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Enabling poor rural people
to overcome poverty

President's report

Proposed grant to the People's Republic of Bangladesh for the

Climate Adaptation and Livelihood Protection Project

Note to Executive Board representatives

Focal points:

Technical questions:

Thomas Rath
Country Programme Manager
Tel.: +39 06 5459 2069
e-mail: t.rath@ifad.org

Dispatch of documentation:

Deirdre McGrenra
Head, Governing Bodies Office
Tel.: +39 06 5459 2374
e-mail: gb_office@ifad.org

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For: Approval

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Abbreviations and acronyms

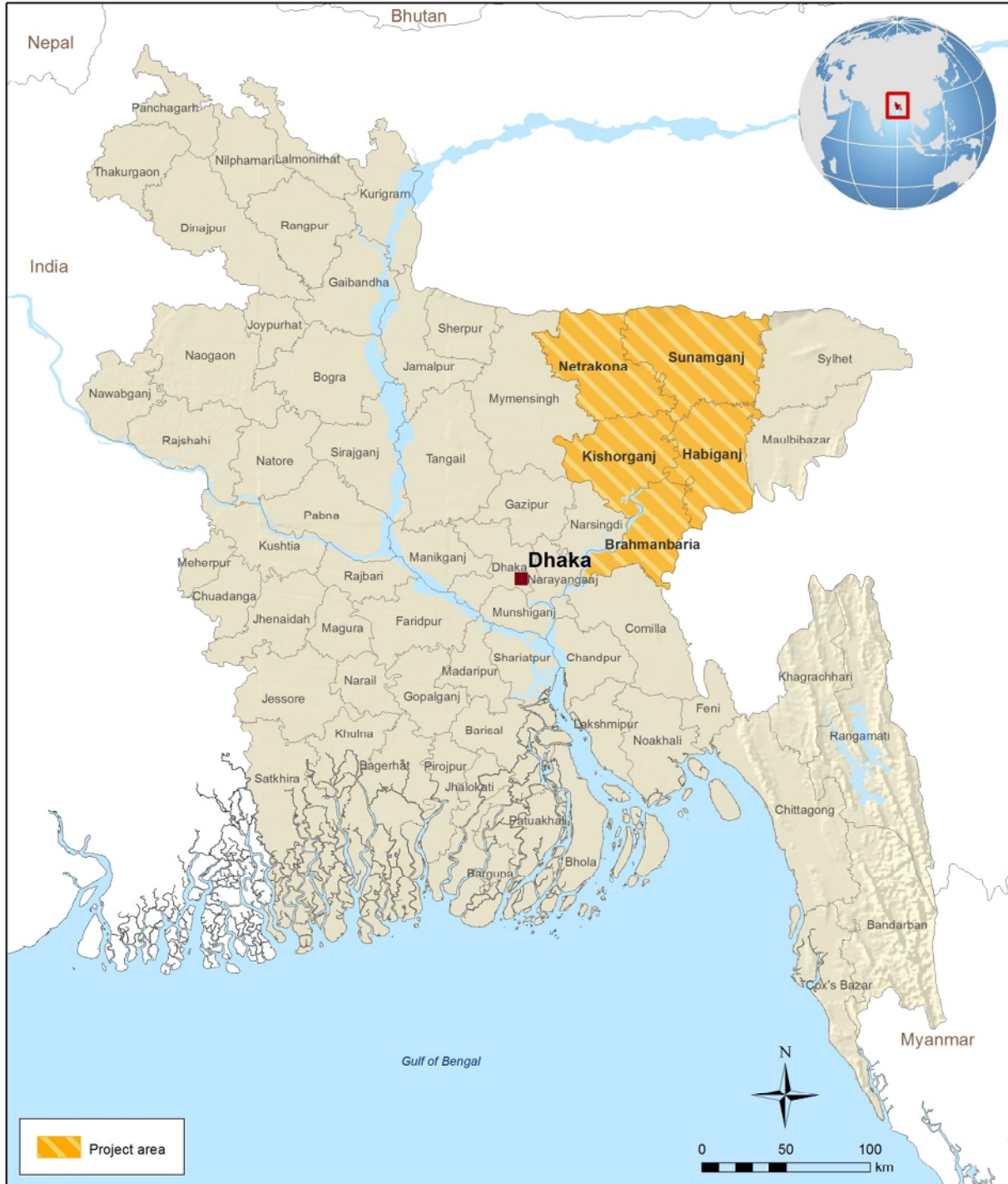
ASAP	Adaptation for Smallholder Agriculture Programme
AWP/B	Annual Work Plan and Budget
LCS	labour contracting society
LGED	Local Government Engineering Department
NAPA	National Adaptation Programme for Action
PSC	project steering committee
SCBRMP	Sunamganj Community-based Resource Management Project

Map of the project area

People's Republic of Bangladesh

Haor Infrastructure and Livelihood Improvement Project (HILIP) and
Climate Adaptation and Livelihood Protection (CALIP) Project

President's report



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.

