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President's report

Proposed loan

People's Republic of Bangladesh

Climate- and Disaster-Resilient Small-Scale Water Resources Management Project

Project ID: 2000002357

Note to Executive Board representatives

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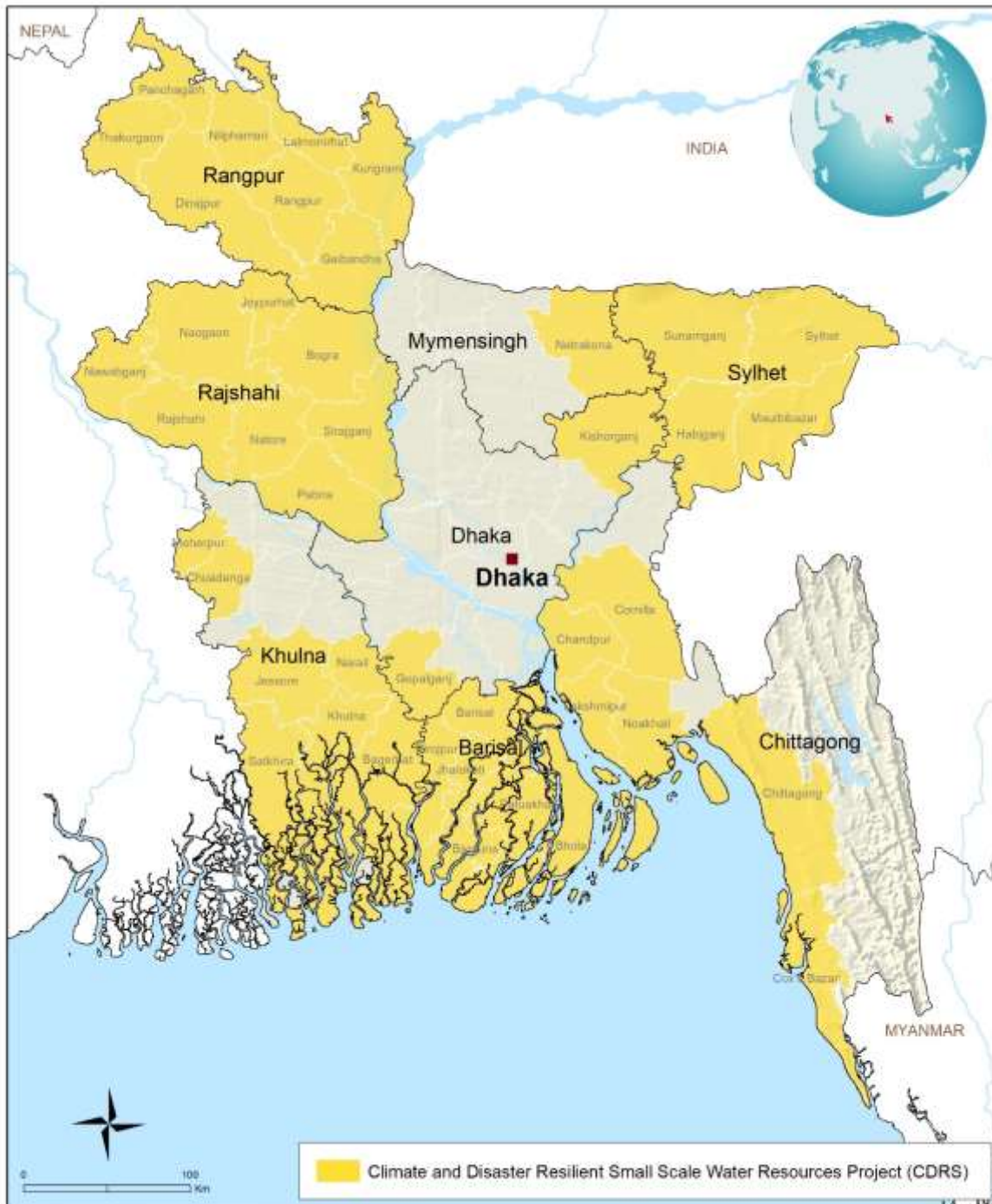
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- II. Logical framework

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Map of the project area



The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.
Map compiled by IFAD | 04-01-2022

Financing summary

Initiating institution:	Asian Development Bank
Borrower/recipient:	People's Republic of Bangladesh
Executing agency:	Local Government and Engineering Department
Total project cost:	US\$225 million
Amount of IFAD loan:	US\$42.98 million
Terms of IFAD loan:	Blend terms
Cofinanciers:	Asian Development Bank and the Government of the Kingdom of Netherlands
Amount of cofinancing:	Asian Development Bank loan: US\$106 million Government of the Kingdom of Netherlands grant: US\$17.8 million
Terms of cofinancing:	Loan and grant
Contribution of borrower/recipient:	US\$51.44 million
Contribution of beneficiaries:	US\$6.72 million
Amount of IFAD climate finance:	US\$17.8 million
Cooperating institution:	Asian Development Bank

Recommendation for approval

The Executive Board is invited to approve the recommendation contained in paragraph 63.

