

Final draft

Hygiene Sanitation and Water Supply (HYSAWA)

Annual Directors Report 2009 January - December 2009

HYSAWA

Chaklader House (Level 7), House 22, Road 113/A, Gulshan 2, Dhaka 1212

**(A Company Limited by Guarantee without share capital) Licensed under
Section 28 of the Companies Act, 1994**

Table of Contents

1. Executive Summary	01
2. Background.....	02
3. Specific Roles of HYSAWA Fund	03
4. Strategies	03
a) Strategy for selection of Intervention Areas	03
b) Decentralisation Strategy	05
c) UP Empowerment Strategy	06
d) Strategy for empowerment of beneficiary communities.....	06
5. Capacity building of LGIs and Communities and Empowerment	07
6. Sanitation	07
7. Water Supply	08
8. HYSAWA-BMDA Piped Water Supply Project.....	09
9. Water Quality Testing	09
10. Test Boring of TW under Research & Development.....	10
11. Hygiene Promotion.....	10
12. Poverty, Gender and Cross-cutting issues.....	11
13. Good Governance in LGIs	11
14. Monitoring Evaluation and Reviews	12
15. HYSAWA Technical Review.....	13
16. Management & Governance	13
17. HYSAWA Organogram.....	14
18. Finance.....	15
a) Fund Management at UP level	17
b) Community Fund Management	17
19. Financial and Accounting Monitoring.....	17
20. Challenges and Lessons Learned.....	18
21. Next Phase of HYSAWA.....	19
22. Financial Statement	20

Executive Summary

The HYSAWA Fund is established as an autonomous financial institution licensed under section 28 of the Companies Act, 1994. It receives funds from Government of Bangladesh and Danida, and upon receiving formal proposals and/or applications from eligible Local Government Institutions (LGIs) and subject to certain conditions, provides grants to these LGIs to implement locally developed, community-based, hygiene, sanitation and water supply service and programmes.

The HYSAWA Project has been facilitating the establishment of necessary institutional arrangements within the government institutions, and engaging private sector management/engineering firms and NGOs, to provide capacity support to the Union Parishads (UPs). In a bottom-up planning process, the communities are planning their own projects for hygiene, sanitation and water supply interventions according to their demand and affordability. They are submitting the community schemes to the respective UPs for implementation. Cross-cutting issues like human rights, good governance, gender, culture and development and HIV/AIDS are in-built in the schemes/ sub-projects preparation process and be mainstreamed throughout all stages of their implementation.

As planned and intended, HYSAWA Fund made continued efforts to improve hygiene behaviour practices, sanitation and access to water supply services among 1.7 million people (roughly 350,000 households) in the catchments areas of three Northwest and part of the six Coastal Belt districts. These were done by capacity building and empowering the 390 enlisted UPs in particular, through promotion of bottom-up planning approach and demand driven financing. About 231 UPs contracted (though 13 have been finally dropped out for procedural complications) suitable partner NGOs (PNGOs) following the Public Procurement Rules and the PNGOs formed community organisations in to 17,837 (including 875 in the year 2008) community development forums (CDFs), each comprising of 50-150 households for planning and implementing water and sanitation related sub-projects/schemes. PNGOs generally spent 50% of their time in improving hygiene practices, 30% on sanitation improvement 20% on water use promotion among the catchments population. In the calendar year 2009, HYSAWA Fund approved financing of 18,693 (totaling to 21525 to date) water points and 467 community/ public latrines which were expected to benefit more than 1.4 million people. Moreover, selective UP functionaries received capacity building support including training and hands-on support in finance and procurement management, sub-project management and cross-cutting issues. As many as 2,774 UP functionaries received training in the reporting year on various modules, wherein the cumulative total since 2008 was 5,565 persons.

The goal of HYSAWA Fund is to contribute to reduction of poverty and intends to achieve it by focusing its attention on hard-core and poor people in its process of approval and ensuring participation by the community in the planning and implementation. Amazingly, over 40% beneficiaries were either poor or the hard-core population. It was in fact realised that demarcating between the poor and the hard-core poor was no easy job; the PNGOs undertook PRA exercises where communities themselves segregated population according to their economic status (using wealth-ranking method). The percentage (40%) looked on the higher side but the fact was that some UPs made deliberate attempts to install WatSan infrastructure in villages and communities wherein the concentration of hardcore poor was explicitly visible.

In the composition of CDF, the poor and the women represented proportionately to articulate their views. Site selection for WatSan infrastructure was done in such a way that the poor and women will have easy access to them. Nearly 42% CDF members were female, while women constituted 48% of all the PNGO staff members engaged. It was noticed that nearly one-quarter of the trained UP functionaries was female. In terms of community contribution, the hardcore poor were subsidised following Pro-poor Strategy of the Government of Bangladesh. That means, the hard-core paid only 50% of the amount as community contribution compared to non-hardcore poor households.

The total budget for the calendar year is Tk.11,410 lac including Tk. 1251 lac for BMDA (*Barendra Multipurpose Development Authority*). The total expenditures for January-December 2009 is Tk.6219 lac, out of which Tk.4497 lac is from DPA part and the rest of Tk.1,722 lac is the GoB contribution.

Background

While Bangladesh has gained itself a good reputation with regard to the active role played by individual households and private sector in the provision of rural water supply, Government and donor-funded WSS programmes are still to a very large extent implemented by centrally placed government agencies such as the DPHE. The existing centralised service delivery system is seen as a bottleneck for achieving effective and sustainable services to in particular those who cannot (fully) afford to pay for the WSS facilities or services themselves. The lowering of water tables and arsenic contamination has meant that cheaper low-cost solutions might not be applicable.

Under the Water Supply and Sanitation Sector Programme Support, Phase II (WSSPS II) agreed between the Government of Bangladesh and the Government of Denmark, Hygiene, Sanitation and Water Supply (HYSAWA) Project is being implemented from since 2006. The upstart of the HYSAWA project was in the first two years delayed due to slow approval procedures and administrative difficulties. The HYSAWA FMO was however formally established in April 2008 and the planning and financing of activities achieved momentum in second half of 2008. The reporting year i.e., 2009 is regarded as an important year for de facto testing of the capacities of the approaches and capacity and capability of local governments and PNGOs to plan and implement water and sanitation activities.

The HYSAWA Fund is established as an independent financial institution and registered under the Companies Act, 1994. It receives funds from the GoB and Danida, and upon receiving formal proposals and/or applications from eligible Local Government Institutions (LGIs) and subject to certain conditions, provides grants to these LGIs to implement locally developed, community-based, hygiene, sanitation and water service programmes.

