President’s report

Proposed loan and grant to the People's Republic of Bangladesh to Promoting Resilience of Vulnerable through Access to Infrastructure, Improved Skills and Information (PROVATi³)

Note to Executive Board representatives

Focal points:

Technical questions: Benoit Thierry
Country Programme Manager
Tel.: +39 06 5459 2234
e-mail: b.thierry@ifad.org

Dispatch of documentation: William Skinner
Chief
Governing Bodies
Tel.: +39 06 5459 2974
e-mail: gb@ifad.org

Executive Board — 122nd Session
Rome, 11-12 December 2017

For: Approval
Contents

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

Appendices
I. Negotiated financing agreement
II. Logical framework
**Abbreviations and acronyms**

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>BUET</td>
<td>Bangladesh University of Engineering and Technology</td>
</tr>
<tr>
<td>CPS</td>
<td>country programme support (unit)</td>
</tr>
<tr>
<td>DA</td>
<td>designated account</td>
</tr>
<tr>
<td>DDM</td>
<td>Department of Disaster Management</td>
</tr>
<tr>
<td>ERD</td>
<td>Economic Relations Division</td>
</tr>
<tr>
<td>FM</td>
<td>financial management</td>
</tr>
<tr>
<td>IGA</td>
<td>income-generating activity</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>M&amp;E</td>
<td>monitoring and evaluation</td>
</tr>
<tr>
<td>MLGRDC</td>
<td>Ministry of Local Government, Rural Development and Cooperatives</td>
</tr>
<tr>
<td>MMC</td>
<td>market management committee</td>
</tr>
<tr>
<td>PMU</td>
<td>project management unit</td>
</tr>
<tr>
<td>SDG</td>
<td>Sustainable Development Goal</td>
</tr>
<tr>
<td>WFP</td>
<td>World Food Programme</td>
</tr>
</tbody>
</table>
People's Republic of Bangladesh

Promoting Resilience of Vulnerable through Access to Infrastructure, Improved Skills and Information (PROVATi³)

Financing summary

Initiating institution: IFAD
Borrower/recipient: People's Republic of Bangladesh
Executing agency: Local Government Engineering Department (LGED)
Total project cost: US$92.4 million
Amount of IFAD loan: US$63.25 million
Amount of IFAD grant: US$1.25 million
Terms of IFAD loan: Highly concessional: Maturity period of 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
Contribution of borrower: US$27.9 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 financing to the People's Republic of Bangladesh to Promoting Resilience of Vulnerable through Access to Infrastructure, Improved Skills and Information (PROVATi³), as contained in paragraph 48.

Proposed loan and grant to the People's Republic of Bangladesh to Promoting Resilience of Vulnerable through Access to Infrastructure, Improved Skills and Information (PROVATi³)

I. Strategic context and rationale
A. Country and rural development and poverty context
1. Bangladesh is a lower-middle-income country. With 160 million inhabitants, it has the highest population density in the world (more than 1,000 per square kilometre), forcing people to live and cultivate even in areas that are flood-/erosion-prone. Bangladesh strives to come out of poverty through strong economic growth. Average GDP growth over the last two decades ranged from 5.0 to 6.5 per cent and is expected to grow at similar rates. Yet regional disparities remain in terms of growth and levels of poverty. Rural areas still depend heavily on agriculture, though off-farm production and small business are booming. Agriculture contributes about 16 per cent of total GDP, yet employs about 47 per cent of the workforce. The inflation rate has decreased to 6 per cent. Over the last three decades, social indicators such as primary education and healthcare, girls' education, access to safe water and sanitation, reduction in child mortality and higher life expectancy have improved significantly, as expressed in an increasing Human Development Index from 0.39 in 1990 to 0.58 in 2015. Yet, high levels of poverty persist, especially in pockets in the north, and in some southern parts of the country.

2. Extreme poverty in the project area. Bangladesh consists of eight administrative divisions, of which Rangpur Division, which is the main site of the proposed project, is the poorest. Kurigram District in Rangpur, the main project area with nine upazilas (equivalent to a county or borough), is the poorest district in Bangladesh, with 67.3 per cent of the population below the national poverty line. The high incidence of poverty can easily be explained by these major factors: (i) annual floods and climate change; (ii) sand casting (affecting soil productivity and standing crops); (iii) river erosion; (iv) poor levels of rural infrastructure; (v) low agricultural intensity and productivity; (vi) inadequate non-farm investment; (vii) limited livelihood options; and (viii) restricted access to social services. Thus, opportunities for agricultural production and off-farm employment are limited. The local population faces challenges in accessing services and markets for both inputs and outputs. The situation is aggravated through seasonal outmigration, often leaving the women to look after family and land.

3. PROVATi³ is unable to address all causes of poverty in the area, hence the selection of project activities is guided by the following principles: (i) building resilience of affected communities against natural disasters (i.e. flooding) and the impact of climate change; (ii) strategic interventions that catalyse investment in economic opportunities and social services by the private sector (households included); and

---

1 In Bangladesh, the term “provati” means ‘morning’ and bears a positive connotation of new beginning and hope. A local name was chosen to increase ownership and recognition.
(iii) interventions that the Government of Bangladesh is uniquely capable of implementing (e.g. rural infrastructure). For other aspects such as livelihoods, access to finance, promotion of specific farm and non-farm sectors, the strategy will be to collaborate with other agencies, programmes, NGOs, microfinance institutions (MFIs) and the private sector. While the whole population living in the target area (with a high percentage of poor people) will benefit from the infrastructure investments and increased access to flood information, livelihood activities will focus on women and youth.

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

4. The concept of the PROVATi³ project builds on past successful projects implemented by the Local Government Engineering Department (LGED), particularly the Coastal Climate-Resilient Infrastructure Project (CCRIP), and it replicates good practices. Several innovative features have been incorporated in the areas of: climate-proofing infrastructure; economic empowerment of ultra-poor people working on construction and maintenance through continued guidance towards income-generating activities (IGAs); improved maintenance of structures for long-term sustainability; vocational skills training for on- and off-farm employment; local flood information and its dissemination at the village level; project management and monitoring; and knowledge management for wider mainstreaming of good practices. Improved resilience of the population in a flood-vulnerable and extremely poor area is the central theme.

5. The project reflects the deep commitment of the Government and IFAD to reducing extreme poverty. The Government’s main priority – stated in the 7th Five-Year Plan and in Vision 2021 – is to reduce rural poverty through assuring investment in education, agriculture and alternative livelihoods, infrastructure and expanded financial services – with special emphasis on poor and/or marginal people, small farmers, and women.

6. PROVATi³ contributes to various Sustainable Development Goals (SDGs), although the coverage appears low compared with the overall SDG needs of the country (table 1).