I. Context

A. National context and rationale for IFAD involvement

National context

1. Bangladesh has a land area of 14.7 million ha, a cultivable area of about 8 million ha, and a population of 167.6 million (2020). Annual GDP growth has exceeded 6.5 per cent since 2012. In 2015, Bangladesh surpassed the lower-middle-income threshold and aims to achieve upper-middle-income country status by 2031 and high-income country status by 2041.
2. The Government of Bangladesh's Eighth Five-Year Plan, covering 2021-2025, is designed to sustain GDP growth and forecasts an average growth rate of 8 per cent, including 3.9 per cent growth for the agriculture sector. However, poverty is high in rural areas due to limited access to land and natural resources, and high rural population density.
3. The agriculture, livestock and fisheries sectors provide 40 per cent of national employment, contributing significantly to poverty reduction and food security. However, food production is facing issues of low productivity, climate change, degraded natural resources, diversion of agricultural land to other uses, and inefficiencies in value chains.
4. Bangladesh is highly prone to natural hazards (floods, cyclones, river erosion, droughts, and soil salinity) and climate variability. Geographical challenges are aggravated by inadequate water management infrastructure and weak operation and maintenance (O&M) due to limited beneficiary participation.
5. The project goal is to improve resilience in four climate hotspots in line with the Bangladesh Delta Plan 2100 and the latest climate risk and vulnerability assessments. The project will improve institutional capacity for effective and inclusive water management (component 1), invest in climate-resilient infrastructure (component 2), and adoption of climate-resilient agricultural practices and improved value chains (component 3).
6. The project meets the highest Asian Development Bank (ADB) gender category (gender equity) through a dedicated gender action plan that invests in, and monitors, women's empowerment in all project components and the results framework.
7. A youth action plan will be developed to ensure stronger participation and representation of the young in specific value chain activities.
8. The project will contribute to improved nutrition by investing in climate-resilient food production, improved farm incomes, the promotion of diversified and safe value chains, and nutrition education for nutritionally vulnerable poor rural women and men.

Special aspects relating to IFAD's corporate mainstreaming priorities

9. In line with the Twelfth Replenishment of IFAD's Resources (IFAD12) mainstreaming commitments, the project has been validated as:
 - Including climate finance.

10. The project's focus on enhancing resilience to climate change is highly relevant to the Government and IFAD's priorities in Bangladesh. IFAD's portfolio will benefit from joint policy engagement and studies to strengthen the sustainability of water management cooperative associations (WMCAs) and Local Government and Engineering Department (LGED) services. Innovative nature-based solutions, use of information and communications technology, solar-powered pumps, and improved management information systems (MIS) will also be explored.
11. The project is part of a long-term, countrywide partnership going back to the 1990s with the Government of Bangladesh and the ADB on small-scale water resources (SSWR). This fourth phase will leverage the best practices of past projects and strengthen climate adaptation, the sustainability of WMCAs, and promote gender and agricultural development in 230 previous subprojects and 150 new subprojects
12. The Government and ADB asked IFAD to cofinance this project and contribute its expertise in (i) nutrition, targeting the poor, and gender; (ii) supporting water user groups; and (iii) demand-led extension and poverty-reducing and climate-sensitive value chains. Accordingly, IFAD provided dedicated technical expertise during project design.

B. Lessons learned

13. This project will benefit from the following lessons learned from ADB and IFAD's portfolio:
14. Decentralized, community-managed SSWR systems effectively lessen rural poverty but require robust planning and incorporation of climate risk parameters to reduce those risks and maximize impact.
15. Participatory rural appraisal is essential for socio-economic and cultural environment analysis and ensures stakeholder buy-in and focus on the poor.
16. Small-scale infrastructure investments need to be combined with agricultural production and market services to maximize impact on employment and the rural economy. WMCAs have now been transformed into multi-purpose cooperatives to achieve this outcome.
17. IFAD's recent findings from infrastructure evaluation and stocktaking on sustainable water user groups have informed project design.
18. Gender quotas alone cannot ensure the meaningful participation of women. Leadership training and other complementary measures are necessary.

II. Project description

A. Objectives, geographical area of intervention and target groups

19. The project's main objective is to build resilience to climate change and associated variability.
20. The project area covers 219,000 ha in 42 of the 64 districts in Bangladesh. In addition, 380 subprojects will cover four of the six climate hotspots identified in the Bangladesh Delta Plan 2100. Over two-thirds of existing ADB subprojects are also in these districts, offering greater outreach and cross-learning opportunities.
21. The project will directly benefit about 380,000 farm households and target: (i) functionally landless households owning less than 0.5 acres of land; (ii) marginal and small farmers cultivating between 0.5 and 2.4 acres; (iii) medium farmers (2.5 to 7.5 acres); and (iv) other value chain actors.
22. Targeting measures include: (i) participatory rural appraisal and eligibility criteria designed to include social and environmental criteria; (ii) creation of dedicated

women's groups, nutrition activities and work opportunities in infrastructure and pond fisheries; (iii) prevention of elite capture through WMCA guidelines and robust monitoring and evaluation (M&E); (iv) empowering measures with quotas and leadership training for women, youth and the poorest; (v) partnership arrangements with specialized government agencies; and (vii) creation of an enabling environment through project management unit (PMU) training, guidelines, and feedback, as well as systematic monitoring of social safeguards and disaggregated poverty statistics.

