



Investing in rural people

## **PEOPLE'S REPUBLIC OF BANGLADESH**

### **Coastal Climate Resilient Infrastructure Project (CCRIP)**

#### **Supervision report**

Main report and appendices

Mission Dates: 20-31 July 2016  
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Asia and the Pacific Division  
Programme Management Department



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### Abbreviations and acronyms

ADB	Asian Development Bank
ADP	Annual Development Plan
AIS	Agricultural Information Service
AWPB	Annual Work Plan and Budget
BC	Bitumen Carpeted
BUET	Bangladesh University of Engineering and Technology
CBR	California bearing ratio
CC	Cement Concrete
DCP	Dynamic Cone Penetration
DPP	Development Project Proforma
DSC	Design and Supervision Consultancy
ERD	Economic Relations Division
FDD	Field Dry Density
FM	Finance Management
FMO	Field Monitoring Officer
GAP	Gender Action Plan
Ghat	A Bangla word of boat landing boat platform
GoB	Government of the People's Republic of Bangladesh
IFAD	International Fund for Agricultural Development
IGA	Income Generating Activities
ISG	Improved Sub-Grade
KfW	KfW Development Bank
Khas land	Government owned land
LCS	Labour Contracting Society
LGD	Local Government Division (of MoLGRD&C)
LGED	Local Government Engineering Department
M&E	Monitoring and Evaluation
MMC	Market Management Committee
MoLGRD&C	Ministry of Local Government, Rural Development and Cooperatives
MSC	Management Support Consultancy
PACE	Promoting Agricultural Commercialisation and Entreprises
PAM	Project Administration Manual
PD	Project Director
PDR	Project Design Report
PKSF	Palli Karma-Sahayak Foundation, Government established apex funding agency for MFIs/NGOs
PMO	Project Management Office
RCC	Reinforced cement concrete (e.g. road)
RIMS	Results and Impact Management System
RPO	Regional Project Office
RRI	Rural Radio Initiative
UE	Upazila Engineer
UFMS	Uniform Financial Management System
UISE	Upazila Infrastructure and Supervision Engineer
UNO	Upazila Nirbahi (Executive) Officer
UP	Union Parishad
Upazila / UZ	Sub-district
WA	Withdrawal Application
XEN	Executive Engineer (of LGED)

## **A. Introduction<sup>1</sup>**

1. A joint IFAD and GoB mission undertook the annual supervision of IFAD-funded activities of the Coastal Climate Resilient Infrastructure Project (CCRIP) from 20 July to 31 July 2016. The focus of the mission has been on reviewing the adherence to project strategies and institutional performance; assessing the overall progress of the project in all components against the annual and overall target including the quality of work; following up to the agreed actions of the 2015 Supervision Mission; and assisting the project for refining implementation strategy as well as mode of implementation. The mission met with Mr. Shah Md Aminul Haq, Additional Secretary, (Wing Chief, Coordination and Nordic), Economic Relations Division (ERD) on 20<sup>th</sup> July 2016. After initial meetings with the Project Management Unit (PMU) of the Local Government Engineering Department (LGED) where the PMU presented progress, the mission members accompanied by the PMU officials visited, during July 21-26, project activities in 14 Upazilas of Khulna, Bagerhat, Sathkhira, Barisal, Shariatpur and Madaripur districts and verified accounts and financial management of the project in five districts. The mission's programme is in Appendix 8.
2. The project runs from July 2013 to June 2019, has a total cost of USD 150 million, which is funded by IFAD, ADB, KfW and GoB. IFAD has provided USD 39.5 million highly concessional loan and a USD 1 million IFAD grant as approved by IFAD Executive Board in April 2013. The goal of CCRIP is to improve the livelihoods (higher incomes and food security) of the poor households (women and men) in selected 33 Upazilas of 12 south western coastal districts. The three components of CCRIP are: (i) Improved Road Connectivity; (ii) Improved Market Services; and (iii) Enhanced Climate Change Adaptation Capacity.
3. This Aide-Memoire represents the findings and recommendations of the mission discussed at a wrap-up meeting held on 31 July 2016 chaired by Ms Nasrin Akhter, Additional Secretary, Local Government Division of the Ministry of Local Government, Rural Development and Cooperatives. Earlier a pre-wrap up meeting was held with the PMU on 30 July, and the PMU and the Mission are in agreement with the findings and recommendations.
4. The mission would like to thank Mr. A K M Luthfur Rahman, Project Director, PMU staff members, Executive Engineers and their staff members in all project districts, BUET and RRI/AIS, project beneficiaries and local stakeholders for their assistance and participation in the mission. Mr Farazi Shahabuddin Ahmed, Additional Chief Engineer, Barisal Division of LGED, deserves special thanks for joining the mission during site visits in Barisal. Special thanks are due to Mr Shyama Prosad Adhikari, Chief Engineer, LGED, for his cooperation and assistance.

## **B. Overall Assessment of Project Implementation**

5. The overall implementation progress of the project is rated satisfactory (5) as the project has made considerable progress (both cumulative and annual achievements) in all components since inception, and between previous and present supervision missions. The progress is expected to continue during the current financial year as significant numbers of contracts for road and market construction have already been awarded. Under Component 1: Improved Road Connectivity, the project has completed 38.96 km of Union road and 77 km Village road. Further, 205 km union and village roads are at different stage of construction. It has so far contracted out 319.8 Km of roads, which is 64% of DPP targets. Overall cumulative physical and financial progress is 52% and 41% respectively. The road construction is a bit slow compared to markets as the project wanted to finalize selection and construction of market followed by construction of connecting roads. The project is expected to catch up as the focus will be on road construction. Under Component 2: Improved Market Services, the project has already completed 112 markets and 56 markets are under construction, which is 85% of DPP target. Along with markets it has completed one boat landing platform (ghats) and one women market section (WMS). Over all, Component 2 has completed 74.22% of financial target at the end of June 2016. All markets (hat bazar basic infrastructures, market sheds, women market sections, earthworks in embankment, block road

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<sup>1</sup> GoB Representative: Mr Sarwar Mahmud, Joint Secretary, ERD partially participated in the field visits on 21-24 July 2016. IFAD Mission composition: Mr Dewan A. H. Alamgir (Mission Leader), Dr Shamsul Hoque (Infrastructure Specialist), Mr Shree Shetty (Markets and KM Specialist), Mr Khairul Islam (Value Chain Specialist), Mr Kajal Chakraborty (Financial Management Specialist), Mr Didarul Islam (Financial Management Specialist), Ms Wanaporn Yangyuentham (Monitoring and Evaluation & Gender Specialist), and Ms Shameem Ara Sheuli (IFAD KM Officer).

and toilets) and ghats have been constructed by LCS. Under Component 3, the RRI is on-going and BUET has made good progress in three research subprojects.

6. IFAD loan and grant disbursement rate up to June 30, 2016 was about 50.58% (about USD 19.9 million including Initial Deposit) and 43.5% (about USD 0.435 million including Initial Deposit) respectively.
7. It is too early for the project to measure objective and goal level indicators. However, the mission finds the following initial project impacts: 327,723 project generated workdays for LCS members; Taka 40.21 million distributed as profits to 2825 LCS members; more trading in the markets; new investments in the form of new shops in and construction around the markets; increased motorized traffic in all union and village roads; enhanced skills of LCS members due to training; and initial success of vetiver grass in road slope protection. The project has successfully included poor women and men under LCS groups through an elaborate selection process.
8. The project is on track to complete all activities within the stipulated period. It has complied with almost all recommendations of 2015 supervision mission.

### C. Outputs and Outcomes

#### Component 1: Improved Road Connectivity

9. **Improved Road Connectivity:** *The overall performance of Component 1: Improved Road Connectivity is rated as satisfactory (5).* The performance of this component is rated satisfactory as the project has fully completed 23.25% of DPP target and combined with work in progress it has achieved 50.2% of cumulative DPP target of Union and Village road construction, and further progress is anticipated as most of the targeted sub-projects have been awarded. The project intends to improve 165 km of Union and 373 Km village roads in 33 Upazilas by upgrading earthen to paved roads standard as per DPP including 2,465 meter bridges/culverts to enhance access to markets, livelihood opportunities and social services. The roads and bridges are being implemented following climate resilient designs. Appropriate road safety measures have been included in the civil works. So far, 181 packages for Union Roads (UNR) & Village Roads (VR) comprising 319.79 km roads have been awarded in the different phases.
10. The project completed civil works for 114.96 km; and additional 204.83 km is under construction. The average cumulative physical & financial progress up to 30th June 2016 is 50.29% and 39.60% respectively. Besides, the project has awarded 1,972 meter bridges/culverts out of planned 2,465 meter of which construction for 422 meter is already complete.
11. Although the project contracted out 64% road it needs to expedite road construction to finish construction within the project period. The cumulative progress of various road construction against DPP target is as follows: B-category Union road 38.62%; C-category union road 46.23%; and BC village road 32.56%; and RCC village road 12%. The project plans contract out the remaining roads within July 2017. It has to complete 49.71% of actual road construction during the remaining two and half years of the project that would warrant expedited construction. Therefore, it is recommended that the PMU to update the target set out in AWPB. See Appendix 4A for details.
12. The government has decided not to build any box-culvert to ensure unhindered flow of water through canals. The project instead is now building bridges that have increased cost by 27.63% as bridges require larger spans, higher navigational headroom, long piles, and climate resilient features.
13. It has been found that heavily loaded trucks use the newly constructed village and union roads, damage the roads thereby reducing drastically durability of the roads, and require extra maintenances even within the project period. The roads are not designed for such vehicles. Since it is extremely difficult to restrict vehicles it is important for LGED and the government to consider designing village/union roads anticipating future economic growth as well as type of vehicles.

One innovative feature of the project is application of vetiver for road slope protection. Except in saline affected Upazilas vetiver grass has been growing well and becoming a good natural method for slope protection. The villagers are using green vetiver leaves as fodder. The project is planting second round of vetiver in places where growth is not uniform. Besides, BUET is researching to determine the reasons for slow or no growth in specific Upazilas.

14. Except in a few small spots the quality of construction of road – both RCC and BC - has been found good. The project ensured good materials and good construction practices. In a few locations compaction of shoulders and workmanship in RCC road could have been better. The mission has produced a list of good construction practices for road and market in a technical working paper (Annex No.1) that the project should adopt in future construction. These practices along with recommendations of last supervision mission should be incorporated in a manual/guideline along with various designs, and used as training materials for LGED engineers, field supervisors, LCS and contractor.
15. In almost all cases, the project roads meet wider roads where heavy traffic and heavily loaded large vehicles ply. To reduce incidences of accidents it is critical that intersections are designed with appropriate signs, white markings, and raised zebra crossing cum speed breaker (i.e. hump of eight feet width).
16. Outcomes: The construction of union and village roads has resulted better access to markets and other services for the connected villages, and transportation facilities for marketing of commodities. The villagers reported increased motorized vehicles, reduction in transportation cost, and presence of new buyers and sellers in the villages and markets. The combined impact has enhanced the standard of living in the connected villages. There is huge demand for more road construction as the project is only constructing about 16 km of roads in each project Upazila.

Agreed action	Responsibility	Agreed date
Prepare a construction manual/guidelines that includes design of various types of road and market and good practices of construction to ensure quality, adherence to design and timely completion, uniformity across the project areas. Circulate the manual/guidelines among field engineers at district and Upazila level. Use the manual for training of engineers, construction supervisors and LCS members (wherever applicable). Share the manual with contractors.	PMU/LGED	December 2016
Revise AWPB to plan for remaining works to complete them within the project period.	PMU	August 2016
Conduct an internal study on various types of vehicles that ply on union/village roads and impact on longevity of roads. Initiate policy dialogue with the government on union/village road designs based on the findings.	PMU	March 2017
Design project road intersections with appropriate signs, markings, raised zebra crossing cum speed breaker (hump of 8 feet width).	PMU	Adopt and continue

## Component 2: Improved Market Services

1. *The Component 2: Improved Market Services is rated satisfactory (5) because of very good progress of physical works, quality of construction, superior performance of LCS members, and participation of Market Management Committees (MMC). The project had planned to construct (a) 197 markets with three different designs with different elements such as common shed, fish shed, open paved/raised area, toilet bloc, internal road and drainage system, (b) 15 women sections, (c) 38 boat landing platforms (ghats), and (d) 5 Commodity Collection Centres (CCCs). The construction of markets is done by LCSs formed and trained by the project. Overall, the*

cumulative physical progress up to June 30, 2016 is as follows: 112 markets completed and handed over; 56 markets under construction; one ghat and one women section have been completed; 168 MMC have been formed. In terms of finance, 77.22% of total allocation has been disbursed for completed and under construction markets, ghats, and women sections. The remaining 29 markets will be designed and contracted out within February 2017 subject to budget revision. See Appendix 4A for details.

The project could not build 28 markets in locations stipulated in the project design report due to non-availability of land. It is in the process of preparing designs and undertaking other pre-tender activities for 14 markets, and only 15 markets are yet to be planned. The demand for ghat is much less than what has been planned. Similarly no suitable locations have been found for CCCs. It should reallocate funds for ghats and CCCs for construction of additional works within the already selected markets and new markets.