<table>
<thead>
<tr>
<th>Sustainable Development Goals</th>
<th>Project directly contributing to SDG targets</th>
<th>Project indirectly contributing to SDG targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>SDG 13: Urgent action to combat climate change and its impacts – by providing flood early warning and creating flood shelters on chars⁴</td>
<td>SDG 1: No poverty – by contributing to the economic empowerment of poor farmers, reducing their economic vulnerability through early flood warning</td>
<td></td>
</tr>
<tr>
<td>SDG 9: Resilient and sustainable infrastructure – by building climate-smart (resilient) infrastructure in floodplains, particularly in charlands</td>
<td>SDG 2: Zero hunger – by contributing to improvement in the food security of smallholders</td>
<td></td>
</tr>
<tr>
<td>SDG 8: Sustained, inclusive and sustainable economic growth – by creating greater opportunities for poor farmers, by provisioning IGA support to members of labour contracting societies (LCSs), and by enhancing vocational skills of youth</td>
<td>SDG 3: Promote well-being for all – by making a small contribution to poor charland inhabitants, who will be able to safeguard their lives and livelihoods, including productive assets, due to flood shelters</td>
<td></td>
</tr>
<tr>
<td>SDG 5: Gender equality – by provisioning IGA support and mentoring to women and men LCS members, which will have profound beneficial impacts in achieving gender equality</td>
<td>SDG 9: Sustainable, safe and resilient settlements – by investing in rural roads and markets, which in turn will lead to overall improvement of rural settlements</td>
<td></td>
</tr>
</tbody>
</table>

⁴ ‘Chars’ are sand bars emerging as transitory islands within river channels. The project will work on chars established for several years already.
II. Project description

A. Project area and target group

7. The project will be implemented in six districts (Gaibandha, Jamalpur, Kurigram, Lalmonirhat, Nilphamari, and Rangpur), with the main focus on the worst poverty-stricken districts – Gaibandha, Jamalpur, and Kurigram. Major parts of these districts are flood prone due to convergences of the Brahmaputra (the Jamuna river) and Teesta Rivers.

8. Overall population of the project unions\(^2\) is 2.6 million (637,000 households). The project covers some 303,000 households (approximately 45 per cent of the total population) in 90 unions within the upazilas. Target beneficiaries include poor women and men, marginal and small farmers, traders and shop owners in markets, microentrepreneurs, and other local private and government institutions. The infrastructure and flood information system will benefit the overall population of the project areas.

B. Project development objective

9. The development objective is to enhance resilience of the population of 25 selected flood-prone upazilas through resilient infrastructure development, resilience-building at the community level, off-farm employment creation through vocational training, and flood/climate adaptation research and early-warning dissemination (figure 1).

10. Theory of change. The project focuses on increasing the resilience of communities through two components with three mutually reinforcing pathways. The first component improves the design of infrastructure, and builds, rehabilitates and upgrades infrastructure to create connectivity, which in turn reduces production costs and creates access to services and markets. The second component strengthens vocational and IGA skills, creating on- and off-farm employment to increase and diversify the incomes of poor households. It fine-tunes local people-centric flood warning systems and dissemination of warnings for improved preparedness, planning and emergency response. Thus, improved infrastructure, increased skills for employment and access to information for preparedness and replication build the three thrusts driving the project towards its objective.

C. Components/outcomes

11. The project comprises two technical components plus project management:

12.\(\text{Component 1: Climate-resilient infrastructure and community shelters (US$74.87 million). The outcome of component 1 is “Climate-resilient rural roads, markets and community shelters in project areas are built, used and maintained”. It is divided into five subcomponents: (1.1) climate-change/flood-preparedness}\)
research for building climate-resilient infrastructure; (1.2) climate-resilient rural communication infrastructure; (1.3) climate-resilient rural market development; (1.4) climate-resilient community shelters cum schools; and (1.5) training in climate-resilient/flood-proof infrastructure design.

13. Subcomponent 1.1. will inform the location of investments, as well as design features (e.g. providing updated information on current flood levels), and hence reduce risk to the investments financed under subcomponents 1.2, 1.3 and 1.4. Subcomponent 1.5 will strengthen the capacity of engineers to implement state-of-the-art infrastructure design and maintenance measures, enforcing sustainability of infrastructure investments. Road infrastructure (subcomponent 1.2) will connect potential agricultural areas with higher-level roads and/or markets and thus contribute to reducing transportation costs and time. Market development (subcomponent 1.3) will improve all-weather conditions of market areas, contribute to food safety and stimulate economic activities in affected communities. Development of master plans for markets will consider context-specific challenges and ensure community participation in planning, execution and maintenance. The climate-resilient shelters (subcomponent 1.4) will be placed in strategic locations to provide safe havens in times of high flood levels for humans, their assets and livestock.

14. **Component 2: Resilient communities through employment and early flood warning (US$12.41 million).** The outcome of this component is “Increased adaptive capacity of vulnerable communities through diversified incomes and access to precise location-specific and early flood information in project upazilas”. It has four subcomponents: (2.1) capacity-building of LCS members and livelihood development; (2.2) skills development for employment of youth; (2.3) development of an accurate local inundation- and flood-warning system; and (2.4) practical policy actions.

15. Under subcomponent 2.1, women and men working under ‘cash for work’ schemes (through LCSs) in project construction and maintenance (subcomponents 1.2-1.4) receive training in IGAs, as well as general support in managing their livelihoods (including water, sanitation and hygiene [the WASH initiative], nutrition aspects and financial literacy). Subcomponent 2.2 focuses on providing a solid skills base for youth in the project area. Vocational training paired with apprenticeships will lead to hands-on skills that will allow youth to enter on- and off-farm remunerative activities. This contributes to diversified incomes for local households. Subcomponent 2.3 scales up a proven community-focused flood information/warning system. A combination of local data generation, advanced hydrological modelling/analysis and information dissemination (through SMS and local volunteers) will increase preparedness and informed decision-making by the affected population. Subcomponent 2.4 focuses on practical policy and regulatory reviews and includes a partnership with the World Food Programme (WFP) in the area of detailed poverty and nutritional status mapping.

16. **Component 3: Project management (US$5.09 million).** Project implementation will be led by LGED of the Ministry of Local Government, Rural Development and Cooperatives (MLGRDC). LGED will partner with the Department of Disaster Management (DDM) and Bangladesh University of Engineering and Technology (BUET), on people-centric fine-tuning of flood early warning and research, and with WFP on the mapping of ultra-poverty and malnutrition, respectively. Overall coordination will be through an interministerial steering committee, chaired by the secretary of the Local Government Division of MLGRDC. **Its membership shall include, inter alia, representatives from the Ministry of Disaster Management and Relief, the Economic Relations Division (ERD) of the Ministry of Finance (MoF) and other ministries according to internal regulations. The IFAD Country Office representative will be an observer.**
III. Project implementation

A. Approach

17. As in other parts of Bangladesh, IFAD, through its implementing partner LGED, provides “last mile” connectivity to stimulate growth/commercialization through market access. In addition, and in partnership with a new implementing partner DDM, the PROVATi³ project will provide accurate and early flood information at the local level. These actions will increase the resilience (objective) and ultimately livelihoods (goal) of the local population.