B. Components, outcomes and activities

23. The project will have the following components: (i) participatory subproject development and management; (ii) SSWR infrastructure with climate and disaster-resilient features developed or enhanced; and (iii) *Upazila*- (subdistrict-) and WMCA-level agribusinesses enhanced and vulnerable people's livelihoods supported.
24. **Component 1: participatory subproject development and management.** Component 1 will: (i) establish 150 new WMCAs with at least 40 per cent of women in general membership and one-third in management committees; (ii) support improved performance and management of the WMCAs of 230 existing subprojects with refresher training; (iii) form and support about 500 (women and youth) subcommittees managing O&M, agriculture, and fisheries development, and 100 women-only subcommittees managing women's development; and (iv) strengthen the integrated water resources management unit of LGED.
25. **Component 2: SSWR infrastructure with climate and disaster-resilient features developed or enhanced.** Component 2 will: (i) provide climate and disaster-resilient water management infrastructure to 150 new subprojects over 86,000 ha; (ii) enhance 230 existing WMCAs' infrastructure with climate- and disaster-resilient features over 130,000 ha; (iii) provide emergency reconstruction and modernization of the *Bakkhali* rubber dam subproject over 3,000 ha; and (iv) upgrade about 110 km of farm and village roads.
26. **Component 3: Upazila- and WMCA-level agribusinesses enhanced and vulnerable people's livelihoods supported.** All WMCAs trained in climate-resilient practices, with the 58 best-performing WMCAs receiving value chain training; business development, market linkages and post-harvest infrastructure for 10 pro-poor and nutritious crops. Women's committees and their enterprises will receive dedicated support. Modern market facilities and cold storage will be established at the *Upazila* level, and 35 roadside markets will be improved.

C. Theory of change

27. The project will provide an integrated pathway to climate resilience, improved productivity and food security through: (i) strengthening planning capacity by mainstreaming climate in the design of infrastructure, crop and value chain activities and access to climate information and services; (ii) increasing absorptive capacity with climate-resilient infrastructure; (iii) increasing absorptive and adaptive capacity through diversified, climate-smart production and post-harvest support; (iv) increasing off-farm activities to diversify livelihoods and offer new options to the landless; and (v) building strong and responsive community-based organizations and supporting rural institutions that can respond to beneficiaries.

D. Alignment, ownership, and partnerships

28. The project will contribute to SDG 1 (no poverty), SDG 2 (zero hunger), SDG 5 (gender equity), SDG 8 (decent work and economic growth), SDG 9 (industry, innovation and infrastructure), and SDG 12 (responsible consumption and production).

29. The project is aligned with the priorities of the Perspective Plan of Bangladesh 2021-2041; the Bangladesh Delta Plan 2100; and the Eighth Five-Year Plan, and the nationally determined contributions for Bangladesh which were submitted to the United Nations Framework Convention on Climate Change under the Paris Agreement as pathways towards enhancing the climate resilience of farmers.
30. The project rationale is anchored in IFAD's mandate of rural transformation as described in its Strategic Framework 2016-2025. The proposed investment reflects the IFAD12 strategy of promoting a multi-phased project approach to country investment strategies and leveraging international cofinancing. The project has an international cofinancing ratio of 1:2.5 and a domestic ratio of 1:1.

E. Costs, benefits and financing.

31. According to the multilateral development banks' methodology for tracking climate change adaptation and mitigation finance, the total amount of IFAD climate finance in the project is US\$17.8 million (US\$15.4 million for adaptation and US\$2.4 million for mitigation).
32. The project will be cofinanced by ADB, IFAD, and the Netherlands and with a significant contribution from the Government of Bangladesh. The total cost is estimated at US\$225 million: US\$106 million would come from ADB, US\$42.98 million from IFAD, US\$17.8 million from the Netherlands, US\$51.44 million from Bangladesh and a beneficiary contribution of US\$6.72 million.
33. Project costs by output and category of expenditure are summarized in tables 1, 2, and 3 below. The project's investments are organized in three major outputs: (i) participatory subproject development and management improvement; (ii) SSWR infrastructure with climate change and disaster resilience; and (iii) *Upazila*- and WMCA-level agribusinesses enhancement and vulnerable livelihoods support.

Table 1

Project costs by component and financier

(Millions of United States dollars)

	<i>ADB</i>		<i>IFAD loan</i>		<i>Government of Bangladesh</i>		<i>Government of the Netherlands</i>		<i>Beneficiaries</i>		<i>Total</i>	
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>
Component 1: Participatory subproject development and management	9.91	27	2.36	6	11.37	31	11.08	30	1.99	5	36.71	16
Component 2: SSWR infrastructure with climate and disaster-resilient features developed or enhanced	83.28	53	35.30	22	32.49	21	2.91	2	3.61	2	157.59	70
Component 3: <i>Upazila</i> - and WMCA-level agribusinesses enhanced and vulnerable livelihoods supported	12.86	42	5.33	17	7.58	25	3.82	12	1.12	4	30.71	14
Total	106.05	47	42.98	19	51.44	23	17.81	8	6.72	3	225.00	100

