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Report No: PAD 1127

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED {LOAN/CREDIT}

IN THE AMOUNT OF SDR 138.1 MILLION
(US$200 MILLION EQUIVALENT)

TO

BANGLADESH

FOR A

NUTON JIBON LIVELIHOOD IMPROVEMENT PROJECT

February 25, 2015

South Asia
Global Practice Agriculture

CURRENCY EQUIVALENTS

(Exchange Rate Effective December 31, 2014)

Currency Unit	=	Bangladesh Taka - BDT
BDT 78	=	US$1
US$ 1.44881	=	SDR 1

FISCAL YEAR

July 1 – June 30

ABBREVIATIONS AND ACRONYMS

AMT	Appraisal Monitoring Team
BBS	Bangladesh Bureau of Statistics
BDT	Bangladesh Taka
CARTA	Citizen Action for Transparency and Accountability
CAS	Country Assistance Strategy
CF	Cluster Facilitator
CISF	Community Infrastructure Support Fund
CP	Community Professional
EIRR	Economic Internal Rate of Return
EMP	Environmental Management Plan
ESMF	Environmental and Social Management Framework
FAPAD	Foreign Aided Project Audit Directorate
FIRR	Financial Internal Rate of Return
FM	Financial Management
GoB	Government of Bangladesh
GP	Gram Parishad
GRM	Grievance Redress Mechanism
GS	Gram Samiti
HIES	Household Income and Expenditure Survey
ICT	Information and Communication Technology
IDA	International Development Association
IDF	Institutional Development Fund
IFR	Integrated Fiduciary Review
IPDF	Indigenous Peoples Development Framework
IPDP	Indigenous Peoples Development Plan
IPF	Investment Project Finance
IUFR	Interim Unaudited Financial Reports
MD	Managing Director
MIS	Monitoring and Information System
ML&E	Monitoring, Learning and Evaluation
MRA	Bangladesh Microfinance Regulatory Authority
NJCS	Nuton Jibon Community Societies
NJG	Nuton Jibon Groups
NJLIP	Nuton Jibon Livelihood Improvement Project
NPV	Net Present Value
OCC	Opportunity Costs of Capital
PAR	Poverty Assessment Report
PIP	Participatory Identification of the Poor
PKSF	Palli Karma-Sahayak Foundation
PPP	Purchasing Power Parity
PRAMS	Procurement Risk Assessment and Management System
PO	Partner Organization
SAC	Social Audit Committee
SC	Shanchay Committee
SDF	Social Development Foundation
SECF	Small Ethnic Community Framework
SECP	Small Ethnic Community Plan
SF	Shabolombi Fund
SIPP	Social Investment Program Project
VCO	Village Credit Organization
VDF	Village Development Fund

Regional Vice President:	Annette Dixon
Country Director:	Johannes C.M. Zutt
Senior Global Practice Director:	Juergen Voegele
Practice Manager:	Shobha Shetty
Task Team Leader:	Frauke Jungbluth

BANGLADESH
NUTON JIBON LIVELIHOOD IMPROVEMENT PROJECT

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PAD DATA SHEET

Bangladesh

Nuton Jibon Livelihood Improvement Project (P149605)

PROJECT APPRAISAL DOCUMENT

SOUTH ASIA

0000009081

Report No.: PAD 1127

Basic Information		
Project ID P149605	EA Category B - Partial Assessment	Team Leader Frauke Jungbluth
Lending Instrument Investment Project Financing	Fragile and/or Capacity Constraints [ ]	
	Financial Intermediaries [ ]	
	Series of Projects [ ]	
Project Implementation Start Date 1-Jul-2015	Project Implementation End Date 30-Jun-2021	
Expected Effectiveness Date 1-Jul-2015	Expected Closing Date 30-Jun-2021	

Joint IFC	No		
Practice Manager	Senior Global Practice Director	Country Director	Regional Vice President
Shobha Shetty	Juergen Voegele	Johannes C.M. Zutt	Annette Dixon

Borrower: Government of Bangladesh			
Responsible Agency: Social Development Foundation			
Contact:	Mr. A.Z.M. Sakhawat Hossain	Title:	Managing Director
Telephone No.:	+880-2-8100505	Email:	md@sdfbd.org

Project Financing Data(in USD Million)					
[ ]	Loan	[ ]	IDA Grant	[ ]	Guarantee
[X]	Credit	[ ]	Grant	[ ]	Other

Total Project Cost:	220.00	Total Bank Financing:	200.00
Financing Gap:	0.00		

Financing Source	**Amount**
BORROWER/RECIPIENT	20.00
International Development Association (IDA)	197.02
IDA recommitted as Credit	2.98
Total	220.00

Expected Disbursements (in USD Million)

Fiscal Year	2016	2017	2018	2019	2020	2021	2022
Annual	7.2	30.1	47.8	58.7	39.2	15.7	1.3
Cumulative	7.2	37.3	85.1	143.8	183.0	198.7	200

Proposed Development Objective(s)

The proposed Project Development Objective is *to improve livelihoods of the poor and extreme poor in the project areas.*

Components

Component Name	**Cost (USD Millions)**
Component A – Community Institutions and Livelihood Development	173.7
Component B – Business Development and Institutional Strengthening	22.0
Component C – Project Management, Monitoring and Learning	24.3

Institutional Data

Practice Area / Cross Cutting Solution Area	Agriculture

Cross Cutting Areas

[ ] Climate Change
[ ] Fragile, Conflict & Violence
[X] Gender
[X] Jobs
[ ] Public Private Partnership

Sectors / Climate Change

Major Sector	Sector	%	Adaptation Co-benefits %	Mitigation Co-benefits %
Agriculture, fishing, and forestry	General agriculture, fishing and forestry sector	40	10	
Health and other social services	Other social services	20		
Public Administration, Law, and Justice	Public administration- Other social services	20		
Industry and trade	Agro-industry, marketing, and trade	20		
Total		100		

Themes		
Major theme	Theme	%
Rural development	Rural services and infrastructure	40
Social dev/gender/inclusion	Participation and civic engagement	25
Rural development	Rural non-farm income generation	15
Human development	Nutrition and food security	10
Rural development	Other rural development	10
Total		100

Compliance

Policy		
Does the project depart from the CAS in content or in other significant respects?	Yes [ ]	No [X]
.		
Does the project require any waivers of Bank policies?	Yes [ ]	No [X]
Have these been approved by Bank management?	Yes [ ]	No [ ]
Is approval for any policy waiver sought from the Board?	Yes [ ]	No [X]
Does the project meet the Regional criteria for readiness for implementation?	Yes [X]	No [ ]
.		

Safeguard Policies Triggered by the Project	**Yes**	**No**
Environmental Assessment OP/BP 4.01	X	
Natural Habitats OP/BP 4.04	X	
Forests OP/BP 4.36		X
Pest Management OP 4.09	X	
Physical Cultural Resources OP/BP 4.11		X
Indigenous Peoples OP/BP 4.10	X	
Involuntary Resettlement OP/BP 4.12		X
Safety of Dams OP/BP 4.37		X
Projects on International Waterways OP/BP 7.50		X
Projects in Disputed Areas OP/BP 7.60		X

Financing Agreement's Legal Covenants

Name	**Recurrent**	**Due Date**	**Frequency**
Institutional Arrangements	No	N/A	N/A

Description of Covenant

The Recipient shall make the proceeds of the Financing available to the Project Implementing Entity under a Subsidiary Grant Agreement whose terms and conditions shall be acceptable to the Association.			
Name	**Recurrent**	**Due Date**	**Frequency**
Safeguard Documents	Yes	N/A	Throughout implementation
Description of Covenant The Recipient shall ensure that the Project is carried out in accordance with the provisions of the ESMF and any Safeguard Assessments and Plans			
Project Agreement's Legal Covenants			
Name	**Recurrent**	**Due Date**	**Frequency**
Institutional Arrangements	Yes	N/A	Throughout implementation
Description of Covenant The Project Implementing Entity shall hire and maintain a managing director, director level staff and a core team with qualifications, terms of reference and experience agreed between the Project Implementing Entity and the Association.			
Name	**Recurrent**	**Due Date**	**Frequency**
Sub-projects	Yes	N/A	Throughout implementation
Description of Covenant The Project Implementing Entity shall review and appraise Sub-project proposals, enter into Sub-project Financing Agreements, and thereafter monitor and evaluate Sub-projects, in accordance with the PIP and the Community Operational Manual.			
Name	**Recurrent**	**Due Date**	**Frequency**
Safeguard Documents	Yes	N/A	Throughout implementation
Description of Covenant The Project Implementing Entity shall, prior to the commencement of such activity including any Sub-project, have a Safeguard Assessment and Plan: (i) prepared in accordance with the provisions of the ESMF; (ii) furnished to the Association for review and approval; and (iii) thereafter adopted and disclosed as approved by the Association.			

Team Composition

Bank Staff

Name	Title	Specialization	Unit
Mohammed Atikuzzaman	Financial Management Specialist	Financial Management	GGODR
Farhat Jahan Chowdhury	E T Consultant	Environment/Safeguards	GENDR
Amani Haque	Program Assistant	Program Assistant	SACBD
Marghoob Bin Hussein	Senior Procurement Specialist	Procurement	GGODR

Frauke Jungbluth	Senior Rural Development Economist	Team Lead	GAFDR
Elliot Wamboka Mghenyi	Senior Economist	Senior Economist/Impact Evaluation	GAFDR
Sabah Moyeen	Social Development Specialist	Social Development/ Safeguards	GURDR
Pushina Kunda Ng'andwe	Senior Rural Development Specialist	Rural Development Specialist/Nutrition	GAFDR
Sugata Talukder	Operations Analyst	Operations Analyst/M&E	GAFDR
Shashank Ohja	Sr. E-Government Specialist	ICT in Livelihood Projects	GTIDR
Meera Shekar	Lead Health and Nutrition Specialist	Nutrition	GHNDR
Md. Faijul Islam	IT Analyst	ICT	ITSCR

Non Bank Staff

Name	Title
Eustacius Betubiza	Rural Finance Specialist
Josef Ernstberger	Senior Agriculture Economist
C.S. Renjit	Community Development Specialist
Vikas Kanungo	Senior ICT Specialist, GTIDR

Locations

Country	First Administrative Division	Location	Planned	Actual	Comments
Bangladesh	Dhaka Division Chittagong Division Barisal Division Rangpur Division	Jamalpur District Mymensingh District Shariatpur District Sherpur District Comilla District Chandpur District Barisal District Barguna District Patuakhali District Pirojpur District Gopalganj District Gaibandha District Rangpur District Kurigram District Nilphamari District Dinajpur District			

	Khulna Division	Bagerhat District Khulna District Satkhira District			
	Rajshahi Division	Sirajgonj District Naogaon District			
	Sylhet Division	Sylhet District			

I. STRATEGIC CONTEXT

A. Country Context

1. Throughout the 2000-2010 decade, Bangladesh experienced steady and strong GDP growth, averaging a rate of nearly six percent per year. Poverty rates declined at an impressive rate with an average decline of 1.7 percentage points per year. During this period, Bangladesh also improved health outcomes, living conditions of the poor, lowered childhood mortality, increased under-five vaccination rates for all children, increased literacy rates, and improved its safety net coverage. Despite those achievements, under-, and malnutrition remain a challenge in Bangladesh, especially for pregnant and lactating mothers, adolescent girls and children.

2. Bangladesh is on-track to achieve the Millennium Development Goal of halving the incidence of extreme poverty between 1990 and 2015. The country has a fairly robust national statistical system, which publishes poverty and inequality estimates roughly every 4-5 years. Table 1 presents long-term trends in poverty based on the upper and lower national poverty lines[1]. Between 1991-92 and 2010 the incidence of poverty (upper line) declined by about 1.5 percentage points per year on average (BBS has projected it is now less than half its 1990 level; the incidence of extreme poverty (lower line) in 2010 was already well below half its 1990 level.

Table 1: Long-term Poverty Trends: 1990 - 2010

	Poverty Headcount Rate (percent)				
	1991-92	**1995-96**	**2000**	**2005**	**2010**
Upper Poverty Line					
National	**58.8**	**51.0**	**48.9**	**40.0**	**31.5**
Urban	44.9	29.4	35.2	28.4	21.3
Rural	61.2	55.2	52.3	43.8	35.2
Lower Poverty Line					
National	**42.7**	**34.4**	**34.3**	**25.1**	**17.6**
Urban	23.3	13.7	19.9	14.6	7.7
Rural	46.6	38.5	37.9	28.6	21.1
PPP$1.25 Poverty Line	**70.2**	**60.6**	**58.6**	**50.5**	**43.3**

Source: 2002, 2013 Poverty Assessments, World Bank. PPP US$1.25 estimates are from PovcalNet

3. Rural poverty continues to be significantly higher and more extreme than urban. While the decline of extreme poverty in rural areas has been impressive - from 37.9 percent in 2000 to 21.1 percent in 2010 - the poverty level remains almost three times that of urban areas. Extreme poverty continues to be a rural phenomenon. With more than 70 percent of the population and the majority of the poor residing in rural areas, agriculture remains important for the rural economy.

4. Table 1 also presents poverty estimates based on the World Bank's Purchasing Power Parity (PPP) US$1.25 poverty line, which also confirm that poverty incidence declined steady, with the pace of reduction picking up in the last decade. Based on PPP US$1.25 global poverty measure, the number of poor in Bangladesh fell from 75m to 64m (Table 2). Increases in the share of the working population along with rising labor incomes were the two most important contributors to the decline in poverty over the past decade, with almost half of the poverty decline based on growth in farm incomes. The Poverty Assessment also found that poor households living in the poorest regions are less able to cope with shocks. Addressing rural poverty and food security issues thus remain critical policy priorities with emphasis on the need for growth to be inclusive and pro-poor.

[1] These estimates are from the World Bank's 2002 and 2013 Poverty Assessments, and are based on the "cost-of-basic needs" approach.

Table 2: Bangladesh: Recent Progress in Reducing Poverty (2000 to 2010)

Poverty line	2000	2010	Poverty Decline
Upper national poverty line (BDT 1,600 per person per month)	48.9 percent (62 million people)	31.5 percent (47 million people)	17.4 percent (15 million people)
Lower national poverty line (BDT 1,300 per person per month)	34.3 percent (43 million people)	17.6 percent (26 million people)	16.7 percent (17 million people)
International poverty line (PPP$1.25 per person per day)	58.6 percent (75 million people)	43.3 percent (64 million people)	15.3 percent (11 million people)

B. Sectoral and Institutional Context

5. Bangladesh remains a predominantly agricultural country where the agriculture sector plays a pivotal role in economic stability, increasing food and nutrition security, and securing rural livelihoods. While the contribution of the agricultural sector (crops, livestock, forestry, fisheries) to economy is declining, it remains one of the largest sectors (contributing 19.4 percent to the country's GDP) and employing about 43 percent of country's labor force. Most of Bangladesh's poor in rural areas are directly or indirectly linked to the agricultural sector. Increasing rural incomes by linking pro-poor support to productive employment opportunities, building and expanding on sustainable community support mechanisms and increased integration into higher value commodity supply chains, will continue to be an important strategy for the country to address poverty and extreme poverty.

6. A comprehensive support model for the poorest and most left out rural people was introduced in Bangladesh about ten years ago building on self-governed community institutions – the Social Investment Program (or Nuton Jibon). The program combines livelihood support, empowerment, access to finance, and community development. An impact evaluation showed that the program successfully increased beneficiary incomes, participation and access to microfinance, increased empowerment of the predominantly female beneficiaries and positively impacted youth employment, food security, and school attendance. The program was piloted in two districts and 120 villages in 2003. In 2008, the program was scaled-up under the Social Investment Program Project (SIPP-I), covering seven districts and 1,587 villages (incl. additional financing). A follow-up project (SIPP-II) expanded activities into 16 districts and around 3,200 villages. The program is implemented by the Social Development Foundation (SDF), an autonomous 'Non-profit' organization established in 2001 under the Ministry of Finance. SIPP-II, with a currently scheduled closing date of mid-2016, is expected to have its funds fully disbursed by mid-2015. The Government has, therefore, requested a follow-up project that would build on SIPP-II and be ready to start by around mid-2015.

C. Higher Level Objectives to which the Project Contributes

7. The Government has placed the elimination of poverty and inequity at the forefront of its development strategy. The Government, in its national development strategy, the Sixth Five Year Plan (2011-2015) and its Vision 2021, has envisaged more inclusive growth and the eradication of extreme poverty. The strategy emphasizes poverty and reducing inequalities among key focus areas emphasizing access of poor to assets and means of production and strengthened delivery of human development services to the poor.

8. The Country Assistance Strategy (CAS) Progress Report (Report No. 73983-BD), discussed at the Board on January 14, 2014, confirmed the CAS's overall objectives as: (i) consolidating human development gains; (ii) accelerating growth (mainly through improving the business environment and

expanding energy and transportation services); (iii) reducing environmental degradation and vulnerability to natural disasters and climate change; and (iv) strengthening governance. The progress report suggests a deepening of the Bank's strategic directions in areas that pose significant obstacles to growth. The current CAS period was extended by one year in order to align the new Country Partnership Framework with the Government's Seventh Five- Year Plan covering the period FY16-20. The proposed new project would contribute to the current CAS Pillar 3 (vulnerability, adaptation, and inclusion) contributing to outcome 3.1 (agriculture and food security) and outcome 3.3 (women empowerment) and to the suggested deepening of the Bank's strategic directions.

II. PROJECT DEVELOPMENT OBJECTIVES

A. PDO

9. The Project Development Objective is to improve livelihoods of the poor and extreme poor in the project areas.

B. Project Beneficiaries

10. The target group of the project is the poor and extreme poor in the poorest upazilas of Bangladesh. The project would support poor and extreme poor in around 2,500 new villages in 12 districts (around 500,000 poor and extreme poor households/2.25 million beneficiaries). The project would also continue to provide support to the 3,200 villages supported under SIPP-II through higher level institutional and producer group support (around 2.2 million beneficiaries). The selection of upazilas is based on poverty ranking (highest percentage of poor according to the latest Bangladesh Poverty Maps[2]) and clustering considerations (refer to Annex 2). These selection criteria result in (i) deepening of intervention in districts in which SIPP-II has already been active, by including additional upazilas that are ranked among the poorest; and (ii) expanding into upazilas in additional districts. The project would work in a total of 21 districts: (i) nine districts will be supported with second generation activities in villages mobilized under SIPP-II; (ii) seven districts will have ongoing SIPP-II villages and new villages in additional upazilas; and (iii) villages in selected upazilas in five new districts (Chandpur, Comilla, Khulna, Satkhira, Shariatpur and one upazila from Gopalgonj[3]) will be added.

C. PDO Level Results Indicators

11. Key outcome indicators are defined around: (a) livelihoods (increase in household income); (b) outreach and coverage (number of direct beneficiaries by gender and outreach per village); (c) strengthened self-management (index measuring empowerment and gender aspects[4]).

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[2] The Poverty Maps were published in 2014 by the Bangladesh Bureau of Statistics (BBS). They were initiated in 2012 to produce reliable poverty estimates and use data from the 2010 Household Income and Expenditure Survey (HIES) and the 2011 Population Census. The HIES is conducted by the BBS every 4-5 years and is the main data source for official poverty related statistics in Bangladesh.

[3] Moksudpur upazila, Gopalganj district, is also eligible as per poverty criteria and would be supported through one of the district offices in an adjacent district.

[4] The proposed indicator builds on work that was done by DFID in Bangladesh as part of the Chars Livelihood Program. Using a participatory process, a women's empowerment scorecard was developed using the communities' perception on selected indicators that describe women's empowerment closely tight to the social and cultural context. Ten binary indicators have been identified and used for the empowerment scorecard.

III. PROJECT DESCRIPTION

A. Project Components

12. The Nuton Jibon Livelihood Improvement Project (NJLIP) consists of three components with a funding envelope of US$ 220 million: (a) Community Institutions and Livelihood Development; (b) Business Development and Institutional Strengthening; and (c) Project Management, Monitoring and Learning.

Component A – Community Institutions and Livelihood Development (Total US$ 173.7 million; IDA US$ 173.7 million)

13. *Component Objective.* The objective of this component is to: (i) mobilize the poor and extreme poor in selected rural communities by building and strengthening beneficiary community institutions; (ii) provide funding for small infrastructure and livelihood support for project beneficiaries; and (iii) provide nutrition awareness and agricultural production knowledge. The planning and institutional process of engaging with communities and creating and strengthening the community groups would remain largely the same as in SIPP-II. Simplifications are being introduced in the number of community manuals, reporting requirements, and procedures based on experiences gained during the implementation of SIPP-II. The village planning process would be broadened to include discussions on natural risks, economic opportunities, nutrition, agricultural practices and market opportunities.

14. *Among SIPP-II villages*, the component would primarily focus on strengthening sustainability mechanisms for the infrastructure and village-level institutions built so far under the program. With respect to the community infrastructure, the project would particularly aim at strengthening mechanisms for ensuring its adequate maintenance, including effective collection, management, and use of infrastructure maintenance funds. Regarding community financing, the project would aim at improving the operational efficiency and sustainability of the Village Credit Organizations (VCOs) that are managing the revolving funds, by (i) facilitating sustainability of individual village institutions as they progressively graduate from their formative stage under SDF tutorage to maturity and independence; and (ii) facilitating the creation and strengthening of second-tier institutions to organize capacity building, monitoring, etc.

15. *Among new villages*, the component would: (i) help mobilize, develop, and strengthen self-reliant and self-managed community organizations; and (ii) establish a Village Development Fund to finance activities for income generation, small-scale local infrastructure development, and other activities at the village level which are prioritized, managed and maintained by the communities. The component would: (i) institute mechanisms to ensure equitable allocation of funds and their efficient utilization (allocation per beneficiary household) and (ii) strengthen collaborative arrangements with other initiatives and entities, including government line ministries in order to maximize synergy.

Sub-component A.1 – Development and Strengthening of Community Organizations (Total US$ 24.7 million; IDA US$ 24.7 million)

16. This sub-component provides the support needed to build institutions of the poor in the selected villages and subsequently support the strengthening and operation of these institutions. The project would largely maintain the procedures of organization, empowerment, planning and implementation of sub-projects as per the procedures established under SIPP-II. The initial community planning process would be broadened to include basic aspects of advanced production systems and technologies, business and market linkages, nutrition awareness, disaster risk and climate change concerns at that level to feed into the overall investment planning. This sub-component includes the set-up of SDF cluster/field offices for the mobilization and field facilitation of community organizations and the introduction and use of community based ICT tools and technologies for monitoring.