18. The project’s entry point is development of climate-resilient infrastructure in the most remote, vulnerable and poor unions of the project area (i.e. markets and connecting roads). Infrastructure investments will benefit from improvements in technical specifications through input from leading national experts/institutions (e.g. BUET), and participatory development of site-specific master plans. Ultrapoor women and men working on construction and maintenance of this infrastructure through LCSs will benefit from capacity-building and will gradually move out of poverty. Road connectivity and increased investment in market infrastructure will increase economic activities within project unions, reduce input prices and increase sales volume. Skills training of young household members of economically active poor households will result in increased employment and diversify the income streams of benefiting households. Improvement and provision of monsoon flood information to villages will reduce losses during annual floods. Capacity-building and awareness-raising will ensure proper operation and maintenance of infrastructure, as will the introduction of appropriate incentives for market management committees (MMCs) and traders’ associations. This proposed theory of change forms the basis for tracking the project results summarized in the logical framework. Evidence collected through monitoring and evaluation (M&E) and analysis will lead to efforts to improve regulations and implementing procedures, and will support scaling up of the results of PROVATi³ in the future.

B. Organizational framework

19. ERD is the representative of the borrower/recipient. LGED, under the Local Government Division of MLGRDC, is the implementing agency. A project steering committee will be established, headed by the secretary, Local Government Division, which will provide overall strategic guidance, monitor overall implementation progress, facilitate the interagency coordination required for smooth project implementation, and resolve any outstanding issues requiring high-level decisions. The committee will meet twice a year to review the progress of project implementation. Supervision of work and M&E activities, particularly data collection, will be supported through the three regional offices.

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

20. The project management unit (PMU) will be responsible for overall planning, implementation and achieving of the quantitative and qualitative project targets. The integrated M&E system will be set up and managed by the PMU, in consultation with project stakeholders, and will have three main objectives: (a) guide project implementation; (b) support judicious decisions and policy-making; and (c) share knowledge and scale up good practices. The project is expected to produce important lessons and knowledge in areas such as: impact of climate change on infrastructure; management of village markets; effectiveness of the local flood forecasting and dissemination system; LCS economic improvement processes involving adoption of IGAs; effectiveness of vocational training for employment creation; appropriateness of various types of climate-resilient roads; slope stabilization using bioengineering techniques in vulnerable areas; management of rural infrastructure projects; impact on livelihoods; etc. The project will share
knowledge products with IFAD, the Government and other national and international stakeholders by widely publishing and distributing them on websites, and by organizing seminars and workshops. It will use IFAD’s knowledge management network to publish all activities, studies and publications.

21. A country programme support (CPS) unit improves cost efficiency for country programme management, capacity-building and detailed programming. Initially, the CPS will provide technical support services in three key areas: M&E, knowledge management and communication, and financial management (FM). However, the design of the mechanism is flexible enough to respond to project needs in other technical areas as they arise and are jointly identified by IFAD-financed projects. The modalities and responsibilities of the CPS will be reviewed jointly by IFAD, ERD, LGED and other involved ministries and agencies.

D. Financial management, procurement and governance

22. As mentioned, LGED is the implementing agency, under which a PMU will be established for the FM activities of the project, including accounting, reporting and coordinating audit processes. The PMU will be responsible for consolidation of the financial information produced by the project implementation units (PIUs) located in LGED offices at the district level.

23. The inherent fiduciary risk is deemed high in Bangladesh, and LGED as an implementing agency has had to carry out reforms since 2012 to address significant fiduciary weaknesses. It is currently fully implementing two IFAD projects, the CCRIP and the Haor Infrastructure and Livelihood Improvement Project, jointly with the related Climate Adaptation and Livelihood Protection Project. Its FM performance was found to be satisfactory and moderately satisfactory respectively by the most recent supervision missions – following strengthening measures, including the hiring of FM expertise, capacity-building of district-level staff and automation of financial reporting. Despite LGED’s experience implementing these projects, FM risk is judged to remain high for PROVATi until mitigating measures have similarly been put in place: (i) establishment of a PMU staffed with adequate FM expertise, including in double-entry accounting, consolidated financial reporting and capacity to efficiently plan, control, manage and disburse project resources, including counterpart financing; (ii) adoption of an accounting software meeting IFAD's reporting requirements, with related staff training at all levels; (iii) adoption of a control framework consistent with best practices; (iv) a finance manual in the local language based on the project accounting manual issued by MoF, clearly describing any additional requirements specific to the project; and (v) semi-annual financial reporting to IFAD and LGED.

24. The project will adopt the Bangladesh Generally Accepted Accounting Principles on a cash basis, with required disclosures to align them with the International Public Sector Accounting Standards cash standards.

25. The Foreign Aided Projects Audit Directorate (FAPAD) of Bangladesh will audit the project’s annual accounts. IFAD is engaging with FAPAD to improve adoption of international standards in its audits in the Bangladesh portfolio. Depending on project FM performance, the additional services of an external audit firm may be requested.

26. Flow of funds and disbursement. Funds for PROVATi will flow to two designated accounts (DAs) in the central bank of Bangladesh, for the loan and grant respectively, under SAFE arrangements ("simple agreement for future equity"). The DAs will be operated by the PMU in accordance with imprest fund arrangements. The PMU will also maintain two project accounts in local currency to receive funds from the DAs and transfer funds to the PIUs and implementing partners, who will also maintain operational accounts in local currency in commercial banks to receive funds from the DAs in accordance with approved annual workplans and budgets.
27. Once the financing agreement has become effective, a start-up advance will be provided to facilitate implementation readiness.

28. **Procurement.** Project procurement will ensure application of the government Public Procurement Act, 2006 and Public Procurement Rules, 2008, consistent with IFAD procurement guidelines and e-procurement of the Government. Appropriate procurement practices will be in place to ensure that the principles of procurement and governance are observed.

**E. Supervision**

29. The project will be directly supervised by IFAD. In addition to annual supervision missions, a midterm review and a final evaluation will also be conducted. Mission reports will be important sources of knowledge on the progress, quality, lessons, and impact of the project. Supervision missions will report using IFAD’s Operational Results Management System.