Table 2
Project costs by expenditure category and financier
(Millions of United States dollars)

	ADB		IFAD loan		Government of Bangladesh		Government of the Netherlands		Beneficiaries		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Investment costs												
Infrastructure works												
New subprojects	27.11	62	11.62	27	4.99	11	-	0	-	0	43.72	19
Performance enhancement and flagship subprojects	34.56	62	14.81	27	6.36	11	-	0	-	0	55.73	25
<i>Bahhkali</i> rubber dam emergency reconstruction	4.28	62	1.83	27	0.79	11	-	0	-	0	6.90	3
Rural connectivity	5.76	62	2.47	27	1.06	11	-	0	-	0	9.29	4
Civil works for agribusiness and markets	4.79	62	2.05	27	0.88	11	-	0	-	0	7.73	3
Pilots	-	0	-	0	0.15	11	1.17	89	-	0	1.32	1
Subtotal I-A	76.50	61	32.79	26	14.22	11	1.17	1	-	0	124.68	55
Equipment, vehicles, machinery and packaging												
Motorcycles	0.11	61	0.05	26	0.02	13	-	0	-	0	0.17	0
Service vehicles and pickups	0.55	61	0.24	26	0.12	13	-	0	-	0	0.91	0
Office furniture, equipment for WMCAs, and brochures	0.27	61	0.11	26	0.06	13	-	0	-	0	0.44	0
Machinery and equipment for agribusiness and markets	4.66	61	2.00	26	1.00	13	-	0	-	0	7.66	3
Produce packaging materials	0.02	61	0.01	26	0.00	13	-	0	-	0	0.03	0
Subtotal I-B	5.61	61	2.40	26	1.20	13	-	0	-	0	9.21	4
Services – training, monitoring, and innovation												
Capacity development and training for subproject development	2.65	42	-	0	1.20	19	2.43	39	-	0	6.27	3
Capacity development and support for agribusiness and livelihoods	-	0	-	0	0.30	19	1.26	81	-	0	1.56	1
Innovative studies and pilots	-	0	-	0	0.26	19	1.08	81	-	0	1.34	1
MIS upgrade	0.17	57	0.07	24	0.06	19	-	0	-	0	0.31	0
Baseline and water quality monitoring	0.28	57	0.12	24	0.10	19	-	0	-	0	0.50	0
Subtotal I-C	3.11	31	0.20	2	1.91	19	4.77	48	-	0	9.98	4
Consulting services												
Project implementation support consultant	2.16	13	-	0	3.54	21	11.52	67	-	0	17.2	8
Subtotal I-D	2.16	13	-	0	3.54	21	11.52	67	-	0	17.22	8
Involuntary resettlement – land acquisition												

	ADB		IFAD loan		Government of Bangladesh		Government of the Netherlands		Beneficiaries		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Compensation – land acquisition	0.40	8	-	0	4.47	92	-	0	-	0	4.87	2
Resettlement surveys and plans	0.18	81	-	0	0.04	19	-	0	-	0	0.22	0
Subtotal I-E	0.58	11	-	0	4.52	89	-	0	-	0	5.09	2
Subtotal I	87.95	53	35.39	21	25.38	15	17.46	11	-	0	166.18	74
Recurrent costs												
PMU and PIU* – outsourced staff	5.05	57	2.16	24	1.70	19	-	0	-	0	8.91	4
PMU and PIU – staff on deputation	-	0	-	0	8.60	100	-	0	-	0	8.60	4
Project office rent	0.31	57	0.13	24	0.10	19	-	0	-	0	0.54	0
Financial audits	0.06	81	-	0	0.01	19	-	0	-	0	0.07	0
Maintenance costs of subprojects (a)	-	0	-	0	1.81	29	-	0	4.51	71	6.32	3
Operating costs (b)	-	0	-	0	0.89	29	-	0	2.21	71	3.10	1
Subtotal II	5.41	20	2.30	8	13.12	48	-	0	6.72	24	27.55	12
Total base costs	93.37	48	37.68	19	38.50	20	17.46	9	6.72	3	193.73	86
Contingencies												
Physical contingency	6.37	60	2.66	25	1.63	15	-	0	-	0	10.66	5
Price contingency	6.32	60	2.64	25	1.62	15	-	0	-	0	10.58	5
Subtotal III	12.69	60	5.30	25	3.24	15	-	0	-	0	21.23	9
Financial and service charges during implementation												
ADB charges	-	0	-	0	6.91	95	0.35	5	-	0	7.26	3
IFAD charges	-	0	-	0	2.78	100	-	0	-	0	2.78	1
Subtotal IV	-	0	-	0	9.69	97	0.35	3	-	0	10.04	4
Total project cost (I+II+III+IV)	106.05	47	42.98	19	51.44	23	17.81	8	6.72	3	225.00	100

*Project implementation unit.

