President’s report

Proposed loan and grant to the People’s Republic of Bangladesh for the Coastal Climate-Resilient Infrastructure Project

Note to Executive Board representatives

<table>
<thead>
<tr>
<th>Technical questions:</th>
<th>Focal points:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Thomas Rath</strong></td>
<td>Dispatch of documentation:</td>
</tr>
<tr>
<td>Country Programme Manager</td>
<td><strong>Deirdre McGrenra</strong></td>
</tr>
<tr>
<td>Tel.: +39 06 5459 2069</td>
<td>Head, Governing Bodies Office</td>
</tr>
<tr>
<td>e-mail: <a href="mailto:t.rath@ifad.org">t.rath@ifad.org</a></td>
<td>Tel.: +39 06 5459 2374</td>
</tr>
<tr>
<td></td>
<td>e-mail: <a href="mailto:gb_office@ifad.org">gb_office@ifad.org</a></td>
</tr>
</tbody>
</table>

Executive Board — 108th Session
Rome, 10-11 April 2013

For: Approval
# Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abbreviations and acronyms</td>
<td>ii</td>
</tr>
<tr>
<td>Map of the project area</td>
<td>iii</td>
</tr>
<tr>
<td>Financing summary</td>
<td>iv</td>
</tr>
<tr>
<td>Recommendation for approval</td>
<td>1</td>
</tr>
<tr>
<td><strong>I. Strategic context and rationale</strong></td>
<td>1</td>
</tr>
<tr>
<td>A. Country and rural development and poverty context</td>
<td>1</td>
</tr>
<tr>
<td>B. Rationale and alignment with government priorities and RB-COSOP</td>
<td>2</td>
</tr>
<tr>
<td><strong>II. Project description</strong></td>
<td>2</td>
</tr>
<tr>
<td>A. Project area and target group</td>
<td>2</td>
</tr>
<tr>
<td>B. Project development objective</td>
<td>3</td>
</tr>
<tr>
<td>C. Components/outcomes</td>
<td>3</td>
</tr>
<tr>
<td><strong>III. Project implementation</strong></td>
<td>4</td>
</tr>
<tr>
<td>A. Approach</td>
<td>4</td>
</tr>
<tr>
<td>B. Organizational framework</td>
<td>4</td>
</tr>
<tr>
<td>C. Planning, monitoring and evaluation, and learning and knowledge management</td>
<td>4</td>
</tr>
<tr>
<td>D. Financial management, procurement and governance</td>
<td>5</td>
</tr>
<tr>
<td>E. Supervision</td>
<td>6</td>
</tr>
<tr>
<td><strong>IV. Project costs, financing, benefits</strong></td>
<td>6</td>
</tr>
<tr>
<td>A. Project costs</td>
<td>6</td>
</tr>
<tr>
<td>B. Project financing</td>
<td>7</td>
</tr>
<tr>
<td>C. Retroactive financing</td>
<td>8</td>
</tr>
<tr>
<td>D. Summary benefit and economic analysis</td>
<td>8</td>
</tr>
<tr>
<td>E. Sustainability</td>
<td>9</td>
</tr>
<tr>
<td>F. Risk identification and mitigation</td>
<td>9</td>
</tr>
<tr>
<td><strong>V. Corporate considerations</strong></td>
<td>9</td>
</tr>
<tr>
<td>A. Compliance with IFAD policies</td>
<td>9</td>
</tr>
<tr>
<td>B. Alignment and harmonization</td>
<td>10</td>
</tr>
<tr>
<td>C. Innovations and scaling up</td>
<td>10</td>
</tr>
<tr>
<td>D. Policy engagement</td>
<td>10</td>
</tr>
<tr>
<td><strong>VI. Legal instruments and authority</strong></td>
<td>10</td>
</tr>
<tr>
<td><strong>VII. Recommendation</strong></td>
<td>11</td>
</tr>
<tr>
<td><strong>Annex</strong></td>
<td>12</td>
</tr>
<tr>
<td>Negotiated financing agreement</td>
<td></td>
</tr>
<tr>
<td><strong>Appendix</strong></td>
<td></td>
</tr>
<tr>
<td>Logical framework</td>
<td></td>
</tr>
</tbody>
</table>
# Abbreviations and acronyms

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>AsDB</td>
<td>Asian Development Bank</td>
</tr>
<tr>
<td>CCRIP</td>
<td>Coastal Climate-Resilient Infrastructure Project</td>
</tr>
<tr>
<td>EIRR</td>
<td>Economic internal rate of return</td>
</tr>
<tr>
<td>FEDEC</td>
<td>Finance for Enterprise Development and Employment Creation Project</td>
</tr>
<tr>
<td>KfW</td>
<td>Kreditanstalt für Wiederaufbau [Credit Institution for Reconstruction]</td>
</tr>
<tr>
<td>LCS</td>
<td>Labour contracting society</td>
</tr>
<tr>
<td>LGED</td>
<td>Local Government Engineering Department</td>
</tr>
<tr>
<td>MIDPCR</td>
<td>Market Infrastructure Development Project in Charland Regions</td>
</tr>
<tr>
<td>MLGRD&amp;C</td>
<td>Ministry of Local Government, Rural Development and Cooperatives</td>
</tr>
<tr>
<td>MMC</td>
<td>Market management committee</td>
</tr>
<tr>
<td>PMO</td>
<td>Project management office</td>
</tr>
<tr>
<td>RB-COSOP</td>
<td>Results-based country strategic opportunities programme</td>
</tr>
<tr>
<td>RIMS</td>
<td>Results and Impact Management System</td>
</tr>
<tr>
<td>SCF</td>
<td>Strategic Climate Fund</td>
</tr>
<tr>
<td>SMILE</td>
<td>Sustainable Market Infrastructure for Livelihoods Enhancement Project</td>
</tr>
</tbody>
</table>
Map of the project area

People's Republic of Bangladesh
Coastal Climate Resilient Infrastructure Project

President's report
People’s Republic of Bangladesh

Coastal Climate-Resilient Infrastructure Project

Financing summary

Initiating institution: IFAD
Borrower: People’s Republic of Bangladesh
Executing agency: Local Government Engineering Department, Ministry of Local Government, Rural Development and Cooperatives
Total project cost: US$150.0 million
Amount of IFAD loan: SDR 26.1 million (equivalent to approximately US$39.5 million)
Retroactive financing: For eligible expenditures in the amount of approximately four thousand SDR (SDR 4,000)
Amount of IFAD grant: SDR 660,000 (equivalent to approximately US$1.0 million)
Terms of IFAD loan: 40 years, including a grace period of 10 years, with a service charge of three fourths of one per cent (0.75 per cent) per annum
Cofinancier(s): Kreditanstalt für Wiederaufbau (KfW), Asian Development Bank (AsDB), others to be determined
Amount of cofinancing: KfW: US$8.8 million
AsDB: US$50.0 million
Others to be determined: US$19.5 million
Terms of cofinancing: Grant from KfW
Loan and grant from AsDB core resources and the Strategic Climate Fund
Contribution of borrower: US$31.2 million
Contribution of beneficiaries: Not applicable
Appraising institution: IFAD
Cooperating institution: Directly supervised by IFAD
Recommendation for approval

The Executive Board is invited to approve the recommendation for the proposed financing to the People’s Republic of Bangladesh for the Coastal Climate-Resilient Infrastructure Project, as contained in paragraph 63

Proposed loan and grant to the People’s Republic of Bangladesh for the Coastal Climate-Resilient Infrastructure Project

I. Strategic context and rationale

A. Country and rural development and poverty context

1. Over the past decade, Bangladesh has continued to accumulate economic gains despite all of its limitations. Its economic growth has been steady at 5-6 per cent annually; and it has fairly stable domestic debt, interest rates and exchange rates. However, growth has not reached 7.5 per cent, the rate needed for the country to graduate to middle-income status within the next 10 years. GDP growth recovered to 6.0 per cent in 2009-2010, with a 6.3 per cent forecast for 2010-2011. The inflation rate increased to double-digit figures in 2011-2012, which was a major concern for both consumers and the Government of Bangladesh.

