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Investing in rural people

People's Republic of Bangladesh

Char Development and Settlement Project –
Phase IV

Negotiated financing agreement

Executive Board — 126th Session
Rome, 2-3 May 2019

For: Information

Negotiated financing agreement: "Char Development and Settlement Project – Phase IV"

(Negotiations concluded on 25 April 2019)

New Loan No: _____

Project name: Char Development and Settlement Project - Phase IV ("the Project")

People's Republic of Bangladesh ("the Borrower")

and

The International Fund for Agricultural Development (the "Fund")

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

WHEREAS for the purpose of financing the Char Development and Settlement Project-Phase IV (CDSP-IV) (the "Initial Project"), on 9 May 2011, the Borrower and IFAD entered into a Financing Agreement No. L-807-BD ("Initial Financing Agreement") pursuant to which the Fund agreed to provide financing to the Borrower in the form of a loan in the amount of thirty million, eight hundred sixty thousand special drawing rights (SDR 30 860 000);

WHEREAS, on 18th June 2018, the Borrower requested additional financing to scale-up the Initial Project's achievements, effectively increase the outreach and expand the benefits, innovations, and best practices of the Initial Project;

WHEREAS the Fund has agreed to provide new financing in the form of a New Loan to further support the Initial Project;

WHEREAS the New Loan shall complement the Initial Project;

WHEREAS, on the basis of the above considerations, the Fund has agreed to extend the New Loan to the Borrower on the terms and conditions set forth herein;

NOW THEREFORE, the Parties have agreed to enter into this Financing Agreement (this "Agreement") 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 December 2018, and as may be amended hereafter from time to time (the "General Conditions"), 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.

3. The Fund shall provide a New Loan to the Borrower (the "New Loan"), which the Borrower shall use to implement the Project in accordance with the terms and conditions of this Agreement.

Section B

1. The New Loan is granted on 67% highly concessional terms and 33% blend terms.
2. The amount of the New Loan eligible to highly concessional terms is thirteen million, eight hundred two thousand United States dollars (USD 13 802 000).
3. The amount of the New Loan eligible to blend terms is six million seven hundred ninety-eight thousand United States dollars (USD 6 798 000).
4. The New Loan granted on highly concessional terms shall be free of interest but shall bear a fixed service charge as determined by the Fund at the date of approval of the New Loan by the Fund's Executive Board, payable semi-annually in the Loan Service Payment Currency. The New Loan 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.
5. The principal of the New Loan granted on highly concessional terms will be repaid at four and half per cent (4.5%) of the total principal per annum for years eleven (11) to thirty (30), and one per cent (1%) of the total principal per annum for years thirty-first (31) to forty (40).
6. The New Loan granted on blend terms shall be subject to interest on the principal amount outstanding and a service charge as determined by the Fund at the date of approval of the New Loan by the Fund's Executive Board. The interest rate and service charge determined will be fixed for the life cycle of the loan and payable semi-annually in the Loan Service Payment Currency, and shall have a maturity period of twenty-five (25) years, including a grace period of five (5) years starting from the date of approval of the New Loan by the Fund's Executive Board.
7. The portion of the New Loan granted on blend terms will be repaid in equal instalments.
8. The Loan Service Payment Currency shall be US dollar.
9. The first day of the applicable Fiscal Year shall be 1 July.
10. Payments of principal and service charge of the New Loan shall be payable on each 15 April and 15 October.
11. The Designated Account of the Initial Loan shall be used for the New Loan. Separate ledgers shall be set-up and maintained by the Project for the New Loan.
12. The Borrower shall provide counterpart financing for the Project in the amount of twenty four million seven hundred thousand United States dollars (USD 24 700 000) which includes duties and taxes. The remaining part of the counterpart financing shall be utilised to fully cover the costs of land acquisition and all Project staff salaries and allowances, and to cost-share civil works, equipment, studies and training, infrastructure operation and maintenance, and operating costs. Beneficiaries shall provide their share of project activities.

13. The Project shall be co-financed by a grant from the Netherlands in the amount of five million Euro (Euro 5 000 000). The grant will be administered directly by the Embassy of the Kingdom of the Netherlands in Dhaka and will be used to provide technical assistance to the implementing agencies.