Table 3
Project costs by output and project year (PY)
(Thousands of United States dollars)

	PY1		PY2		PY3		PY4		PY5		PY6		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Output 1														
Inclusive WMCAs for 150 new subprojects formed and active	2.75	25	3.30	30	3.30	30	1.10	10	0.55	5	-	0	11.01	30
WMCAs approve designs for 150 new and 230 existing subprojects	0.92	25	1.10	30	1.10	30	0.37	10	0.18	5	-	0	3.67	10
Subcommittees formed and active for O&M, agriculture, fisheries and women's development	-	0	2.20	15	2.94	20	3.67	25	3.67	25	2.20	15	14.68	40
M&E systems in place and disaggregated MIS data collected	1.10	15	1.10	15	1.10	15	1.10	15	1.47	20	1.47	20	7.34	20
Subtotal	4.77	13	7.71	21	8.44	23	6.24	17	5.87	16	3.67	10	36.71	100
Output 2														
SSWR infrastructure constructed for 150 new subprojects benefiting 86,000 ha	8.75	15	11.66	20	14.58	25	11.66	20	8.75	15	2.92	5	58.31	37
Resilience of 230 existing SSWR subprojects enhanced, benefiting 130,000 ha	9.22	13	12.76	18	14.18	20	17.73	25	10.64	15	6.38	9	70.91	45
Emergency reconstruction and modernization of the <i>Bakkhali</i> rubber dam subproject benefiting 3,000 ha	4.25	45	4.73	50	0.47	5	-	0	-	0	-	0	9.46	6
Upgrading 110 km of farm and village roads with ancillary culverts and bridges	-	0	-	0	3.31	30	3.31	30	3.31	30	1.10	10	11.03	7
190,000 households adopting environmentally sustainable and climate-resilient technologies and practices	0.39	5	0.79	10	1.58	20	1.58	20	1.97	25	1.58	20	7.88	5
Subtotal	22.61	14	29.94	19	34.12	22	34.28	22	24.66	16	11.98	8	157.59	100
Output 3														
116 agriculture and fishery business plans adopted by inclusive subcommittees in performance enhancement subprojects and the <i>Bakkhali</i> rubber dam	-	0	0.46	15	0.61	20	0.77	25	0.77	25	0.46	15	3.07	10
100 women's development business plans adopted for income generating activities/ Cottage, Micro and Small Enterprises benefiting 30,000 women	-	0	0.37	15	0.49	20	0.61	25	0.61	25	0.37	15	2.46	8

	PY1		PY2		PY3		PY4		PY5		PY6		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Market-driven agricultural production and marketing practices and equipment in 58 PE subprojects and BRD	-	0	1.38	15	1.84	20	2.30	25	2.30	25	1.38	15	9.21	30
Aquaculture facilities and practices modernized: 4,000 ponds, 500 cages, and 1,800 ha of floodplain	0.08	5	0.23	15	0.31	20	0.31	20	0.31	20	0.31	20	1.54	5
25 roadside markets upgraded and 10 <i>Upazila</i> markets modernized	-	0	2.15	20	2.15	20	2.15	20	2.15	20	2.15	20	10.75	35
WMCAs-farmers-women take out 300 loans from public financial institutions	-	0	-	0	0.12	20	0.18	30	0.18	30	0.12	20	0.61	2
190,000 households adopt new and improved inputs, technologies, or practices	-	0	0.37	15	0.49	20	0.61	25	0.61	25	0.37	15	2.46	8
57,000 households with improved physical access to markets	0.03	5	0.09	15	0.12	20	0.12	20	.12	20	0.12	20	0.61	2
Subtotal	0.11	0	5.05	16	6.14	20	7.06	23	7.06	23	5.28	17	30.71	100
TOTAL	27.49	12	42.70	19	48.70	22	47.58	21	37.60	17	20.93	9	225.00	

Financing and cofinancing strategy and plan

34. The project will be managed under a joint cofinancing arrangement with ADB as the cooperating institution on a pari passu basis. ADB should promptly advise the Fund of the amounts the borrower is entitled to withdraw, and IFAD will make disbursement accordingly.
35. **Retroactive financing.** as an exception to section 4.07(a)(ii) of the Fund's General Conditions for Agriculture Development Financing, IFAD is seeking Executive Board approval of retroactive funding of up to 5 per cent of the IFAD loan for eligible expenditures to finance start-up activities (including start-up workshop, baseline survey, and recruitment of outsourced staff) incurred between design and entry into force of the IFAD loan. This will ensure minimum phase lag with the ADB. Retroactive financing needs to be prefinanced by the Government and reimbursed after this agreement has entered into force and the conditions for withdrawal have been met.
36. **Financing of taxes.** ADB will finance large parts of the advance income tax; no tax will be covered under IFAD financing. The Netherlands will finance (i) most consulting services, including the project implementation support consultant and NGO services, and (ii) several innovative studies and pilots.

Disbursement

37. Three separate accounts are to be established and maintained by the Ministry of Finance and the LGED/ PMU in the name of the project, in the Bangladesh Bank, one each for the ADB and IFAD loans, and one for the Dutch grant. The borrower will submit to ADB the original withdrawal applications covering the ADB loan and Dutch grant. ADB will review submitted withdrawal applications and pay its share of financing. For IFAD financing, LGED/PMU will submit one original withdrawal application and copies of supporting documents to ADB. ADB will review each withdrawal application and advise IFAD to make any necessary payment, subject to approval by IFAD in accordance with the Loan Agreement and other applicable guidelines. IFAD will promptly inform ADB once payment is made. Should IFAD reject the payment withdrawal request, it should promptly notify ADB and the borrower, in writing, of its decision and why it was taken.