2. From visual inspection the mission finds the design and quality of construction good. The project has also complied with almost all recommendations made during the last supervision mission. It has also incorporated climate resilient features in the markets. A number of minor improvements in construction process have been recommended in the technical Annex.
17. **Additional elements in markets:** The mission observed that additional elements were needed and demanded by the users (temporary traders, shop-owners etc). For example, Special Market (large or assembly market) in Tarail market, which is known as a wholesale market for fish, needs a truck-stand (parking area), and a ghat and suitable for a women market section. Similarly, a truck-stand, additional internal paved space, and a small shed for milk sellers are needed in Mahishkhola haat, Janjira Upazila of Shariatpur district. The Upazila is known as a major production area of onion, garlic, other spices, and jute; and Mahishkhola haat is an important trading center that requires parking space for small trucks that carry such commodities throughout the year. Other markets also needed additional works in the form of ghats, brick soling for open spaces, additional drainage etc. A larger ghat is needed in Vandarpole bazaar in Koyra Upazila of Khulna district. The missions identified additional three ghats that are recommended for construction.
18. **Tree plantation:** It has been found that in a number of markets one or two trees have to be cut to make spaces for sheds. In such situations, for example in Tarail bazaar, the project with the help of the contractor and MMC, must plant trees along the market peripheries.
19. **Costs for additional works:** The project may add additional funds to LCS and contractor (in case of Special Market) contracts to construct additional elements such as truck-stand, ghat, internal roads/drainage, and brick soling of open space. The project should also encourage MMCs to use part of market lease money to build small elements such as brick soling of open space, an extra-bit of drainage etc.
20. **Design/finance of larger ghats and truck-stand under IFAD component:** Under Component 2, the average budget for a small ghat is Taka 1.1 million. But Vandarpole bazaar needs much larger ghat as it is on the bank of a river. The mission endorses the construction of an appropriate larger ghat and invest larger amount money. As a matter of principle, the project may vary design of ghats as per need but staying within the overall of budget of this subcomponent. Similarly, truck-stand has been part of Special Markets (Type I) but the project may consider adding truck-stands in Type II and III markets as per demand, for example, in Mohishkhola haat, which is a Type III market (see above). Similarly, it needs to stay within the overall budget of this subcomponent, that is, 'market development'. It may add funds for (i) providing drainage for the market area and connectivity to the main drain lines taking into account contour of the market location; (ii) providing brick soling of the entire market area; and (iii) constructing concrete connecting pathways from the market to the main road; iv) road connecting the market and ghat, and (iv) renovating old market infrastructure such as market sheds within the market area. The project may vary investment level depending on the need of each market but remaining within the overall budget of the line item.
21. As per the regulations, each market is to be leased out in a transparent manner. This system is still evolving and wide variation across various markets. There exist extreme variation in lease values and in many cases the lease value is extremely low. The business volume in the market area has increased substantially and this increase in business volume has not translated into increased lease values. The project in collaboration with MMCs work with Upazila Administration for regular transparent leasing out of the markets. In addition, it should undertake a study to



evaluate the market leasing process, estimating base lease value for various categories of markets, use of lease for maintenance and development. The findings should be shared with the government for policy review regarding market leasing.

Each market is managed by a MMC comprising 11 members. Of these four members are elected representatives and the remaining are the market users. In addition to the MMC, each market has a Traders' Association comprising members who own permanent shops. These members collect membership fee and use these funds for regular cleaning and security of the market. Of the seven market users in the MMC, only one person is from the Trader's Association. As the Traders' Associations are interested in the long-term up keep of the market, it is necessary to enhance the involvement of these associations. The project had taken up the issue of expanding the membership size of the MMCs by including two more members but a final decision in this regard is yet to be taken. Though it is advisable to expand the MMC by including two more members, it is essential that these members have long term interest in the market and hence it is necessary to increase the participation of members from the Trader's Association into the MMC.

22. The lease value for each market is collected by the Upazila Administration. As per the regulation, 41% amount is retained by the Upazila administration and held in a consolidated account which can be used for development of markets, 25% is allocated to the respective MMC for maintenance and the remaining 34% towards government revenue and other expenditure heads. Though each MMC is supposed to get 25% of the lease amount, none of the MMC visited by the mission is yet to receive this amount. Only one MMC so far has prepared and submitted a proposal to the Upazila Administration. However, all stakeholders are aware of the availability of 25% of the lease amount for maintenance. This needs establishment of systems and processes for maintenance of the markets requiring LGED to take a lead in this effort. Since it has been doing the construction works it has leverage with MMC and being an important government agency has access to local administration. The project during the remaining period should ensure timely transparent leasing out of the markets and help MMCs to develop plan and receive 25% of lease money for future development and maintenance. This process will help MMCs to learn the process as well as create precedence. Meanwhile the Ministry of Local Government wrote to the Deputy Commissioners to pay 25% to lease money to MMCs.
23. The maintenance and management activities required for proper upkeep of the market require two levels of activities. The first level includes regular maintenance and management covering daily cleaning of the market sheds, market area and toilets, waste management, security of the market, clearing water-logging and maintaining night lights in the market. These activities are currently managed on an ad-hoc basis. Though regular cleaning is to be undertaken by the leaseholders but in most cases this is not being followed. The systems followed include: (i) lease holder cleaning on haat days and Traders' Association on other days; (ii) collection of additional toll for cleaning; and (iii) Traders' Association taking up cleaning using collection from its members. Security, lighting and clearing water-logging are largely taken up the Traders' Association and no efforts on waste management are visible. This requires CCRIP to prepare an action plan for the regular maintenance and management in each market with estimated cost. Traders' association will have to be made responsible for these activities with estimated cost transferred to their account. Costs will have to be shared between the Leaseholder and the Traders' Association.
24. Periodic maintenance and management is the second level activity which includes pre-monsoon and post monsoon maintenance of buildings, roofs, market area, connecting pathways, entry to the road and drainage systems. This shall be the responsibility of the MMC using 25% of the lease amount to be received from the Upazila Administration. In order to set this system in motion, it is required that LGED prepare a plan every year for the first two years for implementing these activities in collaboration with MMCs. MMCs should engage the LCSs directly for undertaking these activities.
25. **Compensation for affected families:** The project has already identified affected families with the assistance of an NGO (CCDA). During implementation a few more cases of affected families have been identified. All such families should be compensated as soon as possible as per project as well as GOB policies/process.
26. **Outcomes:** The markets established by the project have brought in immense economic benefits and have emerged as a business hub. The outcomes from this intervention include: (i) increase in number of permanent shops; (ii) increase in number of temporary traders both during haat and non-haat days; (iii) increase in footfall of shoppers both during haat and non-haat days; and (iv)

development of wholesale trade of agriculture produce and livestock including collection and aggregation. As a result, the trade volumes and also profitability of traders have increased apart from reduction in transaction costs to the shoppers and also improved farm gate prices to the producers. The project conducted an outcome survey covering 24 completed markets. The main findings include: (i) 75% increase in the number of permanent shops; (ii) 76% increase in sales volume of permanent shops; (iii) 45% increase in the footfall of the market comprising both temporary traders and shoppers; and (iv) 50% increase in the sales volume of temporary traders. Field visit indicates that these findings with the exception of increase in number of permanent shops are highly conservative and almost 100% growth in each of the remaining indicators was evident.

27. **Labour contracting societies:** The project engages LCS contracting societies for construction of marketing. A total of 4,139 LCS members (3,227 women and 912 men) have so far been engaged by the project that created 327,723 work-days. They receive Taka 125 per day as wage. They have received Taka 50.12 million as wage. LCSs also receive profit (estimated 10% of contract value). The project distributed Taka 40.2 million against completed works. Profits are distributed after the completion of project .
28. **LCS training:** All LCS members were trained on construction process of markets and RCC roads. The mission found that they applied the newly acquired skills and retained the knowledge.
29. **LCS investment of funds:** The mission noted that most LCS members spend daily wage (Tk.125-150) for daily household consumption, and allocate their profit received after completing construction work (at least 10% of contract money varying on LCS's actual work days) mainly in productive investment such as cow rearing, goat rearing, poultry raising, fish nursery, homestead vegetable gardening, buying van and shop set up. In some cases, LCS beneficiaries were found lending money to others or spending for daughter marriage, house building/repair and child education.
30. **LCS members' injuries:** A number LCS members reported injuries during their works. The project needs to identify the causes of such injuries, include safety issues in training sessions, and provide appropriate gear, and consider providing funds for medical treatment from 'project compensation funds'. Private contractors are required to buy insurance policies for construction workers against accidents/injuries. But there is no such provision for LCSs members. The project should develop insurance policies for LCSs members against injuries/accidents and buy such policy for all LCS members from private insurance provider(s).
31. **Trading opportunity for women in WMS.** The project has a provision of Women Market Sections (WMS) for women traders. 10 out of 15 WMSs have been awarded. The mission visited the only WMS that has been recently handed over to 6 women who are now running tailoring, tea stall, homestead vegetable, handicraft, grocery and beauty salon shops. The shop location was given through drawing lots. They feel more secure with the permanent WMS where they can keep their products in the shops.

Agreed action	Responsibility	Agreed date
Add truck-stand, ghat, additional drainage, brick soling within the markets as per demand/need. Revise per unit cost of ghat as per need. However, the project must adhere to the overall limit of each sub-component.	PMU/LGED	Continue
Reallocate surplus funds from CCCs and ghats to do additional works within the selected/completed and new markets.	PMU	Continue
Pay compensation money to all affected families as soon as possible as per Project/GoB policies.	PMU/LGED	August 2016
Revise AWPB for Component 2 to complete all works within the project period.	PMU	August 2016
Prepare a plan for implementing additional works (drainage, access pathways, brick soling of the market area, road linking ghat, ghat etc) to address infrastructural gaps in respect of markets.	PMU	Continue as per need
Undertake policy dialogue with the government to reconstitute the MMCs with higher representation from the Traders' Association.	PMU	Continue

Prepare a plan for regular maintenance and management in collaboration with MMCs. Costs to be shared by the leaseholder and Traders' Association. Traders' Association will have implementation responsibility. CCRIP to supervise implementation during the first two years.	PMU	Continue
Undertake a study on market leasing, rational for determination of base lease value, and use of lease money for market development and maintenance.	PMU	March 2017
Plant trees in market peripheries and other locations within the markets, especially in markets where trees have been cut to construct sheds and other infrastructure	PMU, LCS and contractors	Continue
Develop accident/injury insurance policies for LCSs members. Buy appropriate insurance policy.	PMU	March 2017
Train LCS members on safety procedures to be maintained in construction works. Dedicate one session on safety issues. Investigate causes of accidents and injuries and provide appropriate safety gears to LCS members.	PMU	Soonest

### **Component 3: Enhanced climate change adaptation capacity**

32. The overall rating of Component 3 is satisfactory (5) due to good livelihoods training for LCS, progress of researches by BUET and launching of RRI.
33. **LCS Livelihood Training:** The project has organized one-day livelihood training for 2186 LCS members who have already completed construction works. LCS members want additional construction works from the project. One approach is to encourage them to undertake income generating activities (IGA), if some of them are not already engaged in such activities. Keeping this in mind the project's IGA training focussed on providing guidance to LCS members on how to choose a profitable IGA. Meanwhile, the project has developed an 'IGA strategy' paper that has identified profitable IGA mostly in agriculture. It plans to provide training on specific profitable income generating activities subject to the approval of IFAD. The resources will be made available from grants fund. The mission found that the most common as well as profitable agricultural IGAs were poultry and livestock (cattle, goat/sheep) farming, pond fisheries, and horticulture (fruits and vegetables) production. Many of the LCS members or their families are already engaged in such activities but the productivity of such production type IGA is low. Therefore, it is recommended that each training course should be designed to address the most critically issues not on generic management issues. For example, in livestock areas the focus should be on good animal husbandry practice, breed selection, and vaccination/animal health services. The training should be hands on rather than lecture-based.
34. **Access to finance:** Access to finance for the poor women had surfaced in discussion with PMU during the present and past mission. The mission found that the majority of the LCS members are already clients of national MFIs such as the Grameen Bank, BRAC and ASA, and local MFIs operating in the project districts. They have been clients of these MFIs for several years. Besides, a number of PKSF partner organizations are also offering different types of savings and loans to extreme poor, farmers, and microenterprises. The LCS members are expected to receive financial services from MFIs for indefinite periods. Therefore, the project needs not to undertake any extra-steps regarding financial services.
35. **Value chain development and link with PACE project:** The mission would like to emphasize that CCRIP is primarily an infrastructure development project with a very small amount of funds for LCS training. The simplicity of the design has helped make good progress under IFAD-funded subcomponents. It is also proposing some training activities for LCS members for undertaking IGAs. IFAD is funding a major value chain development project called PACE, which is being implemented by PKSF and its partner organizations (POs). It has been found that PKSF is already implementing value chain development activities in three CCRIP districts, and POs have been identified in three more districts. It is expected that PKSF will be funding additional value chain development projects in these districts as PACE is expanding its activities. But there is no guarantee that all LCS members will be directly benefiting from PACE activities as the POs select beneficiaries depending on their geographical coverage as well as criteria for selecting

beneficiaries. In general, LCS members match design criteria of PACE but the challenge is to bring them under the purview of POs.

36. The mission have found that there are opportunities to develop a number of value chains such as livestock, pond fisheries and horticulture in almost all CCRIP Upazilas. Besides, the project officials have also identified several other specific agricultural products that can be further profitably produced in these Upazila. This information will be passed on to PKSF to help it identify POs and design activities in these sectors. The CCRIP project should undertake some training activities as mentioned above.
37. **Innovation research by BUET:** The progress in this subcomponent is rated satisfactory (5). Three separate contracts were signed between CCRIP and BUET in June 2014 to carry out three small research works: i) Investigation of Climate Resilient Slope Protection; ii) Investigation of Prospects for Sustainable Waste Management on Market; and iii) Investigation of Quality Test Protocols for Roads and Market Rehabilitation.  
Investigation of Climate Resilient Slope Protection: The 36 months sub-project includes field trials of vetiver applications for slope protection in 100 meter span in all twelve districts. The field trials started in August 2015 and so conducted in 9 sites of 8 districts. Besides, soil samples from each site were collected for laboratory investigations. Laboratory investigations are conducted in the Geotechnical Engineering Laboratory of the Civil Engineering Department, BUET. The growth performances has been assessed as "Excellent" at Barisal sites, "very good" at Terrokhada of Khulna sites, "good" at Shariatpur site, and "poor" at Satkhira sites. In some cases especially in the saline zone the growth is not satisfactory. The research will continue and BUET provide technical reports as planned. BUET has kept the PMU informed about the progress through presentation of research findings. Besides, BUET team presented their work in 'National Tree Fair in June 2015' and 'Bijoy Mela in December 2015' through posters and vetiver samples to disseminate the technology to general people. The project summary is uploaded in Research Gate.
38. Investigation of Prospects for Sustainable Waste Management (SWM) in Markets: The research team has surveyed a number of markets with sizeable solid waste produced regularly from kitchen market and weekly cattle market. Finally the team has decided to establish SWM in --- to conduct the research.
39. Investigation of Quality Test Protocols for Roads and Market Rehabilitation: The research objectives are to prepare the following guidelines after proper testing and research: sustainable rehabilitation of roads in coastal regions; quality control of field compaction using portable equipment; making durable RCC needed in market rehabilitation and construction of bridges and culverts; sustainable construction of approach roads on two sides of bridges; and provide training to LGED engineers on identification of soil as per USCS and AASHTO, material tests and field tests for quality control using destructive and non-destructive modern equipment. So far tests have been conducted on lime-fly ash treated sand. The project is continuing as planned. A number of recommendations on construction process are expected from this research.
40. Budget allocation: All three research subprojects have relatively small budgets. The mission recommends that the PMU approves reallocations of funds among line items of each of these researches for smooth completion of works.
41. **Rural Radio Initiative:** *The RRI subcomponent is moderately satisfactory (4).* The project with grants from IFAD has been managing Rural Radio Initiative (RRI) under Component 3 in collaboration with the Agriculture Information Service (AIS). AIS has been implementing the program through four radio stations located in Koyra Upazila (Khulna district), Kaligonj Upazila and Satkhira Sadar Upazila (Satkhira district), and Amtoli Upazila (Barguna district). The four community radio stations are: *Krishi Radio, Radio Lokobetar, Radio Nalta and Radio Sundarban.* AIS so far has completed the background works such as recruitment of staff members, recruitment of technical and program, baseline survey and program design, and launched actual broadcast since March 2016.
42. The half an hour program is broadcast from four stations is called 'Upakuler Katha' (Voice of Coastal People). So far 68 independent episodes have been produced and will be broadcast. New episodes are being planned. The RRI measures its popularity through website-hits, e-mail about the programme, Facebook comments, SMS, mobile phone calls, and phone-in live. It has organized 100 Listeners Club with about 25 persons per club and distributed 250 radios. Besides, capacitybuilding training courses have been organized for volunteers, producers,



station managers, CCRIP staff members. The RRI is also receiving technical assistance from University of Philippines at Los Banos.