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

**A. Project costs**

30. Project costs by component are summarized in table 2.

<table>
<thead>
<tr>
<th>Component</th>
<th>IFAD loan</th>
<th>IFAD grant</th>
<th>Government</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td>%</td>
<td>Amount</td>
<td>%</td>
</tr>
<tr>
<td>1. Climate-resilient infrastructure and community shelters</td>
<td>52 235</td>
<td>69.8</td>
<td>250</td>
<td>0.3</td>
</tr>
<tr>
<td>2. Resilient communities through employment and early flood warning</td>
<td>7 990</td>
<td>64.4</td>
<td>1 000</td>
<td>8.1</td>
</tr>
<tr>
<td>3. Project management</td>
<td>3 025</td>
<td>59.4</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

**B. Project financing**

31. PROVATI³ will be financed by an IFAD loan of US$63.25 million, under the performance-based allocation system 2016-2018, and an IFAD green country grant of US$1.25 million. The Government of Bangladesh will cofinance the project for a total amount of US$27.9 million – 30 per cent of project costs (table 3) – which includes an in-kind contribution of staff salaries and tax and duties on project expenditures.

<table>
<thead>
<tr>
<th>Expenditure category</th>
<th>IFAD loan</th>
<th>IFAD grant</th>
<th>Government</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td>%</td>
<td>Amount</td>
<td>%</td>
</tr>
<tr>
<td>1. Works</td>
<td>44 426</td>
<td>70.0</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2. Equipment and materials</td>
<td>624</td>
<td>68.9</td>
<td>14</td>
<td>1.6</td>
</tr>
<tr>
<td>3. Training</td>
<td>7 746</td>
<td>68.5</td>
<td>232</td>
<td>2.1</td>
</tr>
<tr>
<td>4. Technical assistance and studies</td>
<td>5 171</td>
<td>64.1</td>
<td>679</td>
<td>8.4</td>
</tr>
<tr>
<td>5. Vehicles</td>
<td>326</td>
<td>70.0</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>6. Workshop</td>
<td>494</td>
<td>59.7</td>
<td>122</td>
<td>14.7</td>
</tr>
<tr>
<td>7. Maintenance</td>
<td>1 339</td>
<td>70.0</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>8. Office operating costs</td>
<td>1 681</td>
<td>69.8</td>
<td>8</td>
<td>0.3</td>
</tr>
<tr>
<td>9. Salaries and allowances</td>
<td>1 443</td>
<td>47.8</td>
<td>193</td>
<td>6.4</td>
</tr>
</tbody>
</table>

**Total** | 63 250 | 68.5 | 1 250 | 1.4 | 27 874 | 30.2 | 92 374 | 100.0 |

³Expenditure categories will be combined into 5-6 disbursement categories in the financing agreement.
C. Summary benefit and economic analysis
32. The project covers some 303,000 households from 90 unions falling under 25 upazilas in the Gaibandha, Jamalpur, Kurigram, Lalmonirhat, Nilpharmari, and Rangpur districts of Bangladesh. Immediate benefits from the project are: (i) increased access to markets through improved connectivity, triggering improved production; (ii) marginal shifts in cropping patterns in response to market signals; (iii) an increase in cropping intensity resulting in enhanced production; and (iv) overall reduction in transport costs, due to smooth roads, and significant time savings. This response is expressed as increased household incomes. The benefits have been estimated over a 20-year time frame using a discount rate of 7.5 per cent. The project as a whole yields an economic rate of return of 17 per cent and a cost-benefit ratio of 1.54.

D. Sustainability
33. PROVAT³ focuses strongly on sustainability:
   (a) For infrastructure investments, sustainability will derive from appropriate site identification (involving remote sensing analysis and community consultation), sound technical design (updated state-of-the-art standards, including for plinth levels), and improved operation and maintenance (through strong community ownership, raised awareness and empowerment, and improved maintenance practices). Yet the issue remains of a shortfall of quick access to significant funds in the case of major repair needs. The Government is giving increasing attention to the need for quick repairs, and LGED is uniquely equipped with the mandate and technical know-how to address this. During implementation, focus on infrastructure maintenance and operation will be core.
   (b) For empowerment and training activities under component 2, sustainability will come from economic and social drivers, i.e. new livelihood options contributing to household/community sustainable income sources, increasing their resilience. In addition, modalities of LCS members’ training will be assessed and, if proven cost-efficient, mainstreamed in LGED/government practices.
   (c) Finally, sustainability of the flood information system, under the leadership of DDM, is planned from the onset and will be fostered through capacity-building at the institution and agreed steps during project exit.

34. Exit strategy. The exit strategy is built into the design: (a) road infrastructure will be handed over to LGED/government, and markets will be taken over by local authorities, but managed by MMCs; (b) LCS members are expected to undertake sustainable IGAs and access financial services from NGOs/MFIs; trained young adults are expected to obtain employment; and (c) the local flood forecasting system will be managed by DDM as its own permanent service.

E. Risk identification and mitigation
35. Table 4 indicates potential risks for the project goal, outcome and outputs, as well as mitigating measures included in the design.
Table 4  
Risks and mitigation measures

<table>
<thead>
<tr>
<th>Logical framework</th>
<th>Risk</th>
<th>Probability of occurrence</th>
<th>Impact on project performance</th>
<th>Mitigating measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goal: Enhanced livelihoods for poor households and smallholders in selected upazilas of the Brahmaputra-Teesta flood plain area of north-central districts of Bangladesh</td>
<td>Natural disasters (i.e. floods &amp; erosion) destroy project investments; climate change exacerbates such disasters</td>
<td>Medium-high</td>
<td>High</td>
<td>Undertake climate adaptation measures and post-disaster rehabilitation; Accelerate construction works after disasters; Appropriate site planning based on assessment (subcomponent 1.1).</td>
</tr>
<tr>
<td></td>
<td>Real price of rice and other essential commodities consumed by poor people increases relative to wage increases</td>
<td>Medium</td>
<td>Medium</td>
<td>Various livelihoods are under development in project areas (2.1 and 2.2); the Government normally undertakes rehabilitation works and short-term employment programmes for poor people after major disasters; PROVAT will support diversification of livelihoods through IGAs, as well as off-farm vocational works in specific sectors.</td>
</tr>
<tr>
<td>Outcome</td>
<td>Project roads and markets are damaged by floods in some upazilas</td>
<td>Medium</td>
<td>Medium</td>
<td>Climate standards being introduced (1.5); close supervision of road and market construction; hydrological issues properly considered in design, especially for construction sites located near rivers (1.1).</td>
</tr>
<tr>
<td></td>
<td>Delay in development of flood zoning</td>
<td>Medium</td>
<td>Low</td>
<td>Preparation for works done by BUET’s Institute of Water and Flood Management before project start-up (1.1).</td>
</tr>
<tr>
<td></td>
<td>Price escalation reduces project output</td>
<td>Medium</td>
<td>Medium</td>
<td>Price and physical contingencies will be included in total project costs; Government rules for price escalation will be enforced (1.2-1.4).</td>
</tr>
<tr>
<td>Outputs</td>
<td>Limited availability of khas (public) land for market development</td>
<td>Low</td>
<td>Medium</td>
<td>Only markets with assured khas land will be accepted for development; proper agreements will be signed with MMCs prior to development (market planning [1.3]).</td>
</tr>
</tbody>
</table>

V. Corporate considerations

A. Compliance with IFAD policies

36. The project is in line with IFAD strategic framework objectives 1, 2, and 3. In addition, it is responsive to IFAD policies and strategies on targeting and gender equality and women’s empowerment, and adheres to the social, environmental and climate assessment procedures. The project mainstreams climate change, youth and gender. It covers nutrition awareness to a limited extent.