In a bottom-up planning process, the communities are planning their own projects for hygiene, sanitation and water supply interventions according to their demand and affordability. They are submitting the community schemes to the respective UPs for implementation. The HYSAWA Project facilitating the establishment of necessary institutional arrangements within the government institutions, and engaging private sector management/engineering firms and NGOs, to provide capacity support to the UPs. Cross-cutting issues like human rights, good governance, gender, culture and development and HIV/AIDS are in-built in the scheme preparation processes and be mainstreamed throughout all stages of implementation.

The HYSAWA Fund/ Project is supporting the development and demonstration of a demand driven, decentralised and sustainable hygiene, sanitation and water supply service delivery mechanism through local governments and in consultation with local people in three different geographical areas - (i) three districts with about 200 Unions in North-Western (NW) region, (ii) 146 Unions in coastal belt districts which are not covered by the Coastal Belt Project, and (iii) 350 Unions that is receiving capacity support through NGO Forum from the ‘NGO and Civil Society Networking Project’ under the WSSPS II.

The immediate objectives of the HYSAWA Project are:

- To improve hygiene behaviour /practices
- To promote community-led total sanitation
- To increase coverage of safe water supply services
- To strengthen the capacity of Government, Local Government Institutions (LGIs) and non-government stakeholders at all levels to play the roles required to achieve the above three objectives.
- To promote greater devolution of administrative and financial authority to local government institutions in regard to hygiene, sanitation and water supply.

The objectives are being achieved through outputs delivered through demand-driven activities carried out with financial assistance from the HYSAWA Fund as well as through more supply-driven activities supported through the Local Government Support Unit.

Demand-driven activities supported with funding by the HYSAWA Fund are expected to produce the following specific outputs:

- Improved and sustainable hygiene behaviour/practise achieved in the participating communities in the NW and Coastal Belt Districts.
- Improved access to sanitation facilities and its proper use achieved in the participating communities in the NW and Coastal Belt Districts.
- Access to safe water source and safe water use increased in the participating communities in the NW, Coastal Belt Districts and NGO-F Unions.
- Technical and management capacities of LGIs increased through support from DPHE, NILG and HYSAWA FMO.

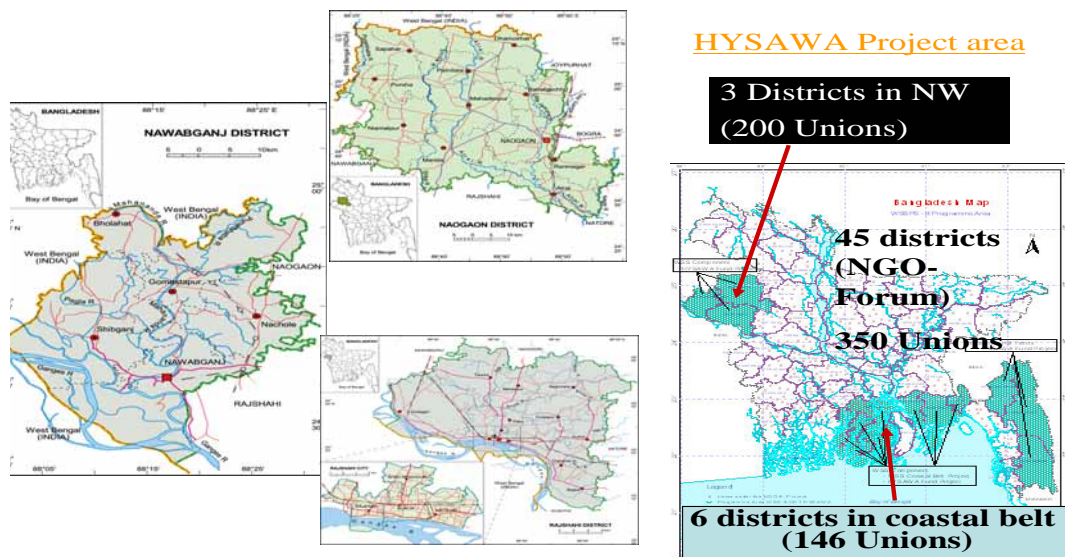
Specific Roles of HYSAWA Fund

- Resource Mobilisation for financing WSS infrastructure at the UP;
- Creating Institutional and technical condition for fiscal discipline and financial Accountability in participating UPs;
- Enhancing Transparency in decision making during allocation of financing;
- Improving Institutional capacity/ skills of LGIs to plan and Budget

Strategies

Strategy for Selection of Intervention Areas

A careful attempt was made to identify the initial project locations. The working area map as below shows the locations:



Map showing HYSAWA working areas

The objective to demonstrate local government based decentralised WSS service delivery modalities are being implemented primarily in the following areas. These are: (i) 200 UPs in three districts in NW Bangladesh, (ii) 146 UPs in the coastal belt districts and (iii) 350 UP across the country in 45 districts, the latter being capacitated through the NGO-F managed NGO and Civil Society Networking Project. Although Bangladesh is a homogenous country in terms of social aspects and behavioural practices related to hygiene and sanitation, there are some differences particularly in terms of water supply in these three areas. They are explained below:

- (i) **North-Western Districts** – The three North-Western Districts of Rajshahi, Chapai Nawabganj and Naogaon are among the very poor areas of the country. The water supply coverage is low. The groundwater levels in these districts go down during the dry seasons (technically known as low water table areas), thereby causing water scarcity by making the widely used shallow tube-wells inoperative. To mitigate such problems, the so-called ‘Deep Set Pumps’ (DSP) are required to draw water from a low ground water level. These technologies are more expensive than the normal tube-wells and difficult to afford by low-income communities.
- (ii) **Coastal Belt Districts** - The remaining 146 unions left out by the WSS Coastal Belt Project under WSSPS II will, in the six coastal belt districts have been supported by the HYSAWA Project using decentralised local government based service delivery. Due to salinity in ground water, deep tube wells in varying range are more appropriate even if they are very expensive.
- (iii) **The NGO and Civil Society Networking Project** under WSSPS II has been facilitating capacity building support to UPs and communities in Hygiene and WSS service delivery in 350 unions of 104 upazilas located in 45 districts throughout the country. The project also arranges for hygiene promotion and sanitation facilities. The demand for water supply facilities will be met from the HYSAWA Fund upon applications received from these UPs. NGO-F is facilitating this process. Although the water supply coverage is generally high in the country, the water supply facilities for these Unions are needed for obvious reasons including those outlined above as well as presenting poverty and arsenic contamination.