2. Rural development in Bangladesh is explicitly linked to the development of agriculture and the farming community. Most development programmes have focused on rural infrastructure development, higher agricultural production, access to financial services, higher prices for agricultural outputs, lower prices for inputs, and development of the education and health services sector, while also addressing gender inequalities. Over the last decades, agricultural growth has been around 4 per cent per annum. The country is currently almost rice self-sufficient in a normal year. There is, however, no room for complacency as Bangladesh has to import rice in times of large flooding and severe droughts. Due to high population density and the continued loss of arable land, mainly caused by urbanization, enhancing the productivity of rice and other staple food is essential.

3. Landholdings are small and have become increasingly fragmented over time as farms are split up among siblings. Although staple food production has kept pace with the increasing population, rising incomes have triggered a growing demand for better-quality foods such as fruit, milk, meat and fish. Diversification into these higher-value products puts further pressure on land for paddy and on efforts to achieve the national goal of self-sufficiency in rice.

4. The national poverty headcount rates declined from 49 to 32 per cent in 2000-2010. Few changes in poverty were noted in the Barisal, Dhaka and Khulna Divisions in the south-west of Bangladesh, where the project will be implemented. Extreme poverty rates of 26.7 per cent make Barisal one of the poorest divisions in Bangladesh. Social indicators, such as access to sanitation, safe drinking water and access to primary health care, are worse than the national average in the districts targeted by the project. Discussions with many village groups revealed that poverty was generally attributed to low land productivity resulting in one crop instead of three crops per year; frequent natural disasters; few opportunities for non-farm employment; and poor infrastructure.
B. Rationale and alignment with government priorities and RB-COSOP

5. The Coastal Climate-Resilient Infrastructure Project (CCRIP) will be jointly funded by the Asian Development Bank (AsDB), IFAD, Kreditanstalt für Wiederaufbau (KfW) and the Government of Bangladesh. It is a merger of two project designs: the Sustainable Market Infrastructure for Livelihoods Enhancement Project (SMILE) designed by IFAD; and the Climate-Resilient Infrastructure Improvement in Coastal Zone Project designed by AsDB and KfW. CCRIP’s overall design has been accepted by all three donor agencies and the Government, and was approved by the AsDB executive board in September 2012. AsDB, KfW and IFAD signed an aide-memoire on 19 June 2012 accepting the overall scope, financing and implementation aspects of the project, which was confirmed by the Government. The project is the first of two projects under IFAD’s results-based country strategic opportunities programme (RB-COSOP) 2012-2018. The second project under the RB-COSOP, the Microenterprise and Agriculture Promotion Project (MAPP), will be designed as a follow-up to the ongoing IFAD-funded Finance for Enterprise Development and Employment Creation Project (FEDEC). MAPP will be launched in 2014 and will scale up the value chain and financial services development in the same area as FEDEC while also complementing CCRIP’s “hardware” investments.

6. The project’s rationale is rooted in the particular situation of Bangladesh, one of the poorest countries in South Asia and one that is particularly affected by the current adverse climate conditions. Today Bangladesh is already one of the most disaster-prone countries in the world. Climate change is expected to increase the severity and frequency of cyclones and floods, causing widespread destruction of land, roads, houses and other assets.

7. In addition to adverse climate change effects, rural producers, especially poor and small producers, suffer from two main constraints that limit development of their livelihoods: (i) poor road and market infrastructure that restricts access to larger markets, increases cost for inputs and transportation, and lowers prices due to remoteness; and (ii) limited access to demand-driven financial services, and inadequate access to good technology and support services such as vaccination services for livestock.

8. Two IFAD-funded projects currently address the above-mentioned constraints at a comparatively small scale: the Market Infrastructure Development Project in Charland Regions (MIDPCR) for rural infrastructure development; and FEDEC for agricultural and microenterprise lending and value chain development. CCRIP will scale up MIDPCR’s successful experiences in rural roads and village markets. These experiences together with those of other rural infrastructure development projects have shown that markets and paved roads improve communications and household income through higher farm prices, increased wages, enhanced investment in agribusiness and trade, better access to higher-quality inputs, and so forth. Access to child education and primary health care also improved due to better transport facilities, especially in the wet season.

9. CCRIP will construct climate-resilient road infrastructure and cyclone shelters, and improve access to markets to address acute poverty and climatic vulnerability in south-west Bangladesh. As a merger of the AsDB/KfW-funded project and the SMILE project, CCRIP retains SMILE’s original focus on connectivity and accessibility for smallholder producers, while also being a climate-smart project. This is fully aligned with main objectives of the RB-COSOP.

II. Project description

A. Project area and target group

10. CCRIP will be implemented in 32 upazilas (subdistricts) of 12 south-western districts: Barguna, Barisal, Bhola, Jhalokati, Patuakhali and Pirojpur Districts in
Barisal Division; Gopalganj, Madaripur and Shariatpur Districts in Dhaka Division; and Bagerhat, Khulna and Satkhira Districts in Khulna Division. These districts are known to be very poor, least developed and vulnerable to natural disasters such as tidal surges, cyclones and floods. The 32 upazilas have been selected on the basis of seven indicators related to poverty, vulnerability, remoteness, and the quality and scale of infrastructure.

11. The project target group comprises the population in the catchment areas of project markets and roads, in particular small and marginal farmers, small traders and microentrepreneurs, landless people and poor women. It is estimated that 3.5 million people will benefit from the project. Direct beneficiaries will include 5,000 people contracted to labour contracting societies (LCSs), of whom at least 80 per cent will be destitute women, 162,400 traders in the markets under the project, 52,600 transport owners and 235,000 households living in the areas of influence of roads and markets.

B. Project development objective

12. The project goal is to achieve improved livelihoods (higher incomes and food security) for poor households (women and men) in selected upazilas of 12 coastal districts. The development objective is to achieve enhanced climate resilience of coastal road and market infrastructure and people in selected upazilas of 12 project districts.

C. Components/outcomes

13. The project has the following three components:

(a) **Improved road connectivity**: The outcome of this component is improved road connectivity for people living in project upazilas facilitating their access to markets and social services. Under this component, 130 kilometres of upazila roads (AsDB-funded) and 501 kilometres of union and village roads (IFAD-funded) will be built, along with associated small bridges and culverts (2,455 metres). Roads will adopt climate-resilient and/or climate-adaptation features. Roads that benefit the highest number of people and that connect project markets and other important markets and remote villages will receive high priority.

(b) **Improved market services**: The outcome of this component is enhanced marketing of farm and non-farm produce in project markets. The project will build/improve physical markets (common sheds, fish sheds, open paved/raised areas, women’s sections, toilet blocks, internal drainage, etc.), build commodity collection points, build boat landing platforms, form market management committees (MMCs), and create employment for poor women (LCS members). The target is to develop 88 growth centres and large rural markets (AsDB-funded), 197 community (village) markets, 5 commodity collection points, 15 women’s sections and 38 boat landing platforms (IFAD-funded).

