

Document: EB 2011/103/R.24  
Agenda: 9(c)  
Date: 23 August 2011  
Distribution: Public  
Original: English

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Enabling poor rural people  
to overcome poverty

## President's report

### **Proposed IFAD loan and grant, and proposed loan under the Spanish Food Security Cofinancing Facility Trust Fund to the People's Republic of Bangladesh for the**

### **Haor Infrastructure and Livelihood Improvement Project**

#### **Note to Executive Board representatives**

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Executive Board — 103<sup>rd</sup> Session  
Rome, 14-15 September 2011

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For: **Approval**

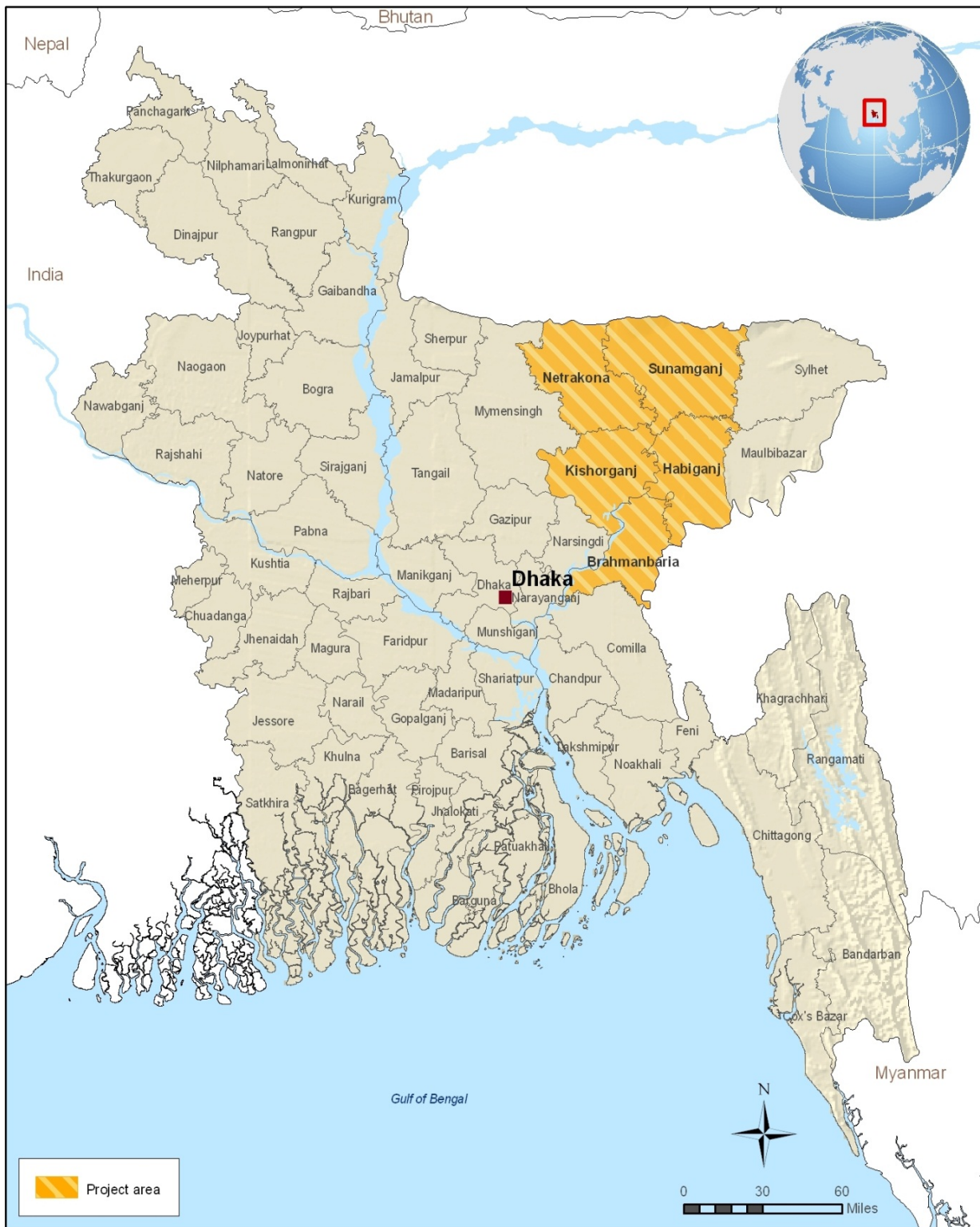
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## Abbreviations and acronyms

DA	designated account
LCS	labour contracting society
LGED	Local Government Engineering Department
MLGRD&C	Ministry of Local Government, Rural Development and Cooperatives
PMU	project management unit
UP	union parishad (local government)