Section C

1. The Lead Project Agency shall be the Bangladesh Water Development Board (BWDB) within the Ministry of Water Resources of the Borrower.
2. The Project Completion Date shall be the 31 March 2022 and the Financing Closing Date the 30 September 2022.

Section D

The New Loan will be administered and the Project supervised by the Fund. The Borrower will conduct its own administration and supervision of the New Loan and Project.

Section E

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

For the Borrower:

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

For the Fund:

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

This Agreement has been prepared in the English language in two (2) original copies, one (1) for the Fund and one (1) for the Borrower.

PEOPLE'S REPUBLIC OF BANGLADESH

(Authorized Representative)
(name and title)

INTERNATIONAL FUND FOR
AGRICULTURAL DEVELOPMENT

Gilbert F. Houngbo
President

Schedule 1

I. Project Description

1. **Target Population.** The target groups and beneficiaries of the Project are: (i) small and marginal farmers to benefit from climate resilient water infrastructure and climate smart agriculture technology; (ii) new settlers to obtain land titles; (iii) new and existing settlers to obtain access to improved communication infrastructure; and, (iv) small entrepreneurs to benefit from micro-finance and micro-enterprise support. Women will be specifically targeted in the provision of land titles; support for economic activities; access to water, sanitation, hygiene and health facilities and services; financial inclusion; and legal rights awareness.

2. **Project Area.** The Project is implemented in selected chars of four Southern coastal districts, namely Noakhali, Lakshmipur, Feni and Chattogram districts. The additional financing will cover poldered and non-poldered areas in these districts, including the following chars: Char Bagga Donna 1 and 2, Char Mojid, Vatirtek, Boyer Char, Char Nangulia, Noler Char, Caring Char, Urir Char and Char Ziauddin. Additionally, some initial work will be done in Char Mozammel, Dhal Char, Char Kolatoli and Char Maksumul Hakim.

3. **Goal.** The Project goal is to reduce poverty and hunger for poor people living on newly accreted coastal chars through improved and more secure livelihoods.

4. **Object:** The Project objective is the development of improved and more secure rural livelihoods for poor households in the selected coastal chars.

5. **Components.** The Project consists of five (5) components, namely: (i) protection from climate change; (ii) internal infrastructure; (iii) land settlement and titling; (iv) livelihoods support; and (v) technical assistance and management support. The key activities within these components which will be supported with additional financing are outlined below.

5.1 Component 1. Protection from climate change: (a) water management through repairs or retirement of embankments; replacement or maintenance of sluices; re-excavation or construction of canals; construction or improvement of Water Management Group centres; and, acquisition of land for retired embankments and sluices; (b) social forestry including mangrove plantation; strip plantation along canals, embankments and roads; and, formation or strengthening of Social Forestry Groups.

5.2 Component 2. Climate resilient infrastructure: (a) internal infrastructure including paved and earth roads, cyclone shelters, markets and killas (raised mounds of land); (b) water and sanitation facilities including deep tube-wells (including test tube-wells), and household latrines.

5.3 Component 3. Land settlement and titling: (a) settlement and land titling in Urir Char, (b) demarcation of the boundary between Noakhali and Chattogram Districts; (c) settlement and land titling on Char Nangulia; and, (d) upgrading/extension of digital Land Record Management Systems.

5.4 Component 4. Livelihoods support: (a) commercial agriculture (field crops, horticulture, poultry); (b) pay-based agricultural advisory services through a contracted NGO(s); (c) commodity value chain upgrading (awareness raising; value chain mapping; strategic investment planning; training; value chain investments; monitoring); (d) Agriculture Information and Communication Technology; (e) institutional and

livelihoods support through contracted partners, covering homestead-based livelihoods; water and hygiene; social awareness; legal and human rights; and, support for water management organisations.

5.5 Component 5. Technical assistance and management support: A technical assistance team will be contracted to assist the implementing agencies, supervise the quality of works, produce consolidated progress reports, and undertake financial management. It will be responsible for impact evaluation, lesson learning and knowledge management. Support will be provided for: (a) a hydro-morphological study to generate information on the pattern of erosion and accretion; and, (b) a strategic planning exercise to improve the institutional framework for future investments in the chars.