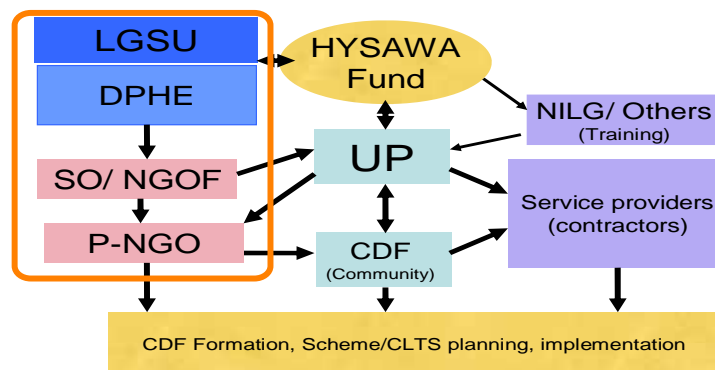
Six hundred Ninety Six Unions were originally targeted in HYSAWA project, however, given the resources available, only 390 Unions could be brought under programme intervention. The criteria for selection of intervention areas for HYSAWA Fund has been based on a set of criteria aiming at ensuring smooth large scale implementation adapted to the nature of the HYSAWA Fund. The following criteria were approved by the Governing Board of HYSAWA:

1. There are defined needs for WatSan projects, i.e. un- or underserved disadvantaged population especially in WatSan sector.
2. No current WatSan project in the UP, i.e. no duplication of development work
3. UP functionaries are willing to participate in the project
4. Good audit track record
5. Previous experience in management of development work

Decentralisation Strategy

The initial assessment of the current phase of the HYSAWA indicates that it was successful in delivering WatSan services through the Local Government Institution i.e. the Union Parishads (UPs). However, based on the lessons learned from this phase of the HYSAWA Fund, especially with regards to the low capacity at UP level and among capacity building services providers, the main challenge has been to strike an appropriate balance between supporting either an effective and smooth delivery of WSS services or a probably less effective and more cumbersome implementation of WSS services based on the actual low capacity of UPs. Direct funding from the central level (HYSAWA Fund) to the UPs is key to empower Local Government Institutions (LGI) and promote greater devolution of administrative and financial power. The accountability of UPs to the local people is ensured by setting up mandatory public disclosure systems, regular reporting, community involvement, regular internal monitoring and external audits carried out by HYSAWA. Cross cutting issues like gender, access to people with a disability and good governance are embedded into the participatory planning process (mainly PRA) and these are reflected in all field level activities. Low capacity at UP level (only one full time employed secretary and lack of knowledge and experience in general administration, procurement, and accounting) remains a serious concern and it is unlikely that most UPs will be able to manage water supply and sanitation delivery if not supported by external staff and trained in basic skills within public administration. Training of the UPs chairmen, members and staff and deployment of external support from HYSAWA component are prerequisites for a decentralised service delivery mechanism. The implementation of the component is thus based on the following approach:

Current HYSAWA Mainstream Setup



This approach is the default approach of the component and variations to it have only been considered in special cases and only on request from UPs.

HYSAWA Fund Implementation Steps				
1 Expression of Interest by UPs	2 Assessment of proposals. Sign MOU	3 NGO/ Staff recruitment. Training for all stakeholders	4 Community organisation. Baseline community surveys	5 Preparation of UP programs. Community mobilization
6 Assessment of UP programs for water and sanitation	7 Finance UP schemes	8 Contract with contractors Implementation	9 Training and establishing systems for user charges & maintenance	10 Monitor. Audit. Report

UP Empowerment Strategy

The following principles have been applied to the empowerment of UPs in the implementation of the component:

1. UPs are responsible for prioritisation and planning of water supply facilities based on (1) requests from communities/villages and (2) maximum overall and proportionate allocations per UP. Before sending the proposal to HYSAWA with a request for financing, the suggested schemes is certified by a qualified public health technical authority (DPHE) from the upazila level.
2. UPs enjoy full disbursement authority for all funds related to construction of water supply schemes, hygiene education and community mobilization by PNGO within the guideline and framework provided by HYSAWA.
3. Funds for training in basic public administration at UP level is managed at HYSAWA Fund level as it is envisaged to provide a uniform training package to all UPs in the programme area.
4. Funds for community mobilisation, i.e. payment of PNGO services, are administered by the UPs.
5. Progress reporting to HYSAWA is the responsibility of the UPs based on standard monitoring criteria developed by HYSAWA Fund.
6. If serious mismanagement of funds is detected, UPs have been either corrected or excluded from further support.

Strategy for empowerment of beneficiary communities

Community Development Forums (CDFs) have been formed at the community level in the initial stage of the work with a view to develop their capacity to take over the responsibilities of planning, implementation, operation and maintenance of community schemes. To ensure

participation of all sections of population in a village or a peri-urban area, including disadvantaged groups, the organizational structure includes: (i) extreme poor, (ii) women and (iii) general public including the richer sections of the community. This structure will ensure equitable representation in the organization and assists all segments of the community to bring their relevant agenda to the village development plan..

Community Management Promotion (CMP) methods have been used for planning and implementing the community schemes. PNGOs recruited by UP will use appropriate instruments to form community organisations and develop their capacities for planning and O&M of WSS interventions. Community development, training and promotional activities for hygiene, sanitation and safe water to be carried out by PNGOs will be interlinked and often overlapping. It is expected that the staff spends 50% of their time on hygiene promotion, 30% on sanitation and 20% on promotion of safe water.