# Map of the Haor Infrastructure and Livelihood Improvement Project area



6-6-2011



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

**IFAD** Map compiled by IFAD

## People's Republic of Bangladesh

### Haor Infrastructure and Livelihood Improvement Project

#### Financing summary

<b>Initiating institution:</b>	IFAD
<b>Borrower:</b>	People's Republic of Bangladesh
<b>Executing agency:</b>	Local Government Engineering Department (Ministry of Local Government Rural Development and Cooperatives)
<b>Total project cost:</b>	US\$118.0 million
<b>Amount of IFAD loan:</b>	SDR 34.45 million (equivalent to approximately US\$55.0 million)
<b>Amount of IFAD grant:</b>	SDR 630,000 (equivalent to approximately US\$1.0 million)
<b>Terms of IFAD loan:</b>	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
<b>Cofinancing:</b>	Spanish Food Security Cofinancing Facility Trust Fund (Spanish Trust Fund)
<b>Amount of Spanish Trust Fund loan:</b>	EUR 21.4 million (equivalent to approximately US\$30.0 million)
<b>Terms of Spanish Trust Fund loan:</b>	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
<b>Contribution of borrower:</b>	US\$32.0 million
<b>Contribution of beneficiaries:</b>	In kind
<b>Appraising institution:</b>	IFAD
<b>Cooperating institution:</b>	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 for the Haor Infrastructure and Livelihood Improvement Project, as contained in paragraph 36.

## Proposed loans and grant to the People's Republic of Bangladesh for the Haor Infrastructure and Livelihood Improvement Project

### I. The project

#### A. Main development opportunity addressed by the project

1. The Haor basin in north-eastern Bangladesh is a tectonic depression and hence it suffers from extensive annual flooding. This feature makes livelihoods extremely vulnerable and limits the potential for agricultural production and rural enterprise growth. It comes as no surprise that the Haor basin is one of the poorest regions in Bangladesh. The poor communication network limits incentives for increasing production, discourages rural growth and limits access to markets, employment and health and education services. During the rainy season, cropland becomes completely inundated for six months, while strong waves can wash away land and threaten villages. Protection of villages against flooding, proper management of fishery resources and the securing of crop and livestock livelihoods are critical needs of the poor rural households in the Haor basin.

#### B. Proposed financing

##### Terms and conditions

2. It is proposed that IFAD provide a loan to the People's Republic of Bangladesh in the amount of SDR 34.45 million (equivalent to approximately US\$55.0 million) on highly concessional terms, and a grant in the amount of SDR 630,000 (equivalent to approximately US\$1.0 million) to help finance the Haor Infrastructure and Livelihood Improvement Project (HILIP) In addition, a loan from the Spanish Food Security Cofinancing Facility Trust Fund (the Spanish Trust Fund) of EUR 21.4 million (equivalent to approximately US\$30.0 million) will be provided on IFAD's highly concessional terms.

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

3. The total allocation defined for Bangladesh is US\$105.0 million over the 2010-2012 PBAS cycle. The project will use the total remaining funds of the current 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 and grant and the Spanish Trust Fund loan will be channelled to designated accounts in United States dollars and in euros respectively, maintained by the Ministry of Finance. Funds will flow from the designated accounts to the operating accounts managed by the project management unit (PMU).

##### Supervision arrangements

6. The project will be directly supervised by IFAD.

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

7. There are no exceptions.

### **Governance**

8. The following measures are intended to enhance the governance aspects: (i) transparency, through information in the public domain and open decision-making processes; (ii) accountability in the use of resources; and (iii) participation, with people having a voice in the decisions that may affect them.

## **C. Target group and participation**

### **Target group**

9. The target group of the project consists of: (i) poor households in the Haor basin; (ii) smallholder farming households with less than 2.5 acres (1.01 hectares) of land; (iii) small-scale fishing households; (iv) women from poor households; and (v) small traders and market intermediaries. The target group is consistent with the country strategic opportunities programme (COSOP) and the IFAD Policy on Targeting.

### **Targeting approach**

10. The project's approach includes: (i) geographical targeting, (ii) household targeting; and (iii) individual targeting. Specific selection criteria have been developed for each component to ensure that project resources reach the most vulnerable and have the greatest impact on poverty and vulnerability.

### **Participation**

11. The project focuses on participatory planning workshops, participation of union parishads (UPs) (local government entities) in scheme selection and their commitment to providing maintenance funds, and the combined use of professional contractors and labour contracting societies (LCSs) for the construction of village roads. The community resource management approach is also fully participatory.

## **D. Development objectives**

### **Key project objectives**

12. The goal of the HILIP is to contribute to the reduction of poverty in the Haor Basin. The development objective is to improve living standards and reduce the vulnerability of the poor.

### **Policy and institutional objectives**

13. The project will support the following key government policies focusing on development in the Haor Basin: (i) the Haor Development Plan currently under preparation by the Bangladesh Haor and Wetland Development Board; (ii) a new policy of the Ministry of Land for the leasing of public bodies of water; and (iii) the Bangladesh Climate Change Strategy and Action Plan 2009.