44. It is too early and difficult to estimate the popularity, number of listener, effectiveness of the program from a 3 month old broadcast. However, AIS seems to be grossly over-estimating the number of listeners (3 million) because of faulty methodology.
45. Sustainability of community radio stations remains a big issue as the government did not so far allow these stations to accept any advertisement. Recently it has relaxed the rule by allowing such stations to accept advertisement for 'social programs' as well as 10% of GoB advertisement will be allocated to rural radios. It is uncertain whether the stations will be generating revenues from advertisements and the IFAD-sponsored 30 minutes program will continue beyond the extended project period. These activities under this subcomponent have been delayed; and the contract ended in June 2016. The programs are produced by local volunteers. AIS has requested for a no-cost extension from another year. Recently IFAD has approved no-cost extension for one year to further observe the viability and impacts of such radio program.

Agreed actions	Responsibility	Agreed date
Design and offer customized hands on training on IGAs to address critical issues of each type of IGAs such as poultry and livestock management, pond fisheries, and horticulture.	PMU/LGED	Sept 2016
Budget line items of each of three BUET research projects should be reallocated as per need for timely completion of works.	PMU and BUET	August 2016

#### D. Project Implementation Progress

46. **Project management performance.** *The performance of project management is rated satisfactory (5).* The project management structure and PMU have been established in line with the Financing Agreement and Project Design Report. The lead project agency LGED has established the PMU at its Headquarters, three Regional Offices in Khulna, Barisal and Madaripur to manage the project in 12 project districts. The XENs and Upazila Engineers are implementing the project activities with the help of project staff members.
47. **Staffing.** The project has completed recruitment of key positions at the PMU, three regional offices, and Upazila offices, and working at the respective positions. An experienced Livelihoods Specialist has been recruited to implement livelihoods development activities. The last mission recommended to recruit a design engineer at the PMU but the project has completed all design works with current human resources. Besides, it has trained 12 persons on TOMPRO software.
48. The project has appointed long-term consultants (42–62 months) without keeping any provision for annual salary revision during the contract period. It should consider adjustment for inflation in annual salaries for such consultants.
49. The present lower limit for prior review of IFAD NCB works is USD 150,000. This figure should be revisited for upward revision to make the contracting process efficient given the large number of market and road contracts to be prepared by the project. Note that in case of ADB contracts under CCRIP there is no threshold for NCB works.
50. **Monitoring and Evaluation.** The Performance of M&E system is rated as satisfactory (5). In order to ensure the timely implementation and quality of bottom-up data reporting, the project has set up a decentralized M&E system with dedicated M&E staff. Monthly data is collected by 33 LCS supervisors and 33 Upazila Infrastructure Supervision Engineer (UISE) at Upalila/Union Parishad level, validated by 12 district M&E officers and ultimately submitted to the Monitoring, Evaluation and Knowledge (MEK) Specialist at PMO level in preparing quarterly, half-yearly and annual progress reports. The project's MIS and M&E framework allows for the collection/analysis of sex-disaggregated data.
51. Compliance with previous recommendations. The M&E unit puts its best efforts to comply with all recommendations made in the 2015 supervision. The development of M&E plan for RRI, outcome studies of completed markets and LCS's return on investment were completed. The

outcome study on roads will be carried out after the completion of baseline sample roads. The second annual progress report was submitted to IFAD upon mission arrival in July 2016. The mission appreciated to see mappings of project intervention at Upazila and district level which are very useful for all stakeholders (donors, implementers at all levels, MMC and LCS beneficiaries) to monitor activities. An overall mapping of project interventions is yet to be consolidated. The project is assisting one MMC to collect market information collection, including volume and value of sales, number of traders, toll prices, etc. Similar exercise will be undertaken in eight markets.

52. **Baseline data.** The RIMS Baseline Survey report was carried out in 2014, across 1,200 households over 20 districts. The data was complete and indicators are in line with the project logical framework. In addition, the project took an initiative to conduct comprehensive baseline surveys on i) rural community market turnover ii) beneficiary household/Labour Contracting Society (LCS), iii) traffic of market connecting roads and iv) on Climate Resilience climate resilience. These studies provided a good understanding of the situation at an early stage of the project and will be used for the comparison with the midterm and completion outcome surveys. Given the fact that CCRIP is reaching half of its project life, the mission also recommended carrying out a midterm outcome survey (2nd level outcome study) with an emphasis on women beneficiaries to capture the change in people's lives and measure the project outcome indicators. See Appendix 4b.

RIMS Indicators. The RIMS reports (First Level Results) were submitted to IFAD in April 2015 and February 2016. It contained data relative to activities carried out in 2014. However, the activities funded by ADB were also included. The mission had discussions with the MEK Specialist on the selection of relevant RIMS outcome indicators (Second Level Results) as well as its reporting and requirements.

Agreed action	Responsibility	Agreed date
Recruit an independent consulting firm through competitive bidding process to conduct a midterm outcome survey. Select RIMS 2 <sup>nd</sup> level outcome indicators and submit to IFAD for review.	PMO/M&E unit	October 2016
Share the first draft of MTR outcome survey with IFAD prior to its finalization.	PMO/M&E unit	March 2017
Consolidate the overall project intervention mapping	PMO/M&E unit	Immediate

53. **Coherence between AWPB and implementation is rated satisfactory (5).** Overall, field implementation operations observed by the mission were in line with the AWPB 2015–16 and the project has made significant progress in terms of implementation of all activities as per the approved AWPB 2015-16. The progress and field activities reflect momentum in the field operation and continuous guidance and supervision from the senior officials including the Project Director.
54. **Gender focus.** *The Gender focus is rated as highly satisfactory (6).* CCRIP introduces a poverty reduction focused and gender responsive approach called 'Labour Contracting Society'. It is constituted by pro-poor destitute and disadvantaged people (mainly women) who have inadequate and often low-paying or live in below subsistence level to construct project markets and roads. It has also selected poor women to be leaseholders of shops in women market section, and provided IGA training to LCSs members.
55. **LCS performance by gender.** As of June 2016, CCRIP has provided a two days training course on LCS operation and Management prior to the construction work to 5,933 LCS members, of which 4,208 (about 71%) are women. A total of 4,139 LCS members have actively engaged or are engaging in market and road construction work which generates short term employment for 327,723 work-days. LCS women participation in construction work stands at 78% against a target of 80%. In terms of Leadership, LCS president and secretary positions are mandatory for only women, and at least 2 out of 11 MMCs are women. For more details, please refer to the Working Paper 2: Gender focus.
56. **Gender status at project level.** This notwithstanding, to date relatively gender imbalance has been observed at CCRIP staffing. 26 out of 218 staff (remains 12% as last year) are women which however is probably due to less qualified female candidates and the remoteness of the project

area. Two important positions include the Social and Gender Specialist and the Deputy Project Director who act as a gender focal point. In fact, the Gender Specialist position is funded under ADB. However, CCRIP as a whole gains synergy from several donor funds. Therefore, she provides support in monitoring and reporting on gender and social aspects across all project activities of the 3 donor agencies in close coordination with the PMO and RPOs.

57. **Poverty focus is rated as highly satisfactory (6).** The targeted LCS members were found to belong to the extreme poor and vulnerable category; many of them belong to women headed households. Therefore, inclusion in the market infrastructure development gave these destitute women a constant flow of cash for a certain period of time and finally the profit received at the end of construction. Many of them investment profits in land leasing, livestock rearing and house improvement.
58. **Effectiveness of the Targeting approach is rated satisfactory (5).** The project followed two tiers of targeting: geographical targeting, and human poverty targeting. It is implemented in some of the poorest, climatically vulnerable, and infrastructural poor Upazilas of the country. It has employed LCS groups constituted by disadvantaged men and women often living below subsistence level. Thus, the project offers employment opportunities for destitute men and women who would otherwise struggle to find work and adequate income sources. To be part of an LCS group one must fulfill the following criteria: to be unemployed, to be poor and living in the vicinity of the work site, to have physical labour as a main source of income, to have limited/no land possession and to be physically fit for construction works. The LCS approach has been tested and proven in past projects such as MIDPCR and SCBRMP, and has now been adopted across LGED implemented projects. Discussions with LCS members during the field visits have confirmed that they are in fact some of the most destitute people in their respective communities, thus validating the targeting methodology. It is important that LCS women reap the benefits of markets and utilize the available facilities both market and non-market days.
59. **Innovation and learning:** The mission rates this domain as satisfactory (5). The project has demonstrated a number of innovations and the following practices have very good potential for replication and scaling-up. The major innovations of the project include: (i) cost reduction in road construction and increase in length of road constructed under the project by assessing the costs and benefits of the option of village road height increase as an engineering response to possible increase in sea level to build climate resilience against the option of not increasing the village road height after ensuring investments in sea and main river embankment strengthening and height increase; (ii) scaling-up of lessons related to engagement of LCSs in construction of small infrastructure with the objective of constructing quality infrastructure in isolated locations under the direct supervision of LGED and improving the livelihoods of women belonging to highly vulnerable section of the society; (iii) policy dialogue and resultant approval of 25% of the lease amount for MMCs to take up maintenance of markets; and (iv) use of *vetiver* grass for village road slope stabilization and erosion control. See Appendix 7.
60. **Knowledge management (KM).** The mission rates this domain as satisfactory (5). The key audience of the project KM is the Government, funding agencies, market stakeholders including communities in the project area. The project is using a number of knowledge generation and dissemination tools. The project undertakes studies, surveys and focus group discussions to document best practices and also impact of the project. In addition, the project has also entrusted the tasks of conducting field research to BUET in respect of: (i) Investigation of Climate Resilient Slope Protection of Embankments; (ii) Introduction of Quality Control Protocols for Road and Market Rehabilitation; and (iii) Investigation of Prospects for Sustainable Solid Waste Management in Markets. The project has undertaken several knowledge dissemination activities which include workshops with the participation of MMC and LCS members, government staff and market users. This apart, the project has redesigned its website and is in the process of hosting various project reports on this website. The project is also an active participant in the IFAD/Asia website with publication of 10 case studies and 6 baseline reports. As a part of KM and communication strategy, the project in July 2016 has started publishing a newsletter to disseminate project related information to the government and funding agencies. In addition, local media has been giving wide coverage for the project activities. The mission noticed however that the website was recently developed and some information under project outputs, outcomes, publication, training and contact were not updated, nor were documents uploaded and accessible from the website. This should be addressed as soon as possible.

61. The project has developed a knowledge management strategy and a communication plan as recommended by the supervision mission of 2015. The objectives of KM efforts will have to cover not only knowledge generation and dissemination but will have to feed into project implementation for improving implementation performance and also into the design of future projects. This aspect needs to be addressed by the project by engaging experts in the field to document lessons and best practices and prepare policy briefs to aid policy makers in the development of new policies related rural infrastructure. The areas that need to be focused include: (i) climate resilient design features for markets and roads and other infrastructure – best practices for inclusion in new designs; (ii) market leasing processes and modalities for enhancing lease values and to bring transparency in leasing; and (iii) market maintenance and management protocols with periodicity, costs and roles and responsibilities.

Agreed action	Responsibility	Agreed date
Improve the CCIRP website by hosting all relevant project information and also documents.	PMU/M&E Unit	September 2016
Document lessons and best practices from construction, research findings from BUET research, market management and lease value, application of vetiver grass in slope protection. Conduct workshops involving policy makers, and establish working groups to prepare policy briefs to feed into the policy making domain.	PMU/M&E Unit	Continue

#### E. Fiduciary Aspects

62. **Financial Management.** The implementation performance of this activity is rated as Satisfactory (5). The accounts and finance department of the project comprise of a Financial Management Specialist (**FMS**), an Accountant (PMU **Accountant**) and two Accounts Assistants (PMU **AA**) who are based in the PMU. In each of the twelve district offices, there is a position of an Accountant (**District Accountant**) who is in charge of the CCRIP finance and accounts, apart from his other work as LGED district accountant. In three district offices of Barisal, Madaripur and Khulna, positions of Accounts Assistant (District **AA**) are filled in who are dedicated for CCRIP project and assist the district accountants. Both, these district accountants and the accounts assistants are in the rolls of the revenue. In the other nine districts of the project there is no dedicated position of AA s for CCRIP. The project management had identified another nine LGED staff working as AA in various Upazilas and had taken their services in data input from the manual accounts to the new accounting software which the project is now using. The overall responsibility of finance and accounts of the project is jointly of the FMS and the PMU Accountant. The mission reviewed the books and records of the PMU and also those of the district offices of Satkhira , Khulna, Barisal, Bagerhat and Madaripur, a few LCS in these districts and based on such review and interviews of the various accounts and finance personnel, the mission's findings are as follows :-
63. The project prepares its accounts on a cash basis and accruals are not taken into consideration. The mission reviewed the internal controls in the project and found these to be generally satisfactory. Adequate controls lie in place in respect of receipts, transfer of funds from the designated accounts and payments from project accounts. Authorizations and authentication at appropriate levels were observed in respect of payments made. The monitoring controls and documentation of payments for civil works were observed to be satisfactory. Most of the recommendations in the last JRM have been implemented with a few under compliance. Apart from the software in use, the project is also maintaining parallel manual records as per existing practice.
64. Bank Reconciliation Statements (BRS) were not found to be prepared in Satkhira and Bagerhat district offices. It was observed that the PMU prepares the BRS for these districts at its end. Although the accuracy of the figures of the BRS of these district offices could be vetted from the PMU end and no errors noticed, this practice is not sound and BRS should be prepared by each district itself on a monthly basis across the project. The PMU should ensure strict and mandatory compliance to this. In Barisal district office an old reconciliation item was found to be carried forward in the BRS representing a stale cheque issued on 6<sup>th</sup> September, 2015 for a sum of BDT