(c) **Enhanced climate change adaptation capacity**: The outcome of this component is greater ability of rural communities and local authorities to cope with volatile climate events and meet their basic needs during climatic shocks. The following activities, funded by KfW, are planned under this component: (i) construction or extension of 15 cyclone shelters; (ii) improvement of 10 existing shelters; (iii) upgrading of 15 kilometres of access tracks; and (iv) complementary support measures to enhance capacity for disaster preparedness. In addition, IFAD will fund the training of LCSs in construction skills and on social issues, and MMC members on planning, supervision of works and management of markets.
III. Project implementation

A. Approach

14. With the exception of “block roads”, roadside plantations and community and village markets, all infrastructure will be built by contractors selected through competitive bidding. Infrastructure will be built by women’s groups or LCSs. The formation and selection of LCSs will follow the methodology proven in MIDPCR.

15. IFAD-funded union and village roads and community (village) markets were selected during project design following a rigorous process and have become part of the Government’s approved development project pro forma. These roads and markets are ready for development. The project management office will only need to prepare annual implementation plans, but, except for the final cost estimation, no additional preparatory work will be required.

B. Organizational framework

16. The lead implementing agency will be the Local Government Engineering Department (LGED) in the Local Government Division of the Ministry of Local Government, Rural Development and Cooperatives (MLGRD&C). A project steering committee will provide policy guidance for project implementation. The committee will meet twice a year to review the progress of project implementation.

17. A project management office (PMO) will be established at LGED headquarters in Dhaka, and regional project offices will be located in Barisal, Khulna and Madaripur district headquarters. The PMO will be responsible for overall management, implementation and monitoring, whereas regional project offices will be responsible for supervising progress, overseeing LCS works, carrying out quality control, monitoring impact and maintaining close links with other stakeholders, such as the upazila nirbahi (executive) officer, MMCs and union parishads (councils). The construction of roads under the improved road connectivity component will be outsourced to professional contractors except in the case of block roads. LGED district executive engineers and upazila engineers will be responsible for managing these contracts.

18. LGED will provide full-time staff members for project management in all four project management tiers. A technical assistance team comprising international and national professional staff and support staff will support the PMO with expertise such as engineering design and supervision, climate resilience, economics and finance, and social and gender development.

C. Planning, monitoring and evaluation, and learning and knowledge management

19. The PMO will be responsible for the project’s overall implementation and financial activities, and for achieving its quantitative and qualitative targets. Specifically, it will be responsible for the start-up activities, different studies and surveys, preparation of the annual workplan and budget, adherence to reporting requirements and coordination with IFAD, AsDB, KfW, LGD, MLGRD&C, the Ministry of Finance’s Economic Relations Division, and other project stakeholders.

20. Monitoring and evaluation. The project design and monitoring framework (logical framework) guides project monitoring and evaluation along with other indicators and tools. The PMO will include a monitoring specialist who will look after the baseline survey, the Results and Impact Management System (RIMS) and the mid-term and completion project impact studies. The PMO will carry out daily monitoring of the progress and quality of (i) LCS activities and training, and (ii) MMC activities and training. The technical assistance team will perform independent monitoring of construction works.
21. **Learning and knowledge management.** The project is expected to produce important lessons and knowledge in areas such as waste management using biodigesters, protection of road slopes, and quality assurance for constructions through the development of engineering protocols. Knowledge will be gathered through three pilot initiatives, together with impact studies, case studies, field visit observations, progress reports, newsletters and occasional papers. CCRIP will present lessons to the Government and stakeholders, and publish them on its website, in seminars and workshops. The project will benefit from the support of the knowledge management specialist in the IFAD country office and use IFAD’s knowledge management network to publish all studies and publications.

22. In addition to the above, the project will co-sponsor the recently started rural community radio initiative in Bangladesh, currently being supported by the Food and Agriculture Organization of the United Nations. The aim is to increase dissemination of important information (e.g. market days, commodity prices) to farmers and small producers, provide them with messages for extension of crop, fish and livestock production, and information related to cultural and social life in rural Bangladesh.

D. **Financial management, procurement and governance**

23. **Financial management.** The IFAD financial management assessment rated the fiduciary risk as medium as current arrangements would not provide the maximum assurance that the funds would be used efficiently and effectively for the purposes intended. To mitigate the risks, the following measures are foreseen: (i) to avoid language-related errors, a multilingual accounting software will be procured and installed before implementation begins; (ii) to ensure transparency and good accounting practices, a financial management specialist or a chartered accountancy consulting firm will be hired on a part-time basis, and sufficient accounting staff, with appropriate qualifications and experience, will be recruited; and (iii) to maintain sufficient liquidity in the accounts, payments will be made from the PMO to the district bank account based on receipt from the LGED district executive engineer of a certified summary sheet of works performed by contractors.

24. **Budgeting.** The PMO will be responsible for the preparation of the annual workplan and budget. Counterpart funds have been budgeted in the development project pro forma and will be released in four instalments. Occasional delays in the release of government funds were noted in the past, but overall the Government has followed up on its commitments.

25. **Fund flow.** The project will use the imprest fund method for advances to the designated accounts. Advances to the designated account for the loan and the grant will be transferred in United States dollars to two separate accounts held in that currency at Bangladesh Bank. The funds from these accounts will be transferred to the project account held in a commercial bank in Bangladesh taka and administered by the PMO. The latter will transfer funds to the district accounts administered by the respective district offices, based on type of expenditure and utilization.

26. **Procurement.** The procurement of goods, works and services financed from resources provided or administered by IFAD will be undertaken in accordance with the IFAD Procurement Guidelines and Handbook. In all cases in which procurement is packaged along with goods, works and services financed by AsDB, the procurement will be undertaken in conformity with AsDB’s procurement guidelines.

27. International competitive bidding will be undertaken in accordance with the relevant rules and regulations as established by the World Bank in line with the provisions of the IFAD Procurement Guidelines. Civil works and goods procured using national competitive bidding will follow Bangladesh’s Public Procurement Act, 2006 and Public Procurement Rules, 2008. For all procurement to be financed by IFAD proceeds, information is required on the details of the procurement, the types of procurement methods, the need for pre- or post-qualification, among others, and should be included in the procurement plan for approval by IFAD.
28. All procurement for goods, works and services financed from resources funded or administered by IFAD require bidding documents. Contracts should include a provision requiring suppliers, contractors and consultants to permit IFAD to inspect their accounts, records and other documents relating to the bid submission and contract performance, and to have them audited by IFAD-appointed auditors.

29. **Internal control, internal and external audit.** Internal control systems at the PMO levels will be strengthened with respect to segregation of duties, retention of records and security of information. Mitigation measures will be put in place before implementation commences and will be supervised. Procedural aspects related to financial management and disbursements are detailed in the project administration manual.

30. The LGED internal audit unit will carry out an annual review of the project’s performance on the basis of draft terms of reference prepared by the PMO. In the event that IFAD is not satisfied with the internal audit arrangements and reporting, it will request that an external chartered accountancy firm be hired.

31. The Foreign-Aided Projects Audit Directorate conducts the external audit for all donor-financed projects. The Directorate uses International Standards on Auditing, and previous audits it has conducted have been rated as satisfactory. The audit will comply with the IFAD Guidelines on Project Audits.

32. **Governance.** A framework for good governance has been included in the project design report and the project administration manual. It addresses important governance aspects such as anticorruption, accountability, assessment of the financial management and procurement system, internal and external audit, and institutional arrangements for project implementation. This framework aims to ensure: (i) transparency, with information in the public domain; (ii) accountability in the use of resources; and (iii) participation, with the people having a voice in decisions that may affect them. It has been shown that the involvement of communities in all stages of projects can simultaneously improve development outcomes and reduce the scope for fraud and corruption.