### **IFAD policy and strategy alignment**

14. HILIP is aligned with the COSOP and the IFAD Strategic Framework 2011-2015, and with the following policies: (i) gender-sensitive design by expanding women's access to assets; (ii) targeting by identifying and monitoring the target group by component; (iii) the climate change strategy through promotion of climate resilient livelihoods, and (iv) scaling up of lease and management arrangements for *beels* (water bodies) by poor fisher families.

## **E. Harmonization and alignment**

### **Alignment with national priorities**

15. The project is consistent with the Government's Outline Perspective Plan 2010-2021 and refers to the forthcoming Sixth Five-Year Plan. The design reflects government priorities in promoting agricultural and livestock production for food security, generation of income and employment of men and women. It also conforms to

government policies on the lease of common-property water bodies for community fisheries.

#### **Harmonization with development partners**

16. HILIP will complement other donor-funded activities, such as the infrastructure development supported by the World Bank, Asian Development Bank and Japan International Cooperation Agency (JICA). It will build on the capacity support and provision of block grants by the World Bank to local governments and direct these towards the maintenance of infrastructure. The project will take on successful innovations from projects financed by the Swiss Agency for Development and Cooperation, Department for International Development and European Union.

### **F. Components and expenditure categories**

#### **Main components**

17. The project has five components: (i) communications infrastructure; (ii) community infrastructure; (iii) community resource management; (iv) livelihood protection; and (v) project management.

#### **Expenditure categories**

18. There are seven expenditure categories: (i) civil works (73.5 per cent); (ii) vehicles and equipment (1.1 per cent); (iii) technical assistance, studies, training and workshops (6.7 per cent); (iv) land acquisition (0.5 per cent); (v) salaries and allowances (13.1 per cent); (vi) infrastructure operations and maintenance (1.9 per cent); and (vii) operating expenses (3.2 per cent).

### **G. Management, implementation responsibilities and partnerships**

#### **Key implementing partners**

19. The executing agency is the Local Government Engineering Department (LGED) of the Ministry of Local Government, Rural Development and Cooperatives (MLGRD&C). Other partners include the Ministries of Agriculture (Department of Agricultural Extension), of Fisheries and Livestock, and of Land.

#### **Implementation responsibilities**

20. Overall responsibility for the project will be assumed by LGED and will be under the overall guidance of an inter-ministerial project steering committee headed by the Secretary of the Local Government Division, MLGRD&C. A progress review committee will be established in each district and *upazila* (subdistrict) to oversee and support the implementation process. Dedicated PMUs will be set up within existing structures of LGED in Dhaka, in five districts and 14 subdistricts. They will be responsible for the implementation and monitoring of all project activities. The project will involve union parishads (UPs) in mobilizing communities and organizing planning workshops.

#### **Role of technical assistance**

21. The World Fish Centre will continue to monitor common resources management under the current agreement with the project in Sunamganj.

#### **Status of key implementation agreements**

22. The IFAD financing agreement will govern project implementation. A draft project implementation manual has been prepared.

#### **Key financing partners and amounts committed**

23. The total project cost is US\$118.0 million over eight years. The sources of financing are IFAD (47.4 per cent), the Spanish Trust Fund (25.2 per cent) and the Government (27.4 per cent).

## H. Benefits and economic and financial justification

### Main categories of benefits generated

24. HILIP will offer opportunities to poor rural people in five districts, comprising about 688,000 households, to benefit from improved infrastructure and economic opportunities. Specifically, it will combine road infrastructure, access to natural resources, capacity-building, improved technology and markets. Improved infrastructure will reduce transportation time and costs, while increasing the volume of marketed goods. The project will promote increased fish yields and biodiversity in water bodies; it will enhance the productivity of smallholder farms and reduce their vulnerability to adverse weather conditions. Destitute women will find employment in infrastructure LCSs, and will subsequently receive support in economic activities. Improved infrastructure will ease access to health centres and schools.

### Economic and financial viability

25. The base case economic internal rate of return (EIRR) is estimated at 23 per cent. The EIRR is sufficiently robust. It would decline to 15.9 per cent if benefits decreased to 20 per cent, and to 12.5 per cent, if benefits were delayed by two years.

## I. Knowledge management, innovation and scaling up

### Knowledge management arrangements

26. Knowledge management activities will use project results to draw lessons and disseminate experiences. A dedicated monitoring and knowledge management officer will be recruited in all five project districts. Knowledge tools include newsletters, exchange visits and posting key information on agencies' websites. Participation in knowledge forums, such as the Bangladesh-based Market Development Forum, will foster wide dissemination. The participation of World Fish Centre (WFC) will link the project with the academic world.

### Development innovations that the project will promote

27. The project will fine-tune technical innovations in infrastructure such as the block road concept and adapted concepts for village flood protection works. It will facilitate adoption of innovative technology in fisheries, such as cage culture, and processing technologies. Other innovations to be tested include multilayered cultivation and floating gardens.