IFAD Map compiled by IFAD | 18-06-2013

People's Republic of Bangladesh

Climate Adaptation and Livelihood Protection Project

Financing summary

Initiating institution:	IFAD
Recipient:	People's Republic of Bangladesh
Executing agency:	Local Government Engineering Department (Ministry of Local Government, Rural Development and Cooperatives)
Total project cost:	US\$15.0 million
Cofinancing:	Adaptation for Smallholder Agriculture Programme (ASAP)
Amount of ASAP grant:	I. SDR 9.9 million (equivalent to approximately US\$15.0 million)
Appraising institution:	IFAD
Cooperating institution:	Directly supervised by IFAD

Recommendation for approval

The Executive Board is invited to approve the recommendation for the proposed grant to the People's Republic of Bangladesh for the Climate Adaptation and Livelihood Protection Project, as contained in paragraph 51.

Proposed grant to the People's Republic of Bangladesh for the Climate Adaptation and Livelihood Protection Project

I. Strategic context and rationale

A. Country and rural development and poverty context

1. The purpose of the Climate Adaptation and Livelihood Protection Project (CALIP) is to finance supplementary activities to scale up the IFAD-supported Haor Infrastructure and Livelihood Improvement Project (HILIP), which has been under implementation since July 2012. CALIP will complement HILIP by introducing a number of innovations as part of a targeted response to the need for greater community and ecological resilience to climate change.
2. During the design of HILIP, IFAD planned on mobilizing US\$20 million from the Bangladesh Climate Change Resilience Fund (BCCRF) to support key pillars of the Bangladesh Climate Change Strategy and Action Plan and the priorities of the National Adaptation Programme of Action for the north-east region. Since the BCCRF funds were fully committed, financing from IFAD's newly established Adaptation for Smallholder Agriculture Programme (ASAP) was mobilized instead. CALIP is thus financed by an ASAP grant of US\$15 million; total financing for HILIP, including the CALIP funding, amounts to US\$133 million.
3. Bangladesh is one of the most densely populated countries in the world. About 80 per cent of the population live in rural areas. Poverty is a pervasive problem in rural Bangladesh, where access to land and other natural resources is limited. The country has the third highest number of poor people in the world.
4. Although Bangladesh is among the world's poorest countries, it has made significant progress in reducing poverty and improving social and economic conditions. The national headcount rate of poverty declined from 49 per cent to 40 per cent between 2000 and 2005, and had fallen to 31.5 per cent in 2010.
5. The Haor basin is one of the poorest regions of Bangladesh, with a significant percentage of the population categorized as "ultra poor". The primary livelihood activities are farming and fisheries. The high level of poverty is rooted in the physical conditions of the region, particularly the extended periods of flooding, which limit infrastructure development, influence the cropping season and constrain mobility.

B. Rationale and alignment with government priorities and RB-COSOP

6. The country's high vulnerability to the effects of climate change further exacerbates its sensitivity to adverse weather conditions such as cyclones and floods, which historically have taken many lives and destroyed productive assets. In particular, the already precarious existence of inhabitants of the Haor basin is being further undermined by the impact of climate change. According to predictions (by the Hadley Centre Climate Programme of the United Kingdom's Met Office in 2012), temperature is expected to increase causing more intense monsoons and drier post-monsoon periods.

7. Flash floods originating from the Meghalaya and Barak water basins in India are a common occurrence in the Haor region during the pre-monsoon season, leading to crop losses at times as high as 90 per cent. According to climate change predictions, it is anticipated that a shift in rainfall to the pre-monsoon period will coincide with the harvest of paddy rice. This will significantly affect rice production in the region and the food security of subsistence and smallholder farmers.
8. The current flash flood forecast and alert systems are inadequate. At best a one-to-three day advance warning is provided through family networks to downstream inhabitants, which does not provide sufficient time for accelerated harvesting of rice and transport to safe ground.
9. In addition to the impact on livelihoods, the physical security of the region's communities is increasingly being jeopardized. During the height of the flood period, wave action can climb to 2-3 metres, destroying houses and eroding the earthen mounds on which villages are perched. The rising temperature of surface water caused by climate change and the consequent acceleration in wind velocity is expected to further intensify wave action. A significant part of villagers' income and time is already spent fortifying the earthen mounds and repairing damaged homes, and this drain on financial and human resources is expected to increase.
10. CALIP is providing support to the Government of Bangladesh to address the challenges posed by climate change for vulnerable rural livelihoods. Specifically, CALIP will focus on the following government priorities as set out in the National Adaptation Programme of Action (NAPA): (i) adaptation of agriculture systems in areas prone to increased flash flooding in the north-east and central region; and (ii) adaptation of fisheries systems in areas prone to enhanced flooding in the north-east and central region through adaptive and diversified fish culture practices.
11. The results-based country strategic opportunities programme (RB-COSOP) of Bangladesh is well aligned with the above government policies including the sixth, and current, five-year plan and identifies adaptation to climate change as one of the key areas of engagement for IFAD in Bangladesh. With its climate change adaptation focus, CALIP is directly supporting the first strategic objective of the RB-COSOP as it will enable poor people living in vulnerable areas to better adapt their livelihoods to climate change.