Summary of benefits and economic analysis

38. All infrastructure and agricultural activities will be developed based on sound business plans showing the viability of proposed activities. Economic and Financial Analysis demonstrates that 53 per cent of benefits will accrue to households below the poverty line and include: (i) increased crop production with enhanced marketing; and (ii) expansion of fisheries and aquaculture production.
39. The internal economic rate of return is estimated at 21 per cent. It may be reduced to 17 per cent (still viable) when a risk analysis is undertaken of pessimistic values for incremental crop area and crop yields, incremental aquaculture production, and higher investment costs.

Exit strategy and sustainability

40. Sustainability and exit strategy rely on strong WMCAs, plus: (i) screening for viable subprojects; (ii) requiring sound business practices and up-front contributions from WMCAs; (iii) inclusive O&M, agriculture, and other subcommittees that can leverage diversified services and revenues; (iv) dedicated training, the institutionalization of WMCA work (registration, formal lease and O&M plans) and regular grading of WMCA maturity.
41. Second, the project will strengthen LGED's integrated water resources management unit and MIS to optimize maintenance. Two dedicated studies and policy engagement processes will also focus on WMCA and LGED sustainability.

III. Risks

A. Risks and mitigation measures

42. IFAD will adopt the cofinancier's risk rating and mitigation measures, including fiduciary management (financial and procurement), technical issues and social/environmental standards, and will produce a dedicated integrated project risk matrix based on these.
43. The financial management risk is assessed as substantial due to a current vacant staff position, decentralization of Fund flows, previous challenges in complying with ADB's disbursement procedures and use of manual expenditure accounting systems. However, LGED has an extensive track record of implementing projects funded by ADB, IFAD and the Government of the Netherlands, and the following mitigation measures have been incorporated: (i) hiring accounts staff and engaging a financial management expert to support the project; (ii) providing annual training in ADB's financial and disbursement requirements and procedures; (iii) including the project in LGED's internal audit function plan; (iv) incorporating comprehensive financial information as part of the quarterly progress reports; and (v) recording all project transactions in computerized accounting software.
44. COVID-19 variants may modify target households' vulnerability and delay implementation, so the project will: (i) update its vulnerability assessment and livelihood improvement activities; (ii) conduct additional stakeholder consultations; and (iii) follow the latest health and safety protocols.

Table 4

Risks and mitigation measures

<i>Risk areas</i>	<i>Inherent risk rating</i>	<i>Residual risk rating</i>
Country context	Substantial	Substantial
Sector strategies and policies	Substantial	Moderate
Environment and climate context	High	Substantial
Project scope	Moderate	Moderate
Institutional capacity for implementation and sustainability	Moderate	Moderate
Financial management	Substantial	Medium
Project procurement	Moderate	Low
Environment, social and climate Impact	Moderate	Moderate
Stakeholders	Moderate	Moderate
Overall	Substantial	Moderate

B. Environment and social category

45. The project has been categorized as environment and social category B, in line with the ADB safeguard policy statement (2009). An Environmental Assessment and Review Framework has been prepared, and initial environmental examination (IEEs) reports will be prepared for each subproject during implementation. According to ADB rules, the project will not finance any subprojects that will trigger category A. IEEs are being prepared for six subprojects to establish good practice examples. LGED will obtain environmental clearance for all subprojects from the Department of the Environment prior to awarding any contracts.
46. This is consistent with IFAD's environment and social categorization under its 2017 Social, Environmental and Climate Assessment Procedures except for the emergency reconstruction and modernization of the *Bakkhali* rubber dam. This activity was introduced after the design mission and Operational Strategy and Policy Guidance Committee, i.e., the dam is designed to benefit irrigation schemes with a command area of 3,000 ha, which triggers a category A for IFAD. A design

review meeting decision memo confirmed that the inclusion of the *Bakkhali* rubber dam subproject will require a detailed environmental and social impact assessment report, which is currently being prepared, to be published 120 days before construction starts.

47. Social safeguards (involuntary resettlement) are estimated to be category B. Due diligence identified no physical displacement or significant impacts triggered by any project activity. As requested by, and agreed with, beneficiaries, works will be mostly within the footprint of existing infrastructure. Minor purchase of land is envisaged for land strip and *Bakkhali* rubber dam. A resettlement framework, compliant with ADB's safeguard policy statement and aligned with government regulations, has been prepared and will be supported by a dedicated NGO.
48. Indigenous peoples (IPs) (category B). About 5 per cent of the subprojects are likely to include IPs. An IPs planning framework has been prepared and IP plans will be prepared for all subprojects where they are present, in line with IFAD free, prior and informed consent and IP frameworks.

C. Climate risk classification

49. The climate risk classification for the project is "high". A detailed climate risk and adaptation assessment has been prepared and includes a list of climate change mitigation and adaptation investments. They will be implemented based on the analysis of each subproject and most relevant climate risks.