### Scaling-up approach

28. HILIP will build on successful elements of the IFAD-financed Sunamganj Community-Based Resource Management Project, which has been operating in one of the Haor districts. It will promote key activities of other projects, such as: (i) the LCS approach for village roads construction; (ii) strengthening community management of water bodies; and (iii) expanding markets and women's market areas.

## J. Main risks

### Main risks and mitigation measures

29. The project faces two main risks: (i) a major natural disaster such as a cyclone; and (ii) a sharp increase in the price of rice. Bangladesh is known to be very vulnerable to climate change and the project area is in fact subject to widespread annual flooding. The project will respond by offering adaptation mechanisms through climate resilient infrastructure and protection of livelihood opportunities. Food prices are mainly influenced by the global economy. The Government aims to buffer price variations by employing fiscal measures, including price subsidies. The project will respond by supporting productivity and resilience in rice production, while offering farmers opportunities to diversify their livelihood.



### **Environmental classification**

30. Pursuant to IFAD's environmental and social assessment procedures, the project has been classified as a Category B operation. Its likely impacts on the environment are minor and not very sensitive. Few, if any, of these impacts are irreversible, and remedial measures have been designed.

### **K. Sustainability**

31. Under the project's exit strategy: (i) LGED will take responsibility for maintenance of union and *upazila* roads, with UPs being responsible for maintenance of village roads; (ii) community members and individual households will maintain village protection works; (iii) market management committees will maintain rural markets; (iv) *beel* users' groups that graduate to registered cooperatives will continue to manage water bodies on long-term leases; and (v) the private sector will have the role of strengthening the sale of agriculture output.
32. UPs will fund the maintenance of infrastructure from their tax revenues or block grants. Market maintenance will be supported by market leasing fees. *Beel* users' groups will be financially self-sufficient, as will be the local service providers established by subsector projects. The project will not provide any subsidized inputs.

## **II. Legal instruments and authority**

33. A 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 an annex.
34. The People's Republic of Bangladesh is empowered under its laws to receive financing from IFAD.
35. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the Lending Policies and Criteria.

## **III. Recommendation**

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

RESOLVED: that the Fund shall make a loan on highly concessional terms to the People's Republic of Bangladesh in an amount equivalent to thirty-four million four hundred and fifty thousand special drawing rights (SDR 34,450,000), 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 six hundred and thirty thousand special drawing rights (SDR 630,000), and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

RESOLVED FURTHER: that the Spanish Food Security Cofinancing Facility Trust Fund, acting through IFAD in its capacity as Trustee, shall provide a loan on highly concessional terms to the People's Republic of Bangladesh in an amount equivalent to twenty-one million four hundred thousand euros (EUR 21,400,000), 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:**

### **"HAOR Infrastructure and Livelihood Improvement Project (HILIP)"**

(Negotiations concluded on 27 July 2011)

IFAD Loan Number: [click and insert number]

IFAD Grant Number: [click and insert number]

Trust Loan Number: [click and insert number]

Project Title: HAOR Infrastructure and Livelihood Improvement Project (HILIP)  
(the "Project")

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

and

The Spanish Food Security Co-financing Facility Trust Fund (the "Trust")

and

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

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

WHEREAS the Fund has agreed to extend a loan and a grant to the Borrower/Recipient for the purpose of financing the Project, on the terms and conditions set forth in this Agreement;

WHEREAS the Executive Board of the Fund, at its 100<sup>th</sup> Session, approved the establishment of the Trust and further approved that the Trust, acting through IFAD in its capacity as the Trustee of the Trust, enters into a borrowing agreement with the Kingdom of Spain (Spain);

WHEREAS Spain and the Fund, in its capacity as the Trustee of the Trust, have signed the Borrowing Agreement on 28 December 2010; and

WHEREAS on the basis of the above and other considerations, the Trust has agreed to extend a Trust Loan to the Borrower/Recipient for the purpose of increasing the financing in respect of the above referred Project, on the terms and conditions set forth in this Agreement;

NOW THEREFORE, the Parties hereto hereby agree as follows:

#### **Section A**

1. The following documents collectively form this Agreement: this document, the Project Description and Implementation Arrangements (Schedule 1) and the Allocation Table (Schedule 2).

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. 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 and the Trust shall provide a Trust Loan 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 IFAD Loan is thirty four million four hundred and fifty thousand Special Drawing Rights (SDR 34 450 000).

(b) The amount of the IFAD Grant is six hundred and thirty thousand Special Drawing Rights (SDR 630 000).

(c) The amount of the Trust Loan is twenty one million four hundred thousand Euro (EUR 21 400 000).

2. The IFAD Loan is granted on highly concessional terms.

3. The Trust Loan is granted on highly concessional terms.

4. (a) The Loan Service Payment Currency for the IFAD Loan shall be United States dollar (USD).

(b) The Loan Service Payment Currency for the Trust Loan shall be Euro.

