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Enabling poor rural people
to overcome poverty

President's report

Proposed supplementary loan to the People's Republic of Bangladesh for the

Participatory Small-scale Water Resources Sector Project

Executive Board —Ninety-ninth Session
Rome, 21-22 April 2010

For: **Approval**

Note to Executive Board members

This document is submitted for approval by the Executive Board.

Representatives are invited to contact the following focal point with any technical questions about this document:

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Abbreviations and acronyms

AsDB	Asian Development Bank
IWRMU	Integrated Water Resources Management Unit
LGED	Local Government Engineering Department
M&E	monitoring and evaluation
O&M	operation and maintenance
WMCA	water management cooperative association

Recommendation for approval

The Executive Board is invited to approve the recommendation for the proposed supplementary financing to the People's Republic of Bangladesh for the Participatory Small-scale Water Resources Sector Project, as contained in paragraph 35.

Map of the project area

People's Republic of Bangladesh

Participatory Small-scale Water Resources Sector Project



The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.

Map compiled by IFAD

People's Republic of Bangladesh

Supplementary loan for the Participatory Small-scale Water Resources Sector Project

Financing summary

Initiating institution:	Asian Development Bank
Borrower:	People's Republic of Bangladesh
Executing agency:	Local Government Engineering Department (under the Ministry of Local Government, Rural Development and Cooperatives)
Total project cost:	US\$119.8 million
Amount of IFAD supplementary loan:	SDR 6,525,000 (equivalent to approximately US\$10.0 million)
Terms of IFAD supplementary loan:	40 years, including a grace period of 10 years, with a service charge of three fourths of one per cent (0.75 per cent) per annum
Original IFAD loan:	SDR 14.16 million (equivalent to approximately US\$22.0 million)
Cofinancier:	Asian Development Bank
Amount of cofinancing:	US\$55.0 million
Terms of cofinancing:	32 years, including a grace period of 8 years, with an interest charge of one per cent (1 per cent) per annum during the grace period and one and a half per cent (1.5 per cent) per annum thereafter
Contribution of borrower:	US\$29.1 million
Contribution of beneficiaries:	US\$3.7 million
Appraising institution:	Asian Development Bank
Cooperating institution:	Asian Development Bank

Proposed supplementary loan to the People's Republic of Bangladesh for the Participatory Small-scale Water Resources Sector Project

I. The project

A. Main development opportunity addressed by the project

1. Key challenges in the water sector in Bangladesh include severe annual flooding, river-induced erosion, and water shortages in the dry season. These problems are compounded by inadequate water management infrastructure, limited beneficiary participation in water management, and low levels of funding for operation and maintenance (O&M). The situation is further aggravated by the reduction in agricultural land due to urban encroachment, and the food demands of an ever-increasing population. Effective participatory water management will be critical in ensuring increased and sustainable agricultural production, together with improved livelihoods for the rural poor.

B. Proposed financing

Terms and conditions

2. It is proposed that IFAD provide a supplementary loan to the People's Republic of Bangladesh in the amount of SDR 6,525,000 (equivalent to approximately US\$10.0 million) on highly concessional terms to help finance the Participatory Small-scale Water Resources Sector Project. The loan will have a term 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.

Relationship to the IFAD performance-based allocation system (PBAS)

3. The amount available for Bangladesh under the 2010-2012 PBAS cycle is approximately US\$106 million. This proposed amount of US\$10.0 million is therefore well within the allocation.

Country debt burden and absorptive capacity of the State

4. The capacity of the Government of Bangladesh to service external debt is good. The Government's repayment record for IFAD loans is exemplary.

Flow of funds

5. The IFAD loan will be channelled to a designated account, managed by the project management office. Funds will flow from the designated account to a project operating account, also managed by the project management office.

Supervision arrangements

6. The IFAD loan will be supervised and administered by the Asian Development Bank (AsDB).

Exceptions to IFAD General Conditions for Agricultural Development Financing and operational policies

7. In line with the harmonization principles embodied in the Paris Declaration on Aid Effectiveness, it is proposed that IFAD adopt the AsDB policies and procedures for procurement and loan disbursement, and the borrower's Public Procurement Rules 2008 when permitted by AsDB. This implies the non-application of the associated sections of the IFAD General Conditions for Agricultural Development Financing in favour of AsDB policies and procedures.