- 206,205. Fixed Assets Registers (**FAR**) has been maintained in the project but the information contained therein needs to be improved by including user name or asset identification number, in locations wherever these assets exist. All fixed assets of the project should be physically verified at least once a year which system is not currently in practice.
65. LCS. The mission reviewed the books and records of a few LCS in the districts visited. In general the books and records of the LCS were found to be reasonably satisfactory, considering the inherent lack of education and consequential poor skill levels of the LCS members. Nevertheless the mission contends that the following improvements should be envisaged at the district offices in respect of LCS record maintenance namely (a) regular updating of LCS Advance Register (b) ensuring a consistent basis for granting of advance and recognition of expenditure against the same (c) Improved documentation (d) monitoring of old unmoved advances.
66. In Barisal district office, instances were noticed where advances for training were given much earlier to the date of the actual training. As a result it took as late as fifteen months or more before these were adjusted. Advances should not be given earlier than seven working days of the activity planned and should be adjusted within a maximum period of ten working days from the date of completion of the particular activity.
67. Project Financial Statements. (PFS). From the review of the consolidated PFS prepared for the year ended 30th June, 2015, compiling the transactions and balances of all the financiers namely IFAD, ADB, KfW and GoB it transpired that the PFS are prepared in accordance with the formats prescribed by Foreign Aided Project Audit Directorate (FAPAD). However the accounting policies, the information on category and component wise costs (for the year and accumulated till the year end date), budgeted costs, variation analysis with reasons thereof, which are normal IFAD requirements are not disclosed. From the accounting year 2015-16 onwards, these information (to the extent pertaining to IFAD) along with the accounting policies should be supplemented to the annual financial statements and provided to IFAD in addition to the information disclosed in the PFS.
68. Withdrawal Applications (WA). Till date the project has made 23 withdrawal applications to IFAD for a claim aggregating USD 19,901,772 including USD 4 million for Initial Deposit and USD 45167 for direct payments against IFAD Loan. IFAD has reimbursed these claims fully and no claim is pending to be disbursed. For IFAD Grant, seven withdrawal applications have been made for a claim aggregating USD 490,668 including USD 230,000 for Initial Deposit and USD 62,400 for direct payments. Out of these WA s, a sum of USD 30,941 for WA 4 dated 11th December, 2014 is awaiting to be released by IFAD. The mission examined the calculations and the documentation in respect of WA s and found these to be satisfactory on aspects like (a) the logic used (b) arithmetical accuracy of the Special Account Reconciliations (c) application of correct rate of exchange (d) tallying of balances in designated accounts and project accounts with bank statements (e) exclusion of non eligible claims and (f) presence of supporting documents wherever applicable. No ineligible expense was found to have been claimed from IFAD.
69. IFAD's new requirements for WAAs per the new requirements of IFAD's Financial Services and Management Division (FMD) , henceforth the project would be required to prepare Smart SOE s' in the form and manner as prescribed which inter alia would include the linking of each cost item with the AWPB, accounting software payment reference and the bank statement. The project needs to adhere to this, from the next withdrawal application.
70. Requirement for Additional Initial Advance. In view of the increasing momentum of the project the demand for funds at the district offices is expected to rise rapidly, based on contract commitments executed there. The expenses estimated to be incurred by the project by 30th June, 2017 is approximately USD 35.64 million (including work already completed) and the additional funds needed would be around USD 15.74 million (being estimated expenses net of funds already disbursed). Based on the last year's trend of replenishment (at an average of USD 0.87 million per month) the maximum amount that can be spent with the current Initial Deposit level of 4 million, would be around USD 10.47 million which is USD 5.27 million short of the funds required. Therefore an increase of about 50 % in the disbursement would be required to meet the contractual commitments, which can be met from around 50% increase of the current Initial Deposit level of 4 million. Considering the above and inherent limitation of multiplicity of preparation of WA s, time gap between submission of WA and actual release, the project management contends that the existing ceiling of Initial Deposit of USD 4 million is not adequate to cater to the financial needs of the project and needs to be revised to USD 6 million. The

mission reviewed the estimates prepared by the project and based on such review, concurs this contention of the project management. The project would need to request IFAD in this respect with appropriate documentation.

71. The project is yet to deposit interest earned on bank deposits to the government treasury which aggregated to BDT 2,202,945 as on 31st May, 2016, across the project. Such interest net of bank charges should be deposited to the government treasury immediately.
72. Accounting Software. A new accounting software called TOMPRO has been introduced in the project. This software has been rolled out to the district offices of the project along with the PMU. The software has incorporated all the transactions in the project since inception till 31st May, 2016 on a global basis. The financial results generated from the software were found to be matching with the manual records. The updation of TOMPRO records based on manually recorded information post 31st May, 2016, is currently in process. Lately the second version of the software has been received by the project but this is still to be rolled out in the district offices.
73. The mission reviewed the features of the software and based on such review and the interactions with the FMS and the trained PMU AA, there are scopes of improvements in the software for better data capture, data monitoring and financial reporting namely :- (a) capture of all data for the purpose of Contract Payment Monitoring Form (b) generation of correct Special Account Reconciliation Statement (c) automatic retrieval of data in transaction posting screen while making payments against procurements, from base data already captured in the procurement module to avoid manual re-entering of the same data, save time and minimize risks of error (d) linking of a particular payment to the relevant budget line item (e) automatic generation of Financial Statements (f) Abridged screen showing only PMU account codes when data entry for PMU is required to be made, as against the long list of all accounting codes across all districts now shown leading to increased time in data input and entailing risk of error. The project management needs to liaison with the software vendor in this regard for the necessary support.
74. Training on TOMPRO. Training on TOMPRO has been given to various project staff including the PMU Accountant and one of the two PMU AAs. As far as the district offices are concerned, only the District Accountants of Khulna and Patuakhali and the District AA of Barisal have received such training. The district accountants of the other ten districts and the AAs of Khulna and Madaripur have not received training on TOMPRO. The Field Monitoring Officers (FMO) of all the districts have received the training and are currently operating this software at the districts. On an overall basis the mission is of the opinion that the project staff need more trainings (including on the job training), to be more conversant and comfortable with the software. In particular, the District Accountants of the ten districts mentioned above and the AAs of Khulna and Madaripur district offices should be given this training on a mandatory basis.
75. Internal Audit. The office of Internal Audit Section of LGED carried out the internal audit of the project for the period July 2013 to March, 2015 and issued a report on 21st April, 2015, being the first internal audit of the project. The scope of the internal audit consisted of review of internal controls, the safeguard and control over assets and the review of books and records and financial statements. The books and records were reported to be in order and in the opinion of the internal auditors, the financial statements presented a true and fair view. The internal controls were reported to be satisfactory. The comments of the management against findings were incorporated in the internal audit report. No major findings were noticed.
76. Currently the district offices take back up of soft data in flash drives. This is not a desirable practice. It is recommended that back up of all data should be taken on a weekly basis and stored in removable hard drives in safe offsite locations.
77. Disbursement. The implementation performance of this activity is rated as Satisfactory (5). Till 30th June, 2016, IFAD has reimbursed an amount of SDR 13.94 million including SDR 2.74 million as initial deposit) against IFAD Loan. The rate of disbursement till such date is 53.42%. Till the same date, a sum of USD 0.31 million has been disbursed against IFAD Grant (including USD 0.13 million as initial deposit). The rate of disbursement for IFAD grant is 46.72%. See Appendix 5 for details.
78. Counterpart funds. The implementation performance of this activity is rated as Satisfactory (5). While the budget for the project is made on a calendar year basis, the government makes the allocation in its Annual Development Programme (ADP) on a July to June financial year basis. The amount estimated for counterpart contribution for the year 2015-16 amounts to BDT 272.34 million against which the government has authorized a sum of BDT 328.35 million in its ADP for

2015-16. Till 31st May, 2016 the actual amount incurred on account of government counterpart expenditure was BDT 546.37 million which includes an amount for BDT 306.89 million for the year 2015-16. See Appendix 5 for details.

79. Compliance with loan covenants. The implementation performance of this activity is rated as Moderately Satisfactory (Score=4). The Project has complied in general with the loan covenants except that the audited accounts and the AWPB were not sent to IFAD within the time stipulated (Schedule 1 , Section II Para 7(vii) and Section 7.01 respectively, of the General Conditions of the loan covenant ). The project does not submit draft financial statements to IFAD required by Section 9.02 of the General Conditions. Insurance of key staff has not been made from the project which is a requirement of Section 7.11 of the General Conditions. See Appendix 6 for details.
80. Procurement. The implementation performance of this activity is rated as Satisfactory (5). In respect of procurements made the project has adhered to the Procurement Act 2006 and Procurement Rules 2008 of Bangladesh which are on principles and spirit in consonance with procedures and principles as prescribed by IFAD Procurement guidelines. The systems, controls and documentation were found to be satisfactory. The project has obtained the necessary prior approvals of IFAD wherever the costs exceeded the threshold amount as spelt out in the Letter to Borrower. The procedures for procurement namely, preparation of tender documents, evaluation, and approval of the evaluation committee were checked on a test basis from the records maintained in the PMO and also in the district offices. There was no procurement where ICB method of procurement has been used. For procurement of goods and equipment where RFP or LCS methods have been used, these were also found to be in order. The contract register was found to be updated.
81. Audit. The implementation performance of this activity is rated as Satisfactory (5). Audit for the year ended 30th June, 2015 was carried out by FAPAD, the audit authority in Bangladesh in charge of audits of foreign aided projects. FAPAD has its own audit procedures and the project management cannot formulate the TOR for audits carried out by them and hence, also not possible to be reviewed by IFAD. The audit was carried out in accordance with International Standards of Auditing and the audit opinion was unqualified. As required by IFAD, the auditors had given opinion on the financial statements and the SOE and had also issued a Management Letter. The audited accounts were submitted to IFAD on 4th January 2016 being the date the project received the audit report from FAPAD. The project is in the process of completing the disposal of the audit issues for 2014-15. The project maintains a detailed audit log (See Appendix 9).

Agreed Action	Responsibility	Agreed Date
Project Management to apply to IFAD for increase in the Initial Application amount to USD 6 million.	PD/ FMS	31 <sup>st</sup> August, 2016
PFS to be supplemented with additional necessary disclosures as per IFAD requirements	FMS	For the Financial Statements for the year ended 30 <sup>th</sup> June, 2016 and annually thereafter.
Accumulated Interest on Bank Deposits to be deposited to Government Treasury	PD/ Concerned XENs	30 <sup>th</sup> September, 2016
WA needs to be prepared as per the latest requirement of IFAD.	FMS	From WA 24 and on a regular basis thereafter.
Project Management to seek support from TOMPRO Vendor to facilitate accurate data capture and improved financial reporting. The project management to inform IFAD on successful deliberation with the Vendor in this regard.	PD/ FMS	30 <sup>th</sup> September, 2016
Comprehensive training to be given for all concerned (including the hitherto untrained District Accountants and AA s of Khulna and Madaripur, on a mandatory basis).	FMS	On a continuous basis as per training needs assessed.
Bank Reconciliation Statement to be prepared on a monthly basis as a mandatory practice across the project	District Accountants	On a monthly basis
Stale cheque in Barisal district office to be reversed	XEN/ Accountant - Barisal	31 <sup>st</sup> August , 2016

## F. Sustainability

82. **Institutional sustainability.** *The performance in institutional sustainability is satisfactory (5).* The core strategy of sustainability in the project design is to implement the project by sustainable institutions and develop organizations and methodologies to ensure sustainability. The roads constructed under the project are expected to be maintained by LGED with government funds. LCS groups are constituted for a one-off involvement in construction work only but they are already clients of microfinance institutions. The project hands over the markets to the MMCs and provides them with some capacity building training. However, it seems the training is not sufficient for the members to understand their roles and responsibilities and also the social and economic benefit they can gain. As per GOB rules, MMCs should receive 25% of market lease money annually to do routine maintenance and additional development works. The project should be working with MMCs and Upazila Administration for transparent lease of the markets and disbursement of 25% lease money to MMCs.
83. **Social sustainability (Empowerment).** *The performance in social sustainability is highly satisfactory (6).* It is early in the project life but some LCS members, men and women, have already showed increased self-confidence as a result of becoming LCS members. They earn income that many of them were unable to generate before and are proud of being associated with LGED. In addition women specific sections within the market platforms, and women sections/shops have motivated them to have a more active role in the markets and in voicing their views on community decisions. In all places visited by the mission, the poor LCS members repeatedly requested for more work.
84. **Economic and financial sustainability.** It is too early to measure the economic and financial sustainability of the project interventions. But initial impression from increase in sale in markets,

new investments in shops, increased availability of good agricultural inputs shows that the project will produce the intended benefits.

85. **Technical sustainability.** *The performance in technical sustainability is satisfactory (5).* The technical designs of roads, bridges, market including women section, road slope protection have been as per engineering codes and reflect Southern Bangladesh context.
86. **Environmental sustainability.** *The performance in environmental sustainability is satisfactory (5).* No environmental issues, such as drainage congestion caused by road or culverts has been seen by the mission or reported by the project. In fact as per decision of the Project Steering Committee (PSC) the project is building bridges instead of culverts to ensure unhindered flow of water in numerous canals in the project areas. As per design, the project plants vetiver grass for road-slope protection instead of concrete blocks/palaside, which is a pioneering work of large-scale application of an environmental friendly method. Adequate drainage has been built-in the market design. However, each MMC must ensure proper cleaning of and garbage disposal from respective market.
87. **Quality of beneficiary participation is highly satisfactory (6).** The construction service provided by the LCS has been highly satisfactory in terms of quality of works, timeliness and cost. Small construction by LCS is now well established method for LGED. Besides participation of market committees in supervision of LCS works and market management were found satisfactory.
88. **Responsiveness of service provider** is satisfactory (5). Contractors have been found very responsive and have all met the necessary specifications during construction.
89. **Exit strategy:** *The project's exit strategy is satisfactory (5).* The strategy has been built into the design of the project, with infrastructure and access to finance being handled by institutions that will continue to operate after the end of the project. The maintenance of village roads is the responsibility of LGED with resources from the government and MMCs with resources from lease money are in charge of maintenance of the markets.
90. **Potential for scaling up and replication** is highly satisfactory (6). The mission received requests for construction of additional infrastructure such as extending some of the existing roads, building new connecting roads, ghats and women sections in every site it visited. The project has accepted small additional activities within the existing budget and reallocated funds accordingly. In fact the project is constructing a small part of overall need of road and market development in the 33 project Upazilas. This opens up opportunities for designing future projects on the basis of experience of CCRIP.