II. Project description

A. Project area and target group

12. CALIP will work in the same five districts in Haor as HILIP, i.e. Netrakona, Habiganj, Brahmanbaria, Kishoreganj and Sunamganj, specifically in 28 *upazilas* (subdistricts) selected on the basis of their exposure to climate risks and poverty context.
13. The target group consists of (i) small and marginal farmers; (ii) small-scale fishing households; (iii) landless people; (iv) poor women; and (v) small traders and microentrepreneurs. The project is in line with the RB-COSOP and the IFAD Policy on Targeting.

B. Project development objective

14. The objective of the project is to enhance livelihood opportunities and reduce the vulnerability of the poor. The main outcomes expected from the CALIP project match those of HILIP and include: (i) enhanced access to markets, livelihood opportunities and social services; (ii) enhanced connectivity between villages, reduction in production losses and protection against extreme weather events; (iii) enhanced access to fishery resources and conservation of biodiversity; (iv) enhanced production, diversification and marketing of crop and livestock produce; (v) efficient, cost-effective and equitable use of project resources; and (vi) enhanced capacity and knowledge for building resilience (new outcome

introduced by CALIP). The project is expected to build resilience to climatic hazards and strengthen the natural, physical, social, human and financial capital of local communities.

C. Components/outcomes

15. CALIP activities will be embedded in and enhance components 2 and 4 of HILIP and introduce an additional fifth component on knowledge management, as follows:

Community infrastructure (US\$8.6 million). CALIP will support the development and protection of community infrastructure through village slope protection, landscape level reforestation, common village amenities, model village construction, promotion of vegetative species and *killas* (platforms) for temporary paddy storage above flood water.

Livelihood protection (US\$4.3 million). CALIP will introduce new technologies and linkages with markets; provide hands-on training and practical experience; and will pursue an interlinked approach whereby the demand for village and road protection works provides lucrative business opportunities.

Capacity and knowledge for building resilience (US\$1.7 million). CALIP will support the generation and management of new knowledge, capacity-building of communities and institutions, installation of a weather and flash flood forecasting system to reduce crop loss, and promotion of climate-sensitive pro-poor policy dialogue through collaboration with local research institutions, monitoring and documentation of impact and convening of policy dialogue forums.

III. Project implementation

A. Approach

16. The building of village protection systems, model villages and village infrastructure for public use, and the undertaking of *beel* (water body) and canal excavation will be mainly carried out by labour contracting society (LCS) members organized and trained by HILIP. The process will follow regular LCS methodologies successfully used by other IFAD-supported projects, such as the Sunamganj Community-based Resource Management Project (SCBRMP).
17. The livelihood protection and diversification component will adopt a value chain development approach that promotes partnerships with market intermediaries along the value chain. The development of such "adaptation pathways" will be a participatory process that engages communities in learning how to better understand climate change, risk management and selection of adaptation options. This combination of approaches is based on the successful experience of other IFAD-funded projects in Bangladesh, and also builds on IFAD's experience elsewhere.
18. A number of pilot village protection systems will be tested in the first two years to assess their effectiveness and successful models will be expanded in subsequent years. Considering that CALIP is divided into two cycles, a pipeline approach¹ will be used for monitoring the results of the first group of villages against the second group, which will act as the control. This approach will also involve undertaking corrective measures in design and implementation.

B. Organizational framework

19. Overall responsibility for CALIP will be assumed by the Local Government Engineering Department (LGED), following its successful performance under HILIP. CALIP will be under the general guidance of an inter-ministerial steering committee

¹ Pipeline approach – an impact evaluation design in which the comparison group are those who have not yet received the intervention, but who are scheduled to do so. The assumption is that there will be no selection bias, since both treatment and comparison groups are to receive the interventions. However, the quality of the matching should be checked, since later participants may differ from those treated earlier.

(IMSC) headed by the Secretary, Local Government Division, Ministry of Local Government, Rural Development and Cooperatives. Its members include representatives from the Ministry of Agriculture Extension, Ministry of Livestock Services, Ministry of Land and Ministry of Fisheries, etc. The project steering committee (PSC) will meet at least once annually and also on an ad hoc basis. There will be one project director for both CALIP and HILIP who will be the ex-officio member secretary of the IMSC. The functions of the PSC are detailed in the project implementation manual.

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

Planning

20. The annual workplan and budget (AWP/B) will be the key planning document for the project. CALIP and HILIP will have one common AWP/B with distinctly identified activities, which will be harmonized with current government planning processes. The AWP/B and procurement plan will be approved by IFAD.

Monitoring and evaluation (M&E)

21. IFAD and the project management unit (PMU) will conduct regular monitoring and evaluation of project activities, annual supervision, a midterm review and the final evaluation. Frequent site inspection will be carried out to ensure timely implementation and quality assurance of all activities. The M&E unit will produce combined monthly, quarterly and annual reports for HILIP/CALIP. Staff responsible for the implementation of different activities will report on progress and outputs to the M&E unit.

Learning and knowledge management

22. The knowledge management activities will draw on project data and results in order to extract lessons and disseminate experiences. Results and experiences will be documented and conveyed through policy briefs, publications, videos and events. Existing tools, such as the IFADAsia portal or newsletters will also be used. The M&E unit will be responsible for knowledge management and learning.