Governance

8. The following planned measures are intended to enhance the governance aspects of the IFAD loan: (i) an internal and external audit system will be applied; (ii) strict eligibility criteria have been agreed for the selection of subprojects to be developed; (iii) the project will have its own website for purposes of transparency in procurement; and (iv) the project will be supported by a technical assistance team to provide capacity-building in procurement and financial management.

C. Target group and participation

Target group

9. The core target group for the project is composed of small and marginal farmers, classified in Bangladesh as households owning between 0.5 and 1 hectare of land. A secondary target group for this project comprises functionally landless households who would benefit from agricultural wage labour opportunities and from non-farm employment generated by broad-based agricultural growth. Studies conducted during the design phase show that 90 per cent of households that would benefit from the schemes to be developed belong to these two categories. The target group is in line with the Bangladesh country strategic opportunities paper (COSOP) and the IFAD Policy on Targeting.

Targeting approach

10. The project will be implemented in all districts of Bangladesh except the three districts covering the Chittagong Hill Tracts. The main targeting instrument is represented by the selection of subprojects to be developed under the project. One of the eligibility criteria that must be met is that at least 40 per cent of the subproject benefit area must be owned by the functionally landless, marginal or small farmer households.

Participation

11. A key feature of this project is the involvement of beneficiaries in small-scale water resources management. Beneficiaries would participate in water management cooperative associations (WMCAs), and would receive training in water management, agriculture and fisheries production. Beneficiaries would also participate in labour contracting societies (LCSs).

D. Development objectives

Key project objectives

12. The objective of the project is to develop sustainable stakeholder-driven small-scale water resources management systems.

Policy and institutional objectives

13. There is a policy reform agenda associated with the project. The agenda includes: (i) improving the policy/planning and legal framework for small-scale water resources; (ii) fostering integrated water resources management and water conservation; (iii) improving and sustaining O&M; and (iv) improving governance in water resources management.

IFAD policy and strategy alignment

14. The project is in line with subprogramme 3 of the current IFAD COSOP for Bangladesh. In particular, the project will primarily fund pro-poor infrastructure development, with much of the construction work being carried out by LCSs. It is also fully in keeping with the emphasis in the IFAD Strategic Framework 2007-2010 on sustainable management of natural resources. In addition, it will focus on governance of natural resources and ensure participation of the poor in governance through representation in water management associations.

E. Harmonization and alignment

Alignment with national priorities

15. The project is entirely consistent with Government priorities. In particular, it has been designed to support the National Water Policy (1999), the Government Guidelines for Participatory Water Management (2001), the National Water Management Plan (2004), and the Poverty Reduction Strategy Paper (2005).

Harmonization with development partners

16. The project is being funded by AsDB and IFAD. It has been reviewed by the water sector donor subgroup in Dhaka (currently chaired by the Embassy of the Kingdom of the Netherlands) on four occasions to ensure that development partners active in the water sector have had ample opportunity to provide comments.

F. Components and expenditure categories

Main components

17. The project has three components: (i) institutional strengthening to enhance the capacity and capability of government agencies at all levels that support small-scale water resources development; (ii) participatory subproject development, which will refine critical aspects of subproject development, undertake capacity-building of the poor and enable WMCAs to plan, implement, operate and maintain subprojects; and (iii) small-scale water resources infrastructure, comprising construction and maintenance of almost 270 small-scale water resources subprojects, and performance enhancement of up to 150 subprojects from predecessor projects that can further benefit from low-cost interventions.

Expenditure categories

18. There are eleven expenditure categories: (i) land acquisition and resettlement (5 per cent); (ii) civil works (57 per cent); (iii) survey and investigation (1 per cent); (iv) equipment and vehicles (3 per cent); (v) materials (1 per cent); (vi) consultants for capacity development (6 per cent); (vii) capacity development (7 per cent); (viii) benefit monitoring and evaluation (1 per cent); (ix) project coordination (4 per cent); (x) recurrent costs (12 per cent); and (xi) finance during implementation (3 per cent).