Capacity building of LGIs and communities and empowerment

Development of technical and management capacities of LGIs and communities in the working area were foundation to ensure safer investment in these institutions in HYSAWA approach. Both demand and supply driven capacity building efforts were planned by institutional training as well as hands on support from National Institute of Local Government (NILG), Support Organisation (SO), PNGOs and other expert organisations at various levels

HYSAWA project intends to improve hygiene behaviour practices, sanitation and access to water supply services among 1.7 million people in the catchments areas of three Northwest and part of the six Coastal Belt districts. These have been underway by capacity building and empowering the 390 enlisted Local Government Institutions – through promotion of bottom up approach from communities. Two hundred thirty UPs contracted suitable PNGOs in their respective unions following Public Procurement Rules but due to procedural complications only 218 UPs could finally sign service contracts PNGOs to help communities to organise, planning WatSan project and implement them. Another 68 UPs signed non-financial agreement with PNGOs where they had been working already with other funding sources. The contracted PNGOs organised communities into 16,962 CDFs, each comprising of 50-150 households for planning and implementing water and sanitation related sub-projects/schemes. PNGOs generally spent 50% of their time in improving hygiene practices among the catchments population. Moreover, functionaries of 390 UPs received capacity building support including training and hands-on exercise in finance and procurement management, sub-project management and cross-cutting issues. Actually 2,774 UP functionaries received training in the reporting year on various modules, wherein the cumulative total since 2008 was 5,565. They were trained in 191 batches on different modules. As many as 218 UPs finally contracted partner NGOs (PNGOs) to assist UPs in community orhanisation/ mobilization, WatSan project planning and implementation. Of the 390 UPs that were engaged in the devolution process, only 29 UPs had some problems or another (deviations from rules, regulations etc.). The latter have been under close observations, and where possible, corrective measures are being taken and affected.

Sanitation

The objective relating to sanitation was to improve access to sanitation facilities and its proper use achieved in the participating communities. The community-led sanitation approach was adopted. More than 600 partner NGO staff were trained on community-led total sanitation (CLTS) by expert organisations such as Village Education and Resource

Centre (VERC), Dhaka Ahsania Mission and NGO Forum for Drinking Water Supply and Sanitation. The PNGOs, along with the Community Facilitators (CF) – Eighteen in each union (50% female), motivated the communities to take collective actions by themselves. Through the motivational work of more than 600 PNGOs workers and their 3700 community volunteers (CF), about 289,520 new hygienic latrines have been installed by the communities at their own cost raising the coverage to more than 50% against the baseline of 25%. However this figure is beyond target and expectation and the related data are being cross-checked by HYSAWA, SOs and DPOs in the field offices. HYSAW didn't subsidise any household latrines however some UPs were motivated to subsidise household latrines for poor households from their ADP allocation.

Table showing new household latrines by districts

Area	Total HHs Under CDF	Baseline Status 2008	Achievement (till Dec.2009)	Cumulative Achievement Including Baseline
Naogaon	445770	97172	115930	213102
Rajshahi	238734	57176	33452	90628
Noakhali	107724	29575	28326	57901
Barisal	261545	61382	111812	173,194
Total	1053773	245305	289520	534,825

HYSAWA Fund also financed institutional and public latrines, especially in educational institutions and market places. In the reporting year, a total of 467 sanitation schemes have been appraised and approved for financial support from HYSAWA Fund. Cumulative figures are 527 sanitation schemes (CY 2008 and CY 2009 put together). The number of sanitation schemes installed up to December 2009 was 150, benefiting about 60,000 people. The communities contributed 20% to the construction costs of these latrines.

Water Supply

One of the important objectives of HYSAWA is to increase coverage of safe water supply within poor communities. Choice of appropriate safe water supply technologies considering the hydro-geological situation along with its feasibility has been made according to technical requirements and the community's ability to pay their share of the investment cost. The communities were facilitated by PNGOs to identify feasible water point along with selection of sites through social mapping by community development forums (CDF). They also identified the households who have no access to safe water within 50 meters (walking distance) and also identified which households are hardcore following criteria of Pro-poor Strategy for Water and Sanitation Sector in Bangladesh, 2005. The user groups were facilitated to make O&M plan on proposed water points. CDF or the user groups are motivated to pay 20% contribution money for water points but only hardcore households are being contributed half (10%) of the others. The technical proposals are eventually validated by the concerned Sub-Assistant Engineer (SAE) of DPHE, technical person of SO and district technical team (DTT) of HYSAWA.

Groundwater which is the principal source of safe water supply system in Bangladesh is normally discharged by manually operated tube wells and in many places, this water supply with hand tube wells are facing stern problems due to various reasons. In early nineties, detection of arsenic in ground water caused a threat for ground water supply system in

Bangladesh. Fluctuations of groundwater table have also been observed which indicated that the water table has been declining beyond the suction limit day by day. In coastal belt areas the major problem encountered in tube well is salinity of excess concentration. Besides this, in some places no suitable aquifer is available. By this time some areas were found unsuccessful for normal hand pump well, where alternate technologies were being applied. With a view to addressing these challenges like arsenic contamination, groundwater declining, saline intrusion and so on, HYSAWA Fund has been promoting different feasible alternate water supply technologies i.e. Rain-water Harvesting System, Dug-well and Ring-well, etc besides different types of feasible hand pump technologies in rural areas.

Table showing number of water points approved by HYSAWA by types and districts

Districts/ Area	Deep set pump	Tara Dev Head	Deep Tube well	Dug well	Rainwater harvesting	Others (AIRP,PSF)	Total
Rajshahi	2099	2684					4783
Naogaon	7084			177			7261
Chapai Nawabganj	1245	193					1438
Barisal, Jhalakathi, Pirojpur			2750				2750
Feni, Noakhali, Laxmipur			2122				2122
NGOF areas	1586		1265	92	125	103	3171
Total	12014	2877	6137	269	125	103	21525

HYSAWA-BMDA Piped Water Supply Project

HYSAWA Fund, on signing an agreement, channeled funds to BMDA (Barind Multi-purpose Development Authority) for construction of 200 rural piped water schemes. BMDA developed “Drinking Water Supply from Irrigation Deep Tube Wells Projects (Phase II)” to install 750 systems (adjusted to 620 through revised DPP) in 16 districts of the Rajshahi Division. Rajshahi, Naogaon and Chapainawabganj were carefully excluded to avoid duplication). A total of 141 piped water schemes have been completed in 2009 and rest were in the pipe line from which 140,000 number of people including 55,000 women, 29,000 children, 643 people with disability (PWD) and 44,000 poor have been benefited. The remaining work of 59 piped water schemes will be completed by June 2010.

In addition, a research work is being carried out by Institute of Water Modeling (IWM), Dhaka on integrated water modeling in Barind area. The study will reveal information that will help HYSAWA Fund in choosing area specific feasible technologies for the area in future.

Water Quality Testing

Due to deterioration of water quality of both surface and underground sources safe drinking water scarcity has been increasing alarmingly. With a view of providing quality water supply

to the community under this project, as part of quality standard, laboratory testing of water quality have been made mandatory by HYSAWA. Satisfactory water quality testing is also a milestone for fund disbursement to UP and payment of contractors. During the year a total of 5336 water samples were tested in different laboratories, primarily in DPHE and NGO Forum. On the basis of this water quality testing result, some corrective measures are also taken for those unsafe water supply technologies from HYSAWA Fund.

