



Bangladesh: Supporting Water Supply and Sanitation Regulatory Mechanism Development

Project Name	Supporting Water Supply and Sanitation Regulatory Mechanism Development	
Project Number	56171-001	
Country / Economy	Bangladesh	
Project Status	Approved	
Project Type / Modality of Assistance	Technical Assistance	
Source of Funding / Amount	TA 10090-BAN: Supporting Water Supply and Sanitation Regulatory Mechanism Development	
	Technical Assistance Special Fund	US\$ 500,000.00
Strategic Agendas	Environmentally sustainable growth Inclusive economic growth	
Drivers of Change	Gender Equity and Mainstreaming Governance and capacity development Knowledge solutions Private sector development	
Sector / Subsector	Water and other urban infrastructure and services / Urban policy, institutional and capacity development	
Gender Equity and Mainstreaming	Some gender elements	
Description	The knowledge and support technical assistance (TA) will support (i) the establishment of the water and sanitation regulatory authority to improve the operational and financial sustainability of the water and sanitation service providers; and (ii) the capacity development of the Local Government Division (LGD) of the Ministry of Local Government, Rural Development and Cooperatives (MoLGRD&C), water utilities, local governments, and private operators to understand the regulatory function. The TA was requested by the government (para. 6) and is included in the Indicative country pipeline and monitoring report for Bangladesh, 20222024. The TA supports the Asian Development Bank's (ADB) country partnership strategy for Bangladesh, 20212025, and is consistent with the government development planning.	

Project Rationale and Linkage to Country/Regional Strategy

Water supply and sanitation challenge. The coverage for drinking water supply reached 90% in urban areas in 2020 (67% for the rural area), but access to piped water supply in household premises is provided to only 27.5% of the urban population in 2018. A large portion of the water supply source is tube wells (71.4%), which is leading to groundwater depletion, especially in larger industrial areas in and around Dhaka. 41% of all improved water sources are contaminated with E. Coli bacteria. The operation and maintenance (O&M) of the water supply system is also inadequate. While the non-revenue water ratio in large cities is being improved, periodic/preventive maintenance of the systems is not done properly, resulting in leakages in pipelines and early deterioration of pipes, wells, and machinery. Inadequate water tariffs cause revenue generation to remain low, making it difficult for the water utilities and urban local bodies to carry out adequate O&M work and invest in improvements. The coverage of households with access to improved sanitation in urban areas reached 61% in 2017 and open defecation also fell to 0.27% in 2016 as a result of the national campaign for sanitation since 2003. While the coverage is high in basic sanitation, it remains low when more stringent requirements for improved sanitation or hygienic sanitation are considered. Conventional sewer systems are lacking in all urban areas. In Dhaka, around 25% of the population is served by a partly functional sewer network. Most of the wastewater is discharged directly into the river, causing serious environmental pollution and health hazards. Inadequate and absence of climate-resilient design and O&M makes these water and sanitation infrastructures even more vulnerable to frequent extreme climate events like flooding and cyclones.

Sector policies and strategies. The government has adopted policies that could remedy the challenges in the sector. These include the National Policies for Safe Water Supply and Sanitation 1998, the National Water Management Plan 2001, the National Sanitation Strategy of 2005, and the Sector Development Plan for Water Supply and Sanitation Sector (2011-2025). These policies emphasize decentralization, user participation, and appropriate pricing rules. The government's strategy to address the water and sanitation challenge is to expand public services and encourage private entities in the sector. In line with that, public-private partnership projects have been initiated (e.g., wastewater management project to serve urban zones in Gazipur City; installation of water supply, sewerage, drainage, and solid waste management system in Purbachal; and water supply systems for economic zones). To provide water and sanitation services to the growing consumers, government water utilities and local government authorities are partnering with private operators through different performance-based contracts such as design, build and operate arrangements and tariff collection outsourcing. The service, whether provided by the private or public sector, regulating tariffs, and performance are key to ensuring service quality, consumers' well-being, and managing service expansion ensuring environmental sustainability. Considering these aspects, establishing the Water Supply and Sanitation Regulatory Agency has been identified as one of the policy actions in the government's Eighth Five Year Plan (2021-2025). The government expects that the agency will be charged with regulating the public and private utilities and setting prices.