D. Financial management, procurement and governance

Financial management

23. The project will adopt the financial management arrangements used by the HILIP. The IFAD financial management assessment rated the fiduciary risk as medium because current arrangements did not provide 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 PMU to the district bank account based on receipt from the LGED district executive engineer of a certified summary sheet of works performed by contractors.

Budgeting

24. The PMU will be responsible for the preparation of the AWP/B. Counterpart funds have been budgeted in advance during project development and will be released in four instalments. Occasional delays in the release of government funds have been noted in the past, but overall the Government has followed up on its commitments.

Fund flow

25. IFAD will disburse funds for the project to the HILIP designated account, which is held by the Bangladesh Bank and operated by the lead project agency. Payments

for all project procurement, PMU staff salaries and other administrative/operational expenses will be made directly from the project account.

Procurement

26. Procurement of goods, works and services financed from resources provided or administered by IFAD will be undertaken in accordance with IFAD's procurement guidelines and handbook (dated September 2010, or as amended from time to time).
27. International competitive bidding (ICB) shall be undertaken in accordance with the rules and regulation for ICB as established by the World Bank, which are in line with IFAD's procurement guidelines. Goods and civil works and goods procured using national competitive bidding will follow the Public Procurement Act 2006 and Public Procurement Rules 2008 of the Government of Bangladesh. All relevant details, specifically regarding type of procurement method, the need for pre- or post-qualification, estimated cost, prior or post review requirements must be included in the procurement plan submitted by the implementing agencies. IFAD's approval of the procurement plan is mandatory and any changes or modifications must be communicated to and approved by IFAD. Specific information regarding procurement is included in the project implementation manual.

Internal control, internal and external audit

28. Internal control as well as internal and external audits will be conducted following the established procedures for IFAD-supported projects implemented by LGED.

Governance

29. The enhanced framework for good governance developed for HILIP will also be used by CALIP to ensure: (i) transparency; (ii) accountability in the use of resources; and (iii) participation that provides the target group with a voice in decisions that may affect them. Key features of this framework include: (i) inclusive targeting of women and disadvantaged households; (ii) local-level participation in planning undertaken at the Union Parishad level; (iii) community and participatory monitoring of project activities; (iv) audits of project accounts – both internal and external; (v) IFAD supervision and support; (vi) regular outcome and knowledge, attitude and practice surveys to obtain information and monitor the quality of project outputs; (vii) reporting of results to PSC, IFAD and local government institutions, with key information published on a project website; and (viii) a complaint and remedy mechanism. This framework will support the transparent use of funds and serve as a preventive measure against corruption.

E. Supervision

30. The CALIP will be directly supervised by IFAD. IFAD will attend the national start-up workshop for the project and participate in discussions on the project approach and strategy. It is envisaged that the first supervision mission will take place towards the end of the first year of operations.

IV. Project costs, financing, benefits

A. Project costs

31. Project costs for CALIP alone will total US\$15 million, distributed over three components. The costs are based on currently used unit costs. Since the project is fully merged with HILIP, the project management costs for CALIP will remain very low, at less than 2 per cent of the total. For HILIP and CALIP, the joint physical and price contingencies are 2 per cent and 15 per cent respectively, while foreign exchange is 1 per cent of the total, as presented in table 1.

Table 1
Project costs summary

	(Millions of takas)					(Millions of United States dollars)				
	Local	Foreign	Total	% foreign	% total	Local	Foreign	Total	% foreign	% total
				exchange	base costs				exchange	base costs
1. Communications infrastructure	2 771	-	2 771	-	35	40	-	40	-	35
2. Community infrastructure	2 755	4	2 760	-	35	39	0.06	39	-	35
3. Community resource management	634	-	634	-	8	9	-	9	-	8
4. Livelihood protection	426	47	474	10	6	6	1	7	10	6
5. Capacity and knowledge for building resilience (CALIP)	84	26	110	23	1	1	0.39	2	23	1
Project management	1 246	3	1 249	-	16	18	0.05	18	-	16
	7 916	81	7 997	1	100	113	1	114	1	100
Physical contingencies	156	4	160	3	2	2	0.06	2	3	2
Price contingencies	2 378	15	2 393	1	30	17	0.03	17	-	15
	10 450	99	10 549	1	132	132	1	133	1	117

B. Project financing

32. The total cost of HILIP, including the CALIP portion, is estimated to at US\$133 million (total investment and incremental recurrent project costs including physical and price contingencies). The CALIP contribution amounts to US\$15 million in grant financing. The Government's contribution will be in the form of tax and duty exemptions on all project inputs that involve funding from IFAD or any other external source of funding associated with the project. In all cost tables, CALIP activities and funds have been clearly identified for ease of implementation, financial planning and reporting, and M&E.