But the problem of water quality testing in laboratory is that the absence of physical and laboratory facilities in different localities and sometimes it is geographically very remote. This makes water quality testing difficult, expensive and delayed – it is often difficult also to collect and carry water samples to distant laboratory facilities. In such situation, HYSAWA Fund in consultation with stakeholders has taken an initiative to conduct this water quality testing using quality Field Kits at field level. The use of field testing kits at the water point sites have been proved effective and scientific with minor errors and can be accepted as substitute for laboratory tests. However, 10% of these field tests will be randomly checked at the laboratory for confirmation. The elements that are tested include arsenic, chloride (for coastal belt), iron and manganese.

Test Boring of TW under Research & Development

In some region of the country including arsenic and saline affected areas, deep drilling is very difficult as the geographical and hydro-geological condition of this area indicates the presence of hard rock in the sub-soil formation at different depth. Due to this difficulty, local mason groups are not developed and simultaneously the masons from other areas are not that much interested to do this work here and normally demands very high price for boring purposes. So, to improve this situation and to identify the real condition, initiative of sub-soil exploration of this area has been under taken by HYSAWA Fund which is already under progress through test boring in some selected points with the technical support of local DPHE with the following objectives:

- Sub-soil exploration to identify the suitable confined aquifer for installing Deep Tube Well (DTW) as safe source of water for drinking and cooking purposes; and
- Explore an appropriate drilling method for DTW installation in these areas of Bangladesh where there is presence of hard rock in sub-soil formation.

In the reporting year, over 21,525 water schemes have been appraised and approved for financial support from HYSAWA Fund. The cumulative figure since the beginning of the project is 22,325 water schemes. However, as on reporting period 6,123 water-points have been installed which benefited about 0.35 million people – more than 30% hardcore poor.

Hygiene Promotion

HYSAWA's support to Unions is expected to demonstrate improved and sustainable Hygiene behaviour/ practice in the participating communities, particularly hand washing before meals and after defecation. Through the motivational work of PNGOs and their volunteers (CF), about 289,520 new hygienic latrines have been installed by the communities at their own cost. Hygiene education will help them maintain and clean.

While the actual hygiene behavioral changes will be measured at a later stage through a special study, about two million people have been trained on hygiene practices in its first phase, with special emphasis on hand washing before meal and after defecation. It has been evident from different research that hand washing alone can prevent about 40% of the

diarrhea related diseases. A more detail number of participants who received training on hand washing are shown below:

Working area	Number of participant				Person with disability (PWD)
	Female	Male	Child	Total	
Noagoan	205132	174511	326755	706398	2393
Rajshahi	89277	89082	141996	320355	1097
Noakhali	95776	83407	146239	325442	876
Barisal	182492	157339	307664	647495	2067
<i>Total</i>	<i>572677</i>	<i>504339</i>	<i>922654</i>	<i>1999690</i>	<i>6433</i>

About 30,000 posters on “hand washing” was reprinted by HYSAWA and used for practical demonstration in the villages. All Partner NGO and SO staff were given training of Trainers (TOT) who , in turn, facilitated this hand washing training to Community Volunteers and then to the communities in multiplying approach.

Poverty, Gender and Cross-cutting issues

The goal of HYSAWA Fund is to contribute to reduction of poverty and intends to achieve it by focusing its attention on hard-core and poor people in its process of approval and ensuring participation by the community in the planning and implementation. It was expected that more than 30% beneficiaries would include poor and the hard-core population. Amazingly, over 40% beneficiaries were either poor or the hard-core population. It was in fact realised that demarcating between the poor and the hard-core poor was no easy job; the PNGOs undertook PRA exercises where communities themselves segregated population according to their economic status (using wealth-ranking method). The percentage (40%) looked on the higher side but the fact was that some UPs made deliberate attempts to install WatSan infrastructure in villages and communities wherein the concentration of hardcore poor was explicitly visible.

In the composition of CDF, the poor and the women represented proportionately to articulate their views. Site selection for WatSan infrastructure was done in such a way that the poor and women will have easy access to them. Nearly 42% CDF members were female, while women constituted 48% of all the PNGO staff members engaged. It was noticed that nearly one-quarter of the trained UP functionaries was female.

In terms of community contribution, the hardcore poor was subsidised following Pro-poor Strategy of the Government of Bangladesh. That means, the hard-core paid only 50% of the amount as community contribution than the non-hardcore poor households contributed.

Good Governance in LGIs

In areas of good governance, HYSAWA expects all UPs to ensure participatory decision-making, introduce public disclosure system, transparent book keeping and contract management. Almost all UPs in the programme started practicing participatory decision-making (e.g. joint bank signatory and bank transaction through UP resolution), introduced public disclosure board, updating books of accounts, quarterly financial reporting and management of contract using public procurement system.

Monitoring Evaluation and Reviews

Detailed monitoring of schemes comprising many aspects of project implementation, such as evaluation criteria for UP selection and project selection, and formats for monitoring stages of implementation process have been developed and have been in use. Outcomes of the introduced monitoring system are being used for documentation and for preparation for various reports. Compared to financial monitoring, project monitoring is a late starter in HYSAWA. Being a demand driven project, HYSAWA has to encompass critical information for effective project implementation. In view of keeping track of achieving project objectives, it is important that relevant information is monitored with respect to coverage of hardcore poor, underserved/ difficult areas, quality of technological units and extent of devolution of UP functions. The summary progress monitoring data is enumerated below:

Table: Summary Cumulative Progress up to December 2009

Outputs	Indicators	End of Project Target	Achievements	Comments
Improved and sustainable hygiene behaviour/ practice achieved in the participating communities	UPs enlisted for HYSAWA funding and MOUs signed with UPs	696	390	Only 50 out of 350 UPs in NGOF could be enlisted
	Number of people trained on hand washing after defecation and before meals	17,00,000	19,99,000	
	Community Dev. Forum(CDF) formed	N/A	17,837	including 875 in 2008
Improved access to sanitation facilities and its proper use achieved	Sanitation schemes approved	660	590	72 schemes dropped-out later
	Population targeted through planned sanitation projects	300,000	237,348	98,101 hardcore poor
	New Household level latrines by communities	350,000	289,520	
Access to safe water source and safe water use increased	Water supply schemes approved	23,915	22,325	800 Schemes cancelled later
	Water supply schemes completed	23,915	6123	
	Population targeted through planned/ approved WS schemes	1,700,000	1,467,714	637,306 hardcore poor
Technical and management capacities of LGIs increased	Participants trained with support from HYSAWA FMO	9,000	5,565	
UPs Capacities developed to support communities to support communities to formulate schemes, appraise them and manage their implementation	No. of UPs contracted PNGOs	230	218	
	No. of UPs engaged other organizations/ NGOs/ own staff	N/A		
	Private Contractors contracted for hardware activities	None	242	