G. Management, implementation responsibilities and partnerships

Key implementing partners

19. The lead project agency is the Local Government Engineering Department (LGED) of the Ministry of Local Government, Rural Development and Cooperatives (MOLGRDC). Other project partners include the Department of Agricultural Extension (DAE), the Department of Fisheries (DOF), the Department of Cooperatives (DOC), the Bangladesh Water Development Board, the Department of Environment, the Rural Development Academy (RDA) Bogra, the Bangladesh Academy for Rural Development (BARD) Comilla, the National Institute of Local Government, the Water Resources Planning Organization, the Ministry of Land, the Department of Women's Affairs, the Bangladesh Fisheries Research Institute and the Bangladesh University of Engineering and Technology.

Implementation responsibilities

20. The Integrated Water Resources Management Unit (IWRMU) within LGED is responsible for monitoring and evaluation (M&E) support for small-scale water resources subprojects, as well as overall development, operation and maintenance. A project management office will be established within IWRMU to manage and coordinate project activities. Between the headquarters and district levels there are ten regional offices (each covering four to eight districts), which will undertake training, supervision, inspection and monitoring for completed subprojects. Planning and implementation committees at the district and local levels will ensure smooth coordination. Local governments, LGED regional and district offices, specialist

facilitators recruited from NGOs (or firms), and locally-based community assistants will assist in the formation of WMCAs. The Departments of Cooperatives, Agricultural Extension and Fisheries will participate in WMCA capacity-building by providing extension support services. WMCAs will assume O&M responsibilities on completion of subprojects.

Role of technical assistance

21. Consultants will be recruited in accordance with Guidelines on the Use of Consultants by ADB [Asian Development Bank] and its Borrowers (2007). The project will contract an international consulting firm to provide technical assistance during implementation, at an estimated cost of US\$6.5 million. In addition, national consulting firms will be recruited for the preparation of subproject feasibility studies and detailed engineering design.

Status of key implementation agreements

22. The key documents required for implementation of the project include: (i) the standard IFAD and AsDB loan agreements; and (ii) the development project proforma, which is to be prepared and approved by the Government. Existing memoranda of understanding between LGED and project partner organizations will facilitate implementation of the project.

Key financing partners and amounts committed

23. The total project cost is US\$119.8 million over 8 years. The sources of financing are IFAD (26.7 per cent), AsDB (45.9 per cent), the Government (24.2 per cent) and beneficiaries (3.2 per cent). In April 2009, the Embassy of the Kingdom of the Netherlands in Dhaka, which was to provide grant cofinancing, indicated that all new commitments (for Bangladesh) in 2009 had been placed on hold. This created a financing gap. This proposal for supplementary financing of US\$10.0 million fills the financing gap in the project, and increases the total number of new schemes under the project from 230 to 270.

H. Benefits and economic and financial justification

Main categories of benefits generated

24. The project will improve rural livelihoods through financing of investments in participatory small-scale water resources management, including flood management, drainage improvement, water conservation and command area development, benefiting 225,500 hectares of cultivable land. The main returns for the 350,000 directly benefiting households (about 1.8 million people) will be in the form of increased crop yields, intensification of cropping systems, and extended capture and culture fishing areas and yields. On average, for the three sample subprojects reviewed during the project design process, over 80 per cent of direct beneficiaries were categorized as poor.

Economic and financial viability

25. The economic rate of return for the proposed subprojects ranges from 26 per cent to 28 per cent and for the overall project is 29 per cent. The financial rate of return for the project is 28 per cent.

I. Knowledge management, innovation and scaling up

Knowledge management arrangements

26. The project will benefit from an existing well-established project performance management system and comprehensive management information system (MIS) database in LGED. Studies to monitor and evaluate the benefits will continue to be conducted by a contracted service provider on behalf of LGED at five-year intervals. M&E of effects will be undertaken annually. Within six months of the project effective date, the project management office will submit a detailed implementation-monitoring plan to be reviewed and agreed by AsDB and IFAD. The project

management office will also conduct socio-economic surveys on each of the subprojects during the project implementation period.