Organizations and responsibilities. The MoLGRD&C has statutory responsibility for water supply and sanitation, including policy decisions, budgetary allocation, and evaluation and monitoring of policies and projects. The Department of Public Health Engineering (DPHE) and water supply and sewerage authorities (WASAs) function under the administrative control of the LGD. WASAs are responsible for water and sewerage services in Dhaka, Chittagong, Khulna, and Rajshahi, while city corporations (except for the four cities) and municipalities (pourashavas) provide the services in their jurisdictions, with technical support from DPHE. The Policy Support Unit (PSU) was established in 1999 in the LGD to lead policy development for the sector.

Previous ADB support. The Dhaka Water Supply Sector Development Program assessed the requirement and the appropriate form for an independent water regulator in Bangladesh and submitted recommendations to the government. The assessment conducted in 2010 concluded that with the water utilities' improved autonomy and resources, and improvement of their commercial and financial systems, an independent water economic regulatory commission can be established after 35 years. The PSU was tasked to lead the reform for establishing the regulatory commission. This is outlined in the government's Sector Development Plan (FY2011-FY2025) (footnote 4). ADB's country partnership strategy for Bangladesh, 2011-2015 also highlighted the improvement of the legal and regulatory framework of the urban water subsector. An ADB TA was approved in 2013 to assist the government to establish the regulatory authority. Under the TA, the draft regulatory authority bill addressing tariff setting, performance monitoring, service quality, and financial sustainability of the service providers with a road map, was prepared and presented at the National Forum for Water Supply and Sanitation in April 2016. The key stakeholders could not reach a consensus on the draft bill's tariff adjustment mechanism and its alignment with the WASA Act, 1996. Therefore, the bill's endorsement process did not proceed.

Government's request. The government now plans to establish an appropriate regulatory mechanism that would support both public and private entities' participation in the sector. In March 2022, the LGD requested ADB's support to establish the water and sanitation regulatory authority, including identifying its appropriate administrative structure. The proposed TA will update the draft bill (developed under the previous TA) in consensus with the stakeholders and align it with the relevant acts and regulations to overcome the challenge faced during the previous bill endorsement process.

The TA will support ADB's Strategy 2030 Operational Priority 4 (making cities more livable) by improving coverage, quality, efficiency, and reliability of services and strengthening management functions and financial sustainability of the service providers; and Operational Priority 6 (strengthening governance and institutional capacity) by improving governance, and institutional capacity for service delivery.

Impact	The government's policy and regulatory environment for environmental and fiscal reform strengthened
Project Outcome	
Description of Outcome	A water and sanitation regulatory authority established
Progress Toward Outcome	
Implementation Progress	
Description of Project Outputs	Clear mandates and appropriate structure of the water and sanitation regulatory mechanism identified. Laws to establish the water and sanitation regulatory mechanism finalized. Capacity of relevant agencies to implement regulatory functions strengthened.
Status of Implementation Progress (Outputs, Activities, and Issues)	
Geographical Location	Nation-wide
Summary of Environmental and Social Aspects	
Environmental Aspects	
Involuntary Resettlement	
Indigenous Peoples	
Stakeholder Communication, Participation, and Consultation	
During Project Design	Local Government Division, WASAs, local government entities, development partners and civil society organizations
During Project Implementation	Local Government Division, WASAs, local government entities, development partners and civil society organizations
Business Opportunities	
Consulting Services	Firm selection for 60 person-months (national) and 20 person-months international and 10 person-months national individual consultants.
Procurement	Not applicable
Responsible ADB Officer	
Responsible ADB Officer	Morsheda, Elma
Responsible ADB Department	
Responsible ADB Department	South Asia Department
Responsible ADB Division	
Responsible ADB Division	Urban Development and Water Division, SARD
Executing Agencies	
Executing Agencies	Local Government Division
Timetable	

Concept Clearance	27 Jul 2022
Fact Finding	31 Jul 2022 to 17 Aug 2022
MRM	-
Approval	16 Jan 2023
Last Review Mission	-
Last PDS Update	16 Jan 2023

TA 10090-BAN

Financing Plan/TA Utilization						Cumulative Disbursements		
ADB	Cofinancing	Counterpart				Total	Date	Amount
		Gov	Beneficiaries	Project Sponsor	Others			
500,000.00	0.00	0.00	0.00	0.00	0.00	500,000.00	-	0.00

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