Sub-component A.2 – Financing of Community Plans (Total US$ 145.3 million; IDA 145.3 million)

17. Community plans are financed through a village development fund. The village development fund consist of three sub-funds (i) the Institutional Development Fund (IDF) which is largely supporting the establishment and capacity building of the community groups; (ii) Community Financing - the Shabolombi Fund (SF) - that operates as a revolving fund to provide loans to beneficiaries for livelihood/income generating activities; and (iii) the Community Infrastructure Support Fund (CISF) that funds prioritized small community infrastructure in support of improved livelihoods.

18. *IDF and CISF*. The IDF includes funds to establish the community organizational structure and to provide training on community manuals. It further includes funds for the skills and employment loans and a one-time grant to the most vulnerable. In SIPP-II not every village chose to use IDF funds for employment support, yet this element proved to have substantial economic impacts. Thus, the project would strongly encourage communities to plan to integrate such support in their IDF. The CISF includes funds for the construction of an office/meeting place for the community and on average one or two very small-scale infrastructures identified in the community plan. Under SIPP-II, the CISF was largely funding community infrastructures like the community office, earthen road upgrading, drainage, tube wells, and similar. The IDF and the CISF procedures are envisaged to remain largely as in SIPP-II.

19. *Community Financing*. The SF procedures would largely remain as in SIPP-II. The overall strategy for community financing in the proposed new project would comprise two main sets of activities:

(a) <u>Strengthening the nascent community level financing institutions as they progressively become mature</u>. First, the project will aim at simplifying business processes and modernizing business operations in order to reduce administrative burden and transaction costs. In this regard, business operations will be computerized with standard microfinance software that will be easy to use, time saving, and less prone to human errors. Second, the project would aim at professionalizing operations in order to attain and maintain profitability and sustainability. Project support would focus on: (i) strengthening credit appraisal, monitoring, and recovery processes; (ii) strengthening record-keeping and instituting loan administration practices such as mechanisms for more accurately gauging portfolio risk levels and ensuring adequate provisioning and writing-off bad debts whose repayment is unlikely; (iii) properly pricing their financial products and services in order to fully cover costs and sustain operations; (iv) better tailoring their products to the needs of their clients; and (v) strengthening basic operational practices such as production of simple budgets, cash-flow statements, basic profit-and-loss statements, and simple balance sheets. Third, it will assist with the registration of the community institutions in order to safeguard their assets and facilitate business operations.

(b) <u>Strengthening the VCO Sub-committees in the Second-Tier Institutions ("Societies")</u>. Second-tier organizations[5] are meant to progressively take over from SDF in backstopping community level institutions as a way of ensuring the institutional sustainability. The Societies comprise several sub-committees including a Village Credit Organization (VCO) sub-committee (a District Society's VCO Sub-Committee will oversee about 250-300 VCOs). The VCO sub-committees will be responsible for: (i) monitoring the performance of VCOs under their respective jurisdictions; (ii) organizing training on various topics; (iii) facilitating peer-to-peer learning among VCOs; (iv) organizing joint audits, etc. In order to equip these sub-committees with the knowledge and tools to execute their functions, the project would support: (i) sub-committee training; and (ii) (for a short period) a specialist to assist them in day-to-day portfolio monitoring and work program management (these trainings are budgeted under sub-component B.2).

Sub-component A.3 – Nutrition Awareness and Support (Total US$ 3.7 million; IDA US$ 3.7 million)

[5] Refer to Sub-component B.2.

20. This sub-component would aim to raise awareness, improve attitudes and practices that enhance nutritional outcomes for targeted beneficiaries in selected project areas and that support beneficiaries in optimizing their livelihood activities. Increased household income is not necessarily translating into improved nutritional outcomes and therefore can only partially address the under-, and mal-nutrition challenges in Bangladesh. Activities proposed under the project would focus on awareness building, behavioral change for personal hygiene, food preparation, food choices and mainstreaming nutrition sensitive actions, particularly in selected income generating activities of beneficiaries. The target group for the nutrition related activities comprises a sub-set of project beneficiaries that are among the core focus group for nutrition interventions – pregnant and lactating mothers and young children under the age of five. Behavioral change campaigns and awareness building would be facilitated by SDF using the established community mechanism, while nutrition support activities would be outsourced to experienced players/NGOs in the intervention areas. Activities to be covered under the support would be: (i) promoting better hand washing practices amongst beneficiaries, particularly before food preparation, feeding of babies and when using sanitation facilities; (ii) promoting better infant and child feeding practices for pregnant and lactating mothers; and (iii) mainstreaming nutrition sensitive actions into selected income generating activities. Additional support would be sought from Government institutions such as clinics and line agencies for continuous community training on nutrition related issues and improved agricultural practices. It is also expected that the recently negotiated Bank project on Income Support for the Poorest would reach out to some of the target groups on nutrition.

Component B – Business Development and Institutional Strengthening (Total US$ 22.0 million; IDA US$ 22.0 million)

21. *Component Objective*. This component would aim to increase livelihood opportunities of poor and extreme poor by facilitating their organization into producer groups, cooperatives and societies and by improving their market and business orientation and forward and backward linkages in the market systems. Specific objectives would be to (i) build and strengthen producer organizations as market partners and commercially oriented entities; (ii) facilitate interaction between producers and traders/processors of products in the down- and up-stream value chains; and (iii) support market/business oriented investment to solve bottlenecks in the market chains and/or adding value to the products (e.g. poor and extreme poor capturing a higher share in the value chain). The design of the component would build on and further develop the approaches started under SIPP-II. The component would also continue the youth employment support as provided under SIPP-II.

22. *Among SIPP-II villages*, the component would primarily focus on supporting the second-tier institutional development for the upazilas and districts started under SIPP-II – the Nuton Jibon Community Societies. These societies are supported for around two years and this support would be continued under the project based on the phase-out plan that has been prepared for SIPP-II villages. It is expected that facilitation and monitoring of community activities would be largely handed over to the societies in all SIPP-II areas by end 2017. The component would start supporting business linkages and producer groups in SIPP-II areas first and then gradually expand to new areas.

23. *Among new villages*, the component would introduce the concept of second-tier generations once villages have completed their community investment cycle. Youth employment activities would be started as part of and in sync with the community mobilization efforts under component A. Producer groups in new areas would be eligible to apply for support under the sub-component B.1.

Sub-component B.1 – Business Partnership Development and Market Linkages (Total US$ 14.2 million, IDA US$ 14.2 million)

24. This sub-component would aim to increase livelihood opportunities of poor and extreme poor by organizing them in producer groups, cooperatives or federations and improving their market and business orientation and forward and backward linkages in the market systems. Various models of joint actions of small-scale individual producers working as organized producer groups would aim to raise the attractiveness of poor and extreme poor as market partners, reduce market transaction costs and align their production decisions with business and market opportunities. These producer groups would also facilitate services provisions to their members and act as economic entities and business partners in the down- and up-stream value chains and create additional opportunities for added value to their products. Specific objectives would be to: (i) build and strengthen producer organizations as market partners and commercially oriented entities; (ii) organize and align skill development and training in response to the specific labor market requirements; (iii) facilitate interaction between producers and traders/processors of products in the down- and up-stream value chains; and (iv) support market/business oriented investment to solve bottlenecks in the market chains and/or adding value to the products (e.g. poor and extreme poor capturing a higher share in the value chain).

25. The sub-component includes four groups of activities: *(i) Market Linkage and Partnership Building:* (a) priority value chains linked to livelihood investment priorities of the project beneficiaries; technical and business related bottlenecks would be identified and areas of further support would be defined; (b) annual stakeholder round table meetings at national and district levels, which would bring together project beneficiary producer groups and relevant interested business operators; and (c) various stakeholder thematic meetings, workshops and special subject meetings for an in-depth exchange of producer groups and business operators; *(ii) Product Promotion and Communication:* The project would support participation in and organization of regular trade fairs at the local levels and up to four trade fairs at the national level; *(iii)* Pr*oducer Group/NJCS Productive Investment Fund:* The project would provide an investment fund for registered producer groups and for producer groups under the Nuton Jibon Community Societies (NJCS). This fund would be available based on application and would require a sound and viable business plan. Funding would be provided for investments in jointly used assets (e.g. storage facilities, product processing or pre-processing, packaging, grading, transportation equipment, fresh-keeping or cooling equipment, etc.) and in the procurement of services. Producer groups or societies would receive a maximum funding from the project of US$ 20,000 per one investment proposal and would be required to provide a co-financing of at least ten percent of the investment costs (captured as part of the milestones for project funding support to be provided). Investment proposals with the related business plans would be evaluated by SDF's regional Appraisal and Monitoring Teams (AMTs) judging the technical and financial viability of the proposal. A national level selection panel would select the proposals to be approved for funding by SDF management at the national level; *(iv) Partner Support:* The project would support two types of partnership contracts: (a) with private businesses and (b) with NGOs. Funds would be provided to sign service contracts with private business operators to provide technical assistance services to project beneficiaries both at the investment decision making level and during the production phase. In addition, the project would seek the services of relevant NGOs providing advanced technical packages. For this purpose, several NGO presentation fora would be organized on a regional basis, where NGOs could present their work relevant to the livelihood activities of project beneficiaries. For promising technical packages, the project would sign a service contract for their promotion in the project areas.

Sub-component B.2 – Second-tier Institutional Development Support (Total US$ 6.6 million; IDA US$ 6.6 million)

26. This sub-component aims to support the networking of the village-level community institutions created. These second-tier institutions, called Nuton Jibon Community Societies (NJCS) are to take over the support and development function for their community institutions. The vision for these institutions is

to network the village institutions and support and monitor their performance while also seeking other potential options for economic growth and service provisions for the village institutions or groups of beneficiaries. SIPP-II has already created second-tier institutions on the cluster and district level in four districts (Gaibandha, Jamalpur, Nilphamari, Barguna). These second-tier institutions are intended to take over most of the community support currently provide by SDF. A phase-out plan has been prepared for all SIPP-II villages by when they would enter their self-managed second-tier stage. At the end of an initial support period for these newly created societies of around two years, in which SDF would continue to provide a reduced level of support, SDF would withdraw its support in these districts and only provide occasional guidance as may be required. Second-tier institutions are supported by the project through an institutional development and performance support fund that helps with the start-up of the operation and allows for capacity building support. It is planned that for all SIPP-II clusters, societies will be established and phased-out within the first two years of the project.

Sub-component B.3 – Employment Generation Support (Total US$ 1.2 million; IDA US$ 1.2 million)

27. This sub-component aims to provide opportunities for youth in the project villages to gain skills and access employment opportunities. Finding employment for youth in rural areas is challenging for various reasons: (i) lack of opportunities to start businesses – the project supports youth through its skills development funding activities to start their own business; (ii) lack of information on potential employment opportunities – the project has linked with service providers that seek employees; and (iii) social norms and constraints that make it difficult for youth to leave their villages and seek employment elsewhere or lack of exposure and experience that make youth reluctant to venture from their villages – the project is supporting youth groups and counseling sessions that allow youth and their families to discuss such issues. SIPP-II has developed partnerships with the service sector, telecommunications, technology, garments, and agribusiness sectors, and linked with key GoB training, vocational and job creation initiatives. SIPP-II has set-up a youth data base and also supported the formation of youth groups and counseling. The youth groups meet once a week to discuss common problems and identify options to be useful and participate in the local community. The groups also serve as a platform to enroll youth in existing employment programs from the government or other partners.

28. The project would build on the successful efforts of SIPP-II to link un- and under-employed youth (18 – 35 years) with employment opportunities. Building on the experience gained, youth festivals (during community mobilization), district, regional employment fairs and meetings would be continued. It is proposed to contract an agency that will train SDF staff working on youth employment in counseling approaches and practices and develop an operational manual for such work. SDF would also strengthen tracking youth once employed to gain further information on the movement and advances of the targeted youth. It is further proposed to introduce a one-time small support grant for few highly deserving students of project beneficiaries that have admission rights to a university, but may fail to start their studies due to lack of funds. At the national level an employment fair is proposed once a year bringing together promising employers and identifying knowledge and training gaps that may prevent youth to successfully gain employment. Based on these identified gaps, the project would provide specialized training support that will allow linkages with potential employers.

Component C – Project Management, Monitoring and Learning (Total US$ 24.3 million; IDA US$ 4.3 million)

29. This component would support the management of the project, monitoring and continuous learning throughout the project period. The component would continue supporting third party monitoring and impact evaluation activities as well as build and expand on communication/presentation aspects that SIPP-II has initiated. SIPP-II has established a well-functioning Monitoring and Information System that would be built on and expanded. Information and communication technology supported feed-back mechanisms

will be introduced under the proposed project to simplify and feed into existing feedback and monitoring tools.

Sub-component C.1 – Project Management (Total US$ 20.7 million; IDA US$ 0.7 million, GoB US$ 20 million)

30. The sub-component would cover the operating costs of SDF (national, regional and district level) including salaries and office operating costs. SDF salaries and operating costs will be supported by counterpart funds. IDA funds are paying for training, goods, non-consulting and consultants' services only. SDF has reviewed its internal organization structure based on the experiences gained in SIPP-II to increase efficiency and reduce program delivery costs. The project is supporting these revised structures and arrangements which are detailed in SDF's human resource manual.

31. *Governance and Accountability*. The project would also continue to build on SIPP-II's established governance and accountability functions. SDF has an internal audit team that audits village institutions on a regular basis; an appraisal monitoring team that reviews if milestones have been achieved by the village to receive the next tranche payment and if plans and designs of sub-projects are adequate; a governance team that oversees governance issues, trains the village social audit committees, assesses functioning of the governance mechanisms on a regular basis, and institutes SDF's recently approved exit policy.

Sub-component C.2 – Monitoring and Learning (Total US$ 3.6 million; IDA US$ 3.6 million)

32. *Monitoring and Information System (MIS)*. SIPP-II has established a web-based MIS that provides information down to the village level. This system will be continued under NJLIP. However, number of improvements to increase the usability of the system and to capture additional information would be incorporated such as: (i) more information on the quality and performance of the revolving funds, particularly related to the aging of the portfolio; (ii) besides information on the village level, more tailored information for the SDF specialists related to their technical responsibilities; (iii) information presented for the use of the NJCS once they take the lead of their network of villages. This would particularly apply to community financing, infrastructure, livelihood and capacity building activities. ICT tools, introduced under Component A, will be integrated into the monitoring system.

33. *Third Party Monitoring*. SIPP-II has established a third party monitoring process that looks at processes and activities on a monthly basis and feeds into quarterly monitoring meetings held per region that contribute to program adjustments as needed. The project would continue to use the successful process monitoring mechanisms that have been built under SIPP-II. Based on findings of the Citizen Action Transparency and Accountability (CARTA) Program's survey of SIPP-II that is currently being finalized, the third party monitoring process may be slightly adjusted to capture identified key area for follow-up and improvements.

34. *Impact Evaluation.* The project would continue building on the impact evaluation process that was started in SIPP-II and would include a second follow-up survey for communities where the program has been active for some time and a baseline, mid-term and final survey for the new areas to be intervened in. A comprehensive baseline survey for SIPP-II was conducted in 2012 and builds on a sample in four districts. Not all of these four districts would have new activities in NJLIP and, therefore, the sample will need to be expanded to cover additional areas not yet covered under SIPP-II.

B. Project Financing

35. The lending instrument will be Investment Project Finance (IPF). An IDA envelope of US$ 200 million is provided for a project implementation period of six years. The Government is providing funding

in the amount of US$ 20 million (BDT 1560 million)[6]. The distribution of project costs by components is as follows:

Project Cost Summary (US$ Million)	**Cost Including Contingencies**	**% of Total**	**IDA Financing**	**% Financing**
A. Community Institutions and Livelihood Development				
1. Development and Strengthening Community Institutions				
Cluster Field Facilitation & Mobilization /a	19.11	8.7	19.11	100.0
Community Institution Support	5.66	2.6	5.66	100.0
Subtotal Development and Strengthening Community Inst.	**24.77**	**11.3**	**24.77**	**100.0**
2. Financing of Community Plans	145.28	66.0	145.28	100.0
3. Nutrition Awareness and Support	3.70	1.7	3.70	100.0
Subtotal Component A	**173.75**	**79.0**	**173.75**	**100.0**
B. Business Development and Institutional Strengthening				
1. Business Partnership Development and Market Linkages	14.17	6.4	14.17	100.0
2. Second-tier Institutional Development Support	6.66	3.0	6.66	100.0
3. Employment Generation Support	1.17	0.5	1.17	100.0
Subtotal Component B	**22.00**	**10.0**	**22.00**	**100.0**
C. Project Management, Monitoring and Learning				
1. Project Management /b				
Project Management - National	6.20	2.8	0.40	6.5
Project Management - Regional	5.30	2.4	0.07	1.2
Project Management - District	6.62	3.1	0.18	2.7
Governance & Accountability /c	2.52	1.1	-	-
Subtotal Project Management	**20.64**	**9.4**	**0.64**	**3.1**
2. Monitoring and Learning /d	3.61	1.6	3.61	100.0
Subtotal Component C	**24.25**	**11.0**	**4.25**	**17.5**
Total PROJECT COSTS	**220.00**	**100.0**	**200.00**	**90.9**

\a Includes all costs for the cluster level field offices.
\b 95% of all operating and staff salary costs for the national, regional and district SDF offices financed by Government.
\c Includes costs for Governance Officers, Appraisal & Monitoring Teams and Internal Audit.
\d Including Third Party Monitoring

C. Lessons Learned and Reflected in the Project Design

36. The proposed project has incorporated lessons from global and national practice and analytics drawn from both, the Bank and other agencies. The project builds on two previous projects in Bangladesh that were modeled based on international experience, but in particularly based on community livelihood projects in India like the Tamil Nadu Empowerment and Poverty Reduction Project and the Andhra Pradesh Rural Poverty Reduction Project, and the Sri Lanka Second Community Development and Livelihood Project. These projects promote that, while critical, access to credit alone may not be sufficient for poverty reduction nor the best entry point to reach-out to the poorest. Matching grants and revolving funds have frequently been used as an instrument for asset creation and subsequently better inclusion into markets.

[6] The project implementation mechanisms carry contributions from project beneficiaries in various aspects (community infrastructure, village committee participation, producer group support, fund management) which, given their divers nature, have not been considered in the project financing.

37. NJLIP builds on these elements and the evolution of these projects over the past years. For this, particularly the South Asia livelihood projects were examined. This has, for example, led to introducing ICT based tools for monitoring, community based management of its fund portfolio, and capacity building. In addition, various meetings and roundtable discussions were held with key stakeholders in Bangladesh including NGOs and private sector to help shape the project design and learn from experiences and applied project tools. For nutrition, the vast experience of the Bank and other institutions in Bangladesh have been reviewed and existing programs of other institutions visited and lessons used to integrate nutrition elements into the existing program.

38. Project specific lessons were also taking into consideration based on the experiences gained during the implementation of SIPP-I and –II and were used to adjust specific implementation aspects that were identified by communities, the implementing agency, and the project preparation process. These are shortly summarized below:

- *Nutrition*. While survey results clearly show a direct impact of the program on the availability of food in the beneficiary households, directly targeted nutrition support was felt to be a missing element. Given that such specialized support is not the core strength of the implementing agency, it has been agreed that the project would work with existing institutions and programs that have developed specialized nutrition focused support and are active in the project areas.

- *Cooperation with other agencies, institutions*. SIPP-II, while having agreements with a number of agencies, did not fully explore the potential of cooperation with agencies that are active in project areas. The proposed project would build-in such dialogue more directly, by instituting regular meetings at upazila and district level with authorities, businesses and service providers.

- *Market Linkage and Business Development*. SIPP-II foresaw a number of activities to link project beneficiaries with businesses and markets. Most of these activities have not been implemented as the project focused on individual livelihood activities with delayed formation of second-tier institutions and producer groups. However, examples under SIPP-II demonstrate that the formation of producer groups for market/business linkages was successful to secure and expand livelihood opportunities. NJLIP will therefore build on the successful approaches and expand market linkage and business development activities.

- *Youth Employment*. SIPP-II has actively engaged youth in the project villages to counsel, support, and demonstrate employment opportunities inside and outside of the village areas. Through these efforts SIPP-II has built strong experiences and linkages for employment opportunities. The project would build on these experiences with an aim to continue strengthening SDF's capacity to reach out to these youth, and explore additional employment opportunities. SIPP-II has not systematically collected information in the youth data base to showcase the good results that SIPP-II had in this area. Thus, NJLIP would focus on a more consistent and longer-term tracking of the employed youth.

- *Community Manuals*. SIPP has developed a set of manuals that have served the project well in supporting the communities in their understanding on the formation and operation of the community development activities under the project. As part of the project preparation process, feedback on the manuals and procedures were sought from the communities and SDF implementation levels and subsequently, manuals have been adjusted, in particular with an aim to simplify procedures where possible.

- *Community Financing*. Part of the village fund envelope is used as a revolving fund for livelihood activities. This fund is at the core of the project and is the main driver behind income increases of the beneficiary households. Some of the issues observed under SIPP-II include: (i) concerns about administrative burden; (ii) need for simple business processes; (iii) laxity in enforcing some of the manual provisions; (iv) misalignment between VCO portfolio management practices and micro-finance industry standards; (v) absence of risk-based monitoring strategies; (vi) difficulties with book keeping;

(vii) little product tailoring as per client needs. NJLIP would aim to address these issues by: (i) having a simple structure with a single savings committee to facilitate/oversee the management of community members' own funds; (ii) strengthening credit administration through stricter COM enforcement and risk-based monitoring; (iii) strengthening book keeping and overall basic financial management; (iv) ensuring proper pricing of the VCO offered financial products and services; and (v) progressively introducing financial products that are more tailored to a growing diversity of member activities.

- *Disaster Risk Reduction and Climate Change*. SIPP-II, in its original objective and design, incorporated disaster risk reduction and climate change aspects in a number of ways - risk of natural disasters was part of the upazila selection criteria, village risk reduction plans were prepared, disaster equipment was distributed and disaster volunteer groups and disaster funds established. The restructuring of SIPP-II revised the project objective and eliminated the reference to climate change. While risk plans were made in a large number of villages, they were not always used to support the decisions on the use of the infrastructure funds. Disaster equipment distributed proved helpful, particularly in the southern part of the country during cyclones. Disaster funds out of monthly beneficiary savings have been set-up in a number of villages. While the organization of such disaster group and fund in the village may prove helpful in case of natural disasters, the funds would not be sufficient to compensate the affected. Given the lackluster implementation of these activities under SIPP-II, the additional burden posed on villages and monitoring teams to follow-up, the restructuring of the SIPP-II PDO, NJLIP would not continue these activities. Nevertheless, NJLIP would incorporate climate change and natural disasters risk into the community planning process to assure that the activities chosen have considered such risks and resulting priorities. Village infrastructure would be built in line with appropriate risk standards (i.e. road upgrading to above flood level height).