Development innovations that the project will promote

27. The project will introduce an innovative mechanism for sharing maintenance costs. In addition, it will seek to reorient LGED and beneficiaries away from a short-term perspective focused mainly on the design and construction of infrastructure towards a longer-term view that also considers the sustainability of the water management systems put in place. The project will also highlight the importance of water sector governance. It will introduce enhanced accountability of water infrastructure providers to WMCAs through implementation of subproject agreements. The project is also exploring the potential for integrated small-scale water resources management in the Chittagong Hill Tracts through a supplementary study conducted by the Water Financing Partnership Facility.

Scaling-up approach

28. This is the third in a series of projects focusing on small-scale water resource development. Each successive project scales up outreach on the basis of lessons learned and an iterative process of design improvements.

J. Main risks

Main risks and mitigation measures

29. The project faces two main risks: (i) inadequate O&M of new infrastructure; and (ii) delays in carrying out institutional strengthening action. The planned mitigation measures include the introduction of a broad-based approach for maintenance through implementation of an O&M strategy for small-scale water resources subprojects. Regarding institutional strengthening, the project will raise the profile of IWRMU to reflect its centrality to small-scale water resource development, create permanent positions within IWRMU, build the capacity of IWRMU, and devolve O&M and M&E responsibilities to the LGED regional level to improve outreach. Exogenous risks such as natural disasters will also be mitigated (to some extent) through flood management and drainage improvement.

Environmental classification

30. Pursuant to the environmental assessment procedures of AsDB, the project has been classified as a Category B operation. Initial environmental examinations were undertaken for three sample subprojects, and environmental assessment and review procedures have been prepared for application during implementation.

K. Sustainability

31. Subprojects will be supported to improve management of water resources. To ensure sustainability of these schemes, two key strategies will be employed. Firstly, strong emphasis is placed on the O&M of each subproject. Beneficiary contributions will be essential, as will tree plantations on embankments. Secondly, the importance of setting up community-based associations to self-manage the subprojects is also highlighted. Sustainability will be enhanced by ensuring a high quality participatory process and providing a strong training programme – including training on legal issues – to WMCA members and management committees.

II. Legal instruments and authority

32. A project financing agreement between the People's Republic of Bangladesh and IFAD will constitute the legal instrument for extending the proposed supplementary financing to the borrower. A copy of the negotiated financing agreement is attached as an annex.
33. The People's Republic of Bangladesh is empowered under its laws to receive financing from IFAD.

34. I am satisfied that the proposed supplementary financing will comply with the Agreement Establishing IFAD and the Lending Policies and Criteria.

III. Recommendation

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

RESOLVED: that the Fund shall make a supplementary loan on highly concessional terms to the People's Republic of Bangladesh in an amount equivalent to six million five hundred and twenty-five thousand special drawing rights (SDR 6,525,000), and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Kanayo F. Nwanze
President

Negotiated financing agreement:

"Supplementary Loan for the Participatory Small-scale Water Resources Sector Project"

(Negotiations concluded on 30 March 2010)

Loan Number: *****

Project Title: Supplementary Loan to the Participatory Small-scale Water Resources Sector Project

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

and the

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

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

WHEREAS

- A. by financing agreement dated 6 November 2009 ("Financing Agreement Loan No. 786-BD") the Fund has made available to the Borrower a Loan in the principle amount of SDR 14 160 000 for the purposes of partially financing the Borrower's Participatory Small-scale Water Resources Sector Project;
- B. the Borrower has requested a supplementary Loan from the Fund for the purposes of increasing the financing in respect of the Participatory Small-scale Water Resources Sector Project, as described in Schedule 1 to this Agreement;

NOW THEREFORE the parties 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, 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, except for the provision identified in Section E paragraph 2 below. 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 supplementary Loan to the Borrower (the "Financing"), which the Borrower shall use to implement the Project in accordance with the terms and conditions of this Agreement.

Section B

1. The amount of the supplementary Loan is six million five hundred and twenty-five thousand Special Drawing Rights (SDR 6 525 000).

2. The supplementary Loan is granted on highly concessional terms.
3. The supplementary Loan Service Payment Currency shall be the United States dollar (USD).
4. The first day of the applicable Fiscal Year shall be 1 July.
5. Payments of the principal amount of the supplementary Loan and service charge shall be payable on each 1 March and 1 September.