Table 2
Financing by component and financier
(Millions of United States dollars)

	IFAD loan		IFAD grant		Spanish Trust Fund		Government contribution		CALIP		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
1. Communications infrastructure	12	25.4	-	-	11	24.7	23	49.8	-	-	46	34.7
2. Community infrastructure	16	35.0	-	-	15	32.7	6	14.0	8	18.3	46	34.7
3. Community resource management	6	56.5	1	5.6	3	30.4	1	7.5	-	-	11	7.9
4. Livelihood protection	3	41.2	0.40	5.0	-	-	0.01	0.1	4	53.6	8	6.0
5. Capacity and knowledge for building resilience (CALIP)	-	-	-	-	-	-	-	-	2	100.0	2	1.4
Project management	18	87.5	0.05	0.3	-	-	2	10.4	0.37	1.8	20	15.4
	55	41.3	1	0.8	30	22.3	32	24.3	15	11.2	133	100.0

C. Summary benefit and economic analysis

Economic analysis

33. A cost benefit analysis has been carried out to assess the viability of the productive investments of the project in terms of the benefits that will accrue to the economy of Bangladesh. Given the benefit and cost streams, the base case economic internal rate of return (EIRR) for HILIP, including CALIP, is estimated at 23 per cent.
34. The sensitivity assessment of the economic financial analysis of CALIP is reasonably robust, as a two-year delay in project benefits (out of five years) would reduce the EIRR to 12 per cent and the net present value to US\$7 million.

Beneficiaries and benefits

35. CALIP will contribute to the overall goal of HILIP by improving living standards and reducing vulnerability to climate change for poor people living in the Haor basin.

CALIP's specific contribution will be to village protection works with a "low cost strategy" and to value chain activities in new sectors (i.e. reforestation, pond fisheries). Other benefits expected from CALIP include: (i) increased fish production and fishing income; (ii) increased incomes from diversified production and investment in new sectors; and (iii) increased local employment.

36. The direct beneficiaries of CALIP activities alone will be: (i) members of LCS (15,600); (ii) 19,800 households (87,120) living in villages benefiting from protection works and/or communal infrastructure such as sanitation, deep tube wells and walkways; and (iii) participants of value chain subsectors and vocational training (137,844). The total number of direct beneficiaries is 240,564. In addition, it is anticipated that approximately 3 million farmers will benefit from agro-meteorological and flash flood forecasts for improving crop management.

D. Sustainability

37. Sustainability is a fundamental concern of CALIP given that its goal is to build adaptive capacity and risk management strategies to deal with the adverse effects of climate change. In this regard, the proposed activities are interlinked and designed to act in synergy to create greater resilience. From an ecological perspective, the adoption of climate-resilient value chains for reforestation and soil stabilization open new market opportunities that are financially lucrative, support strengthened resilience at the household and ecosystem level and are also robust in the face of climate change; in other words, they provide a "green economic model" that enables the revegetation of the landscape.
38. At the institutional level, CALIP will support LGED in mainstreaming climate change considerations into its operations. Efforts are under way to establish a climate change unit within LGED to gather examples of best practice from all IFAD projects implemented by LGED with a view to facilitating cross-fertilization. The mainstreaming of climate change considerations within LGED is expected to bring about a transformative change in the operations of the institution.
39. The weather and flash flood early forecasting system will be designed by a consortium of public institutions. It is expected that more accurate quantification of the reduction in harvest losses will strengthen the argument for continued government support to maintain the system.
40. Looking to the longer-term, CALIP will initiate a policy dialogue process in support of pro-poor climate resilience. Formulating evidence-based policy recommendations that meet the needs of the most vulnerable communities will open up a space for increased government attention to a region that has been largely neglected.

E. Risk identification and mitigation

41. The main risks related to the achievement of the project goal and development objective are the following: (i) faltering economic growth and stability leading to a reduction in opportunities for better livelihoods that could be gained from better connections to the wider economy. At the moment, the economy is growing at a steady pace, and the main risk that could be encountered is inflation (and the associated issue of high levels of government expenditure on subsidies to ameliorate price rises); (ii) corruption and lack of good governance; and (iii) the continued impasse in negotiations at the global level on reducing greenhouse gas emissions, which may lead to critical ecological thresholds being crossed thus undermining any gains being made at the project level.
42. The following measures are being taken to mitigate the above-listed risks: (i) CALIP and HILIP will enable poor households to diversify their livelihood options including off-farm activities; (ii) CALIP and HILIP will implement a good governance framework, i.e. IFAD will carry out regular supervision and strict prior and post-procurement reviews to minimize the risk of corruption and any other abuse of resources, and it will monitor compliance with recommendations made by the

national annual audit exercise; and (iii) CALIP will mitigate the risk of ecological thresholds being breached through the development of adaptation pathways.

V. Corporate considerations

A. Compliance with IFAD policies

43. The project complies with relevant IFAD policies on targeting, gender, land, environment and climate change, and private-sector engagement. In terms of targeting, the project's design has applied a rigorous geographical targeting process in the selection of the least developed and most vulnerable *upazilas*. The project design will also ensure that poor and destitute women directly benefit through LCSs and related construction works. Poorer families and small producers will be targeted in all value chain development activities and vocational training. CALIP responds fully to IFAD's Environment and Natural Resource Management Policy as it seeks to advance the 10 core principles. The project is fully consistent with IFAD's Climate Change Strategy and the programming principles of the ASAP.