- *Agricultural Knowledge*. The majority of the livelihood funds, in particular in the first rounds are being used for agricultural activities, especially livestock. While SIPP-II has provided some capacity building support under the IDF, support depended on the demands of the community. It is felt that additional capacity building on agricultural techniques, livestock feeding and rearing would have a high potential to increase the economic returns of the beneficiary households. Therefore, more direct training and knowledge support has been built into Component B of the project. It is also expected that the project beneficiaries could benefit from the proposed National Agricultural Technology Program–II's agricultural extension component currently under preparation. The village planning process will also include a discussion on knowledge gaps and potential viable agricultural products for the community's consideration.

- *Innovations*. SIPP-II had a separate activity to organize development market places and fund some of the winning activities. However, this activity did not take-off substantially under SIPP-II and the process was found very time consuming. The new project, therefore, would build innovation possibilities directly into the component activities, in particular for business linkages and youth employment.

- *SDF Staffing Costs*. Contrary to implementation arrangements often used in community development projects that contract out the mobilization, planning and implementation at the local level to partner organizations, SIPP chose to provide all the facilitation and monitoring arrangements in-house. This approach has proven very effective for monitoring field level activities and to assure implementation quality throughout the villages. However, it also resulted in a large number of staff being on SDF's pay-roll. In combination with SIPP not having started phasing-out of communities in which it has been involved for a long time, this put a substantial burden on the institution, its flexibility, and its overheads. Based on the implementation experience gained, SDF has elaborated its staffing needs and technical staffing requirements for NJLIP.

IV. IMPLEMENTATION

A. Institutional and Implementation Arrangements

39. The project will be implemented by the Social Development Foundation (SDF), an autonomous organization 'Not –for profit' established in 2001 under the Ministry of Finance. The GoB envisages the long-term development of SDF as an institutional resource for a community-driven approach to poverty reduction and livelihoods development. NJLIP would be implemented in accordance with the rules and procedures agreed upon in the Project Implementation Plan (PIP), the Community Operational Manuals (COM), and the Human Resources Policy and Manual. The PIP, COM, and the Human Resource Policy and Manual are to be submitted to IDA and found satisfactory prior to effectiveness of NJLIP. The documents outline the roles and responsibilities of SDF, other stakeholder and community organizations and provide details of project processes and implementation steps. The operational documents have been developed and improved to respond to lessons and experiences gained under the previous project. The documents would be reviewed periodically by GoB and IDA with stakeholder participation. Any changes to the above referenced manuals and operational documents will require prior approval from IDA. IDA approval is also required for any changes to SDF's Articles of Association.

40. *SDF*. SDF Head Office has the overall responsibility of realizing SDF's vision to empower communities to overcome poverty and is in charge of monitoring, quality control, capacity building, compliance, communications and governance. Three regional program offices operate as decentralized locations overseeing project activities within their jurisdiction (Barisal, Rangpur and Jamalpur). The location of the offices may be revisited based on the final selection of unions and villages supported under NJLIP. Each regional office has technical specialists and office administrative staff. District offices are overseeing the field implementation. Under the district office supervision, cluster (field) offices have the role to mobilize and facilitate the establishment of community structures, the development of the community plans and the implementation at the village level. SDF is overseen by a Board of Directors that has the primary responsibility of controlling and directing the formulation and administration of SDF's policy, but is not involved in day-to-day management of the project. In addition, a Project Advisory Committee that would be of an advisory nature (i.e. review of implementation progress) will be constituted with appropriate representation of key ministries/agencies, including the Bank and Financial Institutions Division, Finance Division, Economic Relations Division, Planning Commission, Implementation, Monitoring and Evaluation Division, and SDF.

41. *Community-level*. Nuton Jibon Groups (NJG), for savings and internal lending, are the most basic structure at the community level comprising of 10 to 15 members. NJG members form the building blocks for membership in the Gram Parishad, the overarching village-wide membership body, who then elects its Executive Committee (Gram Samiti) responsible for implementing VDF activities in the village. A Social Audit Committee, independently appointed by the Gram Parishad, provides oversight of all community activities and funds. The funds for all community level activities are directly transferred from SDF to the community organizations.

B. Results Monitoring and Evaluation

42. The project's Results Framework outlines key results indicators, data collection methods and a timetable and responsible agency for data collection. The project will use a results-based monitoring, learning and evaluation system using the following methods and tools: (i) a well-defined M&E strategy for project processes, information requirements, tools and methodologies for data collection, analysis and reporting; (ii) a comprehensive M&E plan with clear roles and responsibilities as they relate to indicators tracking with respect to data gathering and reporting; (iii) internal and external periodic assessment and evaluations which would include baseline surveys, mid-term evaluation, impact evaluation and end-of-

project evaluation; (iv) a web-based MIS; and (v) participatory community monitoring and social accountability approaches.

43. The project's monitoring and evaluation tools include the following: (i) a comprehensive impact survey, designed for SIPP-II, will be used for NJLIP; (ii) the project's management information system provides an integrated platform for monitoring project implementation with inputs being streamlined by using ICT to simplify book keeping and data entry; (iii) the established third party monitoring mechanism that examines processes and activities on a monthly basis and feeds into quarterly monitoring and learning workshops; (iv) a scorecard based assessment tool will be introduced to track gender and empowerment aspects. SDF's monitoring unit would oversee the project's monitoring and evaluation tools.

C. Sustainability

44. *SDF*. SIPP-II has developed a longer term institutional sustainability plan and proposed a core structure that would allow monitoring and support to community institutions upon project closure financed by SDF's endowment fund interest[7]. However, even with the endowment fund covering SDF's fixed and variable costs, additional funding would be needed for expanding the program to other upazilas/ districts. While the Government has expressed a strong commitment to SDF, SDF also needs to more actively seek other funding sources over the project period with the goal to expand the program. The project would support SDF in its communication strategy and elaboration of its institutional strategy. The financial sustainably of SDF beyond the project would be a critical element for the overall sustainability of the program. The project is designed such that the operational overhead costs would decrease over the lifetime of the project. It is estimated that the overhead costs would reach a level at the end of the project, where remaining operational costs could be covered by the interest yielded from the endowment fund. As the project is downsizing, it is expected that SDF will be in a position to expand activities with other funding sources, but largely cover its core overheads through the generated endowment fund interest.

45. *Community Institutions*. Under SIPP, a community institution is formed comprising all poor and extreme poor in the community (project beneficiaries) that have been identified through a participatory identification of the poor planning exercise as one of the first steps in the community engagement. An umbrella agreement is signed with SDF on the project activities and the provided village development funds. At this point, the village institution is not legally registered. It is proposed that under NJLIP, all village institutions will be registered. This will not only protect their funds and clarify relationship with the societies and SDF, but will also allow the village institutions to grow and expand over time. Furthermore, the project would put emphasis on the community financing being managed in line with best practice for micro-finance so that at the end of the project, village institutions are either fully capable of managing their funds independently or are well equipped to directly cooperate with existing micro-finance institutions.

46. *Nuton Jibon Community Societies*. As village institutions mature and finalize the cycle of project support, villages within a cluster and a district can apply to become part of the Nuton Jibon Society of their cluster/district. The societies are registered under the Societies Act and created through shares of each participating village. Around 200 – 300 villages form a district society. The society finances itself through the initial membership fee that is deposited at a fixed term account and monthly membership fees. It also has additional income through a share of the community professionals' fee to be paid to the society and small other income streams through office rental or similar. For the four existing societies initial business

[7] SDF has received an endowment fund in the amount of around US$ 21.5 million from the Government under SIPP-II to fund its operation following closure of the project. For NJLIP, the Government decided to provide direct funding support and allow the endowment fund to grow. As of now, endowment fund interest will not be used for the purposes of the project.

plans have been made that show that they are able to sustain themselves with the interest generated from the initial shares and other income sources. However, this hinges on the village institutions being able to pay their monthly fees which can only be realized if the community finances are managed well. Given that the societies have only been formed late in SIPP-II, some of the implementation issues may have not yet emerged. It will, therefore, be essential to carefully assess the viability of the institutions for the first four districts that are being phased out under SIPP-II and subsequently adjust the concept for NJLIP as may be required based on the observations. With respect to their community finance oversight responsibilities, the VCO sub-committees of the Societies would avail themselves the volunteer services of an Advisory Committee (around three individuals knowledgeable about community/microfinance) who would share their experiences in a purely advisory role).

V. KEY RISKS AND MITIGATION MEASURES

A. Risk Ratings Summary Table

Risk Category	**Rating**
Stakeholder Risk	**M**
Implementing Agency Risk	**M**
- Capacity	**M**
- Governance	**M**
Project Risk	
- Design	**L**
- Social and Environmental	**M**
- Program and Donor	**M**
- Delivery Monitoring and Sustainability	**M**
- **Overall Implementation Risk**	**M**

B. Overall Risk Rating Explanation

47. The overall implementation risk is considered moderate. The project builds and expands on previous projects with the same implementation agency. Thus, substantial experience has been gained by the agency and the implementation mechanisms have been tried and tested. The most relevant risks to the project are perceived to be around capacity of the institutions and their sustainability. While the project is addressing these, it may not succeed in all cases.

C. Governance and Accountability

48. SIPP-II has paid considerable attention to maintaining transparency in processes and decision making and ensuring access to information. To manage local and national level awareness activities, SDF has prepared a number of information, education, communication materials and documented progress under the project. A web-site (www.sdfbd.org) is maintained and updated regularly. NJLIP would continue to build on the established governance and accountability functions. SDF has an internal audit team that audits village institutions on a regular basis; an appraisal monitoring team that reviews if milestones have been achieved by the village to receive the next tranche payment and if plans and designs of sub-projects are adequate; a governance team that oversees governance issues, trains the village social audit committees, assesses functioning of the governance mechanisms on a regular basis, and institutes SDF's recently

approved exit policy. Annual internal financial audits will be introduced and third party monitoring processes continued.

VI. APPRAISAL SUMMARY

A. Economic and Financial Analysis

49. The project would invest some US$220 million in empowering and organizing some additional 2.25 million poor and extreme poor people in village level and higher level groups and organizations, providing them with community finance for economic activities; increasing employment and labor productivity; and improving community level small infrastructure. SIPP-I and SIPP-II have demonstrated that this approach has successfully changed the livelihood of people. Project beneficiaries show a substantive increase in economic productivity leading to sustainable income generation and poverty reduction built around three elements: (i) a boost in *motivation and self-confidence*, of previously more isolated poor and extremely poor now undertaking considerable social and economic activities; (ii) *access to knowledge and information* giving people a wider option of choices; and (iii) *access to finance and services,* which allow investments in a large variety of productive activities. The most direct benefits of the project will come from livelihood activities expected to be undertaken by the project beneficiaries either individually or jointly and improved skills leading to access to employment and income. Indirect benefits are expected from the improvements in living conditions such as improved nutrition, sanitation, health, and education, which in turn will lead to higher productivity and incremental economic activities of the project beneficiaries.

50. The forecast and quantification of the project benefits is largely based on the existing data and experiences gained under SIPP-II. SIPP-II provides good quality and sufficiently detailed quantitative data about all livelihoods and employment generation activities. These data have been cross-checked and verified by SDF staff at the field level. A standard cost benefit calculation method is used, assuming that the activities and the financial and physical input and output data would be of a very similar nature as under SIPP-II. However, the scope of activities was adjusted for NJLIP. For the computation of rates of return and net present values constant price as of 2015 and a cash flow projection period of twelve years is used. Livelihood activities, business linkage and youth employment benefits have been considered in the analysis. No separate benefits are calculated for project investments in public infrastructure, community empowerment, institutional capacity building and project management and learning.

51. The aggregated economic cash flow of the project including all supporting investments shows an Internal Rate of Return (EIRR) of 22.3 percent and an economic NPV (OCC 12 percent) of BDT 3.7 billion. The Financial Internal Rate of Return (FIRR) of the project using market pricing for local labor is 21.4 percent with a NPV (OCC 12 percent) of BDT 3.1 billion. A summary table of the economic and financial analysis results is shown below[8].

Type of Benefits included	Economic Rate of Return (%)	Economic NPV (OCC 12%) BDT billion	Financial Rate of Return (%)	Financial NPV (OCC 12%) BDT billion
Only Livelihood Activities	12.3	0.83	10.31	- 0.52
Livelihood Activities plus Market and Business Linkage	15.6	1.14	13.58	0.50

[8] See Annex 6 for more details.

Livelihood Activities plus Market and Business Linkage plus Youth Employment Generation	**22.3**	**3.72**	**21.36**	**3.08**

52. *Sensitivity Considerations.* A classical sensitivity analysis considering standard assumptions about cost escalation and/or benefit reduction is considered relatively meaningless for this project. It is much more important to inform the designers and implementers about the economic impact of a change of key parameters. Two parameters are of considerable importance: (i) the proportion of project funds, which are available for the VCO as a start-up capital, and (ii) the value of the VCO portfolio over time. The baseline assumption is that about 28 percent of the project investment would be disbursed as a capital stock to the VCO and the VCOs would face a loss of 5% per annum. The table below shows how the EIRR is affected by changing these assumptions.

Type of Benefits included	Baseline EIRR (%)	Decrease initial VCO capital stock by 10%	Decrease initial VCO capital stock by 20%	Increase initial VCO capital stock by 10%	Increase initial VCO capital stock by 20%	Annual Decrease of initial VCO capital stock by 10%	Maintai-ning VCO capital stock at initial value
Only Livelihood Activities	12.27	8.77	5.17	15.67	19.00	-2.08	14.84
Livelihood Activities, Market and Business Linkage	15.61	11.87	8.01	19.26	22.86	2.62	17.87
Livelihood Activities, Market and Business Linkage, Youth Employment Generation	**23.27**	**19.75**	**16.19**	**26.75**	**30.20**	**16.08**	**24.50**

53. The sensitivity analysis shows that the economic returns are very sensitive to the amount of money provided to the VCOs and their ability to maintain the initial capital stock. For the design of the project, it would be important to keep the overall management costs as low as possible and to provide as much resources as possible to the VCOs. Similarly, it would be important to avoid any portfolio losses during operation of the village loans (e.g. through sufficient yields, and high levels of loan recovery).

B. Technical

54. The activities to be supported under the project have been extensively discussed and agreed with SDF, Government officials, and other stakeholders and partners. The proposed technical design elements are sound, built on the experiences and lessons learned from the predecessor projects, and take into account experiences with similar interventions implemented in other countries in the region.

55. The Bank has significant global and regional experience with similar projects. These projects have created a pool of knowledge and experience within the Bank and its staff as well as within its partnering countries. These experiences would be shared and would help both for shaping the design and during implementation. The Bank has supported already two similar projects implemented by SDF, which has built-up its institutional capacity and gained considerable experience. However, SDF on its own would not yet be in a position to fully design and implement such project related to both, the mobilization of sufficient financial resources and human capacity. The Bank can also provide the linkage to its other programs in the agriculture, social protection and skills development areas implemented in Bangladesh.

C. Financial Management

56. A fiduciary assessment for NJLIP indicates a 'substantial' risk in financial management (FM). The main drivers of this risk are the involvement of multiple accounting centers across the country, the timeliness of financial consolidation for capacity constraints, the large number of parties and transactions involved, and the small value and multiplicity of contracts and cash transaction with beneficiaries where there is no practical way for banking transaction. While several risk-mitigating measures are incorporated into the FM arrangements, a number of additional measures will be undertaken during project implementation to improve overall financial management capacity. Financial management and procurement systems and procedures have been tested and refined during SIPP-II and will apply to NJLIP. SDF is strengthening its capacity with adequate FM staff at national level to coordinate financial management activities under the project. SDF's FM team would support the project in strengthening budgeting practices, internal controls, fund reconciliations, and other relevant financial functions including coordination with the FM focal persons at all accounting centers within the project. The current partial and underutilized system of accounting would be enhanced during project implementation by a complete automation of financial management information system to facilitate easy and timely access to financial information, data process, consolidation and report generation. In order to ensure harmonized practice, the project implementation manual will include all the relevant parts of FM operation, and donors' compliance and financial disclosure. Annual external audits of all project components would be conducted by the Foreign Aided Project Audit Directorate, and would be supplemented by additional annual internal audits by an independent audit firm during project implementation.

57. IDA funds will be channeled through a Designated Account operated by SDF. All accounting centers shall maintain a designated operating account to receive funds from SDF. Disbursement would initially be made on an advance and replenishment based on regular statements of expenditure (SOEs). The same method would be applied between SDF and accounting centers. After one year of implementation, the Bank would review the quality of financial management performance and may convert the disbursement modality to one based on interim unaudited financial reports (IUFRs) including a six-monthly forecast of fund requirements. All project related transactions would be accounted for separately following double-entry book keeping principles and on a cash basis. The key project accounting functions for which SDF would be responsible are: (i) budget preparation and monitoring; (ii) payments for eligible project expenditure to third parties; (iii) disbursement of project funds to various agencies, as per approved work plan; (iv) maintenance of books and bank accounts; (v) cash flow management; (vi) financial reporting to GOB, NBR and other stakeholders; (vii) preparation of withdrawal application to claim funds from the World Bank; and (viii) assistance to external auditor and ensuring appropriate audit follow up[9].

D. Procurement

58. The Organizational Procurement Functions and Capability review for NJLIP was conducted based on (i) roles, responsibilities, structure and reporting; (ii) procurement systems and processes and knowledge of their applications; and (iii) procurement skills and capacities. SDF's seasoned procurement staff left and the current procurement staff still needs to build capacity. At least five SDF staff should have completed the three-week national training on public procurement, but, at the moment, no staff has completed this training. This should be addressed within the first six months of project implementation. At least three trained officers will be part of SDF's bid and proposal evaluation committees (BEC/PEC). SDF would also use the services of senior procurement consultant on a needs basis when procurement volumes are high or complex.

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[9] See Annex 3 for more information on the proposed financial management and disbursement arrangements for the project.

59. Procurement financed under the project will be carried out in accordance with the Bank's 'Guidelines: Procurement of Goods, Works and Non-Consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers' dated July 2014 (the Procurement Guidelines) and 'Guidelines: Selection and Employment of Consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers' dated July 2014 (the Consultant Guidelines), and the provisions stipulated in NJLIP's Financing Agreement. As per the Guidelines, all ToRs for consultant services, along with the detailed cost estimates for the assignment, are subject to the Bank's prior no objection. Except as otherwise agreed in the procurement plan, works and goods may be procured on the basis of International Competitive Bidding. For consultant services, the Bank's Standard Request for Proposals is applicable for all types of selection processes. Procurement of goods and works having an estimated value less than the ceiling stipulated in the Procurement Plan may follow National Competitive Bidding, Framework Agreement, and/or shopping methods following provisions in the Procurement Guidelines and the national Procurement Laws. Post reviews on contracts/procurement will be carried out by the Bank. An integrated fiduciary review that includes procurement post review and forensic audit will be carried out by the Bank on a regular basis.

E. Social (including Safeguards)

60. The Environmental and Social Management Framework (ESMF) of SIPP-II has been updated for the purpose of the project and includes guidelines for land use (no land acquisition, displacement or adverse livelihood impacts are permitted under the project), an Indigenous Peoples Planning Framework/Small Ethnic Community Framework, a Gender and Inclusion Framework, consultation and communication strategies, Grievance Redress Mechanism, Implementation Arrangements, Monitoring and Evaluation framework and disclosure procedures. The ESMF and all subsequent social safeguards plans will be publicly disclosed following the Bank's disclosure guidelines after review and clearance from the appropriate authorities. No land acquisition or displacement of people from public or private lands or adverse impacts on livelihoods is permissible under the project. This is explicitly mentioned in the ESMF and placed on a 'negative list' as practiced under SIPP-II. Therefore OP 4.12 (Involuntary Resettlement) is not triggered for the project. While the OP is not triggered, the ESMF includes additional documentation requirements for infrastructure development sub-components to demonstrate that the works are on vacant public lands and no displacement or negative impacts on livelihoods are caused due to the interventions. If lands are contributed by private parties or purchased on a willing buyer/willing seller basis, adequate documentation and consultation will have to be demonstrated via required reporting guidelines.

61. NJLIP is expected to work in areas where indigenous people live and will engage with them for the improvement of their livelihoods. Therefore, OP 4.10 has been triggered. The ESMF includes an Indigenous Peoples Development Framework (IPDF)/ Small Ethnic Community Framework (SECF), based on which project sites will be screened and where relevant, site specific Small Ethic Community Plans (SECP) will be prepared and implemented. A tailored consultation and communication strategy will be included in the SECP which will focus on mobilizing small ethnic communities and increasing their participation and voice in sub-project selection and design. Although most members of small ethnic communities in Bangladesh speak Bangla fluently, local languages will be used. The Grievance Redress Mechanism (GRM), incorporated in the ESMF, will be easily accessible, understandable and usable by the small ethnic communities and they will be represented in the grievance committees.

62. *Gender and Inclusion.* Ninety-five percent of SIPP-II beneficiaries are women who also occupy most decision making positions in community institutions. Women, through participation in the project, are also increasingly becoming decision makers in their households. Among the formed Gram Samitis, VCOs, SACs, Shancay Committees, more than 80 percent decision making positions are occupied by women. The majority of the project target population and the leaders are women and a significant number of them are from the small ethnic communities. Project activities such as beef fattening, goat rearing, cow

rearing, poultry, fisheries, shops, vegetable business, hawker, small business, grocery shop are suitable for women and in line with the customs and norms of the small ethnic communities. NJLIP would build on the lessons learned, scaling-up what is already working, strengthening information dissemination, mobilization and social accountability elements and enhancing benefits to women and marginalized groups.

63. *Mitigation and Implementation Arrangements.* SDF has built-up sufficient understanding of safeguards requirements and implementation. The ESMF contains a Small Ethnic Community Framework, a Gender and Inclusion Framework, an accessible and easily usable GRM and a consultation and communication strategy which will mobilize, motivate, and increase participation of women, vulnerable and marginalized groups. It also contains documentation requirements for land use by type (acquisition and all actions triggering resettlement such as removing squatters, affecting livelihoods adversely will be put on a "negative list" for the project). At community level, social accountability mechanisms will be used such as SACs, public information displays, participation in GP/village assembly meetings, participatory conflict resolution system and annual community assessments and village grading. Although SDF has sufficient experience in handling social safeguards, additional training and capacity building will be provided at the field level to field officers responsible for screening sub-projects, assessing possible impacts and preparing and implementing specific mitigation plans where required.