Section C

1. The Lead Project Agency shall be the Local Government Engineering Department of the Borrower's Ministry of Local Government, Rural Development and Cooperatives.
2. The following are designated as additional Project Parties:
 - (a) the Department of Agriculture Extension;
 - (b) the Department of Fisheries;
 - (c) the Department of Cooperatives;
 - (d) the Bangladesh Water Development Board;
 - (e) the Department of Environment;
 - (f) the Rural Development Academy, Bogra;
 - (g) the Bangladesh Academy for Rural Development, Comilla;
 - (h) the National Institute of Local Government;
 - (i) the Water Resources Planning Organisation;
 - (j) the Ministry of Land;
 - (k) the Department of Women Affairs;
 - (l) the Bangladesh Fisheries Research Institute; and
 - (m) the Bangladesh University of Engineering and Technology.
3. The Project Completion Date shall be 31 December, 2017.

Section D

The supplementary Loan shall be administered and the Project supervised by the ADB as the Cooperating Institution.

Section E

1. The following are designated as additional grounds for suspension of this Agreement:
 - (a) the right of the Borrower to withdraw the proceeds of the Asian Development Bank ("ADB") Loan, as defined in the Preamble, Letter B of Financing Agreement Loan No. 786-BD, has been suspended, cancelled or terminated, in whole or in part, or the ADB Loan has become due and payable prior to the agreed maturity thereof; or any event has occurred which, with notice of the passage of time, could result in any of the foregoing.
2. Section 7.05 (Procurement) of the General Conditions shall not apply to this Agreement.

For purposes of this Agreement, all goods, works and consulting services to be financed out of the proceeds of the supplementary Loan shall be subject to and governed by ADB's *Procurement Guidelines* (2007, as amended from time to time)

and the Borrower's Public Procurement Rules, 2008 to the extent permitted by the ADB. Consultants shall be recruited in accordance with ADB's *Guidelines on the Use of Consultants* (2007, as amended from time to time) and in accordance with Schedule 4 to the ADB Loan Agreement, as defined in the Preamble, Letter B of Financing Agreement Loan No. 786-BD.

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

For the Fund:

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

For the Borrower:

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

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

For the Fund

For the Borrower

Schedule 1

Project Description and Implementation Arrangements

I. Project Description

1. *Target Population.* The Project shall be carried out in 46 districts for new subprojects and 61 districts for improvement of existing subprojects financed under ADB Loan No. 1381-BAN and ADB Loan No. 1831-BAN in the territory of the Borrower, and shall benefit rural livelihoods through financing of investments in participatory small-scale water resources management.
2. *Goal.* The goal of the Project is to enhance productivity and sustainability in agriculture through sustainable small-scale water resources management systems in subproject areas.
3. *Objectives.* The objectives of the Project are to achieve small-scale water resources management systems within the Project Area, by financing subproject investments in the small-scale water resources sector, including subprojects for flood management, drainage improvement, water conservation and command area development including surface water irrigation.
4. *Parts.* The Project shall consist of the following Parts:

Part A: Institutional Strengthening

Under this Part A, the Project shall provide training to the Local Government Engineering Department, Integrated Water Resources Management Unit, Department of Cooperative staff and staff of other institutions involved in the small-scale water resources sector.

(a) Capacity Enhancement of Local Government Engineering Department

- (i) provide training to Integrated Water Resources Management Unit staff on planning and design, operations and maintenance, social and gender development, and social and environmental capabilities;
- (ii) support the decentralisation of Monitoring and Evaluation and operations and maintenance from the Integrated Water Resources Management Unit to the Local Government Engineering Department regional offices and create revenue budget positions for the senior sociologist and senior assistant engineer (water resources) in ten Local Government Engineering Department Regional offices; and
- (iii) provide training to the Local Government Engineering Department regional, district and *upazila* office staff on technical, social, financial and environmental dimensions of small-scale water resources development.