E. **Supervision**

33. The main responsibility for project supervision will remain with the PMO. LGED is charged with detailed preparation of tender documents for market development (physical) and transport infrastructural works. LGED staff will be provided with transport, surveillance technology (e.g. cameras with a built-in global positioning system), and training to monitor contractors’ performance.

34. IFAD, KFW and AsDB will jointly conduct supervision and review missions once or twice a year to verify the project’s performance and monitor its financial and physical progress as well as impact. In addition, the missions will provide technical and management-related recommendations to the PMO. The three partners will jointly conduct the mid-term review, impact studies and a final project completion review. During the first 12-18 months, supervision will take place at least twice to ensure that the basic requirements for a project start-up have been put in place, including the baseline study, financial management and procurement, a technical assistance team and audit mechanisms.

IV. **Project costs, financing, benefits**

A. **Project costs**

35. The total project cost for six years of project implementation amounts to approximately US$150.0 million, of which approximately US$128.5 million counts for total investment costs and approximately US$6.0 million for total recurrent costs. The physical and price contingencies and ADB interest rates total US$15.5 million, as presented in table 1.
### Table 1
**Project cost summary**
(Millions of United States dollars)

<table>
<thead>
<tr>
<th></th>
<th>Local</th>
<th>Foreign</th>
<th>Total</th>
<th>Foreign exchange costs</th>
<th>% Local</th>
<th>% Foreign</th>
<th>% Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>I. Investment costs</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Civil works</td>
<td>97.5</td>
<td>10.8</td>
<td>108.4</td>
<td>10%</td>
<td>97.5%</td>
<td>10.8%</td>
<td>108.4%</td>
</tr>
<tr>
<td>Vehicles and equipment</td>
<td>1.2</td>
<td>1.3</td>
<td>2.4</td>
<td>53%</td>
<td>1.2%</td>
<td>1.3%</td>
<td>2.4%</td>
</tr>
<tr>
<td>Consulting services</td>
<td>8.4</td>
<td>3.1</td>
<td>11.5</td>
<td>27%</td>
<td>8.4%</td>
<td>3.1%</td>
<td>11.5%</td>
</tr>
<tr>
<td>Training, workshop, studies</td>
<td>3.1</td>
<td>0.3</td>
<td>3.4</td>
<td>10%</td>
<td>3.1%</td>
<td>0.3%</td>
<td>3.4%</td>
</tr>
<tr>
<td>Land acquisition</td>
<td>2.7</td>
<td>-</td>
<td>2.7</td>
<td>-</td>
<td>2.7%</td>
<td>-</td>
<td>2.7%</td>
</tr>
<tr>
<td>LGED staff and operating costs</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>112.9</td>
<td>15.6</td>
<td>128.5</td>
<td>12%</td>
<td>90.8%</td>
<td>12.1%</td>
<td>100.0%</td>
</tr>
<tr>
<td><strong>II. Recurrent costs</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Infrastructure maintenance</td>
<td>4.0</td>
<td>0.4</td>
<td>4.5</td>
<td>10%</td>
<td>4.0%</td>
<td>0.4%</td>
<td>4.4%</td>
</tr>
<tr>
<td>Salaries and allowances</td>
<td>1.3</td>
<td>-</td>
<td>1.3</td>
<td>1%</td>
<td>1.3%</td>
<td>-</td>
<td>1.3%</td>
</tr>
<tr>
<td>Vehicles operation and maintenance</td>
<td>0.2</td>
<td>-</td>
<td>0.2</td>
<td>-</td>
<td>0.2%</td>
<td>-</td>
<td>0.2%</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>5.6</td>
<td>0.4</td>
<td>6.0</td>
<td>7%</td>
<td>88.2%</td>
<td>6.6%</td>
<td>94.8%</td>
</tr>
<tr>
<td><strong>Total baseline costs</strong></td>
<td>118.5</td>
<td>16.1</td>
<td>134.5</td>
<td>12%</td>
<td>86.8%</td>
<td>12.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Physical contingencies</td>
<td>10.6</td>
<td>1.2</td>
<td>11.8</td>
<td>10%</td>
<td>10.6%</td>
<td>1.2%</td>
<td>11.8%</td>
</tr>
<tr>
<td>Price contingencies</td>
<td>1.4</td>
<td>0.2</td>
<td>1.6</td>
<td>11%</td>
<td>1.4%</td>
<td>0.2%</td>
<td>1.6%</td>
</tr>
<tr>
<td><strong>Total project costs</strong></td>
<td>130.5</td>
<td>17.4</td>
<td>147.9</td>
<td>12%</td>
<td>66.7%</td>
<td>12.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Interest during implementation</td>
<td>-</td>
<td>2.2</td>
<td>2.2</td>
<td>100%</td>
<td>-</td>
<td>2.2%</td>
<td>2.2%</td>
</tr>
<tr>
<td><strong>Total costs to be financed</strong></td>
<td>130.5</td>
<td>19.6</td>
<td>150.0</td>
<td>13%</td>
<td>66.8%</td>
<td>13.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

36. The IFAD loan will finance approximately US$39.5 million of the investment costs, of which approximately US$33.8 million will be allocated for civil works, approximately US$0.6 million for vehicles and equipment, and US$0.9 million for consulting services. Training and workshops will be partially financed from the loan proceeds (US$0.3 million), while maintaining an unallocated amount of approximately US$3.9 million. IFAD will provide a grant of approximately US$1.0 million, which will be allocated for training and workshops (approximately US$0.9 million), while maintaining an unallocated amount of approximately US$0.1 million.

### B. Project financing

37. The project’s total cost of US$150.0 million will be financed by IFAD for up to US$40.5 million during the current PBAS period 2013-2015 (see table 2). Additional financial needs will be funded, as applicable, as a second loan from the 2016-2018 PBAS and will be submitted to the Executive Board in 2016 for approval. The current cofinancing for the project will be in the amounts of US$50 million by AsDB, US$8.8 million by KfW and US$31.2 million by the Government. AsDB’s funding breaks up as follows: US$20 million from AsDB’s core resources (loan), US$20 million through an AsDB Strategic Climate Fund (SCF) loan and a US$10 million grant. KfW will provide its funding to the project as a grant. The Government will finance LGED staff salaries and operating costs, land acquisition and resettlement costs, as well as identifiable taxes and duties as no taxes or duties may be financed out of the proceeds of the IFAD loan.

38. The proposed IFAD loan is in the amount of approximately US$39.5 million. An IFAD grant of US$1.0 million will finance: (i) innovation research, rural radio programmes and knowledge management; (ii) a baseline survey; (iii) impact studies; (iv) RIMS studies; (v) studies for the mid-term review and project completion; and (vi) studies to support the design of the next IFAD-funded project.
C. Retroactive financing

39. Notwithstanding the provisions of section 4.08(a)(ii) of the General Conditions, procurement of multilingual, double-entry accounting system software, training in the software and accounting, and system maintenance in the amount of approximately four thousand special drawing rights (SDR 4,000) shall be an eligible project expenditure and retroactively financed under the loan. The expenditure must be incurred between the Executive Board approval and the entry-into-force dates.

D. Summary benefit and economic analysis

40. The project is expected to generate substantial net incremental benefits to farmers and rural entrepreneurs, such as shopkeepers, traders and transport owners. The market infrastructure will directly benefit shopkeepers and temporary traders in terms of (i) reduction in spoilage of perishable products; (ii) increased sales, through higher volume and value of the agricultural produce traded; and (iii) increased number of traders at the village markets.