D. Debt sustainability

50. According to the May 2020 Joint World Bank-IMF Debt Sustainability Analysis, Bangladesh remains at low external risk and low overall risk of debt distress. Despite the economic shock caused by COVID-19, external debt indicators are below their thresholds, and the public debt level is below the benchmark under the baseline and stress test scenarios. GDP growth rate dropped from 8.2 per cent in 2019 to 5.2 per cent in 2020, mainly due to the COVID-19 pandemic.

IV. Implementation

A. Organizational framework

Project management and coordination

51. The executing agency is the LGED of the Ministry of Local Government, Rural Development and Cooperatives, Local Government Division. The PMU and the 42 district PIUs within LGED will be the project-specific management bodies working closely with LGED staff at regional, district, and *Upazila* levels. LGED will also rely on other departments, consultants, some NGO support, and outsourcing of individuals. The Department of Agriculture and Marketing Department of Agricultural Extension, Department of Fisheries will assist project implementation in accordance with the signed, open-ended memoranda of understanding between them and LGED. WMCAs legally registered as cooperatives are responsible for O&M of completed subprojects.

Financial management, procurement and governance

52. The financial management arrangements of the project will be based on country financial management systems, policies, and procedures. Supplementary financial management arrangements have been included in this project's administration manual to: (i) facilitate the efficient flow of funds under the ADB and IFAD loans; (ii) ensure the project complies with ADB's financial reporting, audit requirement, and disbursement procedures; and (iii) make certain that the ADB and IFAD loan accounts are closed in a timely manner.
53. Procurement will be in accordance with the ADB procurement policy and the procurement regulations for ADB borrowers. Value for money will be achieved by

targeting local contractors and combining packages according to geographical locations to encourage competition and response.

54. Audit submission: the project will be audited by the Foreign Aided Project Audit Directorate. The audited consolidated financial statements with the auditor's opinion and Management's letter will be presented in English within six months of the end of the fiscal year, i.e. by 31 December of each year.

B. Planning, monitoring and evaluation, learning, knowledge management, and communications

55. The PMU will prepare the annual workplan and budget as well as the procurement plan and secure approval from its management and ADB/IFAD. PMU will prepare project performance monitoring and submit to ADB quarterly and annual project progress reports, semi-annual safeguard monitoring reports, and the project completion report. District PIUs will monitor and report subproject development to the PMU.
56. As for each of the previous SSWR projects, activities, outputs and impacts are monitored and tracked for each subproject with data entered into a project database linked to a central MIS database tracking information for all SSWR subprojects in LGED.

Innovation and scaling up

57. The project includes several social and climate-relevant innovations, including: (i) modern pump and pipe irrigation systems; (ii) nature-based solutions (bioengineering) to stabilize steeper channel flood and road embankment slopes, thereby reducing the footprint of structures; (iii) use of drones for surveys, crop monitoring, and support for digital and precision agriculture; (iv) composite gates for coastal subprojects, and (v) an improved asset management system.

C. Implementation plans

Implementation readiness and start-up plans

58. Readiness plans were prepared to facilitate quick start-up after the project becomes effective. Detailed procurement plans have been provided in the project manual, which includes detailed terms of reference for all service providers to be recruited and a clear schedule and step-by-step programming process.

Supervision, midterm review and completion plans

59. IFAD will participate in joint supervision missions with ADB and provide technical support for institutional strengthening and agricultural development to ensure the project considers IFAD priorities and lessons learned.

V. Legal instruments and authority

60. A project financing agreement between the People's Republic of Bangladesh and IFAD will constitute the legal instrument for extending the proposed financing to the borrower/recipient. A copy of the negotiated financing agreement will be made available prior to the session.
61. The People's Republic of Bangladesh is empowered under its laws to receive financing from IFAD.
62. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the Policies and Criteria for IFAD Financing.

VI. Recommendation

63. I recommend that the Executive Board approve the proposed financing in terms of the following resolution:

RESOLVED: that the Fund shall provide a loan on blend terms to the People's Republic of Bangladesh in an amount of forty-two million nine hundred and eighty thousand United States dollars (US\$42,980,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Gilbert F. Hougbo
President

Negotiated financing agreement

(Will be made available prior to the session)

Logical framework

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
Outreach	1.b Estimated corresponding total number of households members							
	Household members - Number of people			1,619,000				
	1.a Corresponding number of households reached							
	Women-headed households - Households							
	Households - Households			380,000				
	1 Persons receiving services promoted or supported by the project							
	Males - Males			228,000				
	Females - Females			152,000				
	Young - Young people			95,000				
	Total number of persons receiving services - Number of people			380,000				
	Male - Percentage (%)			60				
	Female - Percentage (%)			40				
	Young - Percentage (%)			25				
Outcome 1. Climate and disaster resilient agricultural productivity and profitability in	1.2.4 Households reporting an increase in production							Completion Survey
	Households - Percentage (%)							