6. A new activity will be included in the additional financing phase, in accordance with IFAD's SECAP guidelines – namely the implementation of a Resettlement Action Plan (RAP) and Resettlement Action Framework (RAF). This will entail: (a) undertaking a free, prior and informed consent (FPIC) process with households whose land is partially or completely acquired for planned climate resilient infrastructure; (b) provision of compensation packages in line with the 'Acquisition and Requisition of Immovable Property Act' (2017); (c) provision of a package of early measures to the affected households, including livelihoods support; (d) establishment of monitoring and grievance redressal mechanisms.

II. Implementation Arrangements

7. **Lead Project Agency.** The Bangladesh Water Development Board (BWDB) under the Ministry of Water Resources will be the lead Project management and implementing agency. It will coordinate Project management and implementation among the four other agencies that are responsible for specific activities (the Ministry of Land for land titling; the Forest Department for social forestry; the Department of Public Health Engineering for sanitation works; and, the Local Government Engineering Department for small infrastructure).

8. **Project Management.** The Project Director from BWDB will continue to act as the Project Coordinating Director. Each of the other implementing agencies will have its own Project Director (with joint Project Directors for the land settlement and titling component). The Project management structure and staffing for the additional financing will mirror that of the original Project.

9. **Project Governance.** At the policy level there will be an Inter-Ministerial Steering Committee, chaired by the Secretary, Ministry of Water Resources. The composition and terms of reference of the Inter-Ministerial Steering Committee will be similar to those of the original Project. At the operational level, the Project will be guided and advised by a Project Management Committee, chaired by the Project Coordinating Director. The composition and terms of reference of the Project Management Committee will be similar to those of the original Project.

10. **Implementation of Components.** The arrangements for the implementation of activities under the additional financing will be similar to those of the original Project. The main changes will be the introduction of pay-based agricultural advisory services and Agricultural Information and Communication Technology for the provision of extension to farmers.

11. **Project Implementation Manual (PIM).** The Lead Project Agency, working with the respective implementing agencies, shall prepare a draft PIM outlining the standard operating procedures for the implementation of the Project, including for financial management, accounting and procurement, in line with international best practices. Once prepared, the PIM shall be subject to approval by the Inter-Ministerial Steering

Committee. Subsequently, the Lead Project Agency shall forward the draft PIM to IFAD for its concurrence. Should IFAD not provide any comment on the draft PIM within thirty (30) days after receipt, it shall be deemed to have no objection. The Lead Project Agency shall adopt the PIM, substantially in the form approved by the Fund.

Schedule 2

Allocation Table

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

Category	67% of the New Loan granted on Highly Concessional (HC) terms USD	33% of the New Loan granted on Blend terms (BT) USD	Percentage of Eligible Expenditures to be financed (net of taxes and co-financiers)
I. Works	11 591 000	5 709 000	67% HC and 33% BT
II. Equipment & Materials	234 500	115 500	67% HC and 33% BT
III. Consultancies & Training	1 547 700	762 300	67% HC and 33% BT
IV. Operating costs	428 800	211 200	67% HC and 33% BT
TOTAL	13 802 000	6 798 000	

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

"Works" under category I shall also include water and sanitation works;

"Equipment & Materials" under category II, shall mean eligible expenditures also for vehicles under Investment costs;

"Consultancies & Training" under category III, shall also include eligible expenditures for survey of district boundary to be carried out for land titling;

"Operating costs" under category IV, shall mean eligible expenditures for vehicles, equipment and operations and maintenance expenditures.

Schedule 3

Special Covenants

1. 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 to request withdrawals from the New Loan if the Borrower 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:

- (a) The Borrower shall ensure that land acquisition under the Project is governed by the provisions of the Acquisition and Requisition of Immovable Property Act (2017) and IFAD's Social, Environmental and Climate Assessment Procedures.
- (b) The Borrower shall implement the Resettlement Action Plan and Resettlement Action Framework, which have been prepared jointly by IFAD and BWDB in compliance with the Acquisition and Requisition of Immovable Property Act (2017) and IFAD's Social, Environmental and Climate Assessment Procedures, and which have been publicly disclosed.
- (c) BWDB shall closely monitor the implementation of the Resettlement Action Plan and Resettlement Action Framework and shall report to the Inter-Ministerial Steering Committee and to the Fund accordingly.