41. The benefits from the upazila, union and village roads will come mainly from the commercial activities generated. Benefits were estimated on the basis of vehicle operating cost savings from the existing traffic; the expected incremental traffic increased the volume of transported goods and reduced transportation costs.

42. Farmers living within the market and the road catchment areas will be able to increase the volume of the agricultural production sold as a result of the increased traffic and will be able to sell at higher prices due to larger numbers of buyers coming to the market and hence higher demand for the agricultural production.

43. Destitute women will benefit from their wage employment in LCSs for roads and market construction works. Upon completion of their contracts, these women will be able to reinvest their revenues in income-generating activities, e.g. dairy farming.

44. Some substantial benefits could not quantified for the economic and financial analysis. Among these are (i) better access to a wide range of social services including both educational and health facilities through improvement of the road network; (ii) improved hygiene standards in the markets; and (iii) human lives saved by accessing the cyclone shelters.

45. Project estimated return. The base case economic internal rate of return (EIRR) is estimated at 16 per cent over 20 years. The base case net present value of the project’s net benefit stream, discounted at 12 per cent, is 2,414 million Bangladesh taka (or about US$30.6 million).

46. Sensitivity analysis assessed the effect of variations in benefits and costs and for various lags in the realization of benefits. A number of scenarios were tested to...
establish the economic viability of the total project in the event of adverse factors. The EIRR is relatively stable with regard to cost increases, benefit reductions and lags. Even in the case of extreme delays of the realization of project benefits of two years or a relatively unsustainable nature of project benefits, represented by an annual 20 per cent decrease of benefits, the EIRR remains equal or above the assumed opportunity cost of capital of 12 per cent.

E. Sustainability

47. Responsibility for road and market maintenance rests with LGED and the union parishads, which receive an annual budget for maintenance work. The Government has confirmed that maintenance funds for all constructions built under the project will be allocated throughout and beyond the project implementation period, in an amount that is sufficient to ensure that investments remain at the level of their original construction quality.

48. Sustainability for road constructions will be enhanced through investments in high-quality and durable road types such as reinforced cement concrete roads. This road type requires little maintenance, if highest standards in the construction can be obtained. LCSs will be recruited to maintain road shoulders and do light repair works. Moreover, a road maintenance plan will be developed to plan, budget and monitor maintenance during the implementation period and beyond.

49. The MMCs will be responsible for the maintenance of markets. The project will train MMCs and encourage them to elect active members. As per current legislation, an MMC receives 25 per cent of the market lease to finance the required repair works and to keep the market area clean and in good order.

F. Risk identification and mitigation

50. The scaling up of a project entails the risk of overburdening the implementing agency. The project will mitigate this risk by including in its management a dedicated deputy project director familiar with union/village road construction and LCS works. The promotion of LCSs, MMCs and women’s market sections has been well documented by MIDPCR, which will either offer experienced staff or train new staff for CCRIP. The project will not be scaling up the value chain approach of MIDPCR and therefore will maintain a focus on the engineering works for which LGED has a proven track record in the country.

51. Risks associated with governance, especially related to financial management, have been assessed by AsDB and IFAD separately, and mitigation measures have been outlined, such as internal control and internal audit, and a computerized, double-entry accounting system. If all proposed measures are taken on board, IFAD rated the residual risks low. Supervision by AsDB, IFAD, KfW and the technical assistance team will provide the required oversight and technical support, especially during the first years of implementation.

V. Corporate considerations

A. Compliance with IFAD policies

52. The project complies with relevant IFAD policies on targeting, gender, land environment and engaging with the private sector. In terms of targeting, the project’s design has applied a rigorous geographical targeting process in the selection of least developed and most vulnerable upazilas. The project design ensures that poor and destitute women will directly benefit as they participate in LCSs for the construction of markets and selected village roads. In addition, a detailed gender action plan has been developed.

53. Land issues will be covered by the AsDB framework for land resettlements and disputes. There will be no land acquisition for IFAD-funded activities and land disputes are not expected.
54. CCRIP is for the most part a Category C intervention, meaning it will have negligible environmental and social implications. In fact, the development of markets with internal roads, drainage and garbage collection systems will improve the micro-environment in and around the markets.

B. Alignment and harmonization
55. The CCRIP project concept was approved by the Government during RB-COSOP preparation and confirmed at each step of the design cycle. All stakeholders made specific efforts to ensure the project’s compliance with the Government’s Sixth Five-Year Plan 2011-2015 (6FYP) and related development priorities. The 6FYP places great emphasis on rural roads and markets, agriculture, livestock and community-based fisheries for pro-poor growth. Moreover, it emphasizes the need to create employment opportunities in rural areas.

56. Through the collaborative cofinancing arrangement, the project is fully harmonized with three donor agencies, i.e. AsDB, IFAD and KfW. In addition, it will complement the forthcoming World Bank-funded Coastal Embankment Improvement Project – (2013-2018), which will reinforce embankments in several upazilas.

C. Innovations and scaling up
57. The scaling up of MIDPCR activities under the project has been already recommended by the RB-COSOP 2012-2018. The project will mainly scale up horizontally by expanding the intervention area of MIDPCR from 5 to 12 districts. The increase in the operational scale is expected to have a larger impact on poor rural livelihoods. Vertical scaling-up will be through policy dialogue as presented in the next section.

58. The implementation modalities for scaling up are being delivered by MIDPCR. Supervision, the mid-term review and project surveys confirmed the success of the LCS approach for market infrastructure development. LGED under MLGRD&C has taken a lead role also for CCRIP, which will facilitate replication of successful MIDPCR approaches.

D. Policy engagement
59. The policy space in the scaling-up agenda of IFAD in Bangladesh is probably the most relevant one for this project. LGED through MLGRD&C has promoted CCRIP, which is included in the Government’s planning cycle. Potential policy topics to be taken up include: (i) the Government’s commitment to adequate road and market maintenance; (ii) the LCS approach in rural infrastructure; and (iii) climate proofing of rural infrastructure. Other project features such as the women’s market section and the organization of MMCs will be monitored and successful practice distilled for the attention of policymakers and eventual inclusion in national policies.

VI. Legal instruments and authority
60. A 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 is attached as an annex.

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 Lending Policies and Criteria.
VII. 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 highly concessional terms to the People’s Republic of Bangladesh in an amount equivalent to twenty-six million one hundred thousand special drawing rights (SDR 26,100,000), and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

RESOLVED FURTHER: that the Fund shall provide a grant to the People’s Republic of Bangladesh in an amount equivalent to six hundred and sixty thousand special drawing rights (SDR 660,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Kanayo F. Nwanze
President
**Negotiated financing agreement:**
"Coastal Climate Resilient Infrastructure Project (CCRIP)"
(Negotiations concluded on 28 March 2013)

Loan Number: _____
Grant Number: _____

Project Title: Coastal Climate Resilient Infrastructure Project (CCRIP) (the “Project”)

The People’s Republic of Bangladesh (the “Borrower/Recipient”) and

The International Fund for Agricultural Development (the “Fund” or “IFAD”)

(each a “Party” and all of them collectively the “Parties”)

**WHEREAS** the Borrower/Recipient has requested a loan and a grant from the Fund for the purpose of financing the Project described in Schedule 1 to this Agreement; and

**WHEREAS** it is understood that arrangements have been made by the Borrower/Recipient, Asian Development Bank and KfW Bankengruppe for additional resources to finance the Project,

**NOW THEREFORE**, the Parties hereby agree as follows:

**Section A**

1. The following documents collectively form this Agreement: this document, the Project Description and Implementation Arrangements (Schedule 1) and the Allocation Table (Schedule 2).