HYSAWA Technical Review

In response to the November 2008 mid-term review of WSSPS-II, a more detail HYSAWA technical review was conducted in June 2009 in order to specifically review its progress to date and capture the lessons learned and to suggest future course of action,. The team composed of both national and international experts in the areas of institutional management, technical engineering and financial management. The team has expressed its satisfaction over the progress made by HYSAWA Fund up to that period however there were certain scopes for further improvements. Some major recommendations of the Mid-term Review are as follows:

- 1 HYSAWA FMO should procure additional capacity for processing applications and for field monitoring and verification through contracted consultant companies, with the possibility of employing an additional few staff.
- 2 HYSAWA FMO should consult with experts on piped schemes and integrated water utilization to make a strategy to identify the most economic and viable solutions to drinking water in areas with falling groundwater tables.
- 3 Engineering quality control mechanism should be established. HYSAWA should consider supporting accounting functions of UPs .
- 4 Funds should be allocated to meet the demand created in NGO-F covered Union Parishads.
- 5 Training qualities should be reviewed and modules revised to make them more relevant
- 6 HYSAWA's policy with regard to community contribution should be reviewed based on the findings from the field.
- 7 Information available with respect to cost effective technologies and underserved and difficult areas should be accessed or made available through outsourcing.
- 8 The HYSAWA DPP should be adjusted to accommodate changes.
- 9 HYSAWA may consider formulating a structured plan and marketing strategy to pursue additional funding for HYSAWA during the current term of the HYSAWA Project.
- 10 The governing board should be the only authority over management. HYSAWA could consider undertaking a visioning exercise to establish the post-project completion strategy for HYSAWA.
- 11 HYSAWA should pursue harmonization with the other GOB Projects towards synchronizing operating procedures and manual for processing applications.

Management & Governance

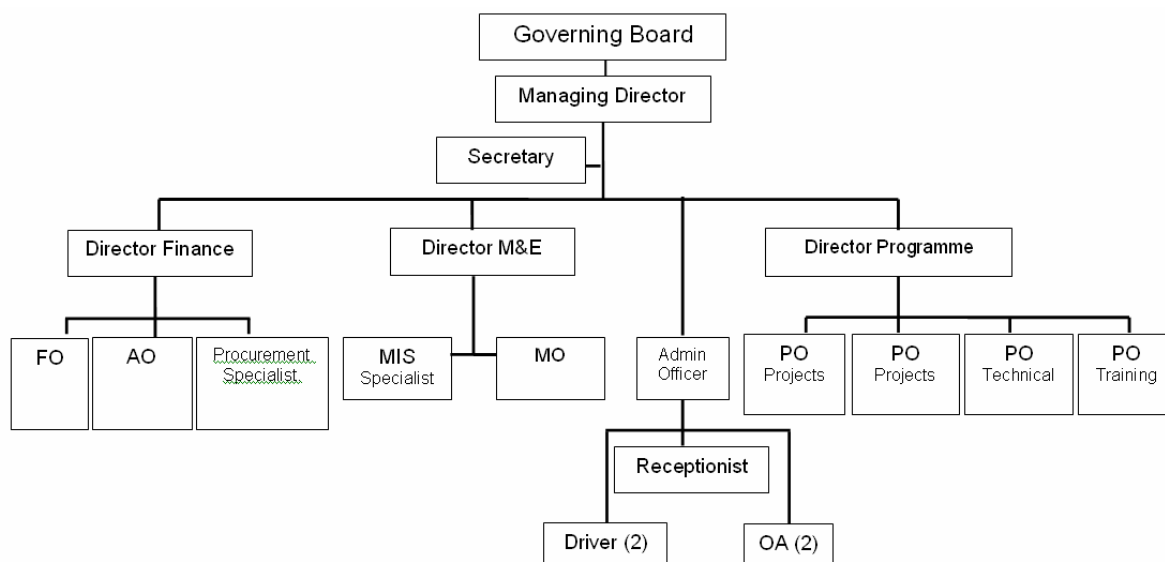
HYSAWA is a company limited by guarantee without share capital with the mandate to mobilize resources and extend financial support for the water supply and sanitation infrastructure at UP level and enhance UP's motivation to establish and maintain systems and procedures for transparency in all financial decisions making.

The policy guidance and direction for efficient functioning of the company is vested in the Governing Board. The Governing Board is constituted by eleven members headed by a Chairman. The Secretary, Local Government Division, MLGRD&C, Government of Bangladesh is always the Chairman of the company. It has members from relevant ministries and departments, government agencies (e.g. DPHE, UP Chairmen from the working area, civil societies, NGO and private banks/ micro-credit organization' representative. The detailed composition of the Board is included in the Memorandum of Article of Association of HYSAWA incorporated under companies Act, 1994. The Board approves HYSAWA

operating procedures and annual budgets. It also oversees the overall management of the HYSAWA Fund according to the approved procedures. The Managing Director as the Chief Operating Officer of the company is appointed by the Governing Board and acts as the Member Secretary to the Governing Board. The Managing Director is responsible for the day-to-day management of the company and report to the Governing Board.

The intention is that the company would be financed from multiple sources such as GoB, Danida and other bilateral and multilateral development partners as well as private donations. It is important to take note that HYSAWA is also allowed to seek and receive funding from whomever they desire; and in this sense HYSAWA is already a vessel for a basket fund. All procedures governing the appraisal of infrastructure investment projects as well as all technical functions of the company shall be in accordance with the company's operational manuals. The organisational structure of HYSAWA is as follows:

HYSAWA Organogram



HYSAWA Governing Board has been playing more active role in setting fund management office's structure, policy, and procedure and governance system. The Board had its regular quarterly meetings, including AGM 2008 and attended to its statutory requirements by the Registrar of Joint Stock Company (RJSC) including annual audit and updating membership status. The persons whose names and addresses are subscribed below comprises of the Governing Board of the HYSAWA Fund Company limited by guarantee under the provisions of the Companies Act, 1994, and in pursuance of this Memorandum of Article of Association:

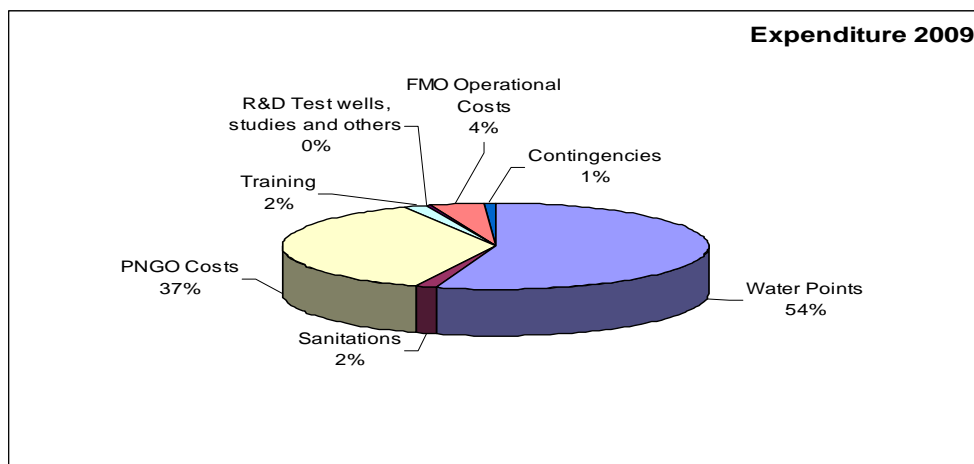
Mr. Monzur Hossain Secretary, Local Government Division , MoLGRD&C Chairman of HYSAWA Governing Board	Mr. Md. Shafiqur Rahman Patwari Additional Secretary, Finance Division, Ministry of Finance. Member, HYSAWA Governing Board
Mr. Md. Mustafizur Rahman	Mr. Enayet Hossain Monto

Chief Engineer, DPHE Member, HYSAWA Governing Board	Chairman, Gorai UP, Mirzapur Upazila, Tangail Member, HYSAWA Governing Board
Mr. Jan Moller Hansen Deputy Head of Mission, Embassy of Denmark, Dhaka Member, HYSAWA Governing Board	Mr. Wali Ul Islam Project Director, LGSU-HYSAWA Project Member, HYSAWA Governing Board
Professor Badiul Alam Majumder Global Vice President, The Hunger Project Member, HYSAWA Governing Board	Mr. Md. Bazle Rezbee Al Hasan Chairman, Haripur UP, Paba Upazila, Rajshahi Member, HYSAWA Governing Board
Mr. Moshiur Rahman Monju Chairman, Balipara UP, Zianagar Upazila, Pirojpur Member, HYSAWA Governing Board	Dr. Hossain Zillur Rahman Executive Chairman, PPRC Member, HYSAWA Governing Board
Ms. Parveen Mahmud Deputy Managing Director, PKSf Member, HYSAWA Governing Board	M Enamul Kabir Managing Director, HYSAWA Fund Member Secretary, HYSAWA Governing Board

Finance

The total budget for the calendar year is Tk.11,410 lac including Tk. 1251 lac for BMDA (*Barendra Multipurpose Development Authority*). The total expenditures for January-December 2009 are Tk.6219 lac out of which Tk.4497 lac is from DPA part and the rest for Tk. 1,722 lac is the GoB contribution.

The HYSAWA financial and procurement management follows a well-defined and transparent system. Financial and Procurement Manuals to specify financial and procurement management at different levels have been prepared during the reporting period and been approved by the Governing Board and, until it was approved, the HYSAWA FMO followed the Embassy of Denmark (EoD) manual for the same.



The Danida contribution for the HYSAWA Fund has been channeled from the EoD, Dhaka to the NPD Office (together with other project funds) who had subsequently transferred the

funds to the HYSAWA Fund. Before each financial year, FMO prepared an estimated yearly budget to cover the financial requirements for (i) UP managed schemes, (ii) payments for different contracts that are managed by the FMO e.g. audits and (iii) its own management costs. It submitted the yearly budget to the Governing Board for review and approval. Once the budget is approved, FMO submitted a request for transfer of funds from NPD Office to the HYSAWA account.

Summary Budget vs. Expenditure

Amount in Lac Taka

Particulars of Output and Activities		Total Budget Vs Achievement			Annual Budget Vs Achievement 2009		
		Budget	Expenditure	Variance (%)	Budget 2009	Expenditure 2009	Variance (%)
Hardware cost- Water Points							
	North West Districts	3383.00	1,311	38.75%	3,496	1,097	31.37%
	<i>Coastal Belt Districts</i>	2509.00	858	34.20%	1,838	880	47.89%
	<i>NGO-Forum</i>	784.00	601	76.66%	985	107	10.86%
	<i>BMDA</i>	2348.00	1,300	55.37%	1,590	1,300	81.76%
	Sub-Total	9,024	4,070	45.10%	7,909	3,384	42.78%
Hardware cost- Sanitations							
	North West Districts	561.00	141	25.13%	352	110	31.22%
	<i>Coastal Belt Districts</i>	156.00		0.00%	124		0.00%
	Sub-Total	717	141	19.67%	476	110	23.11%
P_NGO Costs							
	North West Districts	1939.00	1,388	71.58%	1,000	1,110	111.00%
	<i>Coastal Belt Districts</i>	1502.00	1,179	78.50%	950	1,179	124.11%
	Sub-Total	3,441	2,567	74.60%	1,950	2,289	117.38%
Training		699.00	241	34.41%	402	114	28.23%
R&D Test wells, studies and others		1301.00	67	5.11%	212	8	3.54%
HYSAWA FMO Operational Costs		654	434	69.26%	287	265	93.68%

Contingencies	609.39	119	19.51%	173	49	28.28%
Sub-Total	3,264	860	27.71%	1,074	435	43.71%
Total	16,446	7,638	46.64%	11,410	6,219	54.74%

Fund Management at UP level

One of the objectives of HYSAWA was to empower UPs to manage funds themselves using the guidelines and manuals developed by HYSAWA. The UP secretaries were formally trained by NILG followed by hands-on technical support from the Support Organisations at Upazila level. The detailed procedures for planning, budgeting and implementation of water and sanitation projects at the field level by UPs have been outlined in the UP manuals prepared by HYSAWA.

The UPs are operating a separate bank account (HYSAWA Account) for the Project. They received funds directly from FMO after the schemes have been approved and validated by the Upazila WatSan Committee. Funds have been released in installments – the first installment has been released as soon as the UP schemes are approved by the FMO and the subsequent installments upon reaching some predetermined milestones. The Secretary of UP has been responsible for fund management and keeps record of expenditure, prepare financial reports and send these to the FMO.