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

6. The Borrower/Recipient shall repay the outstanding principal amount of the IFAD Loan in sixty (60) equal semi-annual instalments of SDR 574 167, payable on each 1 March and 1 September, beginning on 1 March 2022 and ending on 1 September 2051, in the Loan Service Payment Currency of the IFAD Loan. The service charge shall also be payable on each 1 March and 1 September.

7. The Borrower/Recipient shall repay the outstanding principal amount of the Trust Loan in sixty (60) equal semi-annual instalments of EUR 356 667, payable on each 1 March and 1 September, beginning on 1 March 2022 and ending on 1 September 2051, in the Loan Service Payment Currency of the Trust Loan. The service charge shall also be payable on each 1 March and 1 September.

8. There shall be three (3) designated accounts (collectively referred to as the "Designated Accounts"), opened in accordance with Section 4.04(d) of the General Conditions by the Borrower/Recipient in a bank acceptable to the Fund, for receiving and holding the IFAD Loan proceeds in USD, the IFAD Grant in USD and the Trust Loan proceeds in Euro, respectively. The Designated Accounts shall be operated by the Project Director and shall be protected against set-off, seizure or attachment on terms and conditions proposed by the Borrower/Recipient and accepted by the Fund.

9. There shall be one (1) project account (the "Project Account") opened by the Lead Project Agency in a bank acceptable to the Fund to receive and hold financing transferred from the Designated Accounts. There shall be ten (10) district project accounts (collectively referred to as the "District Project Accounts"), two (2) in each of the five (5) Haor Districts in the Project Area defined in paragraph 1 of Schedule 1 hereto. The District Project Accounts shall be opened by the Lead Project Agency at the district level in a bank acceptable to the Fund to receive and hold financing transferred from the Project Account.

10. The Borrower/Recipient shall provide counterpart financing for the Project in the amount of thirty two million United States dollars (USD 32 000 000).

### **Section C**

1. The Lead Project Agency shall be the Local Government Engineering Department (the "LGED") of the Borrower/Recipient's Ministry of Local Government, Rural Development and Cooperatives.

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

### **Section D**

The IFAD Loan, the IFAD Grant and the Trust Loan will be administered by the Fund. The Project will be supervised by the Fund.

### **Section E**

1. 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 referred to in paragraph 7 of Schedule 1 hereto has been removed from the Project without the prior concurrence of the Fund.
- (b) The Project Implementation Manual (the "PIM") defined in paragraph 14 of Schedule 1 hereto is not approved by the Fund within twelve (12) months of the entry into force of this Agreement.

2. The following are designated as additional general conditions precedent to withdrawal:

- (a) The Designated Accounts referred to in paragraph 8 Section B hereof shall have been duly opened.
- (b) The Project Account and the District Project Accounts referred to in paragraph 9 Section B hereof shall have been duly opened by the Lead Project Agency.
- (c) The Project Director shall have been duly recruited by the Lead Project Agency.

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

For the Fund:

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

For the Borrower/Recipient:

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

For the Spanish Food Security  
Co-Financing Facility Trust Fund

President of the International Fund  
for Agricultural Development in its capacity as Trustee  
of the Spanish Food Security Co-Financing Facility  
Trust Fund  
Via Paolo di Dono, 44  
00142 Rome, Italy

This Agreement, dated [click and type], has been prepared in the English language in six (6) original copies, three (3) for the Fund and three (3) for the Borrower/Recipient.

\_\_\_\_\_  
For the Fund  
[insert name and title]

\_\_\_\_\_  
For the Borrower/Recipient  
[insert name and title]

\_\_\_\_\_  
For the Spanish Food Security  
Co-Financing Facility Trust Fund

President of the International Fund  
for Agricultural Development in its capacity as Trustee  
of the Spanish Food Security Co-Financing Facility  
Trust Fund

## Schedule 1

### *Project Description and Implementation Arrangements*

#### I. Project Description

1. *Target Population.* The Project shall be implemented in five (5) Haor Districts of Netrakona, Habiganj, Brahmanbaria, Kishorganj and Sunamganj (the "Project Area"). The Project shall benefit mainly: (i) the poor households living in the Haor basin; (ii) smallholder farming households with less than 2.5 acres of land; (iii) small fishing households deriving a major share of their income from fishing; (iv) women from poor households; and (v) small traders and market intermediaries in local markets.
2. *Goal.* The goal of the Project is to contribute to the reduction of poverty in the Haor Basin.
3. *Objectives.* The objective of the Project is to improve the living standards and reduce the vulnerability of the poor by promoting: (i) enhanced access to markets, livelihood opportunities and social services; (ii) enhanced village mobility, reduction in production losses and protection against extreme weather events; (iii) enhanced access to fishery resources and conservation of biodiversity; (iv) enhanced production, diversification and marketing of crop and livestock products; and (v) efficient, cost effective and equitable use of Project resources by stakeholders.
4. *Components.* The Project shall consist of the following Components:

##### **(a) Component 1: Communication Infrastructures**

Through this Component, the Project shall develop rural communication infrastructures to contribute to poverty reduction by reducing journey time, lowering transport costs and easing access to a wide range of opportunities. This Component shall therefore build Upazila and union roads, including submersible roads, as well as boat landing stages, bridges and culvert. The construction of the roads shall be conducted by the Local Government Engineering Department (the "LGED"). The Borrower/Recipient shall bear the responsibility of maintenance to ensure the durability of the communication infrastructures built by the Project.