(b) Institutional Strengthening of Department of Cooperatives

- (i) establish a dedicated water cell within the Department of Cooperatives;
- (ii) prepare and provide a training programme and materials for trainers and the water management cooperative associations' staff;
- (iii) provide training to the Department of Cooperatives and Local Government Engineering Department field staff on the provision of statutory, regulatory and promotional services; and

- (iv) provide support to the Department of Cooperatives district level offices to improve outreach.
- (c) Improved Performance Monitoring
 - (i) streamline and improve the existing project management information system database of the Local Government Engineering Department; and
 - (ii) expand the existing project management information system database to allow access and the sharing of information among the key partner line departments, including the Department of Agriculture Extension, Department of Fisheries and Department of Cooperatives.

Part B: Participatory Subproject Development

- (a) Water Resources Oriented Support Programmes
 - (i) provide agricultural extension services to promote rapid adoption of improved and environmentally sound agricultural practices, including:
 - (a) integrated pest management;
 - (b) expanding production of high yielding variety rice crops; and
 - (c) crop diversification;
 - (ii) provide fisheries extension services and training to stakeholders in managing fisheries resources.
- (b) Operation and Maintenance Capacity Building of Water Management Cooperative Associations

Provision of training to water management cooperative associations in about 150 better performing subprojects financed under ADB Loan Nr. 1381-BAN on the small-scale water resources development sector project and the ADB Loan Nr. 1831-BAN on the second small-scale water resources development sector project, in (i) operations and maintenance planning, (ii) technical and financial management skills, and (iii) operation and maintenance cost recovery from subproject beneficiaries.

- (c) Participation of Women in Subproject Development
 - (i) provide training to Water Management Cooperative Associations' staff in women's roles in income generating activities and livelihood enhancement;
 - (ii) give priority employment to women to undertake earthworks subprojects; and
 - (iii) provide microfinance opportunities.

Part C: Small-Scale Water Resources Infrastructure and Project Implementation Support

- (a) Construction, rehabilitation and development or improvement of approximately forty (40) small-scale water resources subprojects, including flood management, drainage improvement, water conservation and command area development including surface water irrigation. These shall complement the small-scale water resources subprojects constructed, rehabilitated, developed or improved under Part C (a) of Financing Agreement Loan No. 786-BD; and

(b) improvements of about 150 better performing subprojects financed under ADB Loan Nr. 1381-BAN on the small-scale water resources development sector project and ADB Loan Nr. 1831-BAN on the second small-scale water resources development sector project.

II. Implementation Arrangements

1. *Implementation Arrangements.* The Project shall be implemented pursuant to Schedule 5 to the ADB Loan Agreement (defined in the Preamble, Letter B of Financing Agreement Loan No. 786-BD), as amended from time to time.
2. *Project Monitoring.*
 - (a) Within six (6) months of the date of entry into force of this Agreement, the Project Management Office shall submit a detailed implementation-monitoring plan to the Fund for review and concurrence. The Project Management Office shall also conduct initial baseline physical and socio-economic surveys on each of the subprojects during the Project Implementation Period.
 - (b) Within nine (9) months of the date of entry into force of this Agreement, the Project Management Office shall establish a project monitoring system with gender disaggregated data. The Local Government Engineering Department shall ensure that the Implementation Monitoring and Evaluation Division shall conduct a performance evaluation of the project services and shall submit its evaluation report to the Fund not later than six (6) months after the Project Completion Date.

Schedule 2

Allocation Table

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

Category	Supplementary Loan Amount Allocated (Expressed in SDR)	% of Eligible Expenditures to be financed
I. Civil Works	5 000 000	100% of total expenditure
II. Training	770 000	15% of total expenditure
III. Benefit Monitoring and Evaluation	100 000	14% of total expenditure
IV. Unallocated	655 000	
TOTAL	6 525 000	

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

“Civil works” means any eligible expenditure for water management.

“Training” means any eligible expenditure for among others, training and capacity building including fees for trainers, venue and transportation costs, subsistence allowance for participation.

“Benefit Monitoring and Evaluation” means any eligible expenditure for monitoring and evaluation of the subprojects and impact study of the small-scale water resources (SSWR), related to the Project.

Schedule 3

Special Covenants

For the purposes of this Agreement, the Borrower shall ensure that all disbursements under the Financing shall be made in accordance with ADB's *Loan Disbursement Handbook* (January 2007, as amended from time to time).