F. Environment (including Safeguards)

64. The project will replicate most of SIPP-II activities, but scale-up income generating activities and incorporate new activities focusing on nutrition, market facilitation and value addition. While the project is designed to improve livelihoods of the poor, some minor environmental impacts may occur from small-scale infrastructures, agriculture based livelihoods, or market facilitation. Therefore, the project is classified as a "Category B" under OP/BP 4.01 with a partial assessment as the ramifications are likely to be insignificant, site specific with no irreversible impacts and mitigation measures can be designed more readily. Pest Management (OP/BP 4.09) has been triggered considering minor application of pesticides in the small kitchen or dyke gardens designed to provide nutritional support to beneficiaries. Natural Habitats (OP/BP 4.04) has also been triggered as a precautionary measure.

65. As villages to be supported are not yet identified and new activities or sub-projects depend on community decisions and, thus, sub-projects/activities that may have environmental impacts are not yet known, a framework approach has been adopted. SDF has updated the ESMF in consultation with concerned community, field staff and local stakeholders that would provide environmental management mechanisms and tools to identify potential environmental risks in sub-projects, and procedures to mitigate any potential adverse impacts, a mechanism for environmental monitoring as well as a guideline for capacity enhancement. To ensure that project interventions are environmentally benign, the ESMF includes relevant environmental codes of practices for civil works, livelihoods and value chain operations to avert negative impacts and strengthen positive outcomes expected to be generated from the selected sub-projects. In addition, the ESMF also includes a negative list of such activities which are not eligible for project financing, to ensure that, as rural livelihood and community development intervention packages are developed, no such works would be included within the project.

66. Although SDF is familiar with the Bank's safeguard policies, SDF still needs further capacity building related to the proposed new activities like nutrition, market facilitation and value addition. SDF will assign staff responsible for environment at national, regional and district level offices. In addition, SDF will contract an environmental consultant on a retainer basis to assess, on a regular basis, if ESMF guidelines and procedures are adhered to and provide recommendations for additional elements to be included or for required capacity building activities. A simple booklet summarizing the ESMF will be included in the community manuals to elaborate the process to identify and address safeguard issues in sub-

projects and disseminated among the communities and field staff. The ESMF has been disclosed in the client's website and made available at World Bank's InfoShop on December 18, 2014.

67. Besides environmental mitigations, some additional interventions for environmental enhancement have been designed to reduce the project's environmental footprint. In villages with many livestock producers, composting and vermicomposting would be incorporated as a farmer-led green entrepreneurship that would ensure proper management of cow dung, improve soil fertility, enhance agricultural productivity and increase income. Bio-gas would be encouraged in the livestock based producers villages where conditions and specification would be suitable. Improved cook stoves have been initiated in some SIPP-II villages as an environmental enhancement measure which would be also be promoted under NJLIP. Aquaculture related income generating activities would incorporate vegetable plantation on the embankment/dyke of each fish pond that are expected to improve nutrition in a family.

Annex 1: Results Framework and Monitoring

BANGLADESH: Nuton Jibon Livelihood Improvement Project

Project Development Objective (PDO): ***To improve livelihoods of the poor and extreme poor in the project areas.***

PDO Level Results Indicators	Core	Unit	Base line	Cumulative Target Values (FY)						Fre-quency	Data Source	Resp. for Data Collec-tion	Comments
				2016	2017	2018	2019	2020	2021				
1. Beneficiary households with an incremental income increase of at least 30%	☐	Percen-tage	0	-		20			40	Twice in project life	Impact Evalu-ation Survey	SDF	The impact evaluation is based on a sample survey of households who have received project support for at least two years. The increment would be measured against a control group of non-project households.
2. Project beneficiaries and outreach *2.1 Direct project beneficiaries* *2.2 of which female*	☒	Number Percen-tage	0	680,000 90	800,000 90	900,000 90	950,000 90	1,000,000 90	1,000,000 90	Quar-terly	SDF's MIS, progress reports	SDF	Direct beneficiary households are defined as all members of the GPs. It is estimated that 90% of target beneficiaries will be mobilized in GPs. In addition, about 80% of households supported under SIPP-II will directly benefit from project support.
2.3 Share of poor and extreme poor in project villages, which took loans from the VCO	☐	Percen-tage	0	40	60	80	80	80	80	Quar-terly	SDF's MIS, progress reports	SDF	The percentage of mobilized poor and extreme poor, who took at least one loan from the VCO.
3. Strengthened self-management of beneficiaries	☐	Index	To be estab-lished during PIP	3	4	5	7	9	9	Annual-ly	TPM/ village assess-ments	SDF/ TPM	Index (scorecard) measuring empowerment and gender aspects. The index would be integrated into annual village assessment and assessed for about 20% of villages that have been with the project for at least two years.
Intermediate Results and Indicators													
Intermediate Result 1: Community Institutions and Livelihood Development													
4. Representatives in community based decision making & management functions from vulnerable./marg. Beneficiaries	☒	Percen-tage	0	90	90	90	90	90	90	Quar-terly	MIS, progress reports	SDF	All project beneficiaries belong to the vulnerable group and only beneficiaries can participate in the decision processes. As per COM, at least 70% of the GP members would attend the decision making process.
4.1 Reps in comm. based decision & mgt. str. from vul./marg. beneficiaries-female	☒	Percen-tage	0	90	90	90	90	90	90	Quar-terly	MIS, progress reports	SDF	

Intermediate Result 1: Community Institutions and Livelihood Development

4.2 Reps in comm. based decision & mgt. str. from vul./marg. beneficiaries-male	☒	Percen-tage	0	10	10	10	10	10	10	Quar-terly	MIS, progress reports	SDF	
4.3 People participating in community based decision making & mgt str. – female	☒	Percen-tage	0	90	90	90	90	90	90	Quar-terly	MIS, progress reports	SDF	
4.4 People participating in community based decision making & mgt str. – male	☒	Percen-tage	0	10	10	10	10	10	10	Quar-terly	MIS, progress reports	SDF	
5. Villages that achieve A and B grading as per the village grading matrix.	☐	Percen-tage	0	40	50	70	80	80	80	Annual-ly	MIS system	SDF	Village institutions supported by the project functioning in a transparent, inclusive and accountable manner as per village rating (incl. regular meetings, COM rules, regular savings, and repayment rates) – only new villages will be considered.
6. Beneficiaries with livelihood investment with a Financial Rate of Return of at least 10%.	☐	Percen-tage	5	-	-	40	-	-	80	Twice in project life	Survey	SDF	The project will conduct sample surveys to assess the profitability of the chosen livelihood investments.
7. Beneficiary households accessing funds from the SF more than one time.	☐	Percen-tage	0	-	-	20	40	65	70	Annual-ly	SDF's MIS	SDF	Percentage of SF users that are taking more than one loan - will be assessed from two years after start of SF in a community.
8. Infrastructure sub-projects completed with community participation, according to agreed design and quality standards.	☐	Number	0	-	1,500	3,000	3,600	3,600	3,600	Quar-terly	SDF's MIS, progress reports	SDF	Two sub- projects are assumed on average per village. The agreed design includes an appropriate O&M plan.
9. Households benefitting from project provided community infrastructure.	☐	Number	0	-	280,000	420,000	560,000	875,000	875,000	Quar-terly	SDF's MIS	SDF	Number of households included all villagers - 350 HHs are assumed to benefit per village.
10. Nutrition-intervention target households using hand washing stations before food preparation and feeding infants and young children.	☐	Number	0	-	50,000	150,000	250,000	300,000	350,000	Annuall y	SDF's MIS	SDF	Uptake of guidance provided on hand-washing practices (70% of included HHs/ NJG members)
11. Number of pregnant women and mothers participating in child nutrition activities.	☐	Number	0		10,000	30,000	50,000	75,000	100,000	Quar-terly	SDF's MIS	SDF	The indicator will be measured through a survey selecting a random sample of beneficiary households and non-project beneficiaries. The targets would reflect the changing situation in project households over time.

Intermediate Result 2:Business Development and Institutional Strengthening													
12. NJCS formed and providing services to member villages.	☐	Number	14	18	24	32	64	85	85	Quar-terly	SDF's MIS, progress reports	SDF	Number of societies at cluster and district level that implement monthly and annual work plans.
13. Number of MoU or contractual arrangements signed between producer organizations/federation/NJCS and business partners.	☐	Number	0	-	-	3	5	7	10	Annual-ly	Progress reports	SDF	Number of partnerships with private sector established that directly or through NJCS link with the project beneficiaries in the value chain.
14. Number of productive investment grants disbursed	☐	Number	0	-	-	120	160	200	240	Annual-ly	Progress reports	SDF	
15. Youth employed through project facilitation and sustained for at least one year	☐	Number	0	-	5,000	10,000	15,000	20,000	25,000	Annual-ly	SDF's youth database	SDF	Number of jobs that the project facilitated through training, skills development loans, facilitation and partnerships.
Intermediate Result 3: Project Management, Monitoring and Learning													
16. Staff performance appraisal results of staff performing at Grades A& B	☐	Percen-tage	65		80	80	80	80	80	Annual-ly	Perfor-mance evalua-tion	SDF	Performance evaluation conducted as per SDF's HR policy.
17. Grievances registered related to delivery of project benefits addressed.	☒	Percen-tage	0	70	80	80	80	80	80	Annual-ly	SDF's grievan-ce report	SDF	
17.1. Grievances related to delivery of project benefits that are addressed.	☒	Number	0		20	50	70	80	90	Annual-ly	SDF's grievance report	SDF	
18. Client days of training provided.	☒	Number	0	225,000	450,000	650,000	950,000	1,080,000	1,080,000	Quar-terly	SDF's MIS and quarterly progress report	SDF	Beneficiaries who received training x training days (incl. formal training e.g. COMs, responsibilities of committee members, savings and lending activities, IGAs, NJCSs activities, etc.)
19. Beneficiaries that feel project investment reflected their needs.	☒	Percen-tage	0		60	70	80	80	80	Annual-ly	SDF's MIS/Impact survey	SDF	Beneficiaries satisfied with the services provided by the project as per survey/focus group results.
20. TPM recommendations followed-up and actions taken within 3 months.	☐	Percen-tage	0	70	80	80	80	80	80	Quar-terly	TPM report	TPM	Percentage of TPM quarterly review agreed actions addressed at the next quarterly review.

Annex 2: Detailed Project Description

BANGLADESH: Nuton Jibon Livelihood Improvement Project

68. Though overall poverty rates have declined substantially in Bangladesh, poverty remains a severe problem particularly in rural areas. The target group of the project is the poor and extreme poor in the poorest upazilas of Bangladesh. The project will build on the ongoing Social Investment Program Project II (SIPP-II; also called Empowerment and Livelihood Improvement 'Nuton Jibon' Project) and consists of three components with a funding envelope of US$ 220 million: (a) Community Institutions and Livelihood Development; (b) Business Development and Institutional Strengthening; and (c) Project Management, Monitoring and Learning.

69. *Selection Criteria for Selection of Districts, Upazilas and Unions*. The primary focus of the proposed project is poverty and, therefore, poverty data is used as the key selection criterion. The most comprehensive and reliable poverty data available in Bangladesh are the recently published Bangladesh Poverty Maps, which are based on the Household Income and Expenditure Survey (HIES) 2010, conducted by the Bangladesh Bureau of Statistics and the 2011 Population Census. This data set provides poverty data for the whole country disaggregated at upazila level. Considering the project's focus in supporting the poor, the percentage of poor (upper poverty line) within an upazila has been used as the main selection criteria. The following methodology is applied for NJLIP, and would also be used also for SDF's longer term strategy, when additional funds become available:

- Selection of project intervention areas (upazila level) based on ranking of upazilas and clustering
- Ranking and clustering of upazilas: Using a poverty index from poverty mapping
    - Ranking upazilas in the country based on percentage of poor within the upazila (ranking)
    - Upazilas within the poorest ranked 100 upazilas are eligible under the project
    - Districts with at least 3 upazilas within the 100 poorest upazilas (clustering) will be eligible
    - Upazilas, within the poorest 100 upazilas, in a district with less than 3 upazilas among the poorest 100, but adjacent to an eligible district may be considered (but no district office would be established)
- Selection of unions and villages within the selected upazilas
    - Selection based on discussions on upazila/union level on poverty rates, least accessible areas, areas with few other supporting agencies
    - Selection of unions considering clustering
    - Selection of villages (self-selection) – all villages eligible – inclusion after reaching milestones (at least 2/3 of village attend meeting and adopt non-negotiable principles)

70. *Area of Intervention*. The above criteria result in (i) deepening of intervention in districts in which SIPP has already been active, by intervening in additional upazilas (new upazilas); and (ii) expanding into upazilas in new districts. The project would work in a total of 21 districts: (i) 9 districts will be supported with second generation activities in villages mobilized under SIPP-II; (ii) 7 districts will have ongoing SIPP-II villages and newly to be added villages; (iii) upazilas in five new districts would be added (Chandpur, Comilla, Khulna, Satkhira, Shariatpur, and one upazila from Gopalgonj[10]). Based on the available funding it is estimated that the project would cover around 2,500 new villages and support the implementation and phase-out of villages that have been started under SIPP-II. Phasing in of new villages is expected to occur within the first two years of the project. Phasing-out of districts/clusters of villages

[10] Moksudpur upazila, Gopalganj district, is also eligible as per poverty criteria and would be supported through one of the district offices in an adjacent district.

started under SIPP-II is expected to be completed by the end of calendar year 2017. The proposed upazilas, number of unions and villages to be supported under NJLIP are presented below:

	Existing working area (SIPP-II)			Proposed working upazila, # of unions & villages		
District	**Upazila**	**# of existing working unions**	**# of Village**	**Upazila**	**# of proposed working unions**	**# of Village**
Bagerhat	Morelganj	7	102	Chitolmari	5	60
	Sharankhola	2	30	Mollarhat	5	60
Bagerhat Total	**2**	**9**	**132**	***Sub-total-2***	***10***	***120***
Barisal	Babugonj	1	15	Banaripara	5	70
	Bakerganj	2	30	Muladi	5	70
	Barisal Sadar	3	45	Wazirpur	5	70
Barisal Total	**3**	**6**	**90**	***Sub-total-3***	***15***	***210***
Pirojpur	Bhandaria	4	63	Kawkhali	5	60
	Mothbaria	5	73	Nazirpur	5	60
Pirojpur Total	**2**	**9**	**136**	***Sub-total-2***	***10***	***120***
Mymensingh	Dhobaura	4	30	Nandail	5	60
	Gouripur	6	60	Fulbaria	5	60
	Tarakanda	5	60	Trishal	5	60
	Phulpur	4	30			
Mymensingh Total	**4**	**19**	**180**	***Sub-total-3***	**15**	**180**
Sherpur	Nalitabari	5	60	Nakla	5	70
	Sherpur Sadar	4	60	Sreebardi	5	70
Sherpur Total	**2**	**9**	120	***Sub-total- 2***	***10***	***140***
Sylhet	Balagonj	7	30	Gowainghat	5	70
	Sylhet Sadar	5	30	Kanaighat	5	70
Sylhet Total	**2**	**12**	**60**	***Sub-total- 2***	***10***	***140***
Rangpur	Bodorgong	5	60	Mithapukur	5	60
	Gongachora	3	30	Pirgacha	5	60
	Kaunia	4	70	Pirgonj	6	70
	Taragonj	4	60			
Rangpur Total	**4**	**16**	**220**	***Sub-total- 3***	***16***	***190***
Total existing working upazilas -21		**80**	**938**	**17**	**86**	**1100**
NEW DISTRICTS IN NJLIP						
Chandpur				Chandpur Sadar	6	70
				Matalab-Uttar	6	70
				Matalab-Dakkin	6	70
				Hajiganj	6	70
				Shahrasti	6	70
Chadpur Total				***Sub-total- 4***	***30***	***350***
Comilla				Monoharganj	6	80
				Muradnagar	6	80
				Nangalkot	6	80
Comilla Total				***Sub-total-3***	***18***	***240***
Sariatpur				Sariatpur Sadar	6	70
				Gosaighat	6	70
				Mukshedpur(Gopalganj)	7	80
Sariatpur Total				***Sub-total-4***	***19***	***220***
Khulna				Dacope	7	80
				Koyra	7	80
				Terokadhia	7	80
Khulna Total				***Sub-total-3***	**21**	**240**
Shatkira				Assasuni	7	70
				Kolaroa	7	70
				Shyamnagar	7	70
				Tala	7	70
				Kaliganj	7	70
Shatkira Total				***Sub-total- 4***	**35**	**350**
Sub-total in new 5-districts				***18***	***123***	***1400***
GRAND TOTAL IN 12-DISTRICTS				**35**	**209**	**2500**

71. *Selection of Unions and Villages.* As for upazilas, the selection of unions within them would take into account a clustering effect where the project will decide on the minimum number of Unions to be selected from each upazila so as to reduce operational costs. The selection process would involve physical visits, consultation with local communities, local authorities and public representatives to strategically identify the areas with the highest concentration of most vulnerable communities, and those areas which are 'thinnest' in terms of other interventions.

72. Participating villages in the selected unions will be selected based on 'self-selection'. All villages of the selected union will be eligible to participate and will be made aware of the project via union level awareness campaign and communications. Villages will be selected to participate once they attain a number of key milestones or 'readiness indicators'. The readiness criteria include the villages submitting, along with their application, a resolution of the village, adopted at a village-wide meeting with at least sixty percent attendance by the targeted beneficiaries, whereby the community has agreed to follow the 'non-negotiable principles' (see below) for all project activities. The resolution must be prominently displayed in the village as a form of open consensus. Once a village has been selected, it then follows a step-wise sequence of planning and implementation activities. Communities would undertake a participatory planning process to determine local priorities and the best use of their funds.

73. *Project principles*. These non-negotiable principles guide all activities and all participating communities must sign-up, in order to be eligible for project support:

- **Inclusion**: All project activities will ensure that extreme poor, poor, most vulnerable, disabled, destitute, women and youth are targeted and included in project support; At least 90% of the extreme poor and 70% of the poor identified in the villages will be direct beneficiaries of the Village Development Fund (VDF) envelope.
- **Equity**: All decision making positions in all the village institutions created (Gram Samiti, SAC and sub-committees of the Gram Samiti) will be occupied by extreme poor, poor, women and youth.
- **Participation**: All decisions and project activities undertaken will follow a participatory approach with at least 70% of the poor being part of the process.
- **Transparency**: All project decisions will be taken in the Gram Parishad in an open and transparent manner; Project information will be prominently displayed in the village and project documentation including minutes of accounts books, meetings and other records will be maintained and made accessible to the village community.
- **Accountability**: At least 80% of all Gram Samitis would have received all the installments of the VDF and must be rated satisfactory by village communities during community assessment process.

74. In addition to the non-negotiable principles, SIPP communities devised an additional ten 'rules' to be followed in all their village level activities, called the 'Dash Neeti', which would also guide communities in the proposed project:

- Unite for our development
- Be Transparent in all our activities
- We are accountable for our actions
- Self-help is the best way to solve our problems
- All decisions by majority
- Equal rights and equal opportunity
- Be honest in all activities
- Save and Repay our loans
- Complete our activities as per our plan
- Use our resources properly

Component A – Community Institutions and Livelihood Development (Total US$ 173.7 million; IDA US$ 173.7 million)

75. *Component Objective.* The objective of this component is to: (i) mobilize the poor and extreme poor in selected rural communities by building and strengthening beneficiary community institutions; (ii) provide funding for small infrastructure and livelihood support for project beneficiaries, and (iii) provide nutrition awareness and agricultural production knowledge. The planning and institutional process of

engaging with communities and creating and strengthening the community groups would remain largely the same as in SIPP-II. Simplifications are being introduced in the number of community manuals and reporting requirements and procedures based on experiences gained during the implementation of SIPP-II. The village planning process would be broadened to include discussions on natural risks, economic opportunities, nutrition, agricultural practices and market opportunities.

76. *Among current SIPP-II villages*, the component would primarily focus on strengthening sustainability mechanisms for the infrastructure and village-level institutions built so far under the program. With respect to the community infrastructure, the project would particularly aim at strengthening mechanisms for ensuring its adequate maintenance, including effective collection, management, and use of infrastructure maintenance funds. Regarding community financing, the project would particularly aim at improving the operational efficiency and sustainability of the Village Credit Organizations (VCOs) that are managing the revolving funds, by facilitating (i) sustainability of individual village institutions as they progressively graduate from their formative stage under SDF tutorage to maturity and independence and (ii) the creation and strengthening of second-tier institutions to take over organizing capacity building, monitoring, etc. from SDF.

77. *Among new villages*, the component would: (i) help mobilize, develop, and strengthen self-reliant and self-managed community organizations and (ii) establish a Village Development Fund to finance activities for income generation, small-scale local infrastructure development, and other activities at the village level which are prioritized, managed and maintained by the communities. The component would: (i) institute mechanisms to ensure more equitable allocation of funds and their efficient utilization (allocation per beneficiary household) and (ii) strengthen collaborative arrangements with other initiatives and entities, including government line ministries in order to maximize synergy.

Sub-component A.1 – Development and Strengthening of Community Organizations (Total US$ 24.7 million; IDA US$ 24.7 million)

78. This sub-component provides the support needed to build institutions of the poor in the selected villages and subsequently support the strengthening and operation of these institutions. The project would largely maintain the procedures of organization, empowerment, planning and implementation of sub-projects as per the procedures established under SIPP-II. The initial community planning process would be broadened such as to include basic aspects of advanced production systems and technologies, business and market linkages, nutrition awareness, disaster risk and climate change concerns at that level to feed into the overall investment planning.

79. The initial mobilization and facilitation efforts for new villages are conducted by SDF's cluster teams with support from the district office. Where required community professionals are contracted to facilitate the village meetings and the participatory identification of the poor process. This sub-component includes the costs for information campaigns at the district, upazila and union level and related information materials as well as the participatory identification of the poor process. It then supports the mobilization and formation of the community institutions, their capacity building and training on community manuals. The sub-component further supports the contracting of community professionals to support the process of village grading and village matrixes. ICT support is also covered under this sub-component as are exposure visits to other communities, visits for producer groups and similar.