Community Fund Management

The matching contribution for water supply and sanitation facilities have been deposited in the separate accounts maintained by UP. In the case of household sanitation, the communities fully contributed to cash and labour.

Financial and accounting monitoring

HYSAWA Fund is responsible to ensure keeping of proper accounts and records of all transactions in respect of:

- All sums of money received and spent by the company and matters in respect of which receipts and expenditure takes place,
- All purchases of goods / services of the company,
- All assets and liabilities of the company.

The following accounting, reporting and financial management systems are followed by HYSAWA Fund:

- A procurement and finance manual is introduced delineating the procurement procedures, accounting system, payment procedures, financial authority, financial control mechanism, etc.
- The accounts of HYSAWA Fund are maintained following the cash basis principal of accounting; which means that expenditures are accounted for at the time of payment with proper documentation and approval, grants and other income are to be accounted for at the time of received in cash or by bank and all payments should be made within the year.

- Annual budgets is prepared and approved by the Governing Board and all activities are operated following the budgets provisions; which means budgetary control is exercised.
- Monthly accounts is prepared by the Finance Director and approved by the Managing Director for internal control purpose. Managing Director submits the monthly reports to the Governing Board on a quarterly basis for discussion in Board meeting.
- Bank accounts are reconciled at the end of each month.
- The annual financial statements of HYSAWA Fund consist of a Receipts and Payments Statement, an Income and Expenditure Statement, a Balance Sheet and a Notes to the Financial Statements.
- The annual financial statements of HYSAWA Funds is get audited by the External Auditors appointed by the Governing Board.
- There are also provisions of audit of HYSAWA Fund accounts by Auditor General of Denmark and Auditor General of Bangladesh, if needed.
- The annual audited accounts of the HYSAWA Fund are submitted to the office of the NPD, GoB, EoD and other donors.

Challenges and Lessons Learned

The implementation of the HYSAWA Project is driven by demand from the UPs, and, although the proposed delivery model takes into account some of the lessons learnt in similar local government support projects, flexibility in the timing and implementation will be required in terms of budgeting and disbursements. Successful implementation of the HYSAWA Project is furthermore based on the assumption that the decentralisation process continues in Bangladesh; DPHE and other relevant line agencies at different levels will cooperate actively in the project activities; and the UPs is expected to develop the necessary capacity to identify, plan and administer the implementation at local level.

The major issues of HYSAWA was about the rigid procedure outlined in DPP that hindered its quick progress in catching up with its lost time due to procedural complications and outdated unit costs for infrastructure. These warranted for revision of DPP which was a cumbersome process. It was important to find a trade-off between efficiency and effectiveness of HYSAWA. DPP submitted to the authorized department and is currently under process at ECNEC. It is expected that, approval of the proposed revisions in DPP may ease some of the constraints.

HYSAWA began in 2007 and full scale implementation commenced in 2008 with the establishment of the HYSAWA FMO. Since then HYSAWA has been testing out different strategies that are practicable in line with ground realities.

The initial mainstream approach included recruitment of Support Organisations (SO) and Partner NGOs to help UPs and communities to plan and implement community level hygiene, sanitation and water supply sub-projects. The structure in which this planned project approach is being implemented at different levels is considered complex and some implementation challenges have been identified that cannot be readily accommodated within the current framework. HYSAWA funds and Union Parishads' achievements have been designed to be dependent on other stakeholders and some extra tiers and procedures have been created that can often delay timely achievements of intended outputs. Additionally, the procedure outlined in DPP and the Public Procurement Rules (PPR) prescribes a

cumbersome, lengthy and rigid process which hinders target achievements, especially in situations where LGIs have very limited capacities and are only beginning to learn and apply them. HYSAWA has learnt a number of lessons during the pilot phase using different approaches and it is important that the future modalities for funding LGIs are further simplified, including building in some flexibilities – this proposed project is based on local level realities learned through HYSAWA's current approaches.

The HYSAWA Project is expected to demonstrate an effective decentralized service delivery model through local governments. Once such a delivery model is created, it can be used for other public services like rural infrastructure, primary health care and mass education. As the model is based on permanent government structures and the prevailing capacities of private sector; it can easily be scaled up for undertaking large-scale decentralized investment program.

There has been a growing realization that some of these processes and modalities could be slightly revised to make the program more effective, efficient and worthy. Moreover, HYSAWA is unable to meet the growing needs of the UPs with limited resources and there are huge unmet needs relating to hygiene, sanitation and water supply in the country. This has prompted HYSAWA to look for additional resources from other sources. Additional 25 million DKK and 7.7 million Aus\$ have been mobilised for extension of HYSAWA work in the needy areas using similar or identical approach

Next Phase of HYSAWA

The current phase of HYSAWA will end in 2011 including an extension. The next phase starting in 2012 through 2015 has been formulated with slight reorganisation of objectives, strategies, working areas and approaches, based on the lessons learned and challenges identified from the current phase. An outline of processes involved in finalising the next phase has also been agreed with key stakeholders including the government and the donors.

The lessons learned from the original project modalities will be incorporated in the proposed phase/ project while the basic concept of decentralisation, the core outputs, objectives, and goal of HYSAWA will remain the same.

Financial Statement

HYSAWA
STATEMENT OF RECEIPTS & PAYMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

	Amount in Taka
<u>INFLOW OF FUNDS</u>	2009
A. Opening Balance of Funds	168,623,121
Cash in Hand	125
Cash at Bank	168,622,996
B. Receipts during the year	692,189,434
Remittance from DANIDA	510,849,700
Remittance from GoB	172,176,644
Interest Income	7,715,321
Gratuity Fund	1,447,769
Total Fund Inflow	860,812,555
<u>OUTFLOW OF FUNDS</u>	
C. Expenditures/Disbursement	
Remittance to Union Parishod	448,340,552
Remittance to BMDA	130,950,000
Fund Management Office (FMO) Expenses	20,292,452
Logistics	6,059,063
Strengthening and Capacity Building Program	11,396,565
Contingencies	4,615,996
Advance to Staff	214,833
Total Application of Funds	621,869,461
D. Closing Balance of Funds	
Cash in Hand	19,988
Cash at Bank	238,923,106
	238,943,094

Dated :
Place : Dhaka

M. J. ABEDIN & CO
Chartered Accountants