37. Targeting policy. The design mission has developed a full analysis of targeting and poverty issues. The project primarily targets the poorest districts (six in total) of the country, which are also vulnerable to annual floods and adverse impacts of climate change. Geographical targeting will allow the population of the project area to benefit from better infrastructure. Marginalized women and men will be included in LCSs. Poor and working-poor families and women will have priority in vocational training courses.

38. Gender policy. The project is gender-sensitive and proposes selected gender-transformative activities under subcomponents 2.1 and 2.2. Overall, women will have a significant share in LCS work, and LCS membership will be at least 70 per cent women. At least 30 per cent of vocational trainees will be young women. The project has a gender action plan. The gender specialist in the PMU will be

---

3 See also appendix 12 of the project design report package and SECAP webpage.
responsible for overseeing its implementation. All staff will receive training in targeting and gender aspects.

39. **Environmental and social safeguards.** The design mission has conducted environmental and social safeguard reviews, and appropriate actions have been identified in the project design report. LGED will conduct an environmental assessment in accordance with government requirements.

40. **Land acquisition.** There will be no land acquisition by the project. All foreseen infrastructure will be on public land.

41. **Climate change.** The project is specifically designed for one of the most vulnerable areas of the country, where adverse effects of climate change are predicted to increase rainfall and the discharge of river water. The project starts by assessing the impact of climate change on the Brahmaputra-Teesta Basin, determining river erosion/accretion zones, and assessing flood inundation with the increased impact of climate change. The results will guide project implementation. All roads, markets and flood shelters will be climate resilient.

### B. Alignment and harmonization

42. The project is aligned with the Government’s 7th Five-Year Plan and reflects government priorities for poverty reduction, rural infrastructure and agricultural development, employment creation, and mitigation of the adverse impacts of flooding and climate change. It is also in line with the Government’s Perspective Plan of Bangladesh, 2010-2021 and the much-praised Bangladesh Climate Change Strategy and Action Plan (BCCSAP). This project qualifies as one of the pioneering projects delivering gender-differentiated resilience-building in extremely poor and flood vulnerable areas of Bangladesh, as envisaged in the BCCSAP gender action plan.

### C. Innovations

43. Innovations under PROVATi³ are incremental changes towards doing things better, rather than radical changes in the way of doing things. Yet it can be expected that several of these changes can significantly increase sustainability, cost-effectiveness and/or targeting of project activities: (a) design of infrastructure updated to state-of-the art standards; (b) vetiver grass application on road slopes mainstreamed in all project-built and maintained roads; (c) focus on infrastructure maintenance arrangements improved from the design/planning stage onwards; (d) risk-reducing measures introduced in LCS modalities; (e) LCS members empowered economically and socially, with close monitoring and measurement (evidence for policy review); (f) vocational skills training strengthened, with optimized and government-endorsed duration of training, certification and apprenticeship and placement support; (g) local flood information and dissemination system developed to provide advance flood information at the village level (ensuring higher precision); and (h) more programmatic approaches to project management introduced through the CPS.

### D. Scaling up and policy engagement

44. The project foresees a range of scaling up activities linked with policy engagement. First, technical training in new infrastructure design and maintenance (subcomponent 1.5), in partnership with the leading national university and specialists, builds a pathway to changing design features across all LGED-implemented infrastructure projects in Bangladesh (currently US$1 billion annually). Second, the policy and regulatory reviews financed under subcomponent 2.4 will feed into LGED’s internal reviews of regulations and good practices, such as the use of LCSs for construction/maintenance work. Third, rigorous monitoring and measurement of the contributions of various economic and social empowerment modalities will create evidence for policy engagement (with LGED and beyond). Fourth, the early flood information system – building on successful small-scale pilots – has the potential to expand to national scale if proven effective and sustainable in
this project. Finally, a potential partnership with WFP in the area of risk-mitigation for rural households will enhance collaboration among the Rome-based agencies and potentially allow introduction of forecast-based emergency financing on a larger scale.

VI. Legal instruments and authority

45. A project financing agreement between the People's Republic of Bangladesh and IFAD will constitute the legal instrument for extending the proposed financing to the borrower/recipient. A copy of the negotiated financing agreement is attached as appendix I.

46. The People's Republic of Bangladesh is empowered under its laws to receive financing from IFAD.

47. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the Policies and Criteria for IFAD Financing.

VII. Recommendation

48. I recommend that the Executive Board approve the proposed financing in terms of the following resolutions:

RESOLVED: that the Fund shall provide a loan on highly concessional terms to the People's Republic of Bangladesh in an amount equivalent to sixty-three million two hundred and fifty thousand United States dollars (US$63,250,000), 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 one million two hundred and fifty thousand United States dollars (US$1,250,000), and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Gilbert F. Houngbo
President
Negotiated financing agreement

Promoting Resilience of Vulnerable through Access to Infrastructure, Improved Skills and Information (PROVATi³)"

(Negotiations concluded on 16 November 2017)

Loan Number: __________
Grant Number: __________

Project Title: Promoting Resilience of Vulnerable through Access to Infrastructure, Improved Skills and Information (PROVATi³) (the “Project” or “PROVATi³”)
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

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), the Allocation Table (Schedule 2) and the Special Covenants (Schedule 3).

2. The Fund’s General Conditions for Agricultural Development Financing dated 29 April 2009, amended as of April 2014, and 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.

Section B

1. A. The amount of the Loan is sixty three million two hundred fifty thousand United States dollars (USD 63 250 000).

   B. The amount of the Grant is one million two hundred fifty thousand United States dollars (USD 1 250 000).

2. The Loan is granted on Highly Concessional Terms, and shall be free of interest but bear a service charge of three fourths of one per cent (0.75%) per annum payable semi-annually in the Loan Service Payment Currency, and shall have a maturity period of forty (40) years, including a grace period of ten (10) years starting from the date of approval of the Loan by the Fund’s Executive Board.
3. The Loan Service Payment Currency shall be United States dollar (USD).

