1.1a) and 1.1b) represent the 3 million target population, the 200,000 households mobilised under LPUPAP should be dropped from milestones and reporting for 1.1c-q. The numbers of homeless beneficiaries should be added.
- Strengthen indicator on homeless to reflect access to services of other programmes – e.g. # of homeless people receiving ID cards; and # of homeless obtaining employment following apprenticeships

Output 2

- Indicator 2.1 should be changed to the standard DFID indicator of 'number of people with access to improved water supply' and 'number of people with access to improved sanitation'.
- Better reflect demand-driven nature of Output 2 by rationalising annual milestone targets based on demand-driven trends of the last two years.
- Indicator 2.2 needs to be further strengthened focusing on 'time taken for collection of water'. An indicator on 'number of children reporting diarrhoea' may be included at the Outcome/Purpose level as reduction in disease would be caused not only by improved water supply and sanitation provision, but also by improved access to health care and hygiene awareness. A 15-30 days recall period may be used for collection of health data. Alternatively, data available from ICDDR-B (International Centre for Diarrhoeal Disease Research, Bangladesh) data can be used if found relevant.
- Include new indicator:
  - Proportion of CDCs with completed CAPs or re-CAPs
  - Proportion of community contracts completed within 12 months of CAP

Output 3

- Indicator 3.2 should reflect if beneficiaries are employed in the same field as the training provided.
- Include milestones for Indicator 3.3.
- Indicator 3.5(b) needs to be changed to proportion of primary group households in S&CGs.

Output 4

- Include new indicators:

  - 4.2: Number of towns where there is a basic public commitment to promoting the integrity of low income settlements and the security of land tenure;
  - 4.4: Value of municipal resources devoted to UPPR-related activities; or alternatively, the number of towns supporting CDCs directly from their own budgets.

- Outcome indicator: National policy changes, notably adoption of the Draft Urban Strategy and a framework for improved security of tenure in low income settlements.

- Further local policy indicators, notably the municipal resources levered by UPPR interventions (providing these can be validated by reliable sources).

Output 5

- Indicators of effective project management are already included under outputs 1-3 (like planned versus actual number of communities mobilised). In addition other indicators that better reflect effective project management could be;
  - processing time for different types of grants (i.e. reduction in time or within a service target set for processing of some CDC proposals for some or all investments/grants)
  - the share of personnel resources focussing on service delivery compared to general project management and administration declining over time contained within a set ratio (i.e. using the UPPR activity based budget to estimate a planned ratio).
  - the extent to which expenditures are contained within budget ceilings (i.e. measured by level of variance between budget and expenditures);
  - that management information is produced in a timely manner for decision making (evidenced by output and financial data produced at regular intervals), and
  - if subject to annual audits an indicator of "Effective project management systems" will then be the extent to which audit qualifications are addressed over time as confirmed by consecutive audits.

- Indicator 5.4 needs to be revised to reflect the gender balance of positions at every level including senior management.

Outcome

- Reduce Outcome indicators if possible and provide baseline and mid-term data as soon as possible.