B. Alignment and harmonization

44. The project contributes to the Government's priorities as outlined in its sixth five-year plan 2011-2015 and its Poverty Reduction Strategy. The project is aligned with the Bangladesh National Adaptation Programme of Action (NAPA) and supports NAPA's prioritization of adaptation of agriculture and fisheries systems in areas prone to enhanced flash flooding in the north-east and central region. The project also responds to the Bangladesh Climate Change Strategy and Action Plan, as it highlights the need to: enhance national adaptive capacity to reduce adverse effects of floods, establish advanced early warning systems, and plan and implement non-structural flood-proofing measures. The project is also consistent with the Haor Development Plan 2012.

C. Innovations and scaling up

45. CALIP will introduce a number of innovations, including new engineering models for village protection against wave action, new vegetative species, new climate-resilient value chains based on indigenous vegetative species and the installation of a weather and flash flood forecasting system. Innovations that prove successful will be scaled up by HILIP.
46. HILIP is building on the lessons learned from the SCBRMP, and CALIP will further expand the scope of work being undertaken by HILIP. Activities successfully implemented under SCBRMP – such as community infrastructure, livelihood protection and natural resources management – are all being included in HILIP and will be further strengthened by CALIP for enhanced climate change resilience. The scaling up from SCBRMP to HILIP involves an expansion of geographical area from the nine *upazilas* targeted by SCBRMP to 28 *upazilas* under CALIP/HILIP. Further scaling up will be promoted through policy dialogue and knowledge management activities by CALIP and HILIP.

D. Policy engagement

47. Under component 5, CALIP will undertake focused policy dialogue on advancing pro-poor climate resilience policies. Project experience and knowledge will be documented in policy briefs and other advocacy material. These will be utilized in workshops, seminars and presentations to government policymaking organs and institutions that influence policymaking processes; field visits to project sites by decision makers; and an international symposium on climate change impact in the Haor region, attended by the various institutions working with CALIP.

VI. Legal instruments and authority

48. A financing agreement between the People’s Republic of Bangladesh and IFAD will constitute the legal instrument for extending the proposed financing to the recipient. A copy is attached as an annex.
49. The People’s Republic of Bangladesh is empowered under its laws to receive financing from IFAD.
50. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the Lending Policies and Criteria.

VII. Recommendation

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

RESOLVED: that the Fund shall provide a grant to the People’s Republic of Bangladesh in an amount of fifteen million United States dollars (US\$15,000,000) equivalent to nine million nine hundred thousand special drawing rights (SDR 9,900,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Kanayo F. Nwanze
President

Negotiated Trust Financing Agreement: "Haor Infrastructure and Livelihood Improvement Project (Climate Adaptation and Livelihood Protection Sub-Project)"

(Negotiations concluded on 2 September 2013)

ASAP Trust Grant Number: _____

Project Title: Haor Infrastructure and Livelihoods Improvement Project (the "Project");
Climate Adaptation and Livelihood Protection Sub-Project (the "Sub-project")

The People's Republic of Bangladesh (the "Recipient")

and

the Adaptation for Smallholder Agriculture Programme Trust Fund (the ASAP Trust)

(each a "Party" and both of them collectively the "Parties")

WHEREAS the Executive Board of the International Fund for Agricultural Development (the "Fund" or "IFAD"), at its 105th Session approved the establishment of an Adaptation for Smallholder Agriculture Programme Trust Fund (the "ASAP Trust");

WHEREAS IFAD has extended a Loan and a Grant, and the Spanish Food Security Co-financing Facility Trust Fund has extended a Trust Loan, to the Recipient in the amount of thirty four million four hundred and fifty thousand Special Drawing Rights (SDR 34 450 000), six hundred and thirty thousand Special Drawing Rights (SDR 630 000), and twenty one million four hundred thousand Euros (EUR 21 400 000) respectively, to assist in financing the Project on terms and conditions set forth in a Financing Agreement dated 18 July 2012 between the Recipient and the Fund (the "Principal Financing Agreement"); and

WHEREAS the Recipient has requested a supplementary grant from the ASAP Trust for the purposes of increasing the financing for and expand the activities of the Project, as described in Schedule 1 to the Principal Financing Agreement,

NOW THEREFORE, the Parties hereto hereby agree as follows:

Section A

1. Without any limitation or restriction upon any of its obligations under this Agreement for the implementation of the Project, the Recipient accepts, *mutatis mutandis*, the provisions of the Principal Financing Agreement, as may be amended from time to time by the Parties thereto, as valid and binding obligations of the Recipient to the Fund.
2. The following documents collectively form this Trust Financing Agreement: this document, the Project Description and Implementation Arrangements (Schedule 1) and the Allocation Table (Schedule 2).

3. IFAD's General Conditions for Agricultural Development Financing dated 29 April 2009, as may be amended from time to time (the "General Conditions"), apply to this Agreement and are annexed to this Agreement, and all provisions thereof shall apply to this Agreement. For the purposes of this Agreement the terms defined in the General Conditions shall have the meanings set forth therein.
4. The ASAP Trust shall provide an ASAP Trust Grant to the Recipient, which the Recipient shall use to implement the Project in accordance with the terms and conditions of this Agreement.