##### **(b) Component 2: Community Infrastructures**

Under this Component, the Project shall develop community infrastructures to enhance mobility, protect villages and markets from wave erosion and encourage rural growth. This Component shall include, *inter alia*, the following activities: (i) the construction, in collaboration with the communities, of flood resistant village roads; (ii) the construction of protective barriers to prevent wave erosion in villages and village markets; (iii) the construction of open sheds, platform and women's markets; (iv) the development of informal market collection centers where the producers may sell their crops and other products to wholesalers; and (v) funding of pilot schemes for innovation in rural infrastructure as well as for engineering and economic studies on infrastructure design, construction, maintenance and impact. The Borrower/Recipient shall bear the responsibility of maintenance to ensure the durability of the community infrastructures built by the Project.

### **(c) Component 3: Community Resource Management**

The objective of this Component is to improve the livelihood of poor rural households engaged in fishing by improving their access to fish resources and increasing the fish production and the fish species in water bodies or Jalmohals in the Project Area. This objective shall be attained by scaling up the positive experience under the Sunamganj Community-Based Resource Management Project (SCBRMP) as provided in the Project Loan Agreement (Loan No. 567-BD) dated 14 November 2001 between the Parties. Furthermore, the Project shall strengthen the institutional arrangements of the Beel User Groups (the "BUGs") formed under the SCBRMP and employ local people as community development facilitators to monitor and support the BUGs. The Project shall also seek to bring additional water bodies under community management on the terms and conditions similar in substance to those adopted in the SCBRMP. The Borrower/Recipient shall also make appropriate arrangements for the continuation of the leases for the water bodies covered by the SCBRMP. To improve the productivity and biodiversity of the water bodies managed by the BUGs, this Component shall include, *inter alia*, the following activities: (i) the excavation work in the beels managed by the BUGs; (ii) the plantation of swamp forest trees on land around beels; (iii) the establishment of fish sanctuaries; (iv) the demarcation of beels with concrete pillars; (v) the support for local Department of Fisheries offices to publicise and enforce fishery regulations; and (vi) the re-excavation of canals. The Project shall finance technical assistance to fulfil the task of monitoring of biodiversity and fish production.

### **(d) Component 4: Livelihood Protection**

The objective of this Component is to enhance production, diversification and marketing of crop and livestock products, by developing the capacity of smallholder producers to participate in selected market-based value chains as well as by establishing and supporting market-based institutions. The activities of this Component shall primarily revolve around three sectors, namely field crops and high value horticulture, livestock and poultry, and fisheries. For the field crops and high value agriculture sector, the Project will support the following activities: (i) training and demonstrations; (ii) the development of seeds production initiatives; and (iii) the organisation of market-based farmer's associations. For the livestock and poultry sector, the Project will support the following activities: (i) the provision of training, equipment and initial funding for health services; and (ii) the introduction of improved animal breeds. For the fisheries sector, the Project shall conduct pilot tests for new fishery technologies and shall also improve the processing and packaging techniques. In addition to the work in these specific sectors, this Component shall support different market institutions through assistance and training.

### **(e) Component 5: Project Management**

This Component shall afford the incremental costs of Project Management incurred by LGED as well as for the following elements related to Project management: (i) equipment, vehicles and furniture; (ii) staff salaries and the cost for short term specialists and technical expertise; (iii) annual Project planning and other related workshops; and (iv) monitoring and evaluation (M&E), related studies and knowledge management.