2. The Fund’s General Conditions for Agricultural Development Financing dated 29 April 2009, as may be amended from time to time (the “General Conditions”) are annexed to this Agreement, and all provisions thereof shall apply to this Agreement. For the purpose of this Agreement the terms defined in the General Conditions shall have the meanings set forth therein.

3. The Fund shall provide a Loan and a Grant to the Borrower/Recipient (collectively referred to as the “Financing”), which the Borrower/Recipient shall use to implement the Project in accordance with the terms and conditions of this Agreement. The Fund shall consider providing supplementary financing for the implementation of the Project during the period commencing on 1 January 2016, subject to the availability of funds and approval of the Fund’s Executive Board.

**Section B**

1. (a) The amount of the Loan is Twenty Six Million and One Hundred Thousand Special Drawing Rights (SDR 26 100 000).
   (b) The amount of the Grant is Six Hundred and Sixty Thousand Special Drawing Rights (SDR 660 000).

2. The Loan is granted on Highly Concessional Terms.
3. The Loan Service Payment Currency for the Loan shall be United States dollar (USD).

4. The first day of the applicable Fiscal Year for the purpose of the implementation of the Project shall be 1 July.

5. Payments of principal and service charges shall be made on each 1 March and 1 September.

6. There shall be two (2) designated accounts denominated in USD (collectively referred to as the “Designated Accounts”) opened in accordance with Section 4.04(d) of the General Conditions by the Borrower/Recipient in a bank acceptable to the Fund, through which the Loan and Grant proceeds shall be channelled. The Borrower/Recipient shall inform the Fund of the officials authorized to operate the Designated Accounts.

7. There shall be two (2) project accounts (the “Project Accounts”) opened by the Lead Project Agency in a bank acceptable to the Fund to receive and hold financing transferred from the Designated Accounts. There shall be twelve (12) district project accounts (collectively referred to as the “District Project Accounts”) in the Project Area as defined in paragraph 1 of Schedule 1 hereto, to receive and hold financing transferred from the Project Account. The Borrower/Recipient shall inform the Fund of the officials authorized to operate the Project Account and the District Project Accounts.

8. The Borrower/Recipient shall provide counterpart funds for the Project in the amount of thirty one million and two hundred thousand United States dollars (USD 31 200 000), which shall finance inter alia Project-related staff salaries in the Lead Project Agency, operating cost of the Project and Project-related land acquisition and resettlement costs.

Section C

1. The Lead Project Agency shall be the Local Government Engineering Department (the “LGED”) under the Local Government Division of the Ministry of Local Government, Rural Development and Cooperatives (the “MLGRD&C”) of the Borrower/Recipient.

2. The Project Completion Date shall be the sixth anniversary of the date of entry into force of this Agreement.

Section D

The Financing will be administered and the Project supervised by the Fund.

Section E

1. The following are designated as additional general conditions precedent to withdrawal:

   (a) The Designated Accounts, the Project Account and the District Project Accounts as referred to in Section B above shall have been duly opened;

   (b) The Project Director and other Key Project Personnel of the Project Management Office (the “PMO”) and Regional Project Offices as referred to in paragraphs 7 and 8 of Schedule 1 hereto shall have been duly recruited by the Lead Project Agency; and

   (c) The Project financial management system shall have been operational.

2. The following is designated as an additional specific condition precedent to the Fund’s first replenishment of the Loan Designated Account: The accounting software of the accounting system of the Project shall have been operational.
3. The following are designated as additional grounds for suspension of the right of the Borrower/Recipient to request withdrawals under this Agreement:

   (a) The Project Director or other Key Project Personnel of the PMO and Regional Project Offices as referred to in paragraphs 7 and 8 of Schedule 1 hereto have been removed from the Project without the prior concurrence of the Fund; or

   (b) The Project Administration Manual (the “PAM”) as referred to in paragraph 16 of Schedule 1 hereto is not approved by the Fund within six (6) months of the entry into force of this Agreement.

4. Notwithstanding the provisions of Section 4.08(a)(ii) of the General Conditions, procurement of a multilingual, double entry accounting system software, software and accounting training and system maintenance in the amount of approximately four thousand Special Drawing Rights (SDR 4 000) shall be eligible expenditure for the purpose of this Agreement and retroactively financed by the Loan.

5. The following are the designated representatives and addresses to be used for any communication related to this Agreement:

   For the Borrower/Recipient:

   Secretary
   Economic Relations Division
   Ministry of Finance,
   Government of the People’s
   Republic of Bangladesh
   Sher-e-Bangla Nagar
   Dhaka 1207, Bangladesh

   For the Fund:

   President
   International Fund for Agricultural Development
   Via Paolo di Dono, 44
   00142 Rome, Italy

   This Agreement, dated _______________________, has been prepared in the English language in six (6) original copies, three (3) for the Borrower/Recipient and three (3) for the Fund.

   PEOPLE’S REPUBLIC OF BANGLADESH

   [Signature]
   Authorized Representative

   INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

   [Signature]
   President
Schedule 1

Project Description and Implementation Arrangements

I. Project Description

1. **Target Population.** The Project shall be implemented in thirty two (32) Upazilas of twelve (12) south-western districts including Satkhira, Khulna, Bagerhat, Gopalganj, Madaripur, Shariatpur, Pirojpur, Jhalkati, Barisal, Bhola, Borguna and Patuakhali (the “Project Area”). The Project shall benefit mainly the population in the catchment areas of Project markets and users of roads, in particular, small and marginal farmers, small traders and micro-entrepreneurs, landless people and poor women. Direct beneficiaries include approximately five thousand (5,000) people contracted to the Labour Contracting Society (the “LCS”), one hundred and sixty two thousand four hundred (162,400) traders in the markets under the Project, fifty two thousand six hundred (52,600) transport owners, and two hundred and thirty five thousand (235,000) households living in the areas of influence of roads/markets.

2. **Goal.** The goal of the Project is to achieve improved livelihoods (higher incomes and food security) for poor households (women and men) in selected Upazilas of the Project Area.

3. **Objectives.** The objective of the Project is to achieve enhanced climate resilience of coastal road and market infrastructure and people in selected Upazilas of the Project Area.

4. **Components.** The Project shall consist of the following Components:

   (a) **Component 1: Improved Road Connectivity**

   This Component shall improve road connectivity for men and women living in Project Upazilas to access markets and social services. Under this Component, approximately one hundred and thirty (130) km Upazila road will be built with the resources provided by the Asian Development Bank (the “ADB”) in accordance with applicable arrangement between Borrower/Recipient and the ADB. Approximately five hundred and one (501) km union and village roads along with associated small bridges and culverts (approximately two thousand four hundred and fifty five (2,455) meters) shall be constructed with the Financing and supplementary financing extended from the Fund in accordance with this Agreement. Roads shall adopt climate resilient and/or climate adaptation features. Roads that benefit the largest number of people, connect Project markets and other important markets and remote villages shall receive high priority.

   The Borrower/Recipient shall bear the financial responsibility of maintenance to ensure the durability of the road infrastructures built by the Project.