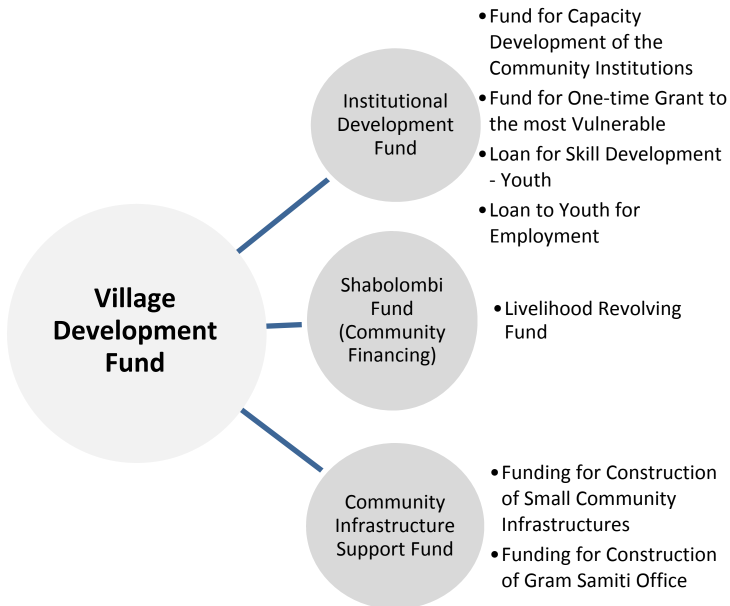
Sub-component A.2 – Financing of Community Plans (Total US$ 145.3 million; IDA US$ 145.3 million)

80. This sub-component will be the main tool for direct financing support to participating communities which will self-manage the resources. The total resource allocation per village that constitutes the village development fund will be based on the formula of BDT 25,000 per beneficiary household as identified

through the participatory identification of the poor process (PIP). The overall village budget envelope would enable community institutional development, livelihood assistance, skill development training and resources for income generating activities and community-level infrastructure. Specific allocations across these priorities will be determined by the community assessing their own needs and priorities, and approved by the Gram Parishad. Beneficiary households will be classified under four categories using PIP, with the project targeting mainly the two poorest and most vulnerable categories. The key rules and guidelines, eligibility criteria and milestones for accessing resources are detailed in the Community Operational Manual. Priorities include:

- developing the Gram Samiti and Gram Parishad into inclusive, autonomous and accountable village institutions with financial and institutional capacity to plan, facilitate and monitor capacity building of its community organizations (e.g., Nuton Jibon Groups and the Village Credit Organization), and plan and execute village development activities;
- supporting youth development by helping communities to prepare a database of their youth and organize youth groups, and with the help of the cluster teams identify potential skills training and employment opportunities for youth groups and individuals, for which the GP may decide to provide financing;
- developing a sustainable village-based savings and credit system that will expand opportunities for income generation to those people who do not currently have access to formal financial institutions, thereby enhancing their access to such formal financial institutions as their enterprises and activities prosper. The key role will be played by the Village Credit Organization (VCO), which is the specialized savings and credit arm of the Gram Parishad and is comprised of selected members from its Nuton Jibon Groups. The VCO will lend funds on a revolving basis to its members. For this purpose, it will develop guidelines for savings and loans (including savings amount, service charges and repayment terms), to be approved by the Gram Parishad. The VCO will collect loan applications, disbursements, book maintenance and loan tracking, following simplified methods that communities can manage themselves. All implementation activities would be audited by the Social Audit Committee.
- strengthening community infrastructure at the village level. Cluster teams will assist communities to analyze and prepare maps that identify small infrastructure/service delivery gaps and/or damaged areas and their corresponding infrastructure needs. The project would promote awareness of possible types of infrastructure requirements that are better able to mitigate and withstand the effects of natural and climate-related disasters. Once sub-projects have been implemented, operation and maintenance of these physical and social service infrastructures will be taken up by the communities. There would be an open menu of activities eligible for funding, including improving rural earthen roads, repairing damaged roads, flood proofing existing roads, creating irrigation and/or drainage facilities (e.g., culverts, canals), raising road levels; constructing new tube wells and latrines, flood proofing tube wells and latrines, constructing GS offices, and protecting key infrastructure from potential disaster related damage, e.g. raising school building.

81. The village development fund consist of three sub-funds (i) the institutional development fund (IDF) which is largely supporting the establishment, operation and capacity building of the community groups; (ii) community financing - the Shabolombi Fund (SF) - that operates as a revolving fund to provide loans to beneficiaries for livelihood/income generating activities; and (iii) the Community Infrastructure Support Fund (CISF) that supports prioritized key community infrastructure.



82. *IDF and CISF*. The IDF includes funds to establish the community organizational structure and to provide training on the community manuals. It further includes funds for the skills and employment loans (following the same procedures and processes as Shabolombi Fund) and a one-time grant to the most vulnerable. In SIPP-II not every village chose to use IDF funds for employment support, yet this element has proven to have substantial economic impacts. Thus, the project would strongly encourage communities to plan to integrate such support in their IDF. The CISF includes funds for the construction of an office/meeting place for the community and other small infrastructures identified in the community plan. Under SIPP-II, the CISF was largely funding community infrastructures like the community office, earthen road upgrading, drainage, tube wells, latrines and similar. Operation and maintenance procedures and costs will be integrated in the infrastructure planning to assure their application. The IDF and the CISF procedures are envisaged to remain largely as in SIPP-II.

83. *Community Financing*. The SF operates as a revolving fund and provides loans to beneficiaries for livelihood/income generating activities. The SF would largely operate as under SIPP-II. In addition, the focus would be on: (i) simplifying business processes in order to increase the operational efficiency of VCOs and the Nuton Jibon groups so as to reduce the administrative burden and transaction costs including the introduction of a simple microfinance/business planning tool; (ii) strengthening credit administration in order to sustain high levels of loan recovery; (iii) strengthening book keeping and overall basic financial management; (iv) ensuring proper pricing of the VCO offered financial products and services in order to fully cover costs and sustain operations; and (v) progressively introducing financial products that are more tailored to a growing diversity of member activities. In order to accomplish these goals, the project will encourage knowledge sharing and peer-to-peer learning among the VCOs including through second tier organizational mechanisms which will also facilitate monitoring and training within the VCO networks; and finance externally-sourced technical assistance to augment the efforts of the VCO networks.

84. The project will aim at simplifying business processes and modernizing business operations in order to reduce administrative burden and transaction costs. In this regard, business operations will be computerized with simple standard microfinance software that is easy to use, time saving, and less prone to human errors. Second, the project will aim at professionalizing operations in order to attain and maintain profitability and sustainability. In this regard, project support will focus on: (i) strengthening credit

appraisal, monitoring, and recovery processes; (ii) strengthening record-keeping and instituting loan administration practices such as mechanisms for more accurately gauging portfolio risk levels and ensuring adequate provisioning and writing-off bad debts whose repayment is unlikely; (iii) properly pricing their financial products and services in order to fully cover costs and sustain operations; (iv) better tailoring their products to the needs of their clients; and (v) strengthening basic operational practices such as production of simple budgets, cash-flow statements, basic profit-and-loss statements, and simple balance sheets. Third, it will assist with the registration of the community institutions in order to safeguard their assets and facilitate business operations.

85. In communities where SDF will be phasing-out its support, second-tier organizations (NJCS) will progressively take over from SDF in backstopping community level institutions as a way of ensuring the network's sustainability. The NJCS will comprise several sub-committees including a VCO sub-committee (a District Society's VCO Sub-Committee will oversee about 200 VCOs). The VCO sub-committees will be responsible for, among other things: (i) monitoring the performance of VCOs under their respective jurisdictions; (ii) organizing training on various topics; (iii) facilitating peer-to-peer learning among VCOs; (iv) organizing joint audits, etc. In order to equip these sub-committees with the knowledge and tools to execute their functions, the project will: (i) support their own training; and (ii) support (for a short period) a specialist to assist them in day-to-day portfolio monitoring and work program management (VCOs will eventually take over the cost of financing such specialist).

Sub-component A.3 – Nutrition Awareness and Support (Total US$ 3.7 million; IDA US$ 3.7 million)

86. The objective of the sub-component is to raise awareness, improve attitudes and practices that enhance nutritional outcomes for targeted beneficiaries in selected project areas and to support beneficiaries in optimizing their livelihood activities. This would be achieved through: (i) promoting better hand washing practices amongst beneficiaries, particularly before food preparation, feeding of babies and when using sanitation facilities; (ii) promoting better infant and child feeding practices for pregnant and lactating mothers; and (iii) mainstreaming nutrition sensitive actions into selected income generating activities. In areas where other stakeholders are already active with major programs, emphasis would be on linking project villages to these programs and project direct support would be limited. Nutrition interventions will be targeted to poor and extreme poor households in the new 2,500 villages to be covered under NJLIP.

87. In the last decade, Bangladesh made notable improvements in health outcomes, lowered child mortality and increased under-five vaccination rates for all children. However, the country has faced serious challenges in addressing the problem of under-nutrition and malnutrition. A multiple indicator cluster survey (2012-2013) conducted by UNICEF to monitor the situation of children and women in all seven Divisions of the country indicates very discouraging results, particularly for prevalence of underweight and stunting amongst children below the age of five across the country. The survey showed that 41 percent of children under the age of five are stunted, 36 percent are underweight, and 16 percent are wasted.

88. UNICEF's 2009 report "Tracking Progress on Child and Maternal Nutrition" made a strong argument for expanding and delivery of key nutrition interventions during the critical 1,000-day window including pregnancy and before a child turns two. Given that Bangladesh is one of 14 countries in which 80 percent of the world's stunted children live, implementing interventions that address the problem are very appropriate and needed. Improving personal hygiene practices are among approaches known to have an impact on nutrition and if implemented with other nutrition support could produce effective results.

89. The Bank's experience with many livelihood projects is that progress has been made in increasing household incomes, but income increases have not necessarily always translated into improved nutritional outcomes and are insufficient to address the under- malnutrition challenge being faced. Experiences from other Donor Partners (USAID, WFP and IFPRI) have shown that integrating nutrition Behavioral Change

Communication (BCC) along nutrition direct support with community development interventions impacts positively on nutrition outcomes. The project will build on its community platform anchored in mobilization and organization, advocacy, awareness raising and access to finance and by integration of nutrition interventions would lead to enhanced nutrition outcomes in areas such as food expenditure, food poverty and diet diversity.

90. *Implementing Nutrition activities through NGO/Partner Organizations.* SDF has limited technical capacity in the area of nutrition and will rely on NGO/Partner Organizations to provide training to communities; build awareness and promote nutrition advocacy; provide all required training and information materials; provide direct nutrition support for pregnant and lactating mothers; and promote hygienic practices (hand washing before food preparation, prior to infant and child feeding and after use of sanitation facilities) for targeted households in the villages. SDF staff associated with the nutrition sub-component would also be provided with training on understanding basic nutrition issues, how to supervise and monitor nutrition activities by NGO/POs, and how to facilitate community interaction with nutrition service providers.

91. *Linkages with Government Community Health Clinics and Line Agencies.* While it is envisaged that communities will access training from NGOs/POs through direct nutrition interventions, this training will only be available during the duration of active contracts. A more systematic and sustained linkage is expected to be made with Government Community Health Clinics and line agencies for continuous access to health training and services; and support for training for improved agriculture management practices, e.g. kitchen gardens, improved animal feed to increase productivity (especially for dairy). SDF will aim to formalize partnerships through MoUs but will collaborate with health and extension workers to provide capacity support through training targeted households. Collaboration would involve providing logistical support for health and extension facilitators to travel to targeted communities to deliver training and technical services. Costs would also cover transportation, facilitator honorarium, training materials and other logistical requirements. It is expected that over time, beneficiary communities would continue to seek out these services directly from government established channels.

92. *Selection of NGOs/POs.* To minimize the risk of managing/supervising several NGOs, SDF will contract the services of three NGOs through a competitive process – one per region. Each NGO/PO will be contracted to provide services over a three year period and contracts will be reviewed and renewed on an annual basis based on satisfactory performance. The nutrition support program will be evaluated based on whether agreed deliverables have been met and capacity building needs of communities met. It is expected that one out of the three NGOs/POs will also be selected to provide initial capacity building training to SDF staff prior to engaging in providing direct nutrition services to targeted communities.

93. *Operational Arrangements.* At the national level, a Nutrition Specialist will be recruited to oversee program planning, coordination and review performance of selected NGOs/POs. S/he will supervise and monitor program progress and be focal person for partner organizations liaison. At the regional level, the Regional Employment and Nutrition Specialist would aggregate data from all districts in region and verify quality of findings and report on findings to the nutrition specialist. At the district level, the District Employment and Nutrition Specialist would be the focal person for program monitoring and compilation of district level nutrition reports and submitting to the regional specialist. Cluster Team Leaders would monitor Cluster Facilitators and NGO/PO action plans and progress and report on status to district team specialists. Cluster Facilitators would collect and compile village level household data, documentation and submit to CTL for reporting. The role of SDF in the nutrition sub-component is mainly a facilitative and monitoring capacity of NGO/PO support to communities. It is not envisaged that SDF will become a direct implementer of this sub-component. At the community level, a nutrition support committee consisting of 3-4 respected community members will be established. They would be the entry point for all nutrition related services to be provided by NGOs/POs. Their functions would include planning, organizing,

supporting nutrition interventions, monitoring and follow up of nutrition activities as well as collecting and reporting on village progress to cluster facilitators.

94. *Operational guidelines.* Detailed terms of reference will be developed that outline the roles and responsibilities of the NGOs/POs and the expected outputs from the partnerships and will include all activities to be undertaken by the organizations including training, awareness raising, behavioral change campaign for improved hygiene practices, development of training materials, IEC campaign for nutrition advocacy, direct support for pregnant and lactating mothers and children under the age of two among others. Annual targets will be set and quarterly reports submitted to monitor implementation progress. The community operational manual will be updated to include the role of the nutrition support committee.

95. *Monitoring and evaluation.* SDF would be provided training to effectively monitor the activities of NGOs/POs. The project would also make use of the independent third party monitoring process to report on implementation progress and invite NGOs/POs to quarterly review meetings to discuss performance of intervention. The terms of reference for third party monitoring will include review and reporting on nutrition sub-component. A thematic study is planned to review the key outcomes of the nutrition intervention and also to look at the effectiveness of the partnership with NGOs/POs. Other specific surveys may be done in collaboration with the Bank's nutrition and research teams to improve the intervention and make corrections if required. A final evaluation would be undertaken at the end of the project.

Component B – Business Development and Institutional Strengthening (Total US$ 22.0 million; IDA US$ 22.0 million)

96. *Component Objective*. This component aims to increase livelihood opportunities of poor and extreme poor by organizing them in producer groups, cooperatives or societies and improving their market and business orientation and forward and backward linkages in the market systems. Specific objectives would be to (i) build and strengthen producer organizations as market partners and commercially oriented entities; (ii) facilitate interaction between producers and traders/processors of products in the down- and up-stream value chains; and (iii) support market/business oriented investment to solve bottlenecks in the market chains and/or adding value to the products (e.g. poor and extreme poor capturing a higher share in the value chain). The design of the component would build on and further develop the approaches started under the on-going SIPP-II project and also continue the youth employment support as provided under SIPP-II.

Sub-component B.1 – Business Partnership Development and Market Linkages (Total US$ 14.2 million; IDA US$ 14.2 million)

97. This sub-component would aim to increase livelihood opportunities of poor and extreme poor by organizing them in producer groups, cooperatives or federations and improving their market and business orientation and forward and backward linkages in the market systems. Various models of joint actions of small-scale individual producers working as organized producer groups would aim to raise the attractiveness of poor and extreme poor as market partners, reduce market transaction costs and align their production decisions with business and market opportunities. These producer organizations would also facilitate services provisions to their members and act as economic entities and business partners in the down- and up-stream value chains and create additional opportunities for added value to their products. Specific objectives would be to (i) build and strengthen producer organizations as market partners and commercially oriented entities; (ii) organize and align skill development and training in response to the specific labor market requirements; (iii) facilitate interaction between producers and traders/processors of products in the down- and up-stream value chains; and (iv) support market/business oriented investment to solve bottlenecks in the market chains and/or adding value to the products (e.g. poor and extreme poor capturing a higher share of the value).

98. The success and sustainability of the project's income development objective depends on identifying and developing financially viable and attractive livelihood opportunities. The provision of community financing under Component A can only be as successful as the beneficiaries can identify investment opportunities, which not only allow them to repay the loans, but also generate sufficient returns for themselves to increase their incomes. Many of the project beneficiaries have no or little land and/or are currently not engaged in any major agricultural or business activity. They have to decide on: what investment activity to undertake; what technology is suitable; what activity is financially attractive; and what is a marketable product. Experience under SIPP-II shows that many chose to take-up activities, which they see practiced by other people in their villages or nearby areas, in a majority of cases this is livestock (57 percent of all loans under SIPP-II where used for livestock). While 'doing what others do' is not necessarily a bad choice, it involves the risks of: (i) repeating existing poor or outdated technologies and production practices; (ii) missing appropriate business knowledge and experiences; and (iii) lacking linkage to markets and market access. In many cases individual investment choices would preferably be driven by market demand and business opportunities. For example, markets for higher value food products such as livestock, dairy, or vegetables that enjoy significant growth prospects in Bangladesh. To take advantage of market opportunities, project beneficiaries have to understand and respond to specific market requirements.

99. The project would need to address several issues: (i) limited marketing and commercial experiences of most project beneficiaries; many of them have no experience at all as in the case of many landless or newly trained youth, who have never promoted their skills on the labor market; (ii) production decisions are not market driven; (iii) small scale, scattered and non-standardized production units and products; individual producers offer small amounts of products, which are not attractive for traders, wholesalers or processors; and (iv) limited added value; small producers offer mainly raw material, which is not graded, packaged or further processed and capture only limited share of value in the existing value chains

100. The sub-component would target poor and extreme poor producers and skilled workers from the project villages empowered under Component A and from the villages supported under SIPP-II. The target organizations, which would be eligible for the project support, would be organized at the village, cluster or district level as registered producer groups or under registered societies with a transparent governance structure and a viable business plan. Such organizations would initially be built around the primary target group, but become open for all producers in the respective organizational levels. The formation of producer organizations and development of economic entities envisaged under this sub-component would follow a successful grassroots level empowerment and livelihood development, as has already been achieved in many of the SIPP-II villages. The implementation of this sub-component would, therefore, start in villages of SIPP-II and would gradually cover project villages under NJLIP starting after year two.

101. *Sub-component Activities*. Four groups of activities will be implemented under this sub-component:

(i) *Market Linkage and Partnership Building:* The activity would support: (i) scan and study of priority value chains linked to livelihood investment priorities of the project beneficiaries; technical and business related bottlenecks would be identified and areas of further support would be defined (e.g. improved technologies, product quality requirements, market and business understanding, etc.); (ii) annual stakeholder round table meetings at national and district levels, which would bring together project beneficiary producer groups and relevant interested business operators; these stakeholder meetings would provide an opportunity for producers and market operators to meet, exchange interests, and develop forward and backward linkages; (iii) special subject meetings for an in-depth exchange of producer groups and business operators in priority value chains (e.g. different livestock products value chains, garment or handicrafts, etc.); these meetings will foster understanding market and technology requirements and proved and exchange forum for new and advanced technologies; (iv) meetings/workshops with Local Service Providers (LSP)/paravets; these meetings/workshops will help LSP/paravets to have skill in facilitation, scope to delivery service and accountable to their duties; and (v) thematic meetings/training for livelihood technical person on all levels; these meetings/training will help livelihood staff to have a clear understanding and skill of facilitation, problem solving and provide a learning forum.

(ii) *Product Promotion and Communication:* The activity would support the participation in and the organization of regular trade fairs at the local levels and up to four trade fairs at the national level. These trade fairs would give producer groups an opportunity to exhibit their products, skills, and capacities, and offer an opportunity for entering into new business relationships. The activity would also support the production of promotion material (posters, leaflets, media briefings, documentary films and other media) not only for the occasions of the trade fairs, but also for distribution at other events attended by potential business operators and market partners.

(iii) *Producer Group/NJCS Productive Investment Fund:* The activity would provide an investment fund for registered producer groups and for producer groups under NJCSs. This fund would be available based on application and would require a sound and viable business plan. Funding would be provided for investments in jointly used assets (e.g. storage facilities, product processing or pre-processing, packaging, grading, transportation equipment, fresh-keeping or cooling equipment, etc.) and in the procurement of services. Producer groups or societies would receive a maximum funding from the project of US$ 20,000 per one investment proposal and would be required to provide a co-financing of at least 10 percent of the investment costs (captured as part of the milestones for tranche payments to be established as part of the milestone-based tranche payment for the productive investment fund). Investment proposals with the related business plans would be evaluated by the regional Appraisal and Monitoring Teams (AMTs) judging the technical and financial viability of the proposal. For better appraisal of each proposal, AMT would hire one or two subject matter specialists at local level to be included in the team for better assessment of the viability and need of the project. For example, during appraising dairy related proposal a dairy expert should be included in the appraisal team. A national level reviewing panel would rank and select the proposals to be approved for funding by SDF management. The activity would also support the cost of registration for producer groups and producer federations.

(iv) *Partner Support:* This activity would support two different types of partnership contracts: (i) with private businesses, and (ii) with NGOs. Under SIPP II, an inventory of relevant business operators has been created which would be maintained and up-dated. Funds would be provided to sign service contracts with private business operators to provide technical assistance services to project beneficiaries at the investment decision making level and during the production phase. These services would help the beneficiaries to make better investment decisions and choose the right technologies. Drawing on the services of private sector businesses (e.g. dairy companies, livestock or vegetable processors, etc.) would also facilitate the emerging of business relationships. In addition, the project would seek the services of relevant NGOs providing advanced technical packages. For this purpose, NGO presentation fora (sometimes referred to as 'Development Market Places') would be organized at the regional level, where NGOs could present their work relevant to the livelihood activities of project beneficiaries. For promising technical packages, the project would sign a service contract for their promotion in the project areas.

Sub-component B.2 – Second-tier Institutional Development Support (Total US$ 6.6 million; IDA US$ 6.6 million)

102. This sub-component aims to support the networking and aggregation of the village-level community institutions created. These second-tier institutions, called Nuton Jibon Community Societies (NJCS) are to take over the support and development function for their village institutions. The vision for these institutions is to network the village institutions and support and monitor their performance while also seeking other potential options for economic growth and service provisions for the village institutions or groups of beneficiaries. SIPP-II already supported second-tier institutions on the cluster and district level in four districts (Gaibandha, Jamalpur, Nilphamari, Barghuna). A phase-out plan has been prepared for all SIPP-II villages by when they would enter the second tier stage. At the end of an initial support period to these newly created societies of around two years by the project, SDF would be expected to withdraw its support in that district and only provide occasional guidance as may be required. Second-tier institutions are supported by the project through an institutional development and a performance support fund that helps with their start-up and allows for capacity building support. It is envisaged that for all SIPP-II clusters, societies will be established and phased-out within the first two years of the project.