## II. Implementation Arrangements

5. *Lead Project Agency.* The LGED, in its capacity of Lead Project Agency, shall have the overall responsibility of the Project implementation.
6. *Inter-ministerial Project Steering Committee.* The Project will be under the overall guidance of the Inter-ministerial Project Steering Committee (the "IMSC") headed by the Secretary of the Local Government Division of the Ministry of Local Government Rural Development and Cooperatives. Its membership shall include, *inter alia*, representatives from the Economic Relations Division in representation of the Ministry of Finance; the Planning Commission; the Implementation, Monitoring and Evaluation Division in representation of the Ministry of Planning; the Ministry of Agriculture; the Ministry of Environment and Forest; the Ministry of Fisheries and Livestock; and the Ministry of Land. The IMSC shall meet at least once annually, and on an *ad hoc* basis as and when necessary. The Project Director as defined below in paragraph 7 shall be the *ex-officio* member-secretary of the IMSC.
7. *Project Management Unit.* The overall responsibility for the management of the Project shall be assumed by a Project Management Unit (the "PMU") set up in the LGED headquarters. The PMU shall include a Monitoring and Evaluation (M&E) Unit. The PMU shall operate under the Project Director. PMU professional staff will 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 recruitment and removal of the Project Director or other PMU professional staff will be subject to the concurrence between the Fund and the Borrower/Recipient.
8. *District Management Unit.* A District Management Unit (the "DMU") shall be established in each of the five (5) selected Districts in the Project Area and shall be responsible for the implementation of the Community Infrastructures, Community Resource Management and Livelihood Protection Components. Each DMU shall be led by a District Project Coordinator (the "DPC") reporting directly to the Project Director. The DPC shall be responsible for the implementation, financial management, coordination, process and impact monitoring, preparation of all the Project reports and oversight of the work related to the Components implemented by the DMU. The DPC shall also support supervision missions, impact monitoring agencies and the internal and external auditors.
9. *LGED District Executive Engineers.* The Communication Infrastructures Component shall be implemented at the district level by the LGED District Executive Engineers (the "XENS"). Monthly meetings shall be arranged by the XENS at the District level to review the progress of Project activities. The DPC and the staff from the DMU shall attend this meeting.
10. *Upazila Management Units.* An Upazila Management Unit (the "UMU") shall be established in each of the Upazilas selected in the Project Area. Their staff will have the responsibility for implementing and monitoring all Project activities in the Community Infrastructures, Community Resource Management and Livelihood Protection Components. The Upazila Engineers will be responsible for the implementation of the Communication Infrastructures Component at the Upazila level and should hold monthly progress review meetings which shall be attended by all UMU staff.
11. *Progress Review Committees.* A Progress Review Committee (the "PRC") shall be established in each of the five (5) selected Districts in the Project Area with the Deputy Commissioner (Head of District Administration) appointed as the Chairperson. The PRC shall support the implementation of the Project, oversee implementation progress and provide guidance and assistance where required. Representatives of the Departments of agricultural extension, fisheries, and livestock services will be members of these



committees. The XEN shall act as the PRC secretary and arrange for semi-annual review meetings. Similarly an Upazila Progress Review Committee will be established in each selected Upazila and headed by the concerned Upazila Chairman, with the concerned line ministries at the Upazila level and the Upazila Nirbahi Officer (UNO) as its members. The Upazila Engineer will be appointed as its secretary and organize quarterly review meetings to assess Project progress.

12. *Annual Work Plan and Budget.* The Annual Workplan and Budget (AWPB) including the procurement plan of the Project shall be approved by the IMSC prior to the submission for the Fund's approval.

13. *Monitoring and Evaluation.* The M&E Unit shall include a M&E and Knowledge Management (MEK) Officer at the PMU level and five Field District Monitoring Officers at the District level. The M&E Unit shall produce a series of monthly, quarterly and annual reports. The MEK Officer shall be responsible for the inclusion of all M&E activities in the AWPB.

14. *Project Implementation Manual.* The PMU shall prepare the Project Implementation Manual (the "PIM"), and will forward it to the Fund for comments and approval.

## Schedule 2

### Allocation Table

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

Category	IFAD Loan Amount Allocated (expressed in SDR)	IFAD Grant Amount Allocated (expressed in SDR)	Trust Loan Amount Allocated (expressed in Euro)	Percentage to be Financed
I-A. Civil Works (Communication Infrastructure)	6 580 000		8 430 000	25% of total expenditure by the IFAD Loan and 25% of total expenditure by the Trust Loan
I-B. Civil Works (Community Infrastructure)	10 130 000		12 970 000	45% of total expenditure by the IFAD Loan and 45% of total expenditure by the Trust Loan
II. Vehicles and Equipment	560 000			100% net of taxes
III. Technical Assistance, Studies, Training and Workshops	3 940 000	630 000		100% net of taxes
IV. Salaries & Allowances	8 270 000			100% net of taxes
V. Operating Expenses	1 520 000			70% of total expenditure
Unallocated	3 450 000			
<b>TOTAL</b>	<b>34 450 000</b>	<b>630 000</b>	<b>21 400 000</b>	

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

“Civil Works (Communication Infrastructure)” means Eligible Expenditures for rural communication infrastructures, including *inter alia* Upazila and union roads, as well as boat landing stages, bridges and culvert.

“Civil Works (Community Infrastructure)” means Eligible Expenditures for community infrastructure, including *inter alia* village roads, protective barriers, village markets, women’s markets, market collection centres, bee development, canal excavations and pilot schemes for innovation in rural infrastructure.

“Vehicles and Equipment” means Eligible Expenditures for vehicles, office equipment, furniture and technical equipment for PMU, DMUs and UMUs.

“Technical Assistance, Studies, Training and Workshops” means Eligible Expenditures for training, studies, monitoring and evaluation, baseline and impact studies, workshops and study tours.