   (b) **Component 2: Improved Market Services**

   Component 2 shall enhance marketing of farm and non-farm produce in Project markets. Particularly, it shall build and/or improve physical markets (including inter alia common sheds, fish sheds, open paved/raised areas, women sections, toilet blocs, internal drainages), build commodity collection points (CCPs) and boat landing platform (ghats), form market management committees (MMCs), and create employment for the poor women (LCS members), with the Financing and supplementary financing extended from the Fund in accordance with this Agreement. Component 2 shall develop growth centres and large rural markets with the resources of the ADB in accordance with applicable arrangement between
Borrower/Recipient and the ADB, and expand and develop approximately one hundred and ninety seven (197) community (village) markets, five (5) CCPs, fifteen (15) women sections and thirty eight (38) boat landing platforms with the Financing and supplementary financing extended from the Fund in accordance with this Agreement. All markets and CCPs except for the large markets shall be built by LCS groups. Each market or CCP shall have an MMC, which shall supervise the construction and later manage the market and be responsible for the routine maintenance. This Component shall provide appropriate training to LCS groups and MMCs to enable them to perform their functions in accordance with this Agreement.

The Borrower/Recipient shall bear the financial responsibility of maintenance to ensure the durability of the market infrastructures built by the Project.

(c) Component 3: Enhanced Climate Change Adaptation Capacity

The objective of this Component is that rural communities and local authorities are able to cope with volatile climate events and meet their basic needs during climatic shocks. Component 3 shall include i) construction or extension of cyclone shelters; ii) improvement of existing shelters; iii) upgrading access tracks; iv) renewable energy supply in the market and cyclone shelter; v) water supply in the market and cyclone shelter; vi) killah construction; and vii) complementary support measures to enhance capacity for disaster preparedness. The Borrower/Recipient shall make appropriate arrangement with KfW Bankengruppe (KfW) for the availability of financing to these activities. The Fund shall finance the training of LCS groups in construction skills and on social issues, and MMC members on planning, supervision of works and management of the markets.

The Borrower/Recipient shall bear the responsibility of maintenance to ensure the durability of the cyclone shelter and related infrastructures built by the Project.

The Project shall support with resources of the Grant innovation research and pilot testing such as those on i) garbage management in markets; ii) climate resilient slope protection; and iii) introduction of quality test protocols for road and market constructions. These three activities shall be contracted out to qualified national academic institutions through transparent and competitive procedures. The Project shall also support knowledge management activities such as the implementation of the Rural Community Radio Initiative (as referred to in paragraph 13 below) for mass information on agricultural, market, cultural and social topics as well as Project-related information. The Project shall conduct a baseline survey and impact and environmental studies in support of the Project.

The Fund shall manage directly, with the concurrence of the Borrower/Recipient, a portion of the Grant resources in the amount of three hundred and thirty thousand US dollars (USD 330 000) to finance the studies supporting the Mid-Term Review of the Project and the exploration of possible approaches to scaling up the benefits and sharing the experience and knowledge generated from the Project in Bangladesh.
II. Implementation Arrangements

5. Lead Project Agency. The LGED, in its capacity of Lead Project Agency, shall have the overall responsibility of the Project implementation.

6. Project Steering Committee. The Project will be under the overall policy guidance of the Project Steering Committee chaired by the Secretary of the Local Government Division. Its membership shall include, *inter alia*, representatives from the Local Government Division and LGED of the MLGRD&C; the Planning Commission and Implementation, Monitoring, and Evaluation Division of the Ministry of Planning; the Economic Relations Division and Finance Division of the Ministry of Finance; the Ministry of Water Resources; and the Ministry of Environment and Forests. The Project Steering Committee shall meet twice annually, and on an *ad hoc* basis as and when necessary, to review the progress of Project implementation.

7. Project Management Office (the "PMO"). The overall responsibility for the management, implementation and monitoring of the Project shall be assumed by the PMO, which shall be established under the authority of the Chief Engineer at the LGED headquarters in Dhaka. The PMO shall operate under the leadership a Project Director and assisted by two Deputy Project Directors at LGED headquarters. The PMO will be supported by consultants with expertise in engineering design and supervision, climate resilience, economics and finance, social and gender development, participatory approaches, environmental and climate assessment, monitoring and evaluation, and local governance. Specifically, the PMO shall perform *inter alia* the following functions:

i) **Start Up**: a) Recruit and mobilize staff members as per plan of the Project; b) train all relevant PMO staff members; c) recruit a technical assistance (the "TA") team; d) procure goods and services; e) conduct start-up workshops; f) install a computerized, multilingual accounting and financial management system; and g) install a full management system.

ii) **Studies**: a) Conduct baseline studies; b) conduct Results and Impact Management System studies (baseline, mid-term and completion); and c) conduct an environmental study and receive environmental clearance from the Department of Environment of the Ministry of Environment and Forests.

iii) **Planning**: Prepare consolidated Annual Work Plans and Budgets (the "AWPBs") for the Project to be approved by the Fund, ADB, and KfW.

iv) **Implementation**: a) Develop village markets and union/village roads as selected by the Fund and the LGED; b) prepare a road maintenance plan; c) prepare master plans for each market and prepare/customize engineering design for each market by following typical designs; d) customize design for union/village roads duly selected; e) select Upazila road subprojects and growth centres and large markets, and complete analysis and design; f) authorise tendering of all construction works; and g) perform all activities related to LCS, MMCs, staff development.

v) **Supervision**: a) District Executive Engineers (the "XENs") and Upazila Engineers shall supervise progress and quality of work done by the LCS groups and contractors; b) professional staff members from RPOs shall perform additional supervisions of construction works; c) engineers from the TA team shall perform additional monitoring of construction works.

vi) **Financial payment**: Payments against goods and services to be procured by the XENs shall be made by the PMO through the XENs after recommendation from the Regional Project Offices and Upazila Engineers.
vii) Financial management: The PMO shall submit consolidated annual financial statements to the Fund, ADB and KfW. Such consolidated statements shall be audited by Foreign Aided Project Audit Directorate (FAPAD). In addition to the annual external audit, an internal audit of the Project at the PMO level shall be executed by the internal auditor of LGED for Project Year one, as well as in the following years based on mutual agreement between the Borrower/Recipient and the Fund.

viii) Progress report: The PMO shall prepare all reports including financial reports for all activities. It shall prepare quarterly reports and annual reports to be presented to the Fund, ADB and KfW.

ix) Coordination: The PMO shall be responsible for coordination with the Fund, ADB, KfW, Local Government Division of MLGRD&C, the Economic Relations Division (the “ERD”) of the Ministry of Finance and other stakeholders of the Project.

8. Regional Project Offices (the "RPOs"). There shall be three (3) RPOs located in Khulna, Madaripur, and Barisal district headquarters, which shall be responsible for progress supervision, monitoring of LCS works and other works of the Project, quality control, impact monitoring and for maintaining close links with stakeholders.

9. Key Project Personnel. Professional staff of the PMO and RPOs shall be contracted, under procedures acceptable to the Fund, on an open, transparent and competitive basis and have qualifications and experience commensurate with their duties. The recruitment and removal of the Project Director or other key professional staff shall be subject to the concurrence between the Fund and the Borrower/Recipient.

10. The construction of roads under Component 1 except for the block roads shall be awarded to professional contractors. LGED district XENs and Upazila Engineers would be responsible for managing these contracts. The LGED district offices, headed by executive engineers, will be responsible for implementing subprojects of the Project under the guidance of the PMO. The Project shall coordinate with Bangladesh Water Development Board for development interventions.

11. Monitoring and Evaluation. The PMO shall have a Monitoring Specialist and an assistant to i) organize the baseline survey by a consulting firm, ii) organize three Results and Impact Management System (the “RIMS”) Studies – at start-up, mid-term and completion of the Project, iii) conduct studies on impacts of markets development, LCS, construction of roads, and other Project impact, iv) prepare case studies, and v) conduct mid-term and completion Project impact studies. The team will carry out daily monitoring of progress and quality of i) LCS activities and training, and ii) MMC activities and training. The quality/supervision engineers of the TA team will perform additional monitoring of construction works. The PMO will prepare reports to be shared with the Fund, ADB and KfW.