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
selected geographic areas increased	Women-headed households - Households							
	Households - Households							
	1.2.1 Households reporting improved access to land, forests, water or water bodies for production purposes				Completion Survey	Mid-term / End-term	PMU	
	Households reporting improved access to water - Percentage (%)							
	Women-headed households - Households							
	Total no. of households reporting improved access to water - Households			230,000				
	2.2.2 Supported rural enterprises reporting an increase in profit				Completion Survey	Mid-term / End-term	PMU	
	Number of enterprises – Enterprises			30,000				
	Average cropping intensity for average rainfall year increased to 187%				Monitoring and evaluation reports and LGED MIS database	Annually	PMU	
	Hectares of land – Area (ha)			187				
	220,000 ha benefit area with 87,000 ha (40%) having reduced flood risk				Monitoring and evaluation reports and LGED MIS database	Annually	PMU	
	Hectares of land – Area (ha)			220,000				
	Livelihood of 30,000 women of poor/ smallholder HHs improved by IGAs				Monitoring and evaluation reports and LGED MIS database	Annually	PMU	
	Females - Number							

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
	At least 20% Increase in Households' incomes and assets (both physical and financial)				Monitoring and evaluation reports and LGED MIS database	Annually	PMU	
	% Increase - Percentage (%)							
Output 1. Participatory subproject development and management improved	3.1.1 Groups supported to sustainably manage natural resources and climate-related risks				Project M&E data	Annually	PMU	
	Total size of groups - Number of people							
	Groups supported - Groups							
	Males - Males							
	Females - Females							
	Young - Young people							
	2.1.3 Rural producers' organizations supported				Project M&E data	Annually	PMU	
	Total size of POs - Organizations							
	Rural POs supported - Organizations							
	Males - Males							
	Females - Females							
Young - Young people								
Output 2. Small-scale water resources infrastructure with climate and disaster resilient features developed or enhanced	1.1.2 Farmland under water-related infrastructure constructed/rehabilitated				Monitoring and evaluation reports and LGED MIS database	Annually	PMU	
	Hectares of land – Area (ha)							
	2.1.5 Roads constructed, rehabilitated or upgraded				Monitoring and evaluation reports and LGED MIS database	Annually	PMU	
	Length of roads – Km							
Climate and disaster resilient SSWR infrastructure constructed for 150 new SPs benefitting 86,000 ha				Monitoring and evaluation	Annually	PMU		

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
	Number of SSWR infrastructure constructed - Number				reports and LGED MIS database			
	Climate and disaster resilience of 230 existing SSWR SPs enhanced benefitting 130,000 ha (2021 baseline: 0 SP, 0 ha)				Monitoring and evaluation reports and LGED MIS database	Annually	PMU	
	SSWR SPs enhanced - Number							
	Climate resilient rural connectivity improved by upgrading 110 km of farm and village small roads with ancillary culverts and bridges				Monitoring and evaluation reports and LGED MIS database	Annually	PMU	
	Length of roads - Km							
	190,000 HHs (50% of total beneficiary HHs) reporting adoption of environmentally sustainable and climate-resilient technologies and practices				Monitoring and evaluation reports and LGED MIS database	Annually	PMU	
	Households - Number							
Output 3. Upazila- and WMCA-level agribusinesses enhanced, and vulnerable livelihood supported	1.1.5 Persons in rural areas accessing financial services							
	Women in rural areas accessing financial services - savings - Females							
	Men in rural areas accessing financial services - savings - Males							
	Men in rural areas accessing financial services - credit - Males							

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
	Women in rural areas accessing financial services - credit - Females							
	Total persons accessing financial services - savings - Number of people							
	Total persons accessing financial services - credit - Number of people							
	2.1.1 Rural enterprises accessing business development services							
	Rural enterprises - Enterprises							
	2.1.6 Market, processing or storage facilities constructed or rehabilitated							
	Total number of facilities - Facilities							
	116 business plans adopted by inclusive subcommittees in PE SPs and the BRD				Monitoring and evaluation reports and LGED MIS database	Annually	PMU	
	No. of Business Plans - Number							
	WMCA-farmers adopt market-driven agricultural production and marketing practices and equipment accessible by all members in 58 PE SPs and BRD.				Monitoring and evaluation reports and LGED MIS database	Annually	PMU	
	No. of Farmers - Number							
	WMCA-farmers managed aquaculture facilities and practices modernized for 4,000 ponds, 500 cages, and for 1,800 ha of floodplain				Monitoring and evaluation reports and LGED MIS database	Annually	PMU	
	No. of farmers - Number							

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
	25 roadside markets upgraded and 10 upazila markets modernized				Monitoring and evaluation reports and LGED MIS database	Annually	PMU	
	No. of markets - Number							
	WMCAs-farmers-women take out 300 loans from PFIs.				Monitoring and evaluation reports and LGED MIS database	Annually	PMU	
	Females - Number							
	190,000 HHs (50% of total beneficiary HHs) report adoption of new/improved inputs, technologies, or practices				Monitoring and evaluation reports and LGED MIS database	Annually	PMU	
	Households - Number							
	57,000 HHs (15% of total beneficiary HHs) report improved physical access to markets				Monitoring and evaluation reports and LGED MIS database	Annually	PMU	
	Households - Number							
Outcome	3.2.1 Tons of Greenhouse gas emissions (tCO2e) avoided and/or sequestered							
	Hectares of land – Area (ha)							
	tCO2e/20 years - Number							
	tCO2e/ha - Number							
	tCO2e/ha/year - Number							