Section B

1. The amount of the ASAP Trust Grant is _____ Special Drawing Rights (SDR _____).
2. The first day of the applicable Fiscal Year shall be the date defined as such in the Principal Financing Agreement.
3. There shall be a designated account (the "ASAP Grant Designated Account"), opened in accordance with Section 4.04(d) of the General Conditions by the Lead Project Agency in a bank acceptable to the Fund, for receiving and holding the proceeds of the ASAP Trust Grant in USD.
4. There shall be a project account (the "ASAP Grant Project Account"), opened by the Lead Project Agency in a bank acceptable to the Fund, to receive and hold financing transferred from the ASAP Grant Designated Account.
5. The Recipient shall exempt all goods, works and services financed with the ASAP Trust Grant from taxes. In the case that any specific good, work and service financed with the ASAP Trust Grant is not exempt from taxes, such taxes shall be borne by the Recipient in accordance with the Annual Work Plans and Budgets (AWPBs) referred to in the Principal Financing Agreement.

Section C

1. The Lead Project Agency shall be the agency defined as such in the Principal Financing Agreement.
2. The Project Completion Date shall be the date defined as such in the Principal Financing Agreement.

Section D

The ASAP Trust Grant will be administered and the Project supervised in accordance with the Principal Financing Agreement.

Section E

1. (a) The additional grounds for suspension of the right of the Recipient to request withdrawals as defined in Section E, paragraph 1 of the Principal Financing Agreement shall apply *mutatis mutandis* to this Agreement.

(b) The event that the Project Implementation Manual (the "PIM") as defined in paragraph 14 of Schedule 1 to the Principal Financing Agreement is not appropriately updated in accordance with this Agreement and approved by the Fund within six (6) months of the entry into force of this Agreement shall constitute an additional ground for suspension of the right of the Recipient to request withdrawals.

2. (a) The additional general conditions precedent to withdrawal as defined in Section E, paragraph 2 of the Principal Financing Agreement shall apply *mutatis mutandis* to this Agreement.

(b) The ASAP Grant Designated Account and the ASAP Grant Project Account shall have been duly opened and operational in accordance with Section B, paragraphs 3 and 4 above.

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

For the 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 Adaptation for Smallholder
Agriculture Programme Trust Fund:

President of the International Fund
for Agricultural Development in its capacity as Trustee
of the Adaptation for Smallholder Agriculture Programme
Trust Fund
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 Recipient and three (3) for the ASAP Trust.

PEOPLE'S REPUBLIC OF BANGLADESH

[_Title_]

[_Division_]

Ministry of Finance of the People's

Republic of Bangladesh

ADAPTATION FOR SMALLHOLDER

AGRICULTURE PROGRAMME TRUST FUND

President of the International Fund

for Agricultural Development in its capacity as Trustee

of the Adaptation for Smallholder Agriculture Programme

Trust Fund

Schedule 1

Project Description and Implementation Arrangements

I. Project Description

The ASAP Trust Grant shall finance Project activities as follows (the Sub-project):

- (a) Under Component 2 (Community Infrastructures) as defined in Schedule 1 to the Principal Financing Agreement: the development and protection of community infrastructure through village slope protection, landscape level reforestation, common village amenities, model village construction, promotion of vegetative species, killas (platforms) for temporary paddy storage above flood water, and other activities promoting climate change resilience of the Target Population.
- (b) Under Component 4 (Livelihood Protection) as defined in Schedule 1 to the Principal Financing Agreement: new technologies and its linkages with markets; hands-on training and practical exposure; an inter-linked approach whereby village and road protection will promote the demand for lucrative business opportunities, and other activities promoting climate change resilience of the Target Population.
- (c) Under the newly established Component 6 of the Project (Capacity and Knowledge for Building Resilience): the generation of new knowledge and its management, capacity building of communities and institutions, installation of a weather and flash flood forecasting system to reduce crop loss, advancing climate sensitive pro-poor policy dialogue through collaboration with national research institutions, monitoring and documentation of impact, convening policy dialogue forums, and other activities promoting climate change resilience of the Target Population.

II. Implementation Arrangements

The Implementation Arrangements shall be the same as described in Schedule 1 to the Principal Financing Agreement, except that necessary and appropriate updates shall be made and indicated in the PIM in accordance with Section E.1(b) of this Agreement, for the purposes of the implementation of the Sub-project.

Schedule 2

Allocation Table

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

Category of expenditures	ASAP Trust Grant Amount Allocated (expressed in USD)	% of eligible Expenditures to be financed
I. Civil Works	7 254 000	100% net of taxes , and resources from the Recipient and the Spanish Food Security Co-financing Facility Trust Fund
II. Technical Assistance, Studies, and Workshops	5 841 000	100% net of taxes and resources from the Recipient
III. Recurrent Costs (Salaries and Operating Costs)	405 000	100% net of taxes and resources from the Recipient
Unallocated	1 500 000	
TOTAL	15 000 000	

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

“Civil Works” means “Civil Works (Community Infrastructure)” including the construction of village protection against wave action, common village infrastructure, model villages, soil sequestration and slope stabilisation, and slope protection of all-weather Upazila/Union roads, and other construction-related eligible expenditures for promoting climate change resilience under the Project.