12. Learning and Knowledge Management. Lessons and knowledge produced during the implementation of the Project shall be shared with the Fund, ADB, KfW, the Government of People’s Republic of Bangladesh and other national and international stakeholders by widely distributing, publishing them on internet and organizing seminars and workshops. The Fund’s knowledge management network shall be utilized for such a purpose.
13. **Rural Community Radio Initiative.** The Project will support the Rural Community Radio Initiative in the Project Area to enhance the dissemination of important information for farmers and small producers such as information on related projects, market days, commodity prices, weather forecast and messages for extension of crop, fish and livestock production. This activity will be funded with resources from the Grant.

14. **Supervision and evaluation.** The Fund, ADB and KfW shall carry out joint supervisions. Besides the Fund/ADB/KfW annual supervision mission, an independent mid-term and final evaluation shall be conducted.

15. **Procurement.** Procurement of goods, works and services financed from resources provided and/or administered by the Fund shall be undertaken in accordance with the Fund’s Procurement Guidelines and Handbook (September 2010, as amended from time to time). In all cases whereby procurement is packaged along with goods, works and services financed by the ADB, the ADB’s Procurement Guidelines (2010, as amended from time to time) and Guidelines on the Use of Consultants (2010, as amended from time to time) shall apply. Without prejudice to the aforementioned rules, procurement of goods, works and services through national competitive bidding shall follow the Public Procurement Act of 2006 and Public Procurement Rules of 2008 of the Borrower/Recipient.

16. **Project Administration Manual.** The PMO shall prepare the Project Administration Manual (the “PAM”), and shall forward it to the Fund for comments and approval. The PAM shall provide detailed implementing rules of the Project in accordance with this Agreement.
Schedule 2

Allocation Table

1. Allocation of the Loan and Grant Proceeds. (a) The Table below sets forth the Categories of Eligible Expenditures to be financed by the Loan and the Grant and the allocation of the amounts of the Loan and the Grant to each Category and the percentages of expenditures for items to be financed thereby in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Loan Amount (in SDR)</th>
<th>Grant Amount (in SDR)</th>
<th>Percentage of Eligible Expenditures to be financed (net of taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. Civil Works</td>
<td>22 300 000</td>
<td></td>
<td>100%</td>
</tr>
<tr>
<td>II. Vehicles and Equipment</td>
<td>400 000</td>
<td></td>
<td>100%</td>
</tr>
<tr>
<td>III. Consulting Services</td>
<td>600 000</td>
<td></td>
<td>100%</td>
</tr>
<tr>
<td>IV. Studies, Training and Workshops</td>
<td>200 000</td>
<td>600 000</td>
<td>100%</td>
</tr>
<tr>
<td>Unallocated</td>
<td>2 600 000</td>
<td>60 000</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>26 100 000</strong></td>
<td><strong>660 000</strong></td>
<td></td>
</tr>
</tbody>
</table>

(b) The terms used in the Table above are defined as follows:

“Civil Works” includes *inter alia* eligible expenditures incurred for repair of or newly constructed union and village roads; associated minor bridges and culverts; repair of or newly constructed bridges; construction of boat landing stations; and markets.

“Vehicles and Equipment” includes *inter alia* eligible expenditures incurred for machines and instruments for construction; vehicles including related operation and maintenance; and office equipment and furniture.

“Studies, Training and Workshops” includes *inter alia* eligible expenditures incurred on studies, surveys; training; tours; capacity building support for staff and beneficiaries; materials for training; the Rural Community Radio Initiatives.

“Unallocated” includes the amount of the Loan and Grant which is not allocated to any specific Category of eligible expenditures, but is available for future reallocation to the Categories above.

2. Notwithstanding the provisions of Section 4.08(a)(ii) of the General Conditions, procurement of a multilingual, double entry accounting system software, software and accounting training and system maintenance in the amount of approximately four thousand Special Drawing Rights (SDR 4 000) shall be eligible expenditure for the purpose of this Agreement and retroactively financed under Category IV above with proceeds of the Loan.
### Logical framework (excerpt)

#### Design Summary

<table>
<thead>
<tr>
<th>Project Goal [ADB: Impact]</th>
<th>Performance targets and indicators</th>
<th>Monitoring Mechanism &amp; Information Sources</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Project Goal</strong> Improved livelihoods (higher incomes and food security) for poor households (women and men) in selected Upazilas of 12 coastal districts</td>
<td>ADB - by 2021: Household incomes in project areas increased by 20% in 2012 prices (2012 baseline: Tk70,000) IFAD - by 2018 (from baseline): 20% increase of households reporting improvements in household asset ownership index (RISS) 30% reduction in the prevalence of child malnutrition (RISS) 60% increase in incomes in 50% of poor households from a range of farm, fishery and non-farm sources, disaggregated by sex</td>
<td>Bangladesh Bureau of Statistics Multiple Indicator Cluster Survey (MICS) of the RISS surveys Impact surveys at baseline, mid-term and completion Qualitative assessment (PRA) with target HHs in project Upazilas/Unions/Villages.</td>
<td>Climate change related impacts are within predicted level</td>
</tr>
</tbody>
</table>

#### Development objective [ADB: Outcome] Enhanced climate resilience of coastal road and market infrastructure and people in selected Upazilas of 12 project districts. [Project Target: Overall approximately 600,000 HHs; 3.5 million people] By 2018: < 5# of days of inundation of infrastructure reduced (baseline 20 days) 60% more beneficiaries reporting improved food security, by women/men (RIMS) 50% reduced loss of lives and assets during disaster | Independent evaluation of robustness and resilience of infrastructure design. CCRIP project assessment report after each monsoon season and natural disaster event. IFAD annual supervision report. PRA after each monsoon season and natural disaster event. |

#### COMPONENT 1: Improved Road Connectivity

<table>
<thead>
<tr>
<th>Outcome 1: Improved road connectivity for men and women living in project Upazilas to access markets and social services.</th>
</tr>
</thead>
<tbody>
<tr>
<td>By 2018, ADB: Increased average traffic volume per day on project roads (target: 500; baseline: 200) Reduced average vehicle operating costs on project roads (target: BDT 10/km; baseline BDT 15/km) IFAD (from baseline): 50% increase in average traffic volume per day on project roads 25% reduced transportation costs on project roads 50% reduced travel time</td>
</tr>
</tbody>
</table>

#### COMPONENT 2: Improved market services

<table>
<thead>
<tr>
<th>Outcome 2: Enhanced marketing of farm and non-farm produce in project markets</th>
</tr>
</thead>
<tbody>
<tr>
<td>By 2018, ADB funded: 90% increase in the volume of goods marketed in growth centre markets, (baseline: 23,000kg in 2012) % increase of traders (disaggregated by sex) IFAD (from baseline): 20% additional income from construction of infrastructure 50% increase in the volume of goods marketed in village markets 25% increase of traders (disaggregated by sex)</td>
</tr>
</tbody>
</table>

#### COMPONENT 3: Enhanced Climate Adaptation Capacity

<table>
<thead>
<tr>
<th>Outcome 3: Rural communities and local authorities are able to cope with volatile climate events and meet their basic needs during climatic shocks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Climate resilient rural infrastructure management plan is operational % of population using shelters during natural disasters [Target: -- %]</td>
</tr>
</tbody>
</table>