4. The first day of the applicable Fiscal Year shall be 1 July.

5. Payments of principal and service charges shall be made on each 15 April and 15 October.

6. There shall be two (2) designated accounts (collectively referred to as the “Designated Accounts”), one for the Loan and one for the Grant, for the exclusive use of the Project opened in the Central Bank of Bangladesh under Special Account in Foreign Exchange (SAFE) arrangements. 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”) in local currency, one for the Loan and one for the Grant, for the exclusive use of the Project opened in a Commercial Bank.

8. The Borrower/Recipient shall provide counterpart funds for the Project in the amount of twenty seven million nine hundred thousand United States dollars (USD 27,900,000), which will include in kind contribution, staff salaries and tax and duties on project expenditure.

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

2. A Mid-Term Review will be conducted as specified in Section 8.03 (b) and (c) of the General Conditions; however, the Parties may agree on a different date for the Mid-Term Review of the implementation of the Project.

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

Section D
1. The Fund will administer the Loan, Grant and supervise the Project, and the Borrower/Recipient will implement and conduct its own administration and supervision of the Loan, Grant and the Project.

Section E
1. The following are designated as additional general conditions precedent to withdrawal from the Loan:
   
   (a) The Designated Accounts and Project Accounts shall have been duly opened as specified in Section B, paragraph 6 and 7 above;
   
   (b) The Project Management Unit (PMU) shall have been established and the recruitment of the Project Director and key personnel, as defined in Schedule 1, shall have been duly recruited;
   
   (c) The IFAD no objection to the Project Implementation Manual (PIM) shall have been obtained.

2. 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 PMU have been removed from the Project without the prior consultation of the Fund;
(b) The PIM as referred to in paragraph 21 of Schedule 1, and/or any provision thereof, has been waived, suspended, terminated, amended or modified without the prior agreement of the Fund and the Fund, after consultation with the Borrower/Recipient, has determined that such waiver, suspension, termination, amendment or modification has had, or is likely to have, a material adverse effect on the Project;

(c) The Agreements as referred to in paragraph 18 of Part II Schedule 1 hereto have been suspended, terminated, or modified without the prior concurrence of the Fund, and the Fund has determined that as such it has had, or is likely to have, a material adverse effect on the Project.

3. 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-Banglanagar
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 two (2) original copies, one (1) for the Borrower/Recipient and one (1) for the Fund.

PEOPLE’S REPUBLIC OF BANGLADESH

Authorized Representative
(name and title)

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

Gilbert F. Houngbo
President
Appendix I

Schedule 1

Project Description and Implementation Arrangements

I. Project Description

1. Target Population. The project covers some 303,000 households (approximately 45 per cent of the total population) from 90 Unions within the 25 target Upazilas. Target beneficiaries include the poor women and men, marginal and small farmers, traders and shop owners in the markets, micro-entrepreneurs and other local private and government institutions.

2. Project area. The project will be implemented in six districts (Gaibandha, Kurigram, Rangpur, Nilphamari, Lalmonirhat, and Jamalpur) with main focus in the worst poverty stricken districts – Jamalpur, Kurigram and Gaibandha - of Bangladesh. Within the six districts the project will implement development activities in 25 poorer and vulnerable Upazilas. The project infrastructure will be primarily built in 90 unions.

3. Goal. The goal of the project is to establish sustainable livelihoods for poor households and smallholders in selected 25 Upazilas of the Brahmaputra-Teesta flood plain area of six North-central districts of Bangladesh.

4. Objectives. The development objective is to enhance resilience of population of 25 selected flood-prone Upazilas through resilient infrastructure development, resilience building at community level, off-farm employment creation through vocational training, and flood/climate adaptation research and early-warning dissemination.

5. Components. The Project shall consist of the following Components:

5.1. Component 1. Climate Resilient Infrastructure and Community Shelters. The Outcome of Component 1 is ‘Climate resilient infrastructure and community shelters built, and used’. It is divided into five sub-components, namely: (1) climate change/flood preparedness research for building climate resilient infrastructure; (2) climate resilient rural communication infrastructure; (3) climate resilient rural market development; (4) climate resilient community shelter cum school; and (5) training on climate/flood-proof resilient infrastructure design.

5.2. Component 2. Resilient communities through employment and early flood warning. The outcome of this component is ‘Building resilience of communities through access to flood information (early warning), economic self-reliance and policy support. It has four sub-components: (1) Capacity building of Local Contract Societies (LCS) members’ and livelihood development; (2) skill development of youth for employment; (3) research and development of accurate local inundation and flood warning system; and (4) practical policy actions.

5.3. Component 3. Project implementation and coordination. The project implementation will be led by the LGED of the Ministry of Local Government Rural Development and Cooperatives (MLGRDC). LGED will partner with Department of Disaster Management (DDM) and Bangladesh University of Engineering and Technology (BUET) on people-centric fine tuning of flood early warning and research, respectively. World Food Program (WFP) will lead compilation of up-date poverty and nutritional status maps. Overall coordination will be through an Inter-Ministerial Steering Committee, chaired by the Secretary of the Local Government Division of MLGRDC and represented by relevant line ministries including the Ministry of Disaster Management and Relief (MDMR), and agencies including the Economic Relations Division (ERD) of the Ministry of Finance (MOF).
II. Implementation Arrangements

6. **Lead Project Agency.** The LGED of the Ministry of Local Government, Rural Development, and Cooperative, in its capacity of Lead Project Agency, shall have the overall responsibility of the Project implementation.

7. **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 MDMR, and agencies including the ERD of the MOF and other Ministries according to government circular. IFAD country office representative will be an observer, and other stakeholders may be called into the PSC for technical input on specific aspects by the chair. The Project Steering Committee shall meet twice a year to review the progress of Project implementation. The Project Steering Committee will provide overall strategic guidance, monitor overall implementation progress, facilitate interagency coordination required for smooth project implementation, and resolve any outstanding issues requiring high-level decisions.

8. A **Country Programme Support (CPS) Unit** improves cost efficiency for the country programme management, capacity building and detailed programming. Initially the CPS will provide technical support services in three key areas: M&E, Knowledge Management and Communication, and Financial Management. However, the design of this mechanism is flexible enough to respond to project needs in other technical areas as they arise and jointly identified by IFAD financed projects. The modalities and responsibilities of the CPS will be further reviewed jointly by IFAD, ERD, LGED and other involved ministries and agencies.