Key reference documents

Country reference documents

Poverty Reduction Strategy Paper (2005)

National Water Management Plan (2004)

National Water Policy (1999)

Guidelines for Participatory Water Management (2001)

IFAD reference documents

Bangladesh COSOP (April 2006)

IFAD Strategic Framework 2007-2010

Logical framework

Design Summary	Performance Targets/Indicators	Data Sources/ Reporting Mechanisms	Assumptions and Risks
Impact Enhanced productivity and sustainability in agriculture in subproject areas.	Five years after completion of the project (2022): <ul style="list-style-type: none"> Enhancing agriculture productivity (within public flood control and irrigation schemes) to Taka (Tk) 80,000/hectare (ha) Enhancing irrigated winter paddy (<i>boro</i>) yields of 6.0t/ha 	<ul style="list-style-type: none"> Data of Bangladesh Bureau of Statistics National poverty level data ADB and development partner reports External independent performance evaluation 	<ul style="list-style-type: none"> Macroeconomic and political stability Government continues to support agricultural extension activities Government continues to support sector policies for water resources management
Outcome Sustainable small-scale water resources management system in subproject areas	At the end of the project (2017): <ul style="list-style-type: none"> At subproject sites with a total area of 225,500 ha, increased cereal production to 6.0t/ha of boro. 420 WMCAs (with at least one third female membership) demonstrate their ability to plan, implement, operate and maintain small-scale water resources management systems 	<ul style="list-style-type: none"> Data of Bangladesh Bureau of Statistics Ministry of Finance, Bangladesh Economic Review LGED MIS database Data held by Registrar, DOC on audited, re-elected and trained WMCAs 	<ul style="list-style-type: none"> Participatory small-scale water resources development is investment priority for the Government WMCAs prioritizes small-scale water resources management Partner line departments include WMCAs in their annual/seasonal work plans
Output 1 – Enhanced institutional capacity and capability of government agencies at all levels that support small-scale water resources (SSWR) development	<ul style="list-style-type: none"> Revenue posts created at 10 LGED Circles and IWRMU: 4 Circles in Year 1, 4 Circles and IWRMU by Year 3, and 2 Circles by Year 5 Annual EME completed as scheduled with data to be disaggregated by gender and socio-economic category 420 WMCAs regularly provided with institutional and technical support Gender training of IWRMU staff 	<ul style="list-style-type: none"> MOLGRDC orders for creation and filling of Revenue posts LGED organization chart LGED EME reports LGED MIS database DOC data LGED MIS database DAE annual work plan DOF annual work plan 	<ul style="list-style-type: none"> Government commitment to institutional strengthening actions Created Revenue budget posts are maintained Skilled and trained staff members are retained in their respective functions
Output 2 - Refinement of subproject development process for sustainable WMCAs performing well	<ul style="list-style-type: none"> All WMCAs registered with at least 30 per cent women membership in management committee 270 new and 150 existing WMCAs are audited 270 requests for funding development of SSWR system and 150 requests for performance enhancement of existing SSWR systems approved WMCA maintenance fund sufficient for annual maintenance activities Timely maintenance and O&M fund replenished periodically 	<ul style="list-style-type: none"> DOC (gender disaggregated) data for registered WMCA and re-elected Management Committee UP data on registered societies LGED MIS database LGED data on approved subprojects LGED <i>upazila</i> (subdistrict) office DAE Block level data 	<ul style="list-style-type: none"> Commitment from WMCAs to fully participate and take over O&M responsibility Weak WMCA leadership WMCA fails to prioritize collection of maintenance funds and resorts to LGED emergency funding
Output 3 - Construction and maintenance of small-scale water resources subprojects	<ul style="list-style-type: none"> 270 SSWR subprojects completed and performance enhancement of 150 subprojects A total area of 225,500 ha covered by subprojects 	<ul style="list-style-type: none"> LGED MIS database LGED data on utilization of emergency fund WMCA records/accounts 	<ul style="list-style-type: none"> LCS operates as subcontractor and does not directly benefit target group Availability of rural labor willing to undertake earthworks