#### G. Other

91. **Beneficiaries:** The project target was 220,000 direct beneficiaries. An estimated number of direct beneficiaries from 112 completed markets is 357,420 that include 17,948 permanent traders, 9,912 temporary traders, 5,600 producer-sellers (farmers), 12,600 transport operators, and 311,360 markets users (buyers). It is expected grow with completion of all markets.
92. **Physical and financial assets** is satisfactory (5). Some members of LCS groups reported increases in livestock, consumer durables and land ownership by utilizing income from wage and profits of completed works. Many of the LCS members are already clients of microfinance institutions operating in the project Upazilas that enabled them to access financial services.
93. **Food security** is satisfactory (5). No formal study has been conducted to make full assessment of food insecurity within the project beneficiaries and population in general. But LCS members who belong mostly to extremely poor families reported improved food security due to enhanced income from project activities.
94. **Increase in incomes.** *The project performed satisfactorily in increasing income of the direct project participants.* As mentioned earlier LCS members reported increase in income but more robust measurement can only be expected from mid-term RIMS.
95. **Health.** One of the acute problems in project areas is absence of good primary health care services, which makes construction of Upazila, union and community roads critically important. A wide network of roads would have created opportunities for access to very basic health care and family planning services.



96. **Policy impact.** Application of vetiver for road slope protection shows initial success. If proven widely effective then LGED as an institution should be adopting the same technique in other projects.
97. **Other impacts.** A better access to private inputs sellers and farmers, access to larger markets such as Chittagong and Dhaka through traders has been reported.

#### H. Conclusion

100. The project has made very good physical progress in all three components during the first three years of implementation. The PMU has performed well to make the progress possible both in terms quality and quantity. The project is on track to achieve its objectives.

101. The financial management system has improved due to the application of TOMPRO accounting software. The project has inserted all data since inception up to May 2016 and will be routinely inserting financial information onwards. But it needs to further streamline its financial management system including development of human resources as discussed earlier in the report.

102. The project will be instrumental in developing a good road network to connect remote and vulnerable villages and improving income and wellbeing of thousands of households in the economically disadvantaged **Upazilas of South-western part of the country.** Along with completing the construction works in timely fashion, the project should be focusing on i) making MMCs more active and functional, ii) using and disseminating research findings within LGED and beyond, and iii) the accounting system (TOMPRO) to be fully operational.

103. The next mission will be MTR to be held in July 2017. IFAD and the Government of Bangladesh endorse all findings and recommendations of this Aide Memoire.

## Appendix 1: Summary of project status and ratings

### Basic Facts

Country	Bangladesh	Project ID	1647 [1100001647]	Loan/DSF/Grant/ASAP FI No.	2000000059, 2000000060
Project	Coastal Climate Resilient Infrastructure Project			Top-up Loan/DSF/Grant/ASAP FI No.	2000001457
Date of Update	13-Sep-2016				
Supervising Inst.	IFAD				
No. of Supervisions	2	No. of Implementation Support/Follow-up missions	0		
Last Supervision	01-Aug-2016	Last Implementation Support/Follow-up mission			

					USD million	Disb. rate %
Approval	10-Apr-2013			Total financing	150.05	
Agreement	28-Jun-2013	Effectiveness lag	2.6	IFAD Total	60.01	
Entry into force	28-Jun-2013	PAR value	-----	IFAD loan	59.00	39
First disbursement	26-Nov-2013			DSF grant		
MTR		Last amendment		IFAD grant	1.01	47
Original completion	30-Jun-2019	Last audit	31-Dec-2015	ASAP grant	0.00	0
Current completion	30-Jun-2019			Domestic Total	31.23	
Current closing	31-Dec-2019			National Govern	31.23	0
No. of extensions	0			External Cofinancing Total	58.81	
				AsDB	20.00	0
				AsDB	20.00	0
				Germany/KfW	8.84	0
				SCF - WB	29.97	0

### Project Performance Ratings

B.1 Fiduciary Aspects	Last	Current	B.2 Project implementation progress	Last	Current
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1. Quality of financial management	4	5	1. Quality of project management	5	5
2. Acceptable disbursement rate	4	5	2. Performance of M&E	5	5
3. Counterpart funds	5	5	3. Coherence between AWPB & implementation	4	5
4. Compliance with financing covenants	4	4	4. Gender focus	6	6
5. Compliance with procurement	5	5	5. Poverty focus	6	6
6. Quality and timeliness of audits	4	5	6. Effectiveness of targeting approach	5	5
			7. Innovation and learning	5	5
			8. Climate and environment focus	5	5

B.3 Outputs and outcomes	Last	Current	B.4 Sustainability	Last	Current
1. Improved Road Connectivity	5	5	1. Institution building (organizations, etc.)	4	5
2. Improved Market Services	5	5	2. Empowerment	6	6
3. : Enhanced climate change adaptation capacity	5	5	3. Quality of beneficiary participation	6	6
			4. Responsiveness of service providers	5	5
			5. Exit strategy (readiness and quality)	5	5
			6. Potential for scaling up and replication	6	6

#### B.5 Justification of ratings

The excellent results achieved up to 30 June 2016, especially in Component 2, very good project management, improved financial management classify this project as a fully satisfactory project with a lot of up-scaling potential. The project is on track and expected to achieve all project objectives.

#### Overall Assessment and Risk Profile

	Last	Current
C.1 Physical/financial assets	5	5
C.2 Food security	5	5
C.3 Quality of natural asset improvement and climate resilience	4	5
C.4 Overall <b>implementation progress</b> (Sections B1 and B2)	5	5
Rationale for implementation progress rating		
C.5 Likelihood of achieving the development objectives (section B3 and B4)	5	5
Rationale for development objectives rating		
<b>C. Risks</b> <i>Short description of major risks for each section and their impact on achievement of development objectives and sustainability</i>		
Fiduciary aspects	The project has implemented TOMPRO software and updated data up to May 2016. It is in the process of generating financial reports using TOMPRO. The mission finds that TOMPRO needs some modifications. Training of accounts are needed. It should confirm that it is fully using the software for financial mgt.	
Project implementation progress	Accelerated implementation during the next two years is expected. The project may find itself with insufficient funds. An increase of the SAFE account ceiling has therefore been requested.	
Outputs and		



outcomes	
Sustainability	MMCs capacity to adequately manage the markets is currently lacking, and this may hinder the long term sustainability of the markets. Strengthening MMCs has been planned.

**Proposed Follow-up**

<b>Issue / Problem</b>	<b>Recommended Action</b>	<b>Timing</b>	<b>Status</b>
TOMPRO	The project should confirm full application of TOMPRO for financial management, and continue to use during the project period.	Sept. 2016	ongoing
Flow of Funds	The project has recently requested USD 2 million increase in the initial advance. The mission endorses the request	soonest	ongoing

**Additional observations**

**Appendix 2: Updated logical framework: Progress against objectives, outcomes and outputs**

Design Summary	Performance targets and indicators	Monitoring Mechanism & Information	Assumptions
<p><b>Project Goal</b>                      Improved livelihoods (higher incomes and food security) for poor households (women and men) in selected Upazilas of 12 coastal districts</p>	<p>IFAD - by 2018 (from baseline):                      20% increase of households reporting improvements in household asset ownership index (RIMS)                      30% reduction in the prevalence of child malnutrition (RIMS)                      60% increase in incomes in 50% of poor households from a range of farm, fishery and non-farm sources, disaggregated by sex</p>	<p>Bangladesh Bureau of Statistics                       Multiple Indicator Cluster Survey (MICS) of the RIMS surveys                      Impact surveys at baseline, mid-term and completion                      Qualitative assessment (PRA) with target HHs in project                      Upazilas/Unions/Villages.</p>	
<p><b>Development objective</b>                      Enhanced climate resilience of coastal road and market infrastructure and people in selected Upazilas of 12 project districts.                       [Project Target: Overall approximately 600,000 HHs; 3.5 million people]</p>	<p>By 2018:                      5 days of inundation of infrastructure reduced (baseline 20 days)                       60% more beneficiaries reporting improved food security, by women/men (RIMS)                      50% reduced loss of lives and assets during disaster</p>	<p>Independent evaluation of robustness and resilience of infrastructure design.                      CCRIP project assessment report after each monsoon season and natural disaster event.                      IFAD annual supervision report. PRA after each monsoon season and natural disaster event.</p>	<p>Climate change related impacts are within predicted level</p>
<p><b>COMPONENT 1: Improved Road Connectivity</b></p>			

<p><b>Outcome 1:</b> Improved road connectivity for men and women living in project Upazilas to access markets and social services.</p>	<p>By 2018, IFAD (from baseline):                      50% increase in average traffic volume per day on project roads                      25% reduced transportation costs on project roads                      50% reduced travel time</p>	<p>Traffic data surveys (volume and price)                      Transport worker and user surveys</p>	<p>⌘ Government sustains or increases funds for road and market maintenance.                      ⌘ Investments in polder protections by other programmes and projects continue</p>
<p><b>OUTPUTS:</b>                      Upazila, union and village roads upgraded to climate resilience standards                      Bridges and culverts built</p>	<p>By 2018, IFAD funded:                      160 Km union road upgraded                      341 Km village road completed or upgraded                      2245 m length of bridges and culverts</p>	<p>Independent monitoring of construction of roads, bridges and culverts                      Site inspections                      Environmental assessment Project reports and MIS</p>	<p>⌘ No major delays due to price escalation of materials and labour                      ⌘ Public procurement process remains adequate and adheres to ADB/IFAD requirements                      ⌘ Sufficient availability of labour                      ⌘ Roads properly maintained                      ⌘ LGED remains committed to apply acquired knowledge</p>

Design Summary	Performance targets and indicators	Monitoring Mechanism & Information	Assumptions
<b>COMPONENT 2: Improved market services</b>			
<b>Outcome 2:</b> Enhanced marketing of farm and non-farm produce in project markets	By 2018, IFAD (from baseline): 20% additional income from construction of infrastructure 50% increase in the volume of goods marketed in village markets 25% increase of traders (disaggregated by sex)	Market surveys (at baseline, mid-term and completion)	Services of MAPP are reinforcing CCRIP interventions
<b>OUTPUTS:</b> Market infrastructure expanded and upgraded Women market sections built Boat landing (facilities) platforms ( <i>ghats</i> ) built Market Management Committees (MMC) established LCS formed, trained and employed	By 2018, IFAD: 197 community (village) markets of different categories 15 community markets with a women section 5 Community collection points built 38 new landing ghats built 5,000 poor women and men employed in construction of markets through LCS (IFAD)	Site inspections and surveys	Adequate functioning of MMCs Climate trends do not reduce on- and off- farm productivity, or quality ; production levels remain stable Public policy continues to allow procurement of works with the participation of LCS
<b>COMPONENT 3: Enhanced Climate Adaptation Capacity</b>			
<b>Outcome 3:</b> Rural communities and local authorities have knowledge and information on coping with volatile climate shocks and good agricultural practices as well as access to	People increase awareness and knowledge of climate change and agricultural development Better access to communication and knowledge dissemination	Surveys, Progress report, group discussion	Adequate functioning of rural radio stations including staff and volunteer

<p><b>OUTPUTS:</b>                  Rural Radio Initiative</p> <p>Baseline Monitoring, MTR                  Innovative Garbage Management                  Research Independent Construction                  Quality Monitoring Climate Resilient                  Slope Protection Research</p>	<p>By 2018                  571,460 People accessing advisory                  services facilitated by project                  25 listening clubs (100 members in                  each club) are formed and operational                  1 Baseline study, 1 MTR outcome study,                  3 Research studies on Garbage                  management, Construction quality                  monitoring report and Climate Resilient                  Slope Protection are carried out</p>	<p>Rural radio stations, workshop                  /training minutes and report                  Baseline and MTR Reports                  from rural radio station                  BUET's Research reports,                  surveys</p>	<p>Knowledge Management &amp;                  communication plans are                  integrated into policies, programs                  and enforced of 4 rural radio                  stations.</p>
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### Appendix 3: Summary of key actions to be taken within agreed timeframes

<b>Agreed action: Component 1</b>	<b>Responsibility</b>	<b>Agreed date</b>
Prepare a construction manual/guidelines that includes design of various types of road and market and good practices of construction to ensure quality, adherence to design and timely completion, uniformity across the project areas. Circulate the manual/guidelines among field engineers at district and Upazila level. Use the manual for training of engineers, construction supervisors and LCS members (wherever applicable). Share the manual with contractors.	PMU/LGED	December 2016
Revise AWPB to plan for remaining works to complete them within the project period.	PMU	August 2016
Conduct an internal study on various types of vehicles that ply on union/village roads and impact on longevity of roads. Initiate policy dialogue with the government on union/village road designs based on the findings.	PMU	March 2017
Design project road intersections with appropriate signs, markings, raised zebra crossing cum speed breaker (hump of 8 feet width).	PMU	Adopt and continue
<b>Agreed action: Component 2</b>	<b>Responsibility</b>	<b>Agreed date</b>
Add truck-stand, ghat, additional drainage, brick soling within the markets as per demand/need. Revise per unit cost of ghat as per need. However, the project must adhere to the overall limit of each sub-component.	PMU/LGED	Continue
Reallocate surplus funds from CCCs and ghats to do additional works within the selected/completed and new markets.	PMU	Continue
Pay compensation money to all affected families as soon as possible as per Project/GoB policies.	PMU/LGED	August 2016
Revise AWPB for Component 2 to complete all works within the project period.	PMU	August 2016
Prepare a plan for implementing additional works (drainage, access pathways, brick soling of the market area, road linking ghat, ghat etc) to address infrastructural gaps in respect of markets.	PMU	Continue as per need
Undertake policy dialogue with the government to reconstitute the MMCs with higher representation from the Traders' Association.	PMU	Continue
Prepare a plan for regular maintenance and management in collaboration with MMCs. Costs to be shared by the leaseholder and Traders' Association. Traders' Association will have implementation responsibility. CCRIP to supervise implementation during the first two years.	PMU	Continue
Undertake a study on market leasing, rational for determination of base lease value, and use of lease money for market development and maintenance.	PMU	March 2017
Plant trees in market peripheries and other locations within the markets, especially in markets where trees have been cut to construct sheds and other infrastructure	PMU, LCS and contractors	Continue
Develop accident/injury insurance policies for LCSs members. Buy appropriate insurance policy.	PMU	March 2017
Train LCS members on safety procedures to be maintained in construction works. Dedicate one session on safety issues. Investigate causes of accidents and injuries and provide appropriate safety gears to LCS members.	PMU	Soonest

<b>Agreed actions: Component 3</b>	<b>Responsibility</b>	<b>Agreed date</b>
Design and offer customized hands on training on IGAs to address critical issues of each type of IGAs such as poultry and livestock management, pond fisheries, and horticulture.	PMU/LGED	Sept 2016
Budget line items of each of three BUET research projects should be reallocated as per need for timely completion of works.	PMU and BUET	August 2016

