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Enabling poor rural people
to overcome poverty

People's Republic of Bangladesh

Implementation of the third cycle of the Sunamganj Community-based Resource Management Project financed under the Flexible Lending Mechanism

Note to Executive Board representatives

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For: Information

People's Republic of Bangladesh

Implementation of the third cycle of the Sunamganj Community-based Resource Management Project financed under the Flexible Lending Mechanism

1. The purpose of this information note is to comply with paragraph 13 of the Flexible Lending Mechanism (FLM) guidelines (EB 98/64/R.9/Rev.1), which stipulates that "...for each FLM loan and prior to the end of each cycle, IFAD Management will decide whether to proceed to, cancel, or delay subsequent cycles. Management will inform the Board accordingly."

I. Introduction

2. The overall objective of the FLM is to introduce greater flexibility into the Fund's project design and implementation in order to: match project time frames with the pursuit of long-term development objectives when it is judged that a longer implementation period will be required to meet those objectives; maximize demand-driven beneficiary participation; and reinforce the development of grass-roots capacities. The specifics of an FLM loan include: (i) longer loan periods (10-12 years) to allow for the achievement of sustainable development objectives; (ii) a continuous and evolving design process through implementation of distinct, three- to four-year cycles; and (iii) clearly defined preconditions – or "triggers" – for proceeding to subsequent cycles.
3. This information note reports on the progress of the Sunamganj Community-based Resource Management Project in achieving its second-cycle triggers. Its content is based on an IFAD review mission that visited Bangladesh in July–August 2010.

II. Background

4. The project was approved by the Executive Board in September 2001 and became effective on 14 January 2003. Its total cost is estimated at US\$34.3 million. Sources of financing are IFAD (with a loan of about US\$22.0 million), the Government (US\$4.5 million) and beneficiaries (US\$0.3 million). The agreed cofinancing was withdrawn unexpectedly shortly before the approval by the Executive Board, leaving a financing gap of US\$7.5 million.
5. The project's main objectives are to: (i) increase the assets and income of 135,000 households by developing self-managing grass-roots organizations to improve beneficiary access to primary resources, employment, self-employment and credit; and (ii) support the development of a viable national institution to replicate the project approach in other areas of Bangladesh. The project's objectives are being met through the financing of five components designed to assist the poor: (i) labour-intensive infrastructure development; (ii) fisheries development; (iii) crop and livestock production; (iv) microfinance; and (v) institutional support.
6. The project was designed under an FLM with three implementation cycles foreseen over an 11-year period. As per operations procedures, a review mission visited the country in July–August 2010 to measure the achievement of triggers and to make recommendations for the third cycle of the FLM. The mission met Government officials and project staff, and project beneficiaries and their organizations. The report of the mission was discussed at a wrap-up meeting with Government partners on 1 August 2010.

III. Project performance during the second cycle

Second-cycle triggers

7. The report on the first cycle was submitted to the September 2007 Executive Board. It outlined the second cycle triggers that must be satisfied before the end of the second cycle as a condition for IFAD financing continuing for the third and final cycle:
 - An exit strategy for the microfinance component has been designed by the project and approved by IFAD, and is being implemented effectively;
 - At least 300 public water bodies have been transferred to the project (including those transferred in the first cycle); and
 - The project monitoring and evaluation system is producing data showing the project's initial impact on the target group's livelihoods and well-being.
8. Project implementation has progressed well, especially given the difficulties of operating in a remote north-eastern *haor* (flooded lowland depression) area of Bangladesh, where extreme annual flooding is common. Progress on meeting the trigger indicators has been good.
 - An exit strategy for the microfinance component was designed by the project and approved by IFAD. It has been under implementation, and progress has been excellent. At the time of the review mission, a third of all microfinance groups had graduated.
 - The full total of 300 water bodies have been transferred to the project; and,
 - The project monitoring and evaluation system is delivering impact data of good quality.

Labour intensive infrastructure development

9. The project has been developing community infrastructure based on demand. To date, 213 km of village roads have been built, improving access to hundreds of villages in remote areas; 27 community centres have been constructed; 65,095 sanitary latrines have been provided; and 2,480 drinking water wells have been installed. A total of 208,000 person-days of local employment has been generated.

Fisheries development

10. Of the 300 *beels* (small lakes) handed over to the project, 161 *beel* user groups have been formed with 5,949 members. In the main fish harvest between 2009 and 2010, a total of 191 tons of fish, worth 17.2 million Bangladesh takas, was harvested from project *beels*.

Crop and livestock production

11. The project has so far implemented 2,111 agriculture demonstrations and 566 agricultural field days. The project has introduced new varieties of rice and vegetables into the project area. An impact assessment of the agricultural component shows that yield of the main *boro* rice crop has increased by 86 per cent from 3.39 to 6.32 tons per hectare, while the yield of the *aman* rice crop increased 48 per cent from 3.15 to 4.68 tons per hectare.

Microfinance

12. A total of 2,968 credit organizations have been formed with 85,051 members. Of this total, 989 credit organizations have graduated out of the project, and five have dropped out, leaving 1,974 under active project management.

Institutional support

13. The project management unit in Sunamganj District together with the five *upazila* (subdistrict) offices all continue to function well. The project monitoring system is also functioning well and generating useful impact data.

Loan disbursement progress

14. At the time of the second phase review mission, the cumulative disbursement of the IFAD loan stood at 62 per cent. By January 2011, the disbursement rate increased to 67 per cent. With approximately three years of the implementation period remaining, it is expected that the project will fully disburse prior to the completion date.

IV. Recommendations for the implementation of the third cycle

15. The review of the achievements and performance of the second cycle highlight the following lessons and recommendations to be incorporated into the project's third cycle.

Labour-intensive infrastructure development

16. This component has proven to be popular with communities, in particular the provision of village roads and drinking water. An independent impact assessment of the quality of the village roads was undertaken as part of the review of the second phase, and concluded that village road quality was good. It was agreed that the component be continued till the end of the project.

Fisheries development

17. This component has generated significant benefits for the poor and lessons for *haor* fisheries management in general. These lessons are being taken up directly in the design of a new IFAD project – entitled the Haor Infrastructure and Livelihood Improvement Project (HILIP).

Crop and livestock production

18. The project has achieved considerable success in increasing crop yields in the project area through its demonstration and training programme. It was agreed by the second phase review mission that the project should continue with seed support for *rabi* (wheat and coarse grains) crops and with adaptive research aimed at finding solutions to cropping problems in Sunamganj District.

Microfinance

19. The project has successfully begun implementing an exit strategy for the microfinance component. The second phase review mission was satisfied with the progress achieved and recommended that the process of credit group graduation should continue for all remaining groups. The mission further recommended that a quality survey of graduated groups be undertaken. It was agreed that no new credit organizations be formed in the third phase.

V. Conclusions

20. The second phase review mission found that the main project objectives continue to be relevant.
21. The borrower has reiterated its commitment to the project and has formally requested IFAD to approve the third phase of the project. The executing agency has proved its technical and managerial competencies in implementing the project's activities.
22. The project has continued to make good progress during the second cycle with regard to each of the components, despite a complex design and a challenging project area. Evidence of strong community support and good impact at the household level continues to build.
23. IFAD's Management considers that there is a firm basis for proceeding to the third and final cycle.