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Investing in rural people

People's Republic of Bangladesh

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

Negotiated financing agreement

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

For: Information

Negotiated financing agreement: "Promote Resilience of Vulnerable through Access to Infrastructure, Improved Skills and Information (PROVATi³)"

(Negotiations concluded on 16 November 2017)

Loan Number: _____
Grant Number: _____

Project Title: Promote 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. Hougbo
President

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:

Category	Loan Amount (in USD)	Grant Amount (in USD)	Percentage of Eligible Expenditures to be financed (net of taxes and co- financiers)
I. Works	39 990 000		100%
II. Equipment & Materials	860 000	10 000	100%
III. Training & Workshops	7 410 000	320 000	100%
IV. Consultancies	4 650 000	610 000	100%
V. Recurrent costs	4 020 000	180 000	100%
Unallocated	6 320 000	130 000	
TOTAL	63 250 000	1 250 000	

(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 disbursed 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.