<b>Agreed action: Project management and M&amp;E</b>	<b>Responsibility</b>	<b>Agreed date</b>
Recruit an independent consulting firm through competitive bidding process to conduct a midterm outcome survey. Select RIMS 2 <sup>nd</sup> level outcome indicators and submit to IFAD for review.	PMO/M&E unit	October 2016
Share the first draft of MTR outcome survey with IFAD prior to its finalization.	PMO/M&E unit	March 2017
Consolidate the overall project intervention mapping	PMO/M&E unit	Immediate

<b>Agreed action: KM</b>	<b>Responsibility</b>	<b>Agreed date</b>
Improve the CCIRP website by hosting all relevant project information and also documents.	PMU/M&E Unit	September 2016
Document lessons and best practices from construction, research findings from BUET research, market management and lease value, application of vetiver grass in slope protection. Conduct workshops involving policy makers, and establish working groups to prepare policy briefs to feed into the policy making domain.	PMU/M&E Unit	Continue

<b>Agreed Action: Fiduciary</b>	<b>Responsibility</b>	<b>Agreed Date</b>
Project Management to apply to IFAD for increase in the Initial Application amount to USD 6 million.	PD/ FMS	31 <sup>st</sup> August, 2016
PFS to be supplemented with additional necessary disclosures as per IFAD requirements	FMS	For the Financial Statements for the year ended 30 <sup>th</sup> June, 2016 and annually thereafter.
Accumulated Interest on Bank Deposits to be deposited to Government Treasury	PD/ Concerned XENs	30 <sup>th</sup> September, 2016
WA needs to be prepared as per the latest requirement of IFAD.	FMS	From WA 24 and on a regular basis thereafter.
Project Management to seek support from TOMPRO Vendor to facilitate accurate data capture and improved	PD/ FMS	30 <sup>th</sup> September, 2016

financial reporting. The project management to inform IFAD on successful deliberation with the Vendor in this regard.		
Comprehensive training to be given for all concerned (including the hitherto untrained District Accountants and AA s of Khulna and Madaripur, on a mandatory basis).	FMS	On a continuous basis as per training needs assessed.
Bank Reconciliation Statement to be prepared on a monthly basis as a mandatory practice across the project	District Accountants	On a monthly basis
Stale cheque in Barisal district office to be reversed	XEN/ Accountant - Barisal	31 <sup>st</sup> August , 2016

**Appendix 4a: Physical progress measured against AWP&B**



Component /	Unit	P.Year (January-14-June-2016)			Cumulative (January 2013- June 2016)	Total		Remarks
		AWP&B	Actual	%	Cumulative Actual	DPP Target	%	
<b>Component 1</b>								
Union roads upgraded to climate resilience scenario-B category	km	74.57	28.79	38.62	28.79	133	21.65	52.22 km are under construction. Cumulative physical & financial progress is 61.52% &
Union roads upgraded to climate resilience scenario-C category	km	22.00	10.17	46.23	10.17	32	31.78	15.31 km are under construction. Cumulative physical & financial progress is 41.63% & 33.25%
Village roads upgraded to climate resilience (BC road)	km	226.00	73.588	32.56	73.588	298	24.69	126.352 km are under construction. Cumulative physical & financial progress is 51.22% &
Village roads upgraded to climate resilience (RCC Road)	km	20.00	2.40	12.00	2.40	70	3.43	10.96 km are under construction. Cumulative physical & financial progress is 26.45% & 22.69%
Village roads upgraded to climate resilience (Block)	km	2.00	0.00	0.00	0.00	5	0.00	0.00
Large Bridges on Union and Village roads are built to climate resilience standards.	m	462.00	60.00	12.99	60.00	110	54.55	42 m are under construction. Cumulative physical & financial progress is 38.56% & 30.04

Bridges and Culverts on Union and Village roads are built to climate resilience standards.	m	1700.0 0	362.0 1	21.29	362.01	2355	15.37	1508.66 m bridges are under construction. Cumulative physical & financial progress is 53.64% & 40.45%
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Improvement of Community markets (Special Markets).	Nos	4	0	0	0	4	0	4 nos of special markets are under construction. Cumulative physical progress is 10%.
Improvement of Community markets (Large Packages).	Nos	33	28	84.85	2 8	33	84.85	5 nos of medium markets are under construction. Cumulative physical and financial progress is 95.21% & 90.65%
Improvement of Community markets. (Small Packages)	Nos	11 0	84	76.36	8 4	160	52.50	47 nos of small markets are under construction. Cumulative physical and financial progress is 82.56% & 79.83% Cumulative physical and
Improvement of Women Market Sections(WMS)	Nos	10	1	10	1	15	6.67	9 nos of women market section are under construction. Cumulative physical and financial progress is 42.51% & 29.90%
Improvement of Landing Stages (ghats)	Nos	21	0	0	0	38	0	17 nos of ghats are under construction. Cumulative physical and financial progress is 43.21% & 34.60%
Improvement of Collection Centers	Nos	3	0	0	0	5	0	No collection center is undertaken because of non-availability of land

Component-3								
Groups managing infrastructure formed/strengthened	Number	310	390.00	126%	390	390	100%	LCS groups
People trained in infrastructure management	Male	1,700.0	1725	101%	1,725			Technical and social training for LCS
	Female	4200.0	4208	100%	4,20			
People trained in income generating activities	Male	450	455	101%	455			IGA training - vegetable gardening, livestock, fisheries
	Female	1700.0	1731	102%				
Rural radio initiatives: Listening club member	Nos	2500	2500	100%	2500	2500	100%	100 clubs with 25 people in each Club
BUET's Research studies Garbage Management, Independent Construction Quality Protocol and Monitoring and climate Resilient Slope Protection	Nos	3	3	100%	3	3	100%	Implementation is going on
Baseline monitoring and MTR of rural radio initiative	Nos	2	1	50%	1	2	50%	Baseline study has already been done

**Appendix 4b: RIMS Indicators**

<b>FIRST LEVEL RESULTS</b>									
<b>Results</b>		<b>Unit</b>	<b>Period ending:</b>	<b>Up to June 2016</b>		<b>Cumulative</b>			<b>Remark</b>
				<b>AWP&amp;B</b>	<b>Actual</b>	<b>% of AWPB</b>	<b>Appraisal</b>	<b>Actual</b>	
<b>Total outreach</b>	People receiving project services	Male		875210		2,743,800	1,547,852	56%	New traders, transport owners and community members around the improved infrastructure receiving project services
		Female		796301		2,636,200	969,250	37%	
	Households receiving project services	Number				1,097,959	513,694	47%	Average household size is 4.9
<b>Component</b>									
<b>1. Improved Road connectivity</b>	Roads constructed	KM	96.57	38.96	40%	165	38.96	24%	Union Road
	Roads constructed	KM	248.00	75.988	31%	373	75.988	20%	Village Road
	Other social infrastructure constructed/rehabilitated	Meter	2,162	422.0	20%	2,465	422.0	17%	Bridges and culverts
<b>2. Improved Market Services</b>	Marketing facilities constructed/rehabilitated	Number	4	0.0	0%	4	0.0	0%	Type 1 - 4 nos special markets are under construction
	Marketing facilities constructed/rehabilitated	Number	33	28.0	85%	33	28.0	85%	Type 2 - medium

	Marketing facilities constructed/rehabilitated	Number	110	84.0	76%	160	84.0	53%	Type 3 - small	
	Boat landing station constructed/rehabilitated	Number	10	0.0	0%	38	0.0	0%	Ghat	
	Storage facilities constructed/rehabilitated	Number	5	0.0	0%	5	0.0	0%	Collection center	
	Marketing groups with women in leadership position	Number	10	1.0	10%	15	1.0	7%	Women market section	
<b>3. Enhanced Climate Change Adaptation Capacity</b>	Groups managing infrastructure formed/strengthened	Number	310	390.0	126%	441	390	88%	LCS groups	
	People trained in infrastructure management	Male	895.0	1,025.0	115%		2,163		Technical and social training for LCS	
		Female	1,431.0	1,815.0	127%		4,852			
	People trained in income generating activities	Male	1,150.0	946.0	82%		1,282		IGA training - vegetable gardening, livestock, fisheries	
		Female	2,015.0	1,752.0	87%		2,556			
	People accessing advisory services facilitated by project	Male					316,580	316,580	100%	Rural radio
		Female					254,880	254,880	100%	
	People trained in infrastructure management	Male	3,500	4,227	121%		4,227			Training was arranged for Market user and stakeholders
		Female	550	683	124%		683			
	People trained in	Male	2,250	2,469	110%		2,469			Workshop was arranged

	infrastructure management	Female	350	431.00	110%		431.00		for Market Management Committee members
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**Appendix 5: Financial: Actual financial performance by financier; by component and disbursements by category**

<b>Table 5A: Financial performance by financier (as per 30th June, 2016)</b>			
Financiers	Figures in USD'000		
	Approved	Disbursed	Percent disbursed
IFAD Loan 896	39,500	19,902	50.38
IFAD Grant 1445	1,000	460	46.00
ADB Loan 8258	20,000	7,796	38.98
ADB Loan 2913	20,000	7,105	35.53
ADB Grant '0310	10,000	4,357	43.57
KFW Grant	8,800	6,026	68.48
Government	31,200	9,568	30.67
<b>Total</b>	<b>130,500</b>	<b>55,214</b>	<b>42.31</b>

**Table 5 B : Financial performance by component up to 31<sup>st</sup> May, 2016**

( Note 1 )

Component	IFAD LOAN				IFAD GRANT				GOVERNMENT			
	Allocation ( USD'000 )	Allocation ( BDT'000 )	Actual Expenditure ( BDT'000 )	%	Allocation ( USD'000 )	Allocation ( BDT'000 )	Actual Expenditure ( BDT'000 )	%	Allocation ( USD'000 )	Allocation ( BDT'000 )	Actual Expenditure ( BDT'000 )	%
Comp 1 -Improved Road Connectivity	33,500	2,747,000	864,083	31.46	-	-	-	-	18,000	1,476,000	315,855	21.4
Comp 2- Improved Market services	4,700	385,400	309,253	80.24	-	-	-	-	3,500	287,000	132,647	46.2
Comp 3-Enhanced Climate change adoption capacity	200	16,400	28,292	172.51	1,000	82,000	26,418	32.2	1,800	147,600	2,600	1.7
Project Management Interest during implementation	1,100	90,200	82,753	91.74	-	-	-	-	6,500	533,000	249,715	46.8
									1,400	114,800	-	5
	39,500	3,239,000	1,284,381	39.65	1,000	82,000	26,418	32.2	31,200	2,558,400	700,817	27.3
												9

**Note 1 :**

The date up to which the financial results generated from the software were found to be matching with the manual records

Component	ADB				KfW				Total			
	Allocation ( USD'000 )	Allocation ( BDT'000 )	Actual Expenditure ( BDT'000 )	%	Allocation ( USD'000 )	Allocation ( BDT'000 )	Actual Expenditure ( BDT'000 )	%	Allocation ( USD'000 )	Allocation ( BDT'000 )	Actual Expenditure ( BDT'000 )	%
Comp 1 -Improved Road Connectivity	28,600	2,345,200	351,817	15.0	-	-	-	-	80,100	6,568,200	1,531,755	23.32

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Comp 2- Improved Market services	9,200	754,400	241,761	32.05	7,200	590,400	312,468	52.92	24,600	2,017,200	996,129	49.38
Comp 3-Enhanced Climate change adoption capacity	800	65,600	4,841	7.38	300	24,600	6,099	24.79	4100	336,200	68,250	20.30
Project Management Interest during implementation	10,700 700	877,400 57,400	357,438 -	40.74 -	1,300 -	106,600 -	2,504 -	2.35 -	19,600 2,100	1,607,200 172,200	692,410 -	43.08 -
	50,000	4,100,000	955,857	23.31	8,800	721,600	321,071	44.49	130,500	10,701,000	3,288,544	30.73



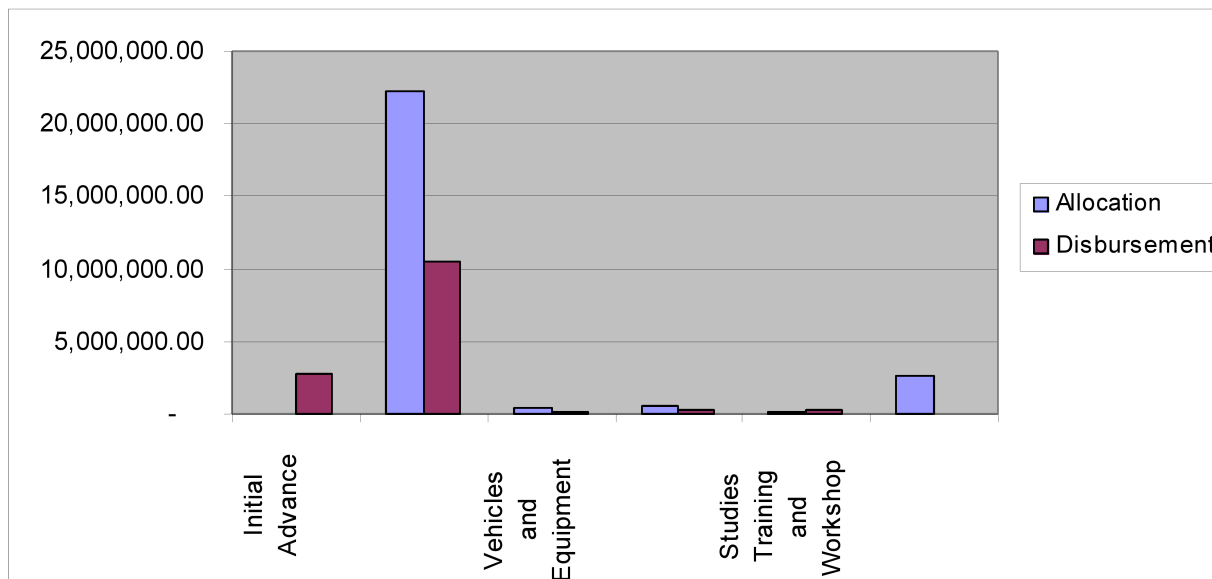
**Table 5C: IFAD Loan disbursements (in SDR - up to 30th June 2016)**

Category	Category description	Allocation	Disbursement	W/A Pending	Balance	%
075018	Initial Advance	-	2,736,244		(2,736,244)	-
122444	Civil Works	22,300,000	10,454,987	-	11,845,013	46.88
122445	Vehicles and Equipment	400,000	197,652	-	202,348	49.41
122446	Consulting Services	600,000	319,195	-	280,805	53.20
122447	Studies Training and Workshop	200,000	235,046	-	(35,046)	117.52
122448	Unallocated	2,600,000	-	-	2,600,000	-
	<b>Total</b>	<b>26,100,000</b>	<b>13,943,124</b>	<b>-</b>	<b>12,156,876</b>	<b>53.42</b>