**Project management**

9. LGED organizational units will be established:

   (i) a PMU will be established at central level at Dhaka,
   
   (ii) three (3) Regional offices will be set up – one each in Rangpur, Kurigram and Jamalpur - headed by a Regional Engineer with a small number of professional staff to assist the PMU towards implementation of the project,
   
   (iii) six (6) district offices set-up within the existing LGED district offices, and
   
   (iv) twenty five (25) Upazila based units divided between the 3 Regions. All project activities at Upazila level will be managed by LGED Upazila Engineer and his/her staff.

10. LGED districts offices will contract out roads and markets to contractors and LCS respectively. The Regional offices will have the responsibilities of monitoring and supervision of works (progress and quality), approving payments to contractors/LCS and overall management of the project, as well as coordination between activities under the various components and sub-components.

11. **Project Management Unit (PMU).** A PMU will be established in LGED headquarter headed by a Project Director and supported by professional and support staff. The PMU has the responsibility of overall implementation and management of the project. The PMU will be assisted by a Technical Assistance (TA) team with expertise in rural development and procurement, engineering design and supervision, climate resilience, livelihoods/employment, finance, social inclusion and gender development, participatory approaches, environmental and climate assessment, monitoring and evaluation, and local governance.
12. **Regional Offices.** Three Regional offices will be set up – one each in Rangpur, Kurigram and Jamalpur - headed by a Regional Engineer (Senior Asst. Engineer) with a small number of professional staff to assist the PMU towards implementation of the project. Regional Engineer will report to Project Director (PD) and TA Team Leader.

13. **Key Project Personnel.** Professional staff of the PMU 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 PMU will be composed of, but not limited to, the following key staff: TA Team Leader, Finance Specialist, Procurement Specialist, Monitoring and Evaluation, Regional Engineer, Social Inclusion and Gender Specialist, and Environment and Climate Assessment Specialist. The recruitment and removal of the Project Director or key staff shall be subject to the concurrence between the Fund and the Borrower/Recipient.

**Implementation by component**

14. **Management of Component 1:** The PMU/LGED will implement this component in close collaboration with the Bangladesh University of Engineering and Technology (BUET). The overall responsibilities of construction will be on PMU/LGED through offices of Executive Engineers and Upazila Engineers. Construction of roads (BC and RCC) will be outsourced to professional contractors. But construction of small RCC roads (linked with markets) will be implemented by LCSs.

15. The LGED district offices, headed by executive engineers, will be responsible for implementing subprojects under the guidance of the PMU. The activities regarding training and policy integration (sub-components 1.5 and 2.4) will be led by PMU in collaboration with experts from LGED, Department of Civil Engineering, the Institute of Water and Flood Management (IWFM), BUET/BAU and other external experts. The researches under sub-component 1.1 will be conducted by the (IWFM of BUET).

16. **Management of Component 2:** The PMU/LGED and DDM will implement this component in collaboration with the private sector and non-governmental organisations. For component 2.1, experienced NGOs/MFIs will be contracted as per the Public Procurement Rules (PPR) of the Government by the PMU. The Component 2.2 will be implemented by PMU/LGED by enlisting government, private and/or NGO training providers. The lead implementer of sub-component 2.3 will be the DDM. Sub-component 2.4 will be partially implemented by WFP for the up-date of nutritional status and poverty maps, and by the PMU through contracting in line with PPR in collaboration with core country partners for practical policy reviews. The CPS will be led by ERD in close coordination with IFAD country office, and LGD/LGED.

17. **Management of Component 3:** The PMU/LGED, led by a PD, will manage the overall function of the Project.

18. The Lead project agency will enter into legal agreements (MoUs or contracts) with entities implementing specific Project activities under different sub-components, as described under Schedule 3.

19. **Monitoring and Evaluation.** PMU staff will up-date logframe (captures key indicators on project goal, objectives, outcomes and outputs) regularly and provide up-dated version including GIS representation for supervision missions. The PMU is responsible for sound Project monitoring. Data for the ME system will be generated by respective sub-component lead agency/actor. The PMU will conduct baseline studies within 3 month of commencement of Project implementation, using terms of reference provided in PIM.
20. **Gender strategy.** Social safeguards will be put in place to ensure a female-friendly working environment for the construction and maintenance works. The update and implementation of the Gender Action Plan will be led by the Gender and Social Inclusion Specialist of the PMU in close collaboration with the Gender and Development Platform of LGED and ERD.

21. **Project Implementation Manual.** The PMU shall prepare the Project Implementation Manual (PIM), and shall forward it to the Fund for comments and approval. The PIM shall provide detailed implementing rules of the Project and include inter alia: programme budgeting, disbursement, financial management, procurement and other administrative, financial and organizational arrangements and procedures for coordination meetings of sub-component leads to ensure smooth operation. The PIM may be amended from time to time, subject to approval by the Fund.
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 USD)</th>
<th>Grant Amount (in USD)</th>
<th>Percentage of Eligible Expenditures to be financed (net of taxes and co-financiers)</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. Works</td>
<td>39 990 000</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>II. Equipment &amp; Materials</td>
<td>860 000</td>
<td>10 000</td>
<td>100%</td>
</tr>
<tr>
<td>III. Training &amp; Workshops</td>
<td>7 410 000</td>
<td>320 000</td>
<td>100%</td>
</tr>
<tr>
<td>IV. Consultancies</td>
<td>4 650 000</td>
<td>610 000</td>
<td>100%</td>
</tr>
<tr>
<td>V. Recurrent costs</td>
<td>4 020 000</td>
<td>180 000</td>
<td>100%</td>
</tr>
<tr>
<td>Unallocated</td>
<td>6 320 000</td>
<td>130 000</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>63 250 000</strong></td>
<td><strong>1 250 000</strong></td>
<td></td>
</tr>
</tbody>
</table>

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

“Equipment & materials” under category II, shall mean eligible expenditures also for vehicles.

“Recurrent costs” and “Training & Workshops”. Project-related meeting expenses and Project-related travel expenses will follow Borrower/Recipient existing policy. Honorarium, allowances and/or sitting allowances are not recognized by the fund as eligible expenditures.

2. Start-up Costs. Withdrawals from the Loan in respect of expenditures for start-up costs (in Category V) shall not exceed an aggregate amount of USD 750 000 and shall be disbursement after the satisfaction of the Condition 1(a) in Section E above. Activities to be financed by Start-up Costs will require the no objection from IFAD to be considered eligible.
Schedule 3

Special Covenants

In accordance with Section 12.01(a) (xxiii) of the General Conditions, the Fund may suspend, in whole or in part, the right of the Borrower/Recipient to request withdrawals from the Loan and Grant accounts if the Borrower/Recipient has defaulted in the performance of any covenant set forth below, and the Fund has determined that such default has had, or is likely to have, a material adverse effect on the Project:

1. Within six (6) months of entry into force of the Financing Agreement, the Project will procure and install a customize accounting software as it is the practice in IFAD on-going supported projects, to satisfy International Accounting Standards and IFAD's requirements.