103. The vision for Second Generation Institutions is to network the Gram Parishads, the village level institutions of the poor for supporting and monitoring their performance while also seeking other potential options for economic growth and service provisions. The overall goal is to make the NJCS institutionally and financially sustainable so that the institutions, investments and results achieved are sustained beyond the project. The purpose of the NJCS is to support and strengthen Gram Parishads for maintaining their organizational quality, ensuring accountability and compliance to the rules of business and guidelines for sustainable performance, scaling-up information sharing and communication among all its members, aggregating various services and mobilizing producer groups and livelihood development activities including linkages with local government, private sector and financial institutions. This will be achieved through delivering demand based services and technical assistance to member organizations, linking the village institutions to other programs and agencies, mobilizing revenues and linking with other financial resources. The success of NJCS would be the number of Gram Parishads institutionally, financially and technically sustaining beyond the project period including VCOs and producer groups. Indicators to measure the success of the societies are: (i) number/proportion of A or B graded Gram Parishads; (ii) number/proportion of VCOs which are successfully generating income to fully meet operating costs; and (iii) number of community professionals gaining income through providing services.

104. The following activities would be supported under the project: (i) mobilizing and strengthening cluster level and district level NJCS; (ii) providing facilitation and technical assistance support to organizationally develop NJCS as an inclusive, accountable, self-reliant and sustainable institution for providing services to member villages and to sustain their recurrent costs; (iii) provide initial financial support (two years) to establish the institutional infrastructure, systems development – monitoring , fiduciary, accountability, information etc. as well as to promote initial livelihood, saving and credit, community professional development activities; (iv) institutionalizing community to community, learning, capacity building and technical assistance to and among Gram Parishads; (v) establishing formal partnership and joint programs with local government, line agencies, NGOs, financial institutions; (vi) mobilizing revenues through the provision of services; and (vii) developing business plans for continued performance.

105. The NJCS's role is to help, guide and support the community institutions and provide a networking function. The three tier management structure of the NJCS consists of Gram Parishads at the village level, Cluster Societies at the cluster levels (depending upon number of project villages either at union or upazila level) and District Societies at the district level. The individual households are direct members in the Gram Parishads, at the village level and represented indirectly at Cluster Society and District Societies. Gram

Parishads are the members of the Cluster Societies and Cluster Societies are the members of District Societies. In districts with a small number of project villages, the structure would have a two tier arrangement only. The specific responsibilities for the NJCS are summarized in Table 3.

Table 3: Roles and Responsibilities of NJCS

Institutional Level	Main Functions
Gram Parishads (Village Level)	• Participatory identification, prioritization, planning and implementation of various service needs of target communities and investment requirements. • Operation and maintenance of infrastructure and social services. • Mobilizing revenues and resources including community contributions for meeting operation and maintenance expenses. • Communicating among all members the decisions of NJCS and implementing programs following principles and guidelines. • Follow up and monitoring through SAC • Conflict resolution.
Cluster Society (Union/Upazila Level)	• Mobilize Gram Parishads as members. • Act as the main communication hub between Gram Parishads and District Societies. • Aggregating demand for services. • Arranging and coordinating delivery of services. • Collecting data on functioning of Gram Parishads and monitoring and reporting. • Assessing performance of Gram Parishads including tracking benefits, results and issues in delivery of services. • Maintaining bank accounts and account keeping. • Conflict resolution within village and among villages if any.
District Society (District Level)	• Developing operational guidelines for the functioning and performance standards. • Developing business plans to meet the service needs of members. • Maintaining data base and information system for monitoring. • Capacity building of cluster societies. • Identifying internal and external services and resources for supporting cluster societies. • Providing technical assistance to cluster societies. • Establishing strategic partnership and linkages. • Ensuring accountability and governance in the functioning of NJCS. • Arranging for audits and follow-up. • Conflict resolution. • Promoting services among outside organizations, programs for supporting communities. • Mobilizing financial and other resources for carrying out the cluster society activities as per approved business plans.

106. The project will support the NJCS during the initial two years of their establishment to help the NJCS to manage the transition from a project supported entity to autonomous and self-sustaining organizations. The NJCS support consists of: (i) an Institution Development Fund (IDF) during the first year; and (ii) a Performance Support Fund during the second year based on the performance in realizing the vision agreed during the first year.

107. The IDF would support investments for setting-up and strengthening the NJCS and would be primarily used for: (i) capital investments and expenditure for establishing the NJCS; (ii) capacity building activities; (iii) provision of market information; (iv) support services to producer groups; (v) development and functioning of a monitoring, accounting, and accountability system; (vi) support to VCOs; (vii) institutional development of Gram Parishads and its sub-committees; (viii) identification and development of Community Professionals; and (ix) technical assistance for planning and implementing NJCS activities. The IDF would cover the first year operational costs including reasonable salaries of one manager, one

coordinator for each of the service units at district and cluster levels. The project support shall not be used for any land purchase or construction of buildings. The release of IDF will be in two to three installments - a start-up fund and the second/third installment after appraisal of the IDF proposal. Each of the services of the NJCS will prepare proposals in their respective areas which will be aggregated by the district NJCS as an IDF proposal. The activities to be undertaken at the cluster and district levels are to be clearly spelt out in the proposal with clear indication on what kind of goods and services are planned. SDF will appraise the IDF proposal and transfer funds to the District NJCS upon approval of the proposal and signing of a financing agreement.

108. The Performance Support Fund would be provided during the second year of operation. This will be an untied support based on the performance of the NJCS assessed at the end of the first year. The key areas of results are: (i) number of villages assessed A grade; (iii) number of VCOs assessed A grade; (iii) number of community members benefiting from producer group activities; (iv) number of youth gainfully employed after skill development. Since it is expected that the NJCS will gradually generate its own revenue through the provision of services, the preparation of annual business plans is an essential requirement for accessing performance support funds. The business plans are prepared identifying all cost and revenues for each of the services. The plans are to be prepared first for the clusters and then for the districts. After year two, NJCS would be expected to fully manage its transition by gradually emerging as a self-reliant institution fully meeting its recurrent costs from own income. However, the project may still provide funds for one experienced rural finance experts on the district level that would support the NJCS in its book keeping and finance-related decisions and oversight. This position would then gradually be paid out of NJCS's own funds.

Sub-component B.3 – Employment Generation Support (Total US$ 1.2 million; IDA US$ 1.2 million)

109. This sub-component aims to provide opportunities for youth in the project villages to gain skills and access to employment opportunities. Finding employment for youth in rural areas is challenging for various reasons, among them (i) lack of opportunities to start businesses – the project support youth through its skills development funding activities to start their own business; (ii) lack of information on potential employment opportunities – the project has linked with service providers that seek employees; (iii) social norms and constraints that make it either difficult for youth to leave their villages and seek employment elsewhere or lack of exposure and experience that makes youth reluctant to venture from their villages – the project is supporting youth groups and counseling sessions that allow youth and their families to discuss such issues. SIPP-II has developed partnerships with the service sector, telecommunications, technology, garments, and agribusiness sectors, and linked with key GoB training, vocational and job creation initiatives. SIPP-II has also set-up a youth data base and supported the formation of youth groups. These groups meet once a week to discuss common problems and identify options to be useful and participate in the local community. Counseling is also provided for the youth and their parents that have the option to obtain a job away from home but may be reluctant to leave. The youth groups also serve as a platform to enroll youth in existing employment programs from the government or other partners. This activity has managed to support more than 36,000 youth and has been achieved with minimal costs under SIPP-II.

110. NJLIP will build on the successful efforts of SIPP-II to link un- and under-employed youth with employment opportunities. Building on the experience gained, youth festivals (during mobilization), district, regional employment fairs and meetings will continue. An agency will be contracted that will train SDF staff working on youth employment in counseling approaches and practices and develop a guide book for counseling. SDF will also strengthen its follow-up on youth once employed to gain further information on the movement and advances of the targeted youth. It is further proposed to introduce a one-time small support grant for few highly deserving students of project beneficiaries that have admission rights to a university, but may fail to start their studies due to lack of funds (around 50 students supported with approx. US$ 380). At the national level an employment fair is proposed once a year that brings together promising

employers and identifies knowledge and training gaps that may prevent project youth to successfully gain employment. Based on these identified gaps, the project would provide specialized training support that will allow a linkage with an employer to be formed.

Component C – Project Management, Monitoring and Learning (Total US$ 24.3 million; IDA US$ 4.3 million, GoB US$ 20 million)

111. This component would support the management of the project, monitoring and continuous learning throughout the project period. The component would continue supporting third party monitoring and impact evaluation activities as well as build and expand on communication/presentation aspects that SIPP-II has initiated. SIPP-II has established a well-functioning Monitoring and Information System that would be built on and expanded. Information and communication technology supported feed-back mechanisms will be introduced under the proposed project to simplify and feed into existing feedback and monitoring tools.

Sub-component C.1 – Project Management (Total US$ 20.7 million; IDA US$ 0.7 million, GoB US$ 20 million)

112. The sub-component would cover the operating costs of SDF (national, regional and district level) including salaries and office operating costs. SDF salaries and operating costs will be supported by counterpart funds. IDA funds are paying for training, goods, non-consulting and consultants' services only. SDF has reviewed its internal organization structure based on the experiences gained in SIPP-II to increase efficiency and reduce program delivery costs. The project is supporting these revised structures and arrangements which are detailed in SDF's human resource manual.

113. *Governance and Accountability*. The project would also continue to build on SIPP-II's established governance and accountability functions. SDF has an internal audit team that audits village institutions on a regular basis; an appraisal monitoring team that reviews if milestones have been achieved by the village to receive the next tranche payment as well as if plans and designs are adequate; a governance team that oversees governance issues, trains the village social audit committees, assesses functioning of the governance mechanisms on a regular basis and will now also institute SDF's recently approved exit policy.

Sub-component C.2 – Monitoring and Learning (Total US$ 3.6 million; IDA US$ 3.6 million)

114. *Monitoring and Information System (MIS)*. SIPP-II has established a web-based MIS that provides real-time information at the village level. This system will be continued under the proposed new project. In addition, a number of improvements would be introduced to increase the usability of the system and also capture additional information: (i) more information on the quality and performance of the revolving funds needs to be captured in the MIS system, particularly on the aging of the portfolio; (ii) the MIS system needs to not only provide the information on the village level, but should also be able to provide tailored information to the SDF specialists regarding to their area of expertise; (iii) the system will need to generate information in a way that is usable by the NJCS once they take the lead of their network of villages and also needs to be eventually customized to serve their purposes and information requirements. In addition, the system would need to capture the new elements being brought into the project like nutrition, market linkages. The usage of the MIS system as a decision support system on the various levels and as a management tool for SDF would also be strengthened.

115. *Information and communication technologies* would be introduced for the first time in the project. The MIS system inputs will be modernized and streamlined by using information and communication technologies to simplify the book keeping and data entry modules, but also changing the way that data is used and entered. Data entry would shift from the cluster offices to being managed on the community basis. Tablets or notebooks would be introduced on the village level and appropriate modules being developed to allow the data input and transmission to the cluster level on an electronic basis, but also allow report

generation of community targeted reports for their own information and management decisions, particularly related to allowing to review of performance of funds on a village by village and aggregated level. To improve the data quality and reliability and avoid delay in data transmission from the community to SDF headquarters, the project would provide ICT equipment like tablet/notebook computer to the communities with mobile internet connection for data entry. This would also address a current problem that the communities have maintained all project related information manually on paper which is a tedious and time consuming process and involves the risk of data loss especially with natural disasters such as flood and cyclones. Under the proposed ICT initiative, selected beneficiaries would be capacitated to feed primary data into the MIS. They would be authorized only to update the village level information into the system. A pilot has been started in thirty villages looking into (i) simplification and security of book keeping and book management; (ii) availability of performance data of the village funds at the village, cluster and district society's level. Once the ICT system is established it is envisaged to broaden its functionality to also be used for other purposes like training, direct beneficiary feedback, and third-party verification. The project would work closely with the livelihood projects in India that have already advanced in the introduction of ICT tools and build on their experiences and, where applicable, models and tools developed.

116. *Third Party Monitoring*. SIPP-II has established a third party monitoring process that looks at processes and activities on a monthly basis and feeds into quarterly monitoring meetings held per region that contribute to program adjustments as needed. The project would continue to use the successful process monitoring mechanisms that have been built under SIPP-II. The contracted agency conducting the third-party monitoring visits a fixed number of villages (67 villages in each of the two regions of the Northern Zone; 63 villages in the Southern Zone) on a monthly basis. Of these villages, 10 are a fixed sample in each region with repeater visits to 10 other villages from the previous month and the remainder is selected on a random basis. The focus of this monitoring is to review the processes in place and whether these are substantially followed. Findings of these visits are summarized in a monthly process diary and discussed at each implementation level. Findings are further consolidated and discussed in quarterly monitoring meetings for each region. The SDF regional office then initiates the follow-up based on the third party recommendations. Based on findings of the Citizen Action Transparency and Accountability (CARTA) Program's survey of SIPP-II, the third party monitoring process may be slightly adjusted to capture identified key area for follow-up and improvements.

117. *Impact Evaluation.* The project would continue building on the impact evaluation process that was started in SIPP-II and would include a second follow-up survey for communities where the program has been active for some time and a baseline, mid-term and final survey for the new areas to be intervened in. A comprehensive baseline survey for SIPP-II was conducted in 2012 and builds on a sample in four districts. Not all of these four districts would remain project districts for the project and therefore the sample will need to be expanded to cover additional areas not yet covered under SIPP-II.

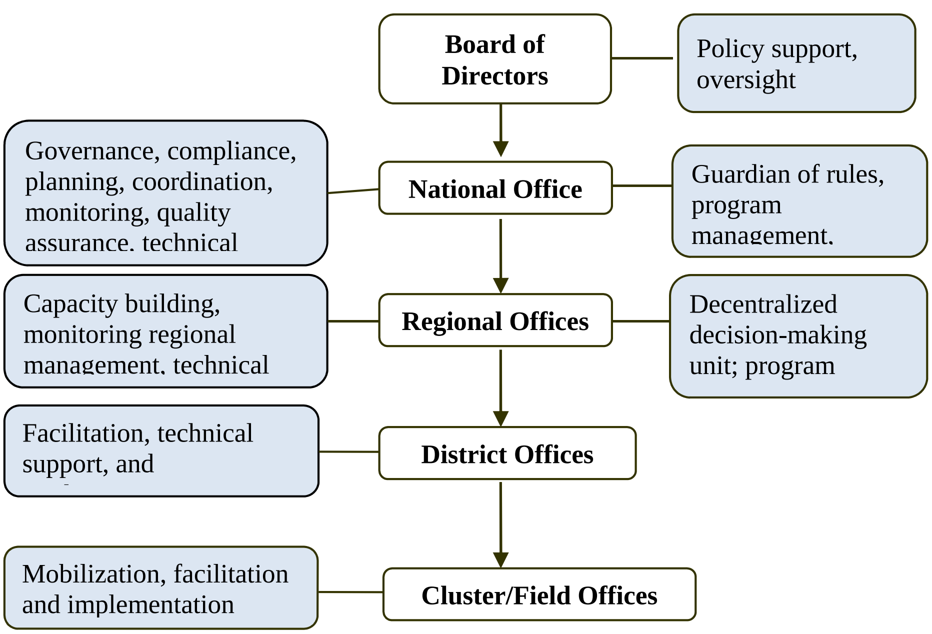
Annex 3: Implementation Arrangements

BANGLADESH: Nuton Jibon Livelihood Improvement Project

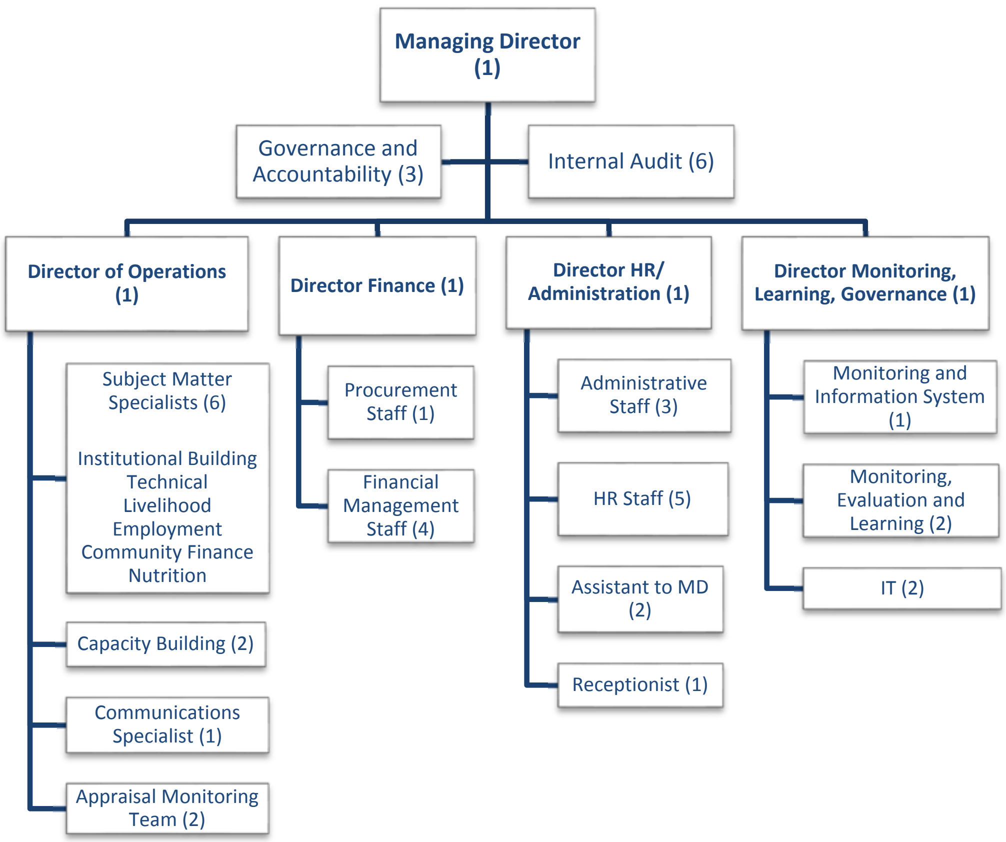
Project Institutional and Implementation Arrangements

118. **Project Implementation Process.** The project would be implemented by the Social Development Foundation (SDF), an autonomous organization 'Not –for profit' established in 2001 under the Ministry of Finance. The GoB envisages the long-term development of SDF as a home-grown institutional resource on the community-driven approach to poverty reduction and livelihoods development. The project would be implemented in accordance with the rules and procedures agreed upon in the Project Implementation Plan (PIP), Community Operational Manuals (COM), and the Human Resources Policy and Manual. The revised PIP, the Community Operational Manuals, and the Human Resource Policy and Manual are to be submitted to IDA and found satisfactory prior to effectiveness of NJLIP. The documents outline the roles and responsibilities of the implementing agency, other stakeholder and community organizations and provide details of project processes and implementation steps. The operational documents have been developed and improved upon to respond to lessons and experiences gained under SIPP-II. The documents would be reviewed periodically by GoB and IDA with stakeholder participation to ensure that they remain adaptable, relevant and responsive to issues arising during the implementation process of the project. Any changes to the above referenced manuals and operational documents will require prior approval from IDA. IDA approval is also required for any changes to SDF's Articles of Association. SIPP-II is likely to disburse all its funds prior or shortly after the expected effectiveness of NJLIP. NJLIP will not fund any activities not completed under SIPP-II. Remaining SIPP-II funds may be used to cover SDF's salaries and operating costs for a short interim period if required.

119. **Institutional and Implementation Arrangements.** SDF would continue to be the implementing agency for all the components of the project. The institutional arrangements are summarized below. In addition, a Project Advisory Committee will be constituted with appropriate representation of key ministries/agencies, including the Bank and Financial Institutions Division, Finance Division, Economic Relations Division, Planning Commission, Implementation, Monitoring and Evaluation Division, and SDF that would be of an advisory nature (i.e. review of implementation progress).



120. *SDF National Office.* The national headquarter office has the overall responsibility of realizing SDF's vision to empower communities to overcome poverty and implementing the project. SDF is headed by a Managing Director who is responsible for providing guidance on all aspects of the program and will be responsible for the overall coordination and monitoring of activities, assisted by a Director of Operations, three thematic directors, and an operational multi-disciplinary team of technical specialists. The Dhaka-based headquarters would be charged with the roles of monitoring, quality control and compliance, communications and governance. Staff will undertake regular visits to field teams and village communities. SDF has reviewed its organizational staffing and structure with a view to reduce overhead costs. As such staffing composition and functions have been adjusted from SIPP-II. The organizational structure for SDF head office for NJLIP is as follows:



121. A Strategic Management Team (SMT) ensures that key inputs from the core SDF team are fed into strategic decisions made by the Managing Director. The SMT is made up of the Director of Operations, the three other national directors and the Regional Directors. A capacity building team at the national level has the responsibility to design and plan capacity building programs that reflect issues emerging through the implementation process. The Appraisal and Monitoring Team (AMTs) is responsible for independently appraising the VDF applications from the villages and checking quality and certifying milestones for fund release. The AMT comprises regional and headquarters staff and checks compliance and verifies readiness for village fund release and milestone adherence. An internal audit team conducts audits at the village, cluster and district level on a regular basis.

122. *Regional Offices.* Three regional program offices have been set-up to operate as decentralized locations overseeing all programs within their jurisdiction (Barisal, Rangpur and Jamalpur). The location of the offices may be revisited based on the final selection of the unions and villages that the project would

be working in. Regional Directors have financial and administrative powers to run the regional offices and report to the Director of Operations for all program related issues. Each regional office has technical specialists and office administrative staff.

123. *District Offices*. SDF has established district offices in all districts of SIPP-II. They function primarily to support and facilitate the field team's activities. The district office is headed by a District Manager supported by district level technical specialists with the responsibility to implement the agreed district plans. The district teams also monitor and guide the performance of cluster teams. In the new project some district offices would be downsized in districts that are being phased-out under the SIPP-II phase-out plan. The project would continue to support these offices until the NJCS have fully taken over monitoring and management responsibilities.