“Technical Assistance, Studies and Workshops” means eligible expenditures to finance “knowledge management, innovations, research, training, studies and workshops” related to climate change resilience promotion under the Project.

“Recurrent Costs” means operating expenses including salaries and travel expenses of Project staff for climate change resilience promotion activities.

Logical framework²(excerpt)

Narrative Summary	Objectively Verifiable Indicators	Monitoring Mechanism & Information Sources	Assumptions
A. PROJECT GOAL			
The Project Goal will be to contribute to the reduction of poverty in the Haor Basin. (for 15 % of the population in the project area; 55% of the children under-five are reported to be under weight and 65% of the population of the project area is reported to be poor or extremely poor)	<ul style="list-style-type: none"> No. of households reporting improvements in household asset ownership index. (RIMS) Percentage reduction in the prevalence of child malnutrition. (RIMS) 	<ul style="list-style-type: none"> Multiple Indicator Cluster Survey (MICS) of the Bangladesh Bureau of Statistics. 	<ul style="list-style-type: none"> No major natural disasters. No major price inflation for rice
B. PROJECT OBJECTIVE (HILIP & CALIP)			
HILIP: The development objective is to improve living standards and reduce the vulnerability of the poor. The project is expected to directly benefit 115,000 rural poor households. In addition, CALIP will strengthen the community and ecological resilience to climate change in the Haor region	<ul style="list-style-type: none"> Increase in incomes of 30% from a range of farm, fishery and non-farm sources disaggregated by gender. Reduction in losses and damages from flood waters, wave action and disease. No. of beneficiaries reporting improved food security by women and men (RIMS) No. of HHs made resilient³ 	<ul style="list-style-type: none"> RIMS surveys at baseline, mid-term and completion. Participatory assessments with target households. 	<ul style="list-style-type: none"> No major economic slow down. Inflation kept under control.
C. COMPONENT OUTCOMES AND OUTPUTS			
COMPONENT 1: Communication Infrastructure (HILIP)			
Outcome 1: Enhanced access to markets, livelihood opportunities and social services.	<ul style="list-style-type: none"> Traffic volume increased by 100%. Increase in the volume of goods marketed by 50%. 	<ul style="list-style-type: none"> Road user surveys. Market surveys. MICS Surveys. 	<ul style="list-style-type: none"> Slow pace of economic growth. Weak demand for labour.
COMPONENT 2: Community Infrastructure (HILIP + CALIP)			
Outcome 2: Enhanced village mobility, increase in farm production and protection against extreme weather events.	<ul style="list-style-type: none"> Traffic volume increased by 200%. Increase in the volume of goods marketed by 100%. CALIP: Decrease by 70% the number of houses destroyed by wave action 	<ul style="list-style-type: none"> Road user surveys. Market surveys. Participatory surveys MICS Surveys. 	<ul style="list-style-type: none"> Slow pace of economic growth

² Excerpt of the project logical framework, see design report for complete version

³ A resilient household in the Haor is expected to exhibit the following characteristics: i) diversified livelihood and income streams; ii) improved risk management based on better access to information; iii) enforceable usufruct rights; and iv) security from avoidable hazards.

COMPONENT 3: Community Resource Management (HILIP)			
Outcome 3: Enhanced access of the poor men and women to sustainable water bodies with increased production capacity and biodiversity.	<ul style="list-style-type: none"> • 20,000 fishers with increase in income > 50%, by gender (RIMS 2nd Level). • 200 fishing pond operational after three years (RIMS 2nd Level) 	<ul style="list-style-type: none"> • World Fish Centre & PMU fishery monitoring Surveys. 	<ul style="list-style-type: none"> • Transfer of leases to BUGs is not obstructed and terms of leases provide long terms access to water bodies at reasonable cost. • Price of fish. • Low levels of rainfall.
COMPONENT 4: Livelihood Protection (HILIP + CALIP			
Outcome 4: Enhanced production, diversification and marketing of crop and livestock produce.	<ul style="list-style-type: none"> • Increase in number of farmers reporting production/yield increase by 30%. • Increase in number of farmers adopting recommended technologies by 70%. • CALIP: > 50% of target group diversify their income stream 	<ul style="list-style-type: none"> • MMC surveys. • Third Party Surveys. • Department of Agriculture Data. • Department of livestock Data 	<ul style="list-style-type: none"> • Seed for improved varieties is available.
COMPONENT 5: Capacity and Knowledge for Building Resilience (new CALIP Component to be incorporated into HILIP)			
Outcome 6: Enhanced capacity and knowledge to contend with climate change impacts.	<ul style="list-style-type: none"> • At least an equal number of villages adopted CALIP tested low-cost village protection system (CALIP) • No. of policy options identified in support of climate adaptation in the Haor area 	<ul style="list-style-type: none"> • MMC surveys. • Third Party Surveys. • Department of Agriculture, Fisheries and Livestock Data. 	<ul style="list-style-type: none"> • Adaptation to climate change expertise available • Political willingness to adopt evidence-based policy guidance • The inter-agency coordination is ensured through proper monitoring. • Evidence based issue identification is done to engage stakeholders.