2. Within six (6) months of entry into force of the Financing Agreement, the project will enter into Memorandum of Understandings (MoU) with implementing partners that will structure the collaboration, define roles, responsibilities and duties with regards to implementation, financial management, accounting and reporting. MoUs are foreseen between LGED and DDM, LGED and BUET, LGED and WFP, and between LGD and LGED and ERD. Contractual arrangements and/or MoUs will be concluded between lead implementers of activities financed under sub-component 2.1 and 2.2.
### Logical framework

#### Results Hierarchy

<table>
<thead>
<tr>
<th>Outreach:*</th>
<th><strong>Indicators</strong></th>
<th><strong>Means of Verification</strong></th>
<th><strong>Assumptions (A) / Risks (R)</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Name</td>
<td>Baseline</td>
<td>Mid-Term</td>
</tr>
<tr>
<td></td>
<td>Planned total number of HHs reached by PROVATI³ RIMS 1a; EFA</td>
<td>0</td>
<td>120,000</td>
</tr>
<tr>
<td>*Based on EFA, finalised after DPP revision</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Goal: Sustainable livelihoods for poor households and smallholders in selected 25 Upazilas of the Brahmaputra-Teesta flood plain area of six North-central districts of Bangladesh

- Percentage of households reporting improvements in household asset ownership index (RIMS)

<table>
<thead>
<tr>
<th>Development Objective:</th>
<th><strong>Indicators</strong></th>
<th><strong>Means of Verification</strong></th>
<th><strong>Assumptions (A) / Risks (R)</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Name</td>
<td>Baseline</td>
<td>Mid-Term</td>
</tr>
<tr>
<td></td>
<td>Percentage of households reporting improvements in household asset ownership index (RIMS)</td>
<td>TBD</td>
<td>25%</td>
</tr>
</tbody>
</table>

#### Outcome 1: Climate resilient rural roads, markets and community shelters in project area are built, used and maintained.

- Structures are managed and maintained according to agreed standards one year after rehabilitation/upgrading*

<table>
<thead>
<tr>
<th>Output:</th>
<th><strong>Indicators</strong></th>
<th><strong>Means of Verification</strong></th>
<th><strong>Assumptions (A) / Risks (R)</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1</td>
<td>Number of design standards incorporating climate change/resilient aspects</td>
<td>0</td>
<td>2</td>
</tr>
</tbody>
</table>

*Have women friendly design features; MMC are formed and operational (with at least 30% women);
### 1.2 Climate resilient rural communication infrastructure constructed by the project
- Kilometers of village and Union road upgraded/paved **RIMS** 2.1.5; **EFA**
- Kilometers of roads rehabilitated **RIMS** 2.1.5; **EFA**

<table>
<thead>
<tr>
<th>Project Reports</th>
<th>Site Inspections Environmental Assessment</th>
<th>PMU, A: Construction material costs remain within projected level; no prolonged flood restricting construction.</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>120</td>
<td>330</td>
</tr>
<tr>
<td>0</td>
<td>300</td>
<td>500</td>
</tr>
</tbody>
</table>

### 1.3 Climate resilient rural markets built
- Number of rural markets built in project area **RIMS** 2.1.6; **EFA**

<table>
<thead>
<tr>
<th>Project Reports</th>
<th>Site Inspections Environmental Assessment</th>
<th>PMU, A: as above</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>70</td>
<td>135</td>
</tr>
</tbody>
</table>

### 1.4 Multi-purpose school-cum-flood shelters built in charlands
- Number of school-cum flood shelters newly built in charlands **EFA**

<table>
<thead>
<tr>
<th>Project Reports</th>
<th>Site Inspections Environmental Assessment</th>
<th>PMU, A: as above</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>10</td>
<td>15</td>
</tr>
</tbody>
</table>

### 1.5 Training on climate resilient infrastructure design and implementation conducted
- Number of engineers trained on climate resilient infrastructure **EFA**

<table>
<thead>
<tr>
<th>Project Reports</th>
<th>Site Inspections Environmental Assessment</th>
<th>PMU, A: LGED makes trainees available on time for the training courses.</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>30</td>
<td>60</td>
</tr>
</tbody>
</table>

### Outcome 2: Increased adaptive capacity of vulnerable communities through diversified incomes and access to precise location-specific and early flood information in project Upazilas
- Percentage of beneficiaries report increased empowerment and resilience (scorecard)\(^5\)

<table>
<thead>
<tr>
<th>Project Reports</th>
<th>Site Inspections Environmental Assessment</th>
<th>PMU, A: Proper annual monitoring of representative sub-set of households</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>30%</td>
<td>60%</td>
</tr>
</tbody>
</table>

### Outputs:

<table>
<thead>
<tr>
<th>Outputs</th>
<th>2.1 LCS members are trained for socio-economic progress through income generation activities (IGA)</th>
<th>2.2 Employment for youths in project area expanded through vocational skill development</th>
<th>2.3 Development of local flood forecasting and dissemination system established</th>
<th>2.4 Institutional regulatory review conducted and integrated in policies</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of LCS households trained in IGA and -business management (by sex) <strong>RIMS</strong> 2.1.2 &amp; 1.1.8; <strong>EFA</strong></td>
<td>No. of VT youth employed 1 year after completing training TBD</td>
<td>No. of vulnerable unions in project area received and used flood early warning information TBD</td>
<td>Number of policy-relevant reviews completed <strong>Policy 1</strong></td>
</tr>
<tr>
<td></td>
<td>6000</td>
<td>10000</td>
<td>30000 (30% women, 90% youth)</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>15000 (70% are women)</td>
<td>(90%)</td>
<td></td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Surveys</td>
<td>PMU report, Every quarter</td>
<td>DDM/ PMU reports Site visit report</td>
<td>PMU report, Annually PMU</td>
</tr>
<tr>
<td></td>
<td>Baseline, mid-term</td>
<td></td>
<td>DDM, developer of model</td>
<td></td>
</tr>
<tr>
<td></td>
<td>PMU</td>
<td></td>
<td>A: Funds released on time to DDM/ Developer.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>A: Sufficient number of motivated micro-entrepreneur available A: 75% success rate building on project phasing (1 yr lag)</td>
<td>A: Sufficient number of motivated micro-entrepreneur available A: No major slow-down of economy</td>
<td>A: Funds released on time to DDM/ Developer.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>PMU</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

\(^5\) The score-card elements will build on positive experiences from IFAD Tanzania project and are being revised, and finalise ad start-up to be include in baseline survey.