“Technical Assistance, Studies, Training and Workshops” under the IFAD Grant financing means Eligible Expenditures to finance activities for knowledge management, innovation, research and awards.

“Operating Expenses” means Eligible Expenditures for office and vehicle operating costs for PMU, DMUs and UMUs.

“Unallocated” means the amount of the IFAD Loan not allocated to any category of Eligible Expenditures, available for reallocation.

2. *Start-up Costs.* Withdrawals in respect of expenditures for start-up costs under Categories II (excluding vehicles), III, IV and V incurred before the satisfaction of the general conditions precedent to withdrawal but after the entry into force of this Agreement, shall not exceed an aggregate amount of SDR 1 million.

## **Key reference documents**

### **IFAD reference documents**

Project design document (PDD) and key files  
COSOP

## Logical framework (excerpt)

Narrative Summary	Objectively Verifiable Indicators	Monitoring Mechanism & Information Sources	Assumptions/Risks
<b>A. PROJECT GOAL</b> The <b>Project Goal</b> will be to contribute to the reduction of poverty in the Haor Basin. (expected rate of decline in poverty will be at 15%)	<ul style="list-style-type: none"> <li>➤ No of households reporting improvements in household asset ownership index. (RIMS)</li> <li>➤ Percentage reduction in the prevalence of child malnutrition. (RIMS)</li> </ul>	Multiple Indicator Cluster Survey (MICS) of the Bangladesh Bureau of Statistics.	No major natural disasters. Increase in price of rice is a major risk.
<b>B. PROJECT OBJECTIVE</b> The <b>Development Objective</b> of the project is to improve living standards and reduce the vulnerability of the poor. The project is expected to directly benefit 115,000 rural poor households.	<ul style="list-style-type: none"> <li>➤ Increase in incomes of 30% from a range of farm, fishery and non-farm sources disaggregated by gender.</li> </ul>	RIMS surveys at baseline, mid-term and completion. Participatory assessments with target households.	Poor economic performance and slow growth. Inflation
<b>COMPONENT 2: Community Infrastructure</b> <b>Outcome 2:</b> Enhanced village mobility, increase in farm production and protection against extreme weather events. <b>OUTPUTS:</b> 350 kms of community roads; development of 78 markets, Protection works for 78 villages and protection works for 52 village markets and 90 informal market collection points; 1.4 million women and men employed for construction of schemes.	<ul style="list-style-type: none"> <li>➤ Traffic volume increased by 200%.</li> <li>➤ Increase in the volume of goods marketed by 100%.</li> </ul> Km road completed No. villages protected No. of markets improved No. of collection centres established No of women and men employed for construction.	Road user surveys. Market surveys. Participatory surveys  Progress Reports	Slow pace of economic growth.  Damage to roads and flood protection works by floods and wave action. Public procurement policy continues to allow direct procurement of LCS.
<b>COMPONENT 3: Community Resource Management</b> <b>Outcome 3:</b> Enhanced access of the poor men and women to sustainable water bodies with increased production capacity and biodiversity.  <b>Outputs:</b> 500 Beel User Groups established of which 200 are new with a combined membership of 20,000. 200 sanctuaries established 1000 ha under swamp forestry around the beels 100 km of canals excavated. 2.25 million women and men employed for construction of schemes.	20,000 fishers with increase in incomes > 50% , by gender (RIMS 2 <sup>nd</sup> Level) 200 fishing ponds operational after three years (RIMS 2 <sup>nd</sup> Level).  No of Beel User Groups formed or strengthened by gender (RIMS 1 <sup>st</sup> level). BUGs with women in leadership positions (RIMS 1st level) Water bodies rehabilitated (RIMS 1 <sup>st</sup> level) No of sanctuaries established. Area under swamp forestry. Km of canal excavated and improved.	World Fish Centre & PMU fishery monitoring surveys.  Technical design documentation Contractor Reports. Minutes of Scheme Takeover Project Progress Reports.	Water lords interfere on lease rights of poor fishers. Transfer of leases to BUGs is not obstructed.  BUG members not controlled by water lords.
<b>COMPONENT 4: Livelihood Protection</b> <b>Outcome 4:</b> Enhanced production, diversification and marketing of crop and livestock produce.  <b>Outputs:</b> Strengthened Market Management Committees. 43,186 farmers trained in use of new crop technologies. 40,800 smallholders trained in livestock technologies. 9,100 households trained in fish processing techniques. 1000 employment & enterprise opportunities created.	Number of farmers reporting production increase by 30%. Number of farmers adopting recommended technologies by 70%.  People trained in crop production practices and technologies. (RIMS 1 <sup>st</sup> level) People trained in livestock production practices and technologies (RIMS 1 <sup>st</sup> level) People trained in fish production practices and technologies (RIMS 1 <sup>st</sup> level)	MMC surveys. Third Party Surveys. Department of Agriculture Data. Department of Livestock Data.  Project Progress Reports	Seed for improved varieties is available.