**Table 5D: IFAD Grant disbursements ( in SDR - up to 30th June , 2016)**

Category	Category description	Original Allocation	Disbursement	W/A Pending	Balance	%
055019	Initial Advance	-	134,555		(134,555)	
122450	Studies Training and Workshop				403,847	28.96
	Unallocated	600,000	173,776	22,377	60,000	
		60,000		-	0	-
	<b>Total</b>	<b>660,000</b>	<b>308,331</b>	<b>22,377</b>	<b>329,292</b>	<b>46.72</b>

**Figure 1: IFAD loan disbursement, comparisons between allocations and actual disbursement**



**Appendix 6: Compliance with legal covenants: Status of implementation**

Article/ Section of Financing Agreement	Covenant	Status	Remarks
Section B - 6	There shall be two (2) designated accounts denominated in USD (collectively referred to as "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, through which the Loan and Grant proceeds shall be channelled. The Borrower/Recipient shall inform the Fund of the officials authorized to operate the Designated Accounts.	Complied.	
Section B - 7	There shall be two (2) project accounts (the "Project Accounts") 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 twelve (12) district project accounts (collectively referred to as the " District Project Accounts") in the Project Area as defined in paragraph 1 of Schedule 1 hereto, to receive and hold financing transferred from the Project Account. The Borrower/ Recipient shall inform the Fund of the officials authorized to operate the Project Account and the District Project Accounts.	Complied.	
Section B - 8	The Borrower/Recipient shall provide counterpart funds for the Project in the amount of Thirty one million and two hundred thousand United States Dollars (USD31,200,000), which shall finance inter alia Project-related staff salaries in the Lead Project Agency, operating cost of the Project and Project-related land acquisition and resettlement costs	Being complied on a continuous basis.	
Section E- 1	The following are designated as additional general conditions precedent to withdrawal: <ul style="list-style-type: none"> <li>a) The Designated Accounts, the Project Accounts and District Project Accounts as referred to in Section B shall have been duly opened;</li> <li>b) The Project Director and other Key Project Personnel of the Project Management Office (the "PMO") and Regional Project Offices as referred to in paragraph 7 and 6 of Schedule 1 hereto shall have been duly recruited by the Lead Project Agency; and</li> <li>c) The Project financial management system shall have been operational</li> </ul>	Complied	

	Covenant	Status	Remarks
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Article/ Section of Financing Agreement			
Section E- 2	The accounting software of the accounting system of the Project shall have been operational.	In the process of being complied.	Till ....the project has used the UFMS software. This has been replace by a new accounting software called TOMPRO which has inbuilt double entry features in it. This is in the process of getting operational fully shortly.
Section E-4	Procurement of a multilingual, double entry accounting system software, software and accounting training and system maintenance in the amount of approximately SDR4,000 shall be eligible expenditure for the purpose of this Agreement and retroactively financed by the loan	Complied. .	Training on TOMPRO software has been given but needs to be extended !
Schedule 1 – II -7 – iii and GC Section 7.01 (b) (ii)	The PMO shall prepare consolidated AWPB for the Project to be approved by the Fund, ADB and KfW. The AWPB together with Procurement Plan shall be submitted to the Fund 60 days before beginning of the relevant Project year	Not Complied.	Sent to IFAD on 22 <sup>nd</sup> December 2015
GC Section 9.02	The borrower/ recipient shall deliver to the fund detailed financial statements of the operations, resources and expenditure related to the project for each fiscal year prepared in accordance with standards and procedures acceptable to the fund within four months of the end of each fiscal year.	Not complied	
Schedule 1 – II – 7 - vii	<p>The PMO shall submit consolidated annual financial statements to the Fund, ADB and KfW. Such consolidated statements shall be Audited by Foreign Aided Project Audit Directorate (FAPAD) and submitted to the Fund six (6) months after end of each Fiscal Year (GC Section 9.02).</p> <p>In addition to the annual external audit, an internal audit of the Project at the PMO level shall be executed by the internal auditor of the LGED for Project Year one, as well as the following years based on mutual agreement between the Borrower/Recipient and the Fund.</p>	<p>Not Complied</p> <p>Complied</p>	<p>Audited Accounts for the year ended 30<sup>th</sup> June 2015 sent to IFAD on 4<sup>th</sup> January 2016. .</p> <p>Internal Audit done from inception to 31<sup>st</sup> March 2015 by the Internal Audit section of LGED. And the Internal Audit report was issued on 21<sup>st</sup> April, 2015</p>
Schedule 1- II-	The PMO shall prepare all reports including financial reports for all activities. It shall	Complied	

7- viii	prepare quarterly reports and annual reports to be presented to the Fund, ADB and KfW..		
<b>Article/ Section of Financing Agreement</b>	<b>Covenant</b>	<b>Status</b>	<b>Remarks</b>
Schedule 1-II-11	For Monitoring and Evaluation, the PMO shall have a Monitoring Specialist and an assistant	Complied	
Schedule 1- II- 14	The Fund, ADB and KfW shall carry out joint supervisions. Besides, the Fund/ADB/KfW annual supervision mission, an independent mid-term and final evaluation shall be conducted.	Not complied	Individual supervision missions are carried out by each financier.
Schedule 1 – II -16	The PMO shall prepare the Project Administration Manual (the “PAM”) and shall forward it to the Fund for comments and approval.	Complied	
GC Section 7.07	The Borrower/Recipient shall ensure that all facilities and civil works used in connection with the Project shall at all times be properly operated and maintained and that all necessary repairs of such facilities shall be made promptly as needed.	Complied	
GC Section 7.08 (a)	The Borrower/Recipient or the Lead Project Agency shall insure all goods and buildings used in the Project against such risks and in such amounts as shall be consistent with sound commercial practices.	Complied	The project has no building in its ownership , hence this part not applicable
GC Section 7.08 (b)	The Borrower/Recipient or the Lead Project Agency shall insure the goods imported for the Project which are financed by the Financing against hazards incident to the acquisition, transportation, and delivery thereof to the place of use or installation in accordance with sound commercial practice.	Not Applicable	The project has no provision for importing goods from aboard.
GC Section 7.11	The Borrower/Recipient or the Lead Project Agency shall insure key project personnel against health and accident risks to the extent consistent with sound commercial practice or its customary practice in respect of its national civil service, whichever is applicable.	Not complied	

## **Appendix 7: Knowledge management: Learning and Innovation**

### **Learning: What has worked particularly well in this project during this period? What have been the reasons for this?**

98. The CCIRP project area is very poor, least developed and vulnerable to natural disasters such as tidal surges, cyclones, and floods. The rural producers especially the poor and the small producers in the project area suffer from two sets of constraints that limit their livelihoods: (i) poor transport and market infrastructure that limits their access to markets and increases cost of production because of high input and transportation costs and lowers their farm gate prices due to their remoteness induced high transaction costs; and (ii) limited access to services including production technology, production support services and financial services. The project has put initial emphasis on construction of markets and thereafter the village roads. The markets established by the project have brought in immense economic benefits and have emerged as a business hub. Market development has resulted in increase in number of permanent shops in the market area, increase in number of temporary traders both during haat and non-haat days, increase in footfall of shoppers both during haat and non-haat days, and development of wholesale trade of agriculture produce and livestock including collection and aggregation. The trade volumes have considerably increased both for the permanent shop owners and also temporary traders. As a result of the market development, wholesale buyers visit the market regularly and the small producers are able to market their produce locally reducing their transaction costs. This concept of building market infrastructure has been successful mainly on account of LGED taking up construction in the location where unorganized markets used to operate.

99. The project followed the model of contracting women from the most vulnerable section of the society to develop community markets, WMSs, village roads, landing ghats and market connecting roads. The implication of this approach is to promote labour intensive methods not only to develop infrastructure for the common good of the community but also improve living standards of the poorest households selected as LCS members. LGED used intensive participatory processes to select the LCS members and built their capacity to undertake the contract for construction of infrastructure. LGED directly supervised construction and facilitated in procurement of materials required for construction. Using the LCS modality, the project until 30 June 2016 has completed 104 markets, 22 Km of village road and 1 WMS using 2,825 LCS members of which 2,330 are women and 495 men. The project has in total created wage employment of 212,726 persondays and has disbursed BDT 28.56 million as wages. The average daily wage works out to BDT 136. In addition to this the project has also distributed BDT 40.21 million as profit the LCS members after completion of the works. This works out to BDT 189 per personday of labour contributed by the members. In effect, the LCS members received Rs 323 per day of work contributed. As a result of this modality, LGED was able to complete construction of the infrastructure within the cost estimates and also was able to ensure construction quality due to direct supervision. The spin off effect from this intervention has been quite spectacular. Lump sum distribution of profit after completion has enabled the members to make investments in purchase of cycle cart and boat, cattle rearing, vegetable cultivation and trading. All the members have access to micro-finance through various MFIs operating in the area. With increased ability to sustain to market shocks, most LCS members have taken up investment to improve their livelihood. LCS modality of implementation with rigorous and participatory selection process coupled with intensive supervision of works by LGED has contributed to the success.

### **Learning: What has not worked so well? What have been the reasons?**

100. Government regulation has established a MMC for each market comprising 11 members. The chairperson of the Union Parishad is Chairperson of the MMC. Each MMC has 4 elected representatives and the remaining seven are the market users. There is only one member from the representing permanent shop keepers of the market area. There is limited participation from all the members of the MMC as most of them have no long term interest in the upkeep of the market. As a result of this, the MMC is not performing to its potential. In addition to the MMC, each market has a Traders' Association comprising members who own permanent



shops. These members collect membership fee and use these funds for regular cleaning and security of the market. The project took up the issue expanding the size of the MMC with the policy makers but a final decision is yet to be taken on this. The Traders' Association is largely interested in the proper upkeep of the market as their regular business hinges on the quality of market environment including safety. As these Associations do not have major say in the maintenance and management of the markets, the MMCs have not been effective as expected. Development of maintenance protocols with roles and responsibility, and cost estimates for maintenance and funding allocation is required for developing effective maintenance and management system of the markets with close supervision from LGED to put the systems into practice.

101. The market infrastructure has resulted in substantial benefits to both traders and shoppers. This has resulted in increased number of permanent shops, increase number of temporary traders and also increased number of shoppers. In addition, there have been regular visits of wholesalers to buy agricultural and other produce. As a result the volume of business has increased substantially. Each market is leased out to a leaseholder. This system of leasing is still evolving and wide variation across various markets exists. There exist extreme variation in lease values and in many cases the lease value is extremely low. The business volume in the market area has increased substantially and this increase in business volume has not translated into increased lease values. This is mainly on account of limited participation of LGED in the leasing process and also lack of a system to determine minimum lease values.

102. Leasing and lease amount collection is undertaken by the Upazilla administration. As per the regulation, 41% of the lease amount is retained by the Upazilla administration and held in a consolidated account which can be used for development of markets, 25% is allocated to the respective MMC for maintenance and the remaining 24% towards government revenue and other expenditure heads. Though each MMC is supposed to get 25% of the lease amount, none of the MMC visited by the mission has received this amount. However, all stakeholders are aware of the availability of 25% of the lease amount for maintenance. Non-availability of funds is one of the main reasons for less than anticipated efforts by the MMC to maintain the markets.

**Innovation: Describe any interesting innovation noted during supervision The following innovations have been noted:**

103. The project design has been innovative from the point of cost effectiveness. There was an option of increasing village road height as an engineering response to possible increase in sea level to build climate resilience. This option would have resulted in increasing the village road height and resultant increase in cost of construction. The project explored other options such the investments made to strengthen the sea and main river embankments. After verification that the government is in the process of increasing the sea and main river embankment height, it was decided not increase the village road height and as a result there was reduction in cost of construction of road. As a result of this, the project was able to increase the length of village road construction. This cost effective solution has evolved on account of the planners understanding of the macro-level issues related to building climate resilience as against proposing an immediate climate resilience solution to every intervention.

104. The project operates in isolated locations and also the investment cost in each location remains very small. In these locations there are no cost advantages of aggregating the market construction orders and seeking contractors for construction. The project scaled up the lessons related to engagement of LCSs in construction of small infrastructure with the objective of constructing quality infrastructure in isolated locations under the direct supervision of LGED and improving the livelihoods of women belonging to highly vulnerable section of the society. Direct supervision of construction by LGED ensured quality of construction and the women engaged as a part of LCSs were trained in construction. LGED gave contract to the LCSs as per the cost estimate worked out using government approved schedule of rates. LCS members were paid daily wages and at the end of the construction contract, profits were calculated by comparing actual expenditure against the estimated cost. The savings is declared as profit and this amount is distributed amongst the members based on their labour input into construction. The LCS members used this amount to invest in livelihood activities and as a result there has been substantial improvement in the living standards of LCS members

105. The project has been continuously striving for improving the maintenance and management of the markets through dialogue with MMCs. However, this did not yield necessary benefits as MMCs were not able to mobilize funds required for maintenance and management. The project took up this issue at the policy level and the government approved release of 25% of the lease amount to the MMCs. This amount is yet to be received by the MMCs but all the MMCs are aware that they are eligible to get this amount. Some of the MMCs have submitted their request to the Upazilla Administration. It is expected that this financial allocation will facilitate maintenance of the markets and other infrastructure constructed under the project.

106. The project area is low lying and flood prone. Constructing and maintaining slopes around the markets and also on village roads is extremely difficult. Heavy rainfall in the project area coupled with soft soil structure makes it prone for soil erosion. The traditional practice is to protect the embankments against erosion by using cement blocks, sand bags, stone or wood revetment, geo-textile, geo-bags and tree planting. Plantation of long rooted fast growing vegetation system along the slope of embankments and river banks was considered an option for solving the problem of erosion. The project has engaged BUET to conduct a study on the use of vetiver grass in village road slope stabilization and erosion control. This grass is long rooted, hardy and not palatable to animals and hence has the potential to control erosion and protect embankments.

**Innovation: How might this be replicated by others, or up-scaled here?**

107. Replication of the best practices and innovation requires in depth studies and preparation of policy briefs. The project has already engaged BUET to undertake three studies and these studies will have to feed into preparation of policy briefs for circulation to the respective ministries.