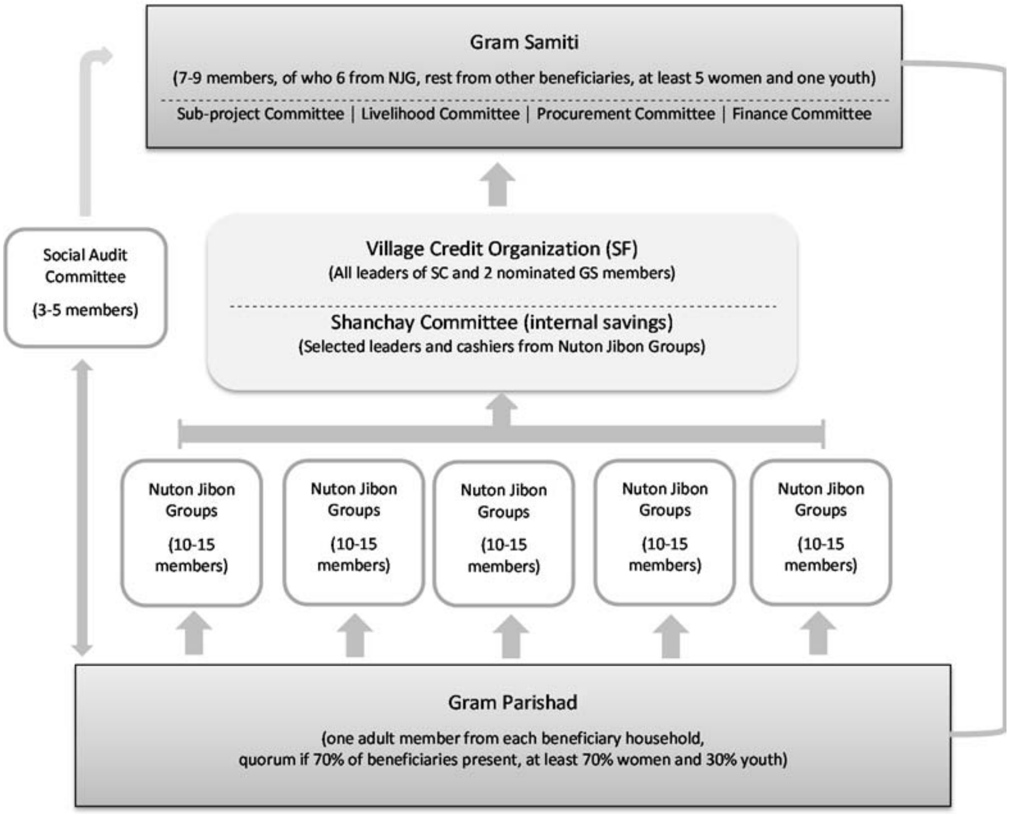
124. *Cluster (Field) Offices*. The cluster offices comprise implementation teams that would be responsible for implementing all project activities at the 'cluster' level. The offices are led by Cluster Officers supported by a team of cluster facilitators. Cluster facilitators are at the core of mobilizing, building capacity and supporting community level institutions to enable them to plan and implement their village development plans. One cluster would support about 30-40 villages. One cluster facilitator is handling about 5-7 villages depending on distance and number of beneficiary households.

125. *Community-level Institutional Arrangements*. Under SIPP the following institutional set-up has been instituted. Nuton Jibon Groups (NJG), for savings and internal lending, are the most basic structure comprising of 10 to 15 beneficiaries. NJG members form the building blocks for membership of the Gram Parishad, the overarching community membership body, who then elects its Executive Committee, or Gram Samiti, responsible for implementing VDF activities in the community. A Social Audit Committee (SAC), independently appointed by the Gram Parishad, provides oversight of all village activities and funds.

126. *Gram Parishad (GP).* The GP is the overarching membership body at the community level composed of all beneficiary households in the community. All decisions relating to project-related community development activities are taken in this forum. The primary functions of the body are to review progress of all community activities, prepare quarterly plans, approve expenditures, review SAC reports, and take new decisions. GP meetings would be held at least once in three months with at least 70 percent of the beneficiaries attending the meeting. The meeting must also have at least 50 percent women present.

127. *Gram Samiti (GS).* The Gram Samiti is the executive committee of the Gram Parishad and is composed of seven to nine members selected from the beneficiary group in the respective village. At least five of the members would be women and one youth. The GS is responsible for implementing decisions taken by the GP, preparing and implementing the Village Development Fund (VDF), preparing progress reports and financial reports on all activities relating to the use of the VDF as well as signing the umbrella financing agreement with SDF. The GS would hold meetings as often as required and at least six members of the GS consisting of at least 50 percent women would be required to attend such meetings.

128. *Nuton Jibon Groups (NJG).* These savings and internal lending groups comprise 10 to 15 beneficiaries. Groups can vary in actual composition comprising exclusively of youth, men, women and/or any other combinations. NJGs meet on a weekly basis to share and discuss issues pertaining to their livelihood development and at least 80 percent members need to be present. NJGs need to ensure that all members follow the key principles of 'Dash Neeti' and create regular savings practice. The following chart provides an overview of the community-level institutional arrangements.



129. *Shanchay Committee (SC).* The SC is linking the NJGs in a community and oversees savings and internal lending of the NJGs. The SC is responsible for (i) opening bank accounts of NJGs who are members of the SC for savings purposes; (ii) holding meetings regularly (at least every month) to address issues relating to savings and credit activities; (iii) assisting NJGs in proposal preparation of revolving fund applications; (iv) assisting NJGs to maintain books of accounts; and (v) providing monthly, quarterly, bi-annual and annual accounts information to the VCO. While in SIPP-II several SCs were operating in a community with independent book keeping, under NJLIP these functions will be merged into one SC per community to simplify record keeping procedures.

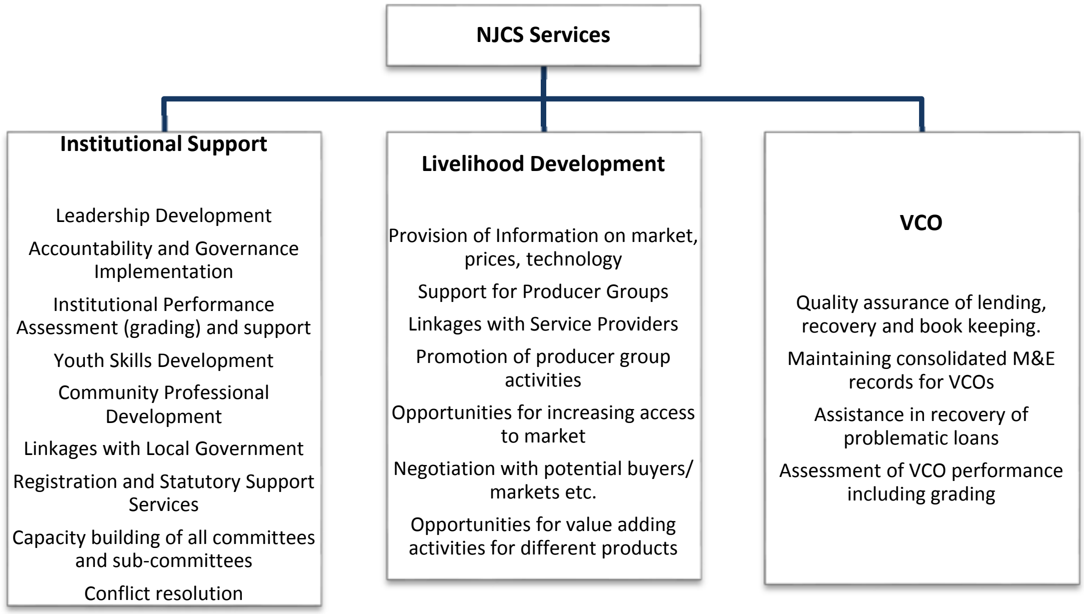
130. *Village Credit Organization (VCO).* The Village Credit Organization is constituted by the selected leaders and cashiers from the NJGs and two nominated members of the Gram Samiti. At least 60 percent of VCO members should be women. The VCO is responsible for lending and recovering Shabolombi Funds (SF) through a revolving process. The VCO assesses the viability of lending proposals, decides on funding and maintains the accounts of loans and savings of all groups. The VCO submits monthly reports of all savings and loans activities to the Gram Samiti.

131. *Social Audit Committee (SAC).* The SAC is an independent oversight committee directly appointed by the GP to monitor all activities relating to the implementation of the VDF activities in the village. The committee would act as a watchdog to all village institutions to ensure that activities undertaken are following the key principles of ‘Dash Neeti’ and the COMs. The SAC will also verify books of accounts and procurement records of GS, VCO and other committees and present its findings and recommendations to the GP. Furthermore, SACs make recommendations for applications for each installment of VDF after verifying achievement of completed activities. The SAC is composed of five members appointed by the GP from the beneficiaries. A minimum of three members of the SAC would be women and one youth member.

132. *Community Professional (CP).* Community Professionals are members of the communities that have demonstrated skills in mobilizing and facilitating at the village-level and have been nominated as leaders by their communities to function as trainers and local resource persons. CPs are linked in centers at the cluster and district level to support community institutions in sustaining their activities. So far, SIPP has built capacity of over 2,000 CPs, who have supported the mobilizing and capacity building efforts at the community level and also supported the appraisal monitoring team. CPs are working closely with the CFs on supporting village implementation efforts and addressing issues as they may arise. They are being contracted either by the community institutions (through IDF) or directly by SDF (in the mobilizing stage) where the community institutions have not yet been established.

133. *Nuton Jibon Community Societies (NJCS).* The NJCS represent the federated structure of the community institutions. Their role is to help, guide and support the community institutions and provide a networking function and gradually take over supervision functions from SDF. The three-tier structure of the NJCS consists of GPs at the village level, Cluster Community Societies at the cluster of village levels (depending upon number of project villages either at union or upazila level) and District Community Societies at the district level. The GPs are the members of the Cluster Societies and Cluster Societies are the members of District Community Societies. The GPs would nominate its chairperson, VCO leader, one representative of CPs and SAC to the general body of the Cluster Society. The Cluster Community Society forms an executive committee of nine members constituting three chairpersons, three VCO Leaders and three CP representatives. Among the Executive Committee Members one would be the President, one the Secretary and another one the Treasurer. At least two out of the three office bearers and at least six out of the nine Executive Members would be women. A separate SAC would be formed at the cluster level. The Cluster Society Chairperson, Secretary, Treasurer and Convener of Social Audit Committee would be nominated to form the General Body of the District Community Society. Like the cluster level, the district level Executive Committee, office bearers and SAC would be constituted. Both, at cluster and district level, three permanent sub-committees would be constituted: (i) Institutional Development sub-committee; (ii) VCO sub-committee; and (iii) Livelihood and Linkage Development sub-committee. Procurement and Finance sub-committees would be formed as and when necessary. All GPs are eligible to enroll as members of the NJCS, but only representatives from A or B graded villages can become members of the executive committees or sub-committees. In addition, the office bearers at various levels have to be from 'A' graded Gram Parishads. The key roles of the service are summarized in the chart below:

Functional Organization of NJCS Services



Financial Management, Disbursements and Procurement

134. **Financial Management Capacity.** SDF's fiduciary capacity was reviewed looking at the required financial management strength for community development operation to ensure that:

(i) funds flow smoothly, adequately, regularly, and predictably from those providing them (donors, central/local governments, etc.) to communities, implementing project activities;
(ii) funds are managed properly and efficiently by the bodies receiving funds, and applied only to their intended purposes;
(iii) sufficient and accurate information on project activities including: usage of funds flows smoothly and regularly among communities, local governments, and stakeholders, including project beneficiaries and financiers, without placing too large a burden on any layer;
(iv) accountability is stimulated through a strong flow of information among all concerned levels of government and the public on public investments and on the performance of relevant local governments, and communities; and
(v) capacity of the community and local institutions to own and manage their activities is strengthened.

135. SDF does not have an integrated financial management system as a single financial database of all financial activities of corporate and other accounting centers. The present accounting system is not fully adequate to capture all financial management (FM) information. Although SDF's current FM team has gained adequate experience, the capacity for financial management functions, especially on financial planning, audit trail and timeliness of FM information, could be further strengthened. Capacity improvements areas noted from the recently completed Integrated Fiduciary Review by an independent audit firm include audit trail/record keeping, asset management, and fund reconciliation. All these recommendations for internal control improvements will be used as a guiding reference for the designing the mitigation measures proposed in the financial manual. SIPP-II also has a reported ineligible expenditure of BDT 2.20 million which are currently underway of being refunded. The refund process will be closely followed-up by the Bank. In addition to a number of measures to be introduced to minimize FM risks during project implementation, the roles and responsibilities of corporate and community level FM

activities and compliance checks need to be better clarified. SDF is reviewing existing controls and accountability tools to identify any high fiduciary risk areas or potentially corruption-prone processes, and will take any additional mitigation measures necessary to effectively reduce susceptibility and exposure to fraud and corruption.

136. **Budgeting.** A budget will be maintained for the entire term of the project, and detailed budgets for each fiscal year on each project component and cost category will also be produced to provide a framework for financial management purposes. The annual budget will be prepared on the basis of the procurement plan and any other relevant annual work plans. These budgets will be monitored periodically to ensure actual expenditures are in line with the budgets, and to provide input for necessary revisions. The project budget will be included in SDF's overall budget. Given that resources are scarce and designated, it is important to stay within the budget and to ensure that cost and physical performance are well synchronized. Failure to stay within budget could result in unnecessary costs associated that may be incurred if liabilities are not settled as they fall due. The proposed accounting software would include budgetary control feather that will enable project accurate tracking of actual expenditure on a similar chart of accounts as the budget, and the preparation and review of regular budget monitoring reports.

Internal Control

137. **Filing and Record-Keeping.** SDF and all accounting centers will preserve all procurement records and documents in accordance with provisions of the Public Procurement Act 2006 (PPA 2006). These records must be made readily available on request for audit/investigation/review by Government and the Bank. All project related documents must be filed separately to facilitate internal and external audits, as well as reviews by the Bank.

138. **Controls.** The financial procedures at SDF corporate level need to include adequate internal control to provide reasonable assurance that that (i) operations are being conducted effectively and efficiently; (ii) financial and operational reporting are reliable; (iii) applicable laws and regulations are being complied with; and (iv) assets and records are safeguarded. At a minimum, the procedures should include the following measures: Reliable personnel with clear responsibilities. Segregation of duties: (i) separation of operational responsibility from recordkeeping responsibility; (ii) separation of the custody of assets from accounting; (iii) separation of the authorization of transactions from the custody of related assets; (iv) separation of duties within the accounting function; (v) adequate financial records management system with complete audit trail; (vi) physical safeguard: Use of safe, locks, guards, limited access, and access by authorized persons to provide security for program assets; (vii) independent check: the procedures should be made subject to random independent reviews by internal auditors. The project will use dedicated software to account for project transactions and all transactions must follow Government review and approval procedures. Such controls have been reviewed and found satisfactory. Signatories for the bank account of project financing must include SDF's Managing Director and one other Director to facilitate bank transaction, who would also act as custodians of the checkbooks for this account. In all accounting centers the respective responsible unit head will be the signatory for the designated operational account. The Finance Director will be responsible for reconciliation of the project's bank account on a monthly basis, and any irregularities must be addressed in a timely manner.

139. Internal control to address fiduciary risks of the project should be mitigated by clear transparency rules and other methods for empowering and training communities to exercise fiduciary control over their leaders, as well as by suitable internal control procedures. The mitigation system should be simple but effective. Key controls points to consider include:

(a) no individual should be able to initiate, authorize, execute, or record a transaction without the active involvement of someone else (for example, all withdrawals and transactions should be witnessed and countersigned);
(b) risks of loss, leakage, fraud, inaccuracy, or mistake should be identified at all levels, carefully assessed, and measures put in place to eliminate or minimize them;
(c) measures should normally not cost more than the possible loss that could result from their absence;
(d) the measures should not unduly slow the flow of funds or project implementation;
(e) fiduciary management supervision at the community level should be integrated with monitoring and evaluation to ensure a close link between technical/progress reporting and financial reporting, as a way to support the validity of the expenditures;
(f) accountability should be built into the local governance system and at the community level using the many accountability mechanisms already being piloted in a large number of projects (participation, public announcement of community);
(g) activities and funds received and spent, use of local languages for all community records and their communication to the next higher level, election of subproject management committees, putting all information into the public domain in open meetings and posting salient information in public places in the most common local language.

140. **Internal Audit.** Internal Audit is a control that functions by examining and evaluating the adequacy and effectiveness of other controls throughout an organization including sub-grants. Internal audits must be carried out by a professional auditing firm on yearly basis for a sub-set of project areas during the life of the project. The first audit will be due within three months after the end of first year of implementation. In each case, the project must submit the internal audit reports to the Bank within fifteen days from the receipt of the report. The internal audit activities should include prepayment audits as well as independent appraisals of the financial, operational, and control activities. The responsibilities of the internal auditors should include reporting on the adequacy of internal controls, the accuracy and propriety of transactions, the extent to which assets are accounted for and safeguarded, and the level of compliance with financial procedures and government laws and regulations. The terms of reference for the internal audits will be prepared by the FM team and must be submitted to the Bank for concurrence.

Governance and Oversight Arrangements

141. **Annual Audits.** The external audit will follow existing statutory requirements under the Company's Act 1994. A single audit covering the entire program will be carried out and there will not be any separate audit report for the proposed project. The audit report will include a separate opinion on the designated account. A private audit firm, under agreed ToR, will conduct an annual audit on the consolidated financial statements and the report will be submitted to the Bank within six months of the end of each fiscal year. SDF's Audit Committee together with the FM team will update the Board of Directors on the status of final audit including follow-up actions. Any major findings remaining unresolved beyond a specified time frame will be subject to ineligible expenditure by the Association. All previous audit reports under SIPP-II have been received in time and there is no pending audit issue requiring management action.

142. **SDF's Audit Committee** will be reconstituted with any two Directors/General Manager other than Managing Director and Director Finance and any three members of the Board of Director. The Head of Internal Audit will be the secretary to the audit committee.

143. **Fund Flow Arrangements.** There will be a separate Designated Account for IDA in the form of a Convertible Taka Special Account (CONTASA) in a commercial bank acceptable to the Association. To be acceptable to the Association, the financial institution proposed by the borrower should generally meet the following requirements: (a) be financially sound; (b) be authorized to maintain the Designated Account

in the currency agreed between the Bank and the borrower; (c) be audited regularly, and receive satisfactory audit reports; (d) be able to execute a large number of transactions promptly; (e) be able to perform a wide range of banking services satisfactorily; (f) be able to provide a detailed statement of the Designated Account; (g) be part of a satisfactory correspondent banking network; and (h) charge reasonable fees for its services.

144. The Designated Accounts would be used by SDF solely for the purpose of financing project activities. Disbursement to the Designated Account will initially be SOE-based, i.e. on the basis of advances and replenishments. After one year of implementation, the Bank would review the quality of financial management performance and may convert the disbursement modality to one based on interim unaudited financial reports (IUFRs) including a six-monthly forecast of fund requirements.

145. **Flow of Funds from IDA and GoB to SDF.** From IDA, for the first year's implementation, an amount equivalent to two quarters worth of expenditures expected to be paid out of the designated account (DA) will be deposited into the DA. SDF will draw down from the account on the basis of actual expenditure. On submission of Withdrawal Applications by SDF, the Designated Account will be replenished for actual project expenditure as per agreed percentage.

146. **Flow of Funds from SDF to Region, District, Cluster and Gram Samiti to communities.** SDF will disburse funds to meet operational and administrative expenditure at the Regional and District level on the basis of approved budget. The disbursement will be in two installments, one at the beginning of the fiscal year and the other one three months before year end. The district office will be responsible for disbursement of funds to cluster offices and therefore will consolidate budgetary requirement for all cluster offices. The district office will submit a consolidated budget request to SDF together with its budget. The amount disbursed by SDF will be shown as advance in its book and will be adjusted monthly with the submission of actual expenditure statement by regional and district offices.

147. For the project activities implemented by the communities, SDF will make direct payments from the Designated Account to the eligible Gram Samiti (GS) on the basis of approved proposals. The fund will flow to a separate account to be maintained by the GS under a financing agreement between SDF and the GS. SDF will also disburse funds directly to institutional Federations, CP Centers and EAFs under financing agreements as incorporated in the manuals and agreed between SDF and IDA. The COM includes processing steps from initiation to actual fund disbursement including processing time, which will serve the basis for fund transfer from the designated account of SDF to village level GSs to community project accounts. Service standards have been developed to specifically monitor the turn-around time for fund transfer from SDF to various cost centers (District, Cluster) and GSs and from GS to communities.

148. As the fund release and disbursement records are still done on a paper-based system, they are subject to time lags and inadequate monitoring of actual expenditure against disbursed funds. In order to automate the disbursement and record keeping, the computerized financial management system has been configured to include a Fund Disbursement status by project components and village level program.

149. The proceeds of the Credit will be disbursed over a period of six years under the following categories:

Expenditure Categories	Allocation (US$ M)	Percentage of Financing
(1) Sub-grant for Communities under Part A.2 and B.2 of the Project	151.1	100 %
(2) Sub-grants for Producer Groups under Part B.1 of the Project	7.0	100% of amounts disbursed

(3) Goods, Works, Consultants' Services, Training, and Operating Costs under Part A and B of the Project (includes SDF cluster offices and cluster staff salaries) and Goods, Consultants' Services, and Training under Part C of the Project	41.9	100%
Total:	200.0	

150. **Accounting Information Flow and Reconciliation.** *At SDF Level*. The existing financial management policy and procedures are inadequate and need revision to cover all project related transactions and FM related functions. The revisions need to be done prior to effectiveness. The Financial Manual and guidelines should convey standards for sound financial management and administration for the program and policies and procedures should be designed to:

(i) Promote orderly, economic, efficient and effective operations consistent with program objectives;
(ii) Prevent and detect fraud and errors;
(iii) Ensure accuracy and completeness of the accounting records;
(iv) Facilitate timely preparation of financial information and ensure that financial statements are fairly and accurately presented;
(v) Safeguard program assets; and
(vi) Ensure compliance with applicable laws, financial policies and regulations.

151. In addition to statutory accounting requirements under the Company's Act, an FM manual covering chart of accounts, book keeping principles, reporting requirements and project specific budgeting, accounting, reporting and auditing requirements has been developed and will be further modified before the project becomes effective. In SDF books of account, payment of first installments to GS will be treated as actual expenditure and payment of subsequent installments would be recorded as actual expenditure only when physical milestones and actual expenditure as per FA are reported by GS and certified by the authorized official of program section. The finance team of SDF will be responsible to reconcile all financial data with the books of account maintained at regional and district levels, program section, Bank Accounts and account for all transaction within 15 days from the end of each month. For the part of fund directly disbursed by SDF to GSs, the finance team will reconcile fund disbursement information and data with the financial progress report of the operational team.

152. *At Regional, District and Cluster Level*. The operational manual includes the accounting functions to be performed at regional, district and cluster level. At each level, financial transaction will be promptly accounted for, consolidated and reported to the finance team within ten days from the end of each month. The district office will be responsible for consolidation of accounting information of all cluster offices and reporting to SDF. The cash/ bank book will serve the basis for monthly reporting in a simple format.

153. *At Community Level*. The terms and conditions of the agreement between GS and SDF will outline the principle based community accounting requirements. The COM also outlines the detail community level accounting procedures to be followed when fund is transferred to GSs. The key accounting function at the village level includes (i) separate Bank account with two signatories; (ii) simple cash/bank book; (iii) assets register; (iv) register of contribution received from communities; and (iv) minutes of meetings/committees documenting decisions.

154. **Financial Reporting and Monitoring.** As in SIPP-II, SDF shall submit interim unaudited financial reports (IUFRs) to IDA on quarterly basis. A single set of financial reports shall be generated by the proposed automated accounting system of SDF. The finance team will be responsible for consolidating financial information from the region, district, cluster and all cost centers, preparing variance analysis for actual expenditure against budget, making forecast of quarterly estimated expenditure and reconciling

information with other units of SDF. Simple Financial reporting formats at Regional, District and Cluster level have been developed and will be submitted to the finance department after consolidation of cluster reports at district level. Formats for Quarterly interim unaudited financial reports (IUFRs) would be finalized during negotiations. It has been agreed that the project will not use IUFRs as basis for disbursement until second year of project implementation when capacity for timely and accurate IUFR will be in place.

155. **Staffing.** *At national level*. The financial management capacity to deal with robust financial planning and community finance and social accountability framework remains weak due to lack of staff with requisite skills and knowledge at the SDF levels and also lack of organizational structure facilitating a community focused financial management system. Under the proposed project, the following has been agreed: (i) the finance department headed by Director-Finance will be responsible for planning, budgeting, accounting, consolidating and reporting for the entire operation in accordance with the requirements of the Company's' Act, the GOB, and IDA; (ii) under the Director, one financial specialist (compliance) will be responsible for designing, implementing, monitoring the community focused multi-tiered financial management system and one specialist (corporate) will be responsible for dealing with administrative and operational budget management at the corporate level and be supported by two finance staff. To ensure coordination with program department for the part of the program implemented by GS or communities and the independence of compliance wing, it has been agreed that manager (compliance) will be administratively reportable to Director of Operations.

156. *At regional, district, cluster level*. SDF's regional, district and cluster level staff will be responsible for implementation of financial management policies and procedures related to SDF's corporate level as well as community operations. Under the overall direction and supervision of the regional directors, district managers and cluster team leaders, the following financial management staff will work at the three tier of the operation: (a) at the regional level, the regional finance manager (corporate) will be responsible to oversee the respective financial management activities and will report to the SDF Finance and Procurement Director for all administrative and operating expenditure; (b) at the district level, the district officer (finance) will be responsible to oversee district level village funds and other financial management and reporting to regional managers; (c) at the cluster level, the cluster facilitators will be responsible for cluster level financial activities as well as village-level monitoring of financial activities and reporting to the district officer (finance).

157. **FM Action Plan.** Agreement has been reached on a time-bound FM improvement plan to address weaknesses identified in the FM assessment and to further strengthen FM capacity at various levels of operation:

Actions/ Activities	**Responsibilities**	**Completion**
Revisit Financial Manual and update in the context proposed operating requirement.	Finance Director & MD	June 30, 2015
Revisit HR Manual and update with adequate clarity in compensation and benefit.	MD	June 30, 2015
Settle all the accrued staff cost relating to earned leave	Finance Director & MD	June 30, 2015
Reorganize the Audit Committee	SDF Board of Directors	June 30, 2015
Automate the financial management system with complete coverage of budgeting and budgetary control, payroll, PF, gratuity, leave management, etc.	Finance Director & MD	June 30, 2015

158. **Procurement.** NJLIP's procurement arrangements are consistent with the implementation plan. Total volume of procurement under the project is US$ XX million, with distributions according to type of procurement as follows:

Procuring Entity	Procurement Volume (in million US$)	Goods	Works	Services	Non-consultancy services
	10.0	3.5		2.0	4.5

159. **Review of SDF's Procurement Strategy.** SDF does not have a specific procurement strategy, and the general practice is to follow financiers' rules in Development Partner funded projects, the Government's Public Procurement Act 2006 (PPA) and Public Procurement Rules 2008 (PPR).

160. **Analyzing Procurement Portfolio and Developing a Procurement Profile.** The analysis of past and projected procurement expenditures was done based on the following parameters:

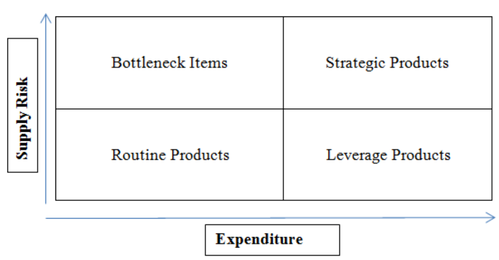
- Spend and number of transactions per item
- Number of suppliers per item
- Average contract value per item
- Total expenditure per supplier
- Spending distribution
- Number of procurement officers/managers and consultants involved

161. **Risk Analysis.** The risk analysis is done for the project and the national procurement environment. The project, due to the community driven nature of procurement expenditure, follows simplified decentralized procurement. The Bank review was limited to the central procurement done at SDF's national level, given that community level procurement has been ongoing throughout SIPP without any notable audit objections. The Bank's standard application Procurement Risk Assessment and Management System (PRAMS) has been used to assess agency and project-level risk. SDF's procurement performance in SIPP was also taken into consideration. The procurement environment was assessed based on the following parameters:

- How critical the goods, works and services are to SDF.
- Difficulty in securing the procurement items.
- Market-related risks
- Supplier-related risks
- Nature of supply market
- Probability of market failure
- Strategic importance to SDF

162. **Developing Procurement Profile.** Based on information provided in the procurement plans, risk mitigation reports and mission aide memoirs, along with identified level of risk and the relative expenditure for each commodity or category of spend; the procurement portfolio was categorized as follows:

(a) <u>Routine products</u>: laptops, computers and accessories, furniture, stationeries, bicycles, photocopier, air conditioner, audiovisual equipment, IPS/generators, junior and mid-level consultants, printing of books/manuals.



(b) <u>Bottleneck items</u>: motorcycles, licensed software, digital camera, community services organizations (CSOs), integrated MIS system.
(c) <u>Leverage products</u>: cross-country vehicles, process monitoring consultants.
(d) <u>Strategic products</u>: senior individual experts/consultants, international consultants.

163. **Analyzing Organizational Procurement Functions and Capability.** The analysis was done parallel to the procurement portfolio, based on (i) roles, responsibilities, structure and reporting; (ii) procurement systems and processes and knowledge of their applications; and (iii) procurement skills and capacities. SDF had a seasoned procurement team for a long time, but the new procurement team needs to further improve its capacities. SDF does not have any staff that completed the three-week national training on public procurement. At least five SDF staff engaged in procurement activities should receive this training within the first six months of the project start and at least three trained staff has to be part of SDF's bid and proposal evaluation committees (BEC/PEC). The project may need the services of a senior procurement consultant, with intermittent inputs totaling around 18 months spread over the project period. The consultant will support the procurement manager in critical procurement periods and would help develop SDF's institutional procurement strategy, including review and re-development of simplified procurement procedures for the community level procurement activities. The consultant would also support the procurement manager in handling all contract management issues and would provide systematic knowledge transfer to Procurement Manager, and key SDF staff involved in procurement for the long-term organizational capacity development.

164. **Procurement Risk Assessment and Management.** SDF has been conducting procurement since 2003. SIPP-I and SIPP-II showed that, except for some national shopping contracts, general procurement performance has been satisfactory. Based on the past performance under SIPP, the number of staff trained in procurement, and the procurement implementation performance, procurement risk is rated as *substantial*. This is consistent with the country governance context and the standpoint of procurement operation and contract administration. Several measures to mitigate the risks are either in place or will be put in place as described below:

(i) Fewer and larger procurement packages: Design the procurement packages in a manner that will reduce the number of packages and increase the size without compromising competitiveness thus ensuring adequate due diligence and control by both SDF and the Bank.

(ii) Bid/Proposal Evaluation Committee: SDF shall ensure that the bid/proposal evaluation committees are formed following provisions of the PPR 2008. The Bank's no objection shall be required on the formation of the bid/proposal evaluation committees.

(iii) Larger contracts, more ICB/NCB packages and less shopping contracts: In case of contract packages warranting competitive bidding processes, SDF will provide advice and ensure that the procurement plan includes as less shopping (Request for Quotations- RFQ) packages as possible. In SIPP-II and other projects in Bangladesh, shopping has caused the highest number of unacceptable bidding practices resulting in remedial actions by the Bank. In every case, SDF will make best effort to make contracts packages as large as practicable, which may result in better qualified bidders and economies of scale.

(iv) Introducing electronic procurement plan and monitoring system: Electronic procurement planning and monitoring system (SEPA) will be used to prepare and regular updating and getting no objection of the procurement plans of this project.

(v) Adopt contract implementation monitoring tool by SDF: This tool will project quarter-wise milestones for each contract under the Project and related disbursement, and will track its accomplishments. SDF will report to the Bank on a quarterly basis on the accomplishment of milestones and related disbursement against the target set in this tool. Specific reporting requirements/milestones and related disbursement figures will be finalized during project implementation in agreement with the Bank.

(vi) Due-diligence Measures: The following steps will be followed as part of procurement and implementation arrangements: (a) by December 31, 2015 SDF will have at least five persons with completed national three-week training on procurement and concerned officers for NJLIP will have completed specialized training on procurement red flags of fraud and corruption; (b) all bid evaluation reports will cover verification of recommended bidders' post-qualification information [for goods and works]; (c) all contract negotiations will be preceded by additional SDF due diligence on verification of recommended consultants' experience and curriculum vitae of key staffs (for consultancy services); (d) make bidders generally aware about fraud and corruption issues; (e) award of contracts within the initial bid validity period, and closely monitor the timing; (f) take action against corrupt bidders in accordance with Section I of the Bank's Procurement/Consultant Guidelines besides provisions of PPA/PPR; (g) preserve records and all documents regarding public procurement, in accordance with the Bank Guidelines and PPA/PPR, to facilitate smooth procurement audit or post-review; (h) publish contract award information on CPTU and SDF website within two weeks of contract award (and in UNDB and Bank's external website for ICBs or international consultancies); and (i) ensure timely payments to the suppliers/ contractors/consultants. SDF's procurement performance monitoring will use Government's PROMIS format.

165. **Identifying Strategic Procurement Objectives under NJLIP.** After analyzing the procurement performance and practices of SDF, key strategic procurement objectives have been identified.

Category	Supply Difficulty	Relative Expenditure	General Objectives	Solution
Routine	Easy	Low	Minimize Administrative Effort	• Procure with minimum lead time (computers, printers, bicycles). • Supply and acceptance test at decentralized level if possible. • Post-sales services contracts at district/sub-district level.
Leverage	Easy	High	Reduce Total Expenditure	• Use life-cycle costing with proper supply chain for routine maintenance (CCVs). • Introduce long-term contracts (software, CSOs, MIS development).
Bottleneck	Difficult	Low	Ensure supply quality and continuity	• Establish standard specifications for SDF needs (motorcycles). • Long-term contracting (licensed software and systems, CSOs etc.).
Strategic	Difficult	High	Manage supplier relationship and reduce risk and cost	• Use single source contracts for strategic assignments with due rationale. • Maintain a pool of short-term consultants for indefinite delivery contracts, including for procurement and audit services.

166. **Procurement Management Objectives.** Improving the procurement capacity of SDF for the longer term will be a focus in this project. A senior procurement consultant would have systematic capacity development of SDF as his/her contract deliverables. The roles, responsibilities, structure, reporting, procurement systems, skills and capacities will be used at optimized ways as part of building SDF's institutional procurement strategy. Such objectives are:

- Introduce electronic procurement system (e-GP) by using national e-GP system, with one pilot within first six months and a few pilot packages in the first year of NJLIP.
- Develop a roadmap to ISO 9001 compliance for SDF by the end of the project.
- Increase number of officers with procurement accreditation or certification, and not requiring procurement consultants after NJLIP.

Procurement Process - Planning, Requirement Definition, Sourcing (Market Research), Strategy Selection

167. **Planning.** The key aspects of efficient procurement planning would consider (i) advance identification of suitable suppliers through market survey; (ii) development of standard specifications and TORs; (iii) key performance indicators in line with Government's procurement performance indicators (PROMIS); (iv) effective and timely completion of procurement and supply/completion of contract; (v) early identification of needs and right quantities; (vi) close monitoring of the plan; (vii) avoiding unnecessary exigencies and urgencies, enabling full compliance with Bank Procurement Guidelines and Government's PPA/PPR; (viii) examine alternative procurement approaches; and (ix) systematically and procedurally correct procurement performance based on PROMIS reporting outcome.

168. **Requirement Definition.** Necessary requirement definitions are spelled out in the Bank's Procurement and Consultant Guidelines, as well as the standard bidding documents, requests for proposals and contracts for goods, works and services. The Director (Procurement and Finance) of SDF would ensure (i) no competition hindrance i.e. use of brand names; (ii) exact technical and quality needs; (iii) avoid over-/under-specifications;(iv) non-ambiguous and generic technical specifications and TORs; (v) advice line agency on completeness of procurement items, sourcing of supplies and determining most practical procurement methods. Key steps of this function are:

Requirement analyses	Information gathering	Writing specifications/ TORs	Requisitioning and process scheduling

169. **Sourcing (Market Research).** This will be done in parallel with the definitions above, technical market research is done while developing technical specifications and TORs. Market research identifies suppliers, products, long list of consultants etc. Open wide advertisement is a key way to collect market information, along with collection of information through internet, reference and other previous project database. Special skills are required for market research and developing specifications database. Selected SDF officials would need to attend specific national and international training programs in order to develop the necessary skill set. The following table lists available sources of information to complete market survey of requirements under the procurement plan:

Internal	• Established rosters, shortlists • Former contracts • SPC and colleague consultation
MDB and UN Systems	• UNDB and dgMarket contractor/supplier and consultant (DACON) list • Enlistment of UN agencies
Internet References	• Regional trade directories • Yellow pages (local suppliers) • Product-specific resources like Alibaba.com™ • Professional networks like “LinkedIn” (consultants)
Other	• Commercial/specialized journals • Chambers of commerce, trade delegations, permanent missions, Government procurement database • Business seminars • Published financial reports

170. Through a market survey, SDF may meet with prospective suppliers and consultants, within the following baseline on transparency and fairness:

- Maintaining the sensitivity of the supplier market, no biased specification or perception of favoritism;
- No bidder/consultant would be given an unfair advantage through up-front information, and any information provided will be published or sent in written to all suppliers/consultants;

- No bidder/consultant should get an impression that they have an increased opportunity to be awarded a contract, unless specifically advised by the senior procurement consultant about the relative commercial advantage of direct contracts and single source selection on a case-by-case basis.

Selecting Procurement Strategy- Applicable Legislation, Primary and Secondary (Methods and Standard Documents)

171. Procurement financed under the Project will be carried out in accordance with the World Bank's "Guidelines: Procurement of Goods, Works and Non-Consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated July 2014 (Procurement Guidelines) and "Guidelines: Selection and Employment of Consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated July 2014 (Consultant Guidelines), and the provisions stipulated in the Financing Agreement.

172. **Methods for Goods and Works.** Except as otherwise agreed in the procurement plan, works and goods may be procured on the basis of International Competitive Bidding (ICB). Procurement of goods and works having estimated value less than the ceiling stipulated in the Procurement Plan may follow National Competitive Bidding (NCB), Framework Agreement, and Shopping. NCB would be carried out under Bank Procurement Guidelines following procedures for Open Tendering Method (OTM) of the People's Republic of Bangladesh (Public Procurement Act 2006 - PPA, 1st amendment to PPA (2009) and The Public Procurement Rules 2008, as amended in August 2009) using standard/model bidding documents satisfactory to the Bank. Shopping will be carried out based on a model document satisfactory to the Bank. Framework agreements can be used as an alternative to NCB and shopping methods in cases consistent with the Procurement Guidelines. Direct Contracting (Goods/Works) may be allowed under special justified circumstances with prior approval of the Bank. For the purpose of NCB the following shall apply:

- Post bidding negotiations shall not be allowed with the lowest evaluated or any other bidder;
- Bids should be submitted and opened in public in one location immediately after the deadline for submission;
- Lottery in award of contracts shall not be allowed;
- Bidders' qualification/experience requirement shall be mandatory;
- Bids shall not be invited on the basis of percentage above or below the estimated cost and contract award shall be based on the lowest evaluated bid price of compliant bid from eligible and qualified bidder; and
- Single-stage two-envelope procurement system shall not be allowed.

173. **Methods of Procurement of Consultants' Services**. Selection of Consultants will follow the Bank's Consultant Guidelines and the Bank's Standard Request for Proposals (SRFPs) is applicable for all types of selection processes. The following methods will apply for selection of consultants: Quality and Cost based Selection (QCBS), Quality-based selection (QBS), Fixed Budget Selection (FBS), Consultants' Qualification (CQ), Least Cost Selection (LCS), and Single Source Selection (SSS). Shortlist of consultants for services estimated to cost less than US$ 500,000 equivalent per contract may be composed entirely of national consultants. Single Source Selection (Consultants) may be allowed under special circumstances with prior approval of the Bank. The Procurement Plan specifies the circumstances and threshold under which specific methods will be applicable, along with the Bank's review and implementation support requirements.

174. **Use of Standard Procurement Documents.** For procurement through International Competitive Bidding and for selection of consultants, the Bank's Standard Bidding Documents (SBDs) and Standard Request for Proposals (SRFPs) will be used, including the form of contract attached with SBDs and SRFPs.

For all NCB packages, SDF will use tender documents based on model tender documents (MTD) agreed with the Bank.

175. **Electronic Government Procurement (e-GP).** All NCB procurement under NJLIP will be allowed to be done through (e-GP). e-GP was rolled out in June 2011 under the Government's procurement reform. The Bank approved the system for use in NCB contracts under Bank-financed projects in Bangladesh. The following steps would be taken the project to implement e-GP:

- Assessment of its readiness and technical capacity to do e-GP and identify hardware, software and training needs (February 2015). This readiness will include, among others, computer hardware, availability of adequate bidders (list of bidders generally participating in SDF contracts) and robustness of internet connectivity;
- Acquire necessary training on e-GP (May 2015);
- Conduct a campaign to all its bidders on the past on move to e-GP (June 2015);
- Pilot e-GP in at SDF within first six months of the project;
- The Senior Procurement Consultant will be proficient in e-GP and function as main trainer for SDF.

176. **Sustainable Procurement.** Beside financial and commercial factors, the bidding documents to be used by SDF for this project will include as much as practicable, economic, social and environmental considerations in line with responsible and sustainable procurement. These are, but not limited to:

- Value-for-money considerations including price, quality, availability and functionality;
- Life cycle costing of certain products (vehicles, motorcycles etc.);
- Green procurement principles, reducing pollution, waste and hazardous substances, using renewable energy, reliable, non-hazard and recyclable raw materials in supplied products;
- Aspects of poverty reduction, eradication of inequality in gender and resource distribution, labor conditions, fair trade, human rights etc.

177. **Measuring Results and Performance Monitoring**. SDF's procurement performance monitoring will use Government's PROMIS format. This requires SDF's authorization from CPTU and registration with the online PROMIS tool. This registration needs to be completed before the first contract in NJLIP is awarded.

178. **18-month Procurement Plan.** For each contract to be financed by the Project, the different procurement methods or consultant selection methods, the need for pre-qualification, estimated costs, prior review requirements and time frame are agreed between the Borrower and the Bank in the Procurement Plan. The Procurement Plan dated January 27, 2015 of NJLIP has been prepared in agreement with the Bank. It will also be available in the project's database and in IDA's external website for this project. Besides, all expected major procurements will be announced in the General Procurement Notice, published in the Bank external website and United Nations Development Business. The procurement plan will be updated semi-annually or as required and will be the basis of Bank's procurement supervision plan. The Bank's electronic procurement plan execution system (SEPA) will be used to prepare and regular updating and getting no objection of the procurement plans of this project. Respective SDF staff has received training on SEPA, and continuous training will be provided during its use in the project.

Bank Implementation Support

179. **Prior review Thresholds.** The Procurement Plan sets forth those contracts which shall be subject to the Bank's prior review. All other contracts shall be subject to Post Review by the Bank. The initial procurement plan for the project indicates the following prior review thresholds. These would be updated annually based on the review of the capacity and performance of the procuring entity and would be reflected in the updated procurement plan as appropriate.

Expenditure Category	**Contract Value (Threshold)**	**Procurement Method**	**Contracts Subject to Prior Review**
Goods	**>=US$ 2,000,000**	ICB	All contracts
	<US$ 2,000,000	NCB	**First contract by the project regardless of value in NCB and thereafter, all contracts valued US$ 1,000,000 or more**
	<US$ 2,000,000	Framework Agreement	All contracts
	<=US$ 6,000	DC	All contracts
		RFQ/ National Shopping	Post review
Works	**>= US$ 10,000,000**	ICB	All contracts.
	<US$ 10,000,000	NCB	**First contract by the project regardless of value in NCB and thereafter, all contracts valued US$ 10,000,000 or more**
	<=US$ 12,500	RFQ/ National Shopping	Post review
		DC	All contracts
Services	**>=US$ 500,000**	QCBS /QBS	**First contract by the project regardless of value in QCBS/QBS and thereafter, all contracts valued US$ 500,000 or more**
	<US$ 500,000	FBS	**First contract by the project regardless of value in FBS and thereafter, all contracts valued US$500,000 or more**
	<US$ 300,000	LCS	Post review
	<US$ 300,000	CQ	Post review
		IC	All contracts valued **US$ 200,000** or more
		SSS	All Contracts

Note: In case of contract package awarded in the form of lots or sub-packages, the combined estimated cost of all lots/sub-packages in a particular procurement package will determine whether it will be prior- or post-reviewed, in accordance with the thresholds given above.

180. **Post Review.** For compliance with the Bank's procurement procedures, the Bank will carry out sample post review of contracts that are below the prior review threshold. Such review (ex-post and procurement audit) of contracts below the threshold will constitute a sample of about fifteen percent of the post-review contracts in the project. Procurement post-reviews will be done on annual basis depending on the number of post-review contracts.

Environmental and Social (including safeguards)

181. SDF will maintain a database for environmental capacity building of staff and sub-project specific environmental screening/assessment, EMP and implementation monitoring of EMP. An independent

environment audit will be carried out at the mid-term to assess and evaluate the quality of environmental compliance of the construction related subprojects. This will be part of the third party independent verification and compliance check of the project