## **Appendix 8: Mission Schedule**

### Appendix 9: Audit Log

Fiscal year	Audit Observations as per Audit Report		Audit Observations Settled		Audit Observations Outstanding	
	Numbers	Value (INR)	Numbers	Value (INR)	Numbers	Value (INR)
2012-13	1	-	1	-	-	-
2013-14	8	24,391,119	4	19,956,703	4	4,434,416
2014-15	6	10,661,980	3	4,127,908	3	6,534,072
<b>Total :</b>	<b>15</b>	<b>35,053,099</b>	<b>8</b>	<b>2,4084,611</b>	<b>7</b>	<b>10,968,488</b>

## Appendix 10: Fiduciary Risk Assessment

### Financial Management Assessment at Supervision – Guidance Questionnaire<sup>2/3</sup>

Country: Bangladesh	Loan : 896 Grant No: 1445
Project Name: CCRIP	
Executing Agency ; LGED	CPM: Mr. Nigel Brett
Reviewing Finance Officer/FMS: Kajal Chakraborty and Didarul Islam	Date of this review: 20.7.16 to 1.8.2016

Topic		Risk Rating (H/M/L)	Issues / Comments / Recommendations
<b>A. Inherent Risks</b>			
<b>B. Control Risks</b>			
<b>1. Organization and Staffing</b>			
a.	Adequacy of organizational structure to meet functional needs of the project.	L	Organization Structure of the Finance Function exists
b.	Availability of clear job description for key project positions, including fiduciary positions.	L	Yes, clear job descriptions are available
c.	Adequacy of project financial management staff (numbers and skill) matching functional needs of project.	L	All posts are filled up
d.	Availability and adequacy of operating manuals and guidelines for staff.	L	Project Administrative Manual exists which have sections on (a) Financial Management and Procurement (b) Disbursement (c) Procurement Management and (d) Financial Management Arrangement
e.	Existence of a performance based evaluation system in place and timely completion of performance evaluation for all staff.	L	The project has two types of employees, one from the regular government rolls and the rest being project staff engaged on contractual basis.  Performance Evaluation of government employees are done in accordance with government rules.  Performance evaluation for project employees is restricted to UISE staff only.

<sup>2</sup> This questionnaire should be used as guidance for and in support of the Summary Project Fiduciary Risk Assessment at Supervision. It is to be completed during the Mission.

<sup>3</sup> Include relevant findings of project supervision and progress reports, field visits, and audit report findings.

f.	Adequacy of health insurance coverage for all staff (where applicable).	M	Not done from project
g.	Timely payment of social security fees (where applicable).	M	GOB staffs get provident fund benefits. Provident funds are deposited in government treasury against respective individual government employees' name.  Project staff are not entitled to such benefits.
h.	Staff adequately informed about IFAD's national and anti-corruption policy and relevant contact details.	L	Senior staff are aware of this and such knowledge have been disseminated down the line.
<b>2. Budgeting</b>			
a.	Timely preparation and approval of AWPB.	L	There was slight delay in sending the AWPB of AWPB of 2016 to IFAD.
b.	AWPB in line with expenditure categories in Financing Agreement Schedule 2.	L	Yes
c.	Financing sources and implementing agencies for each category in the AWPB are identified.	L	Yes
d.	Linkage between AWPB and Procurement plan are identified (for cost estimate and activities). Check assumptions to support cost estimates. Test check high value items.	L	Done. Our review on test basis yielded no issue in this regard.
<b>3. Fund flows and Disbursements / Withdrawals</b>			
a.	Timeliness of funds disbursed by different sources (and co-financiers funding if applicable).	L	Funds are disbursed by all financiers on time.
b.	Timeliness of counterpart funds disbursed.	L	These are disbursed on time and there is no issue in this regard.
c.	Efficiency of the funding channels. Timeliness and traceability of funds flows.	L	Yes
d.	Efficiency of the funding channels for credit lines. Timeliness and traceability of funds flows, if applicable.	NA	No such case.
e.	Special Account(s)/Dedicated Account(s) Management, Disbursements.		
	i) Adequacy of the authorized allocation to ensure a smooth flow of funds	L	Yes, adequate so far, but in view of rising demands from districts due to acceleration of project activity, the project is about to request an increase in the ceiling of the initial application amount.
	ii) Appropriateness of disbursement methods used	L	Mostly reimbursements, direct payments have been used in very few cases.
	iii) Adequacy of documentary support for SOE disbursements, reimbursements, direct payments and Special Commitments. (refer to Appendix IV and	L	Yes, documentary evidence adequate

	complete, reflecting finding in rating).		
	iv) Timely preparation and accuracy of Withdrawal Applications	L	WA found to be timely and accurate
	v) Authorization of WA preparation.	L	Appropriately authorized. Done by the PD
	vi) Status on expenditures withdrawn from Special Account but not yet claimed for replenishment (old cases to be noted)	L	No such case
	vii) Regularity of Special Account(s) monitoring and monthly reconciliations signed by the project manager. Review and assess the reconciliations	L	Done. No issues observed.
	viii) Disbursement rate compared to the AWPB and whether satisfactory given the remaining implementation time. Provide comments as appropriate	L	Disbursement rate is satisfactory.
	ix) Recovery of SA balances by loan closure	NA	Not Applicable at this stage
<b>4. Internal Controls</b>			
a.	Segregation of duties - are the following functional responsibilities performed by different units or persons: (i) authorization of a transaction (ii) execution of a transaction (iii) recording of the transaction; and (iv) custody of assets involved in the transaction.	L	Yes
b.	Clarity and adequacy of decision processes and sequence of events for control functions in project implementation reflected in the Financial Manual (or equivalent there-of).	L	Payment process is adequately documented in the files
c.	Adherence to Financial Manual.	L	Adherence to the relevant financial and procurement section of the Administrative Manual is adhered to.
d.	Effectiveness and efficiency of internal controls over inflows of funding sources other than IFAD.	L	Internal control exists for funds received from ADB and KfW, the other two financiers of the project.
e.	Adequacy of contract management (use of contracts register and monitoring form) and filing there-of.	L	Contract Registers are kept and regularly updated.  All information required by the Contract Payment Monitoring Form (CPMF) are available, although in the manual system this is not very structured.  However the project is in the process of making entries in the C 11 form of the new software TOMPRO which captures the information in the manner and to the extent as required by IFAD prescribed CPMF.



f.	Effectiveness and efficiency of internal controls over expenditures (full cycle from commitment, payment, receipt of good and services, approval of payments, classification, etc.)	L	Controls on payments for goods and services exist
g.	Documentary evidence to confirm delivery and acceptance of contracted goods, works or services.	L	Yes , documentary evidence available
h.	Physical controls over cash, documents and records. Adequacy of filing systems. Is the petty cash subject to monthly reconciliation as well as surprise checks; custody of cash box and control of keys.	L	No cash transaction takes place in the project.
i.	Adequacy of physical management of cash.	L	Not Applicable.
j.	Timely payment to suppliers and consultants.	L	No issue arose in this respect. Payments are made on time.
k.	Eligibility of expenditures with respect to FinancingAgreements.	L	No issue rose in this respect.
l.	Legality/eligibility of advances from project funds and timely justification for use there-of.	L	Advances are paid to LCS only. No advances are paid to the contractors. Adjustment of LCS advances are normally done timely.
m.	Compliance with financial management covenants in the Financing Agreements and LTB.	L	Mostly complied
n.	Adequacy of up-to-date record keeping for fixed assets and inventories.	L	Scope of improvement of Fixed Assets register exist in a few locations.
o.	Adequacy of controls concerning project assets including: i) Vehicle and other assets management (are assets property tagged, is a physical inventory count done on a regular basis?)  ii) Fuel management (do drivers maintain a log book?)  iii) Travel authorisations (incl. DSA paid to staff)	M	Physical verification needs to be done at least once in a year.  Yes log books exist.  Authorization process exists and is found to be adequate.
p.	Adequacy of vehicles and assets insurance.	L	Motor Vehicles are insured.
q.	Workshops: i) Availability of list of participants ii) DSA paid to participants iii) Receipts for workshop expenditure	L	Relevant documentary evidences exist.
r.	Adequacy of controls and authorization process for use of funds (payments, transfers, Cash/Bank balance management) / and other operational accounts – non-special account.	L	Adequate controls exist in this respect.
s.	Banking arrangement and controls (reconciliation of bank statements with financial accounts).	L	Bank Reconciliations are prepared on a regular basis across the project except for Satkhira and Bagerhat, although the accuracy of their bank balances could be checked from PMU workings and BRS prepared therein.

			However BRS should be prepared by the district offices themselves as a mandatory practice.
t.	Existence of a proper IT support unit in place.	L	One IT support staff from MSC Consultants (ADB sponsored component) gives support on an overall basis to the project.

<b>5. Accounting</b>			
a.	Basis of accounting (cash, accrual) and whether accounting standards are in line with IFAD's requirements (e.g. IFRS/IPSAS/IPSAS cash).	L	Cash basis of accounting is being followed
b.	Adequacy and reliability of accounting system, (is double entry accounting used, specify software used, is budget data entered into the accounting system, can the accounting system produce regular automated financial reports?).	M	The new accounting software TOMPRO is a double entry system .I  The project expects to generate the FS from this but this is yet to be effectively tested.
b.	Recordkeeping (including documentation and filing/archiving)	L	Adequate documentation exists in the district offices and PMU...
c.	Fixed assets register maintained and reconciled (sample and physical check).	M	Sample checked and found to be in order.  Scope exists in the improvement of Fixed Assets Registers.
d.	Adequate documentation and controls for Information Systems, including documented accounting procedures, backup of financial records, integration of all sub-systems.	L	The MIS is currently maintained in MS Excel. The project plans to maintain this hereinafter in TOMPRO software. .  Back ups are taken in Flash Drives/ CDs/ Portable Hard Disks. Back up in flash drives are taken in district offices which should be discontinued and back ups should only be taken in CDs or removable hard disks.
e.	Adequacy of chart of accounts for project accounting purposes	L	Appears to be adequate
f.	Timeliness of recording transactions, regularity of performance and approval of reconciliations, controls on erroneous recordings.	L	These aspects are well controlled.
g.	Appropriate/ adequate accounting and reporting of counterpart funds contributions (incl. tax and tax exemptions) as well as beneficiary contributions.	L	Records in respect of Government Counterpart Contribution are maintained properly. Beneficiaries' contribution are not a part of the

			total project finance of the project.
<b>6. Financial Reporting &amp; Monitoring</b>			
a.	Completeness, accuracy, usefulness, and timeliness of financial reports.	M	Financial Statements do not disclose the accounting policies, the information on category and component wise costs (for the year and accumulated till the year end date),  Audited Financial Report for the year for 2014-15 were sent to IFAD, 4 days later than the time stipulated.  As apparent the project received the PFS from FAPAD on that date (4.1.2016) and sent the same to IFAD on the same day.
b.	Interim FM reports and linkage to progress reports - timely preparation, submission to IFAD.	M	No interim financial reports are sent to IFAD , only annual Financial Statements are sent
c.	Preparation of reports showing actual vs budget income/expenditure and AWPB execution rate.	M	These are not disclosed in the PFS and from next year these information should be supplemented along with the FAPAD format accounts.
d.	Follow up of previous aide-memoirs fiduciary recommendations.	L	Mostly all recommendations have been implemented and the balance recommendations are being worked on.
e.	Reasonable alignment between disbursement rate of recurrent versus investment cost categories.	L	No major exception noted
<b>7. Internal Audit</b>			
a.	Existence of Internal Audit arrangements.	L	.
b.	Adequacy of internal audit arrangements (organization - staff capacity).		The office of Internal Audit Section of LGED carried out the internal audit of the project for the period July 2013 to March, 2015 and issued a report on 21 <sup>st</sup> April, 2015, being the first internal audit of the project.  The Internal Audit for the period April 2015 to June 2016 have been completed but the report is yet to be issued.  The scope consisted of review of internal controls, the safeguard and control over assets and the review of books and records and financial statements.  The books and records were reported to be in order and in the opinion of the internal auditors the financial statements presented a true and fair view.  The internal controls were reported to be satisfactory. The comments of the management against findings were incorporated in the internal audit report. No major findings were noticed
c.	Adequacy of internal audit scope of work and quality of reports.		
d.	Assessment of matters raised in audit reports.		
<b>8. External Audit<sup>4</sup></b>			

a.	Adequacy of scope and ToR.	L	Audit is done by FAPAD and there is no scope for either the project management or IFAD to determine their TORs.
b.	Adherence to ToR.	L	NA, considering the above. .
b.	Timeliness of audit report.	L	Was given on 4 <sup>th</sup> January 2016. FAPAD is not formally bound by a deadline within which they will issue the Audit Report
c.	Quality of audit.	L	Satisfactory. .
d.	Implementation of audit recommendations/agreed action plan in place to address these.	L	Out of the 6 observations 3 have been settled and three yet to be settled.

#### Summary of Project Fiduciary Risk Assessment at Supervision<sup>5</sup>

	Risk Assessment H/M/L	Proposed Mitigation
<b>Inherent Risk</b>		N/A
<b>Control Risks</b>		
1. Organization and Staffing	L	
2. Budgeting	L	
3. Funds flow & Disbursement Arrangements	L	
4. Internal Controls	L	
5. Accounting	L	
6. Financial Reporting and Monitoring	M	The agreed actions as indicated in the Aide Memoire
7. Internal Audit	L	
8. External Audit	L	
<b>Overall Project Fiduciary Risk</b>	<b>L</b>	
H=High, M=Medium, L= Low		
<b>Comments:</b> Actions as proposed to be taken by the Project Management immediately		

<sup>4</sup> Refer to IFAD audit review.

<sup>5</sup> This is a summary of the findings documented in the 'Project Supervision Financial Management Assessment – Guidance Questionnaire – see Appendix I. It is to be completed by the Finance Officer.

**Appendix 11: Summary of implementation support provided by IFAD**

#	Time	Purpose	Composition
1	4-15 May 2014	Financial Management Support Mission	Mr Kajal Chakraborty, IFAD Consultant and FM Specialist
2	27 April to 9 May 2015	1 <sup>st</sup> Supervision Mission	Mr Nicolas Syed, IFAD CPO; Dr Shamsul Hoque, Infrastructure Specialist; Mr Khairul Islam, Value Chain Specialist; Mr Edilberto Angeles, FM Specialist; Ms Wanaporn Yangyuentham, M&E Specialist; and Ms Shameem Ara Sheuli, KM Specialist
3	20-31 July 2016	2 <sup>nd</sup> Supervision mission	IFAD Mission composition: Mr Dewan A. H. Alamgir (Mission Leader), Dr Shamsul Hoque (Infrastructure Specialist), Mr Shree Shetty (Markets and KM Specialist), Mr Khairul Islam (Value Chain Specialist), Mr Kajal Chakraborty (Financial Management Specialist), Mr Didarul Islam (Financial Management Specialist), Ms Wanaporn Yangyuentham (Monitoring and Evaluation & Gender Specialist), and Ms Shameem Ara Sheuli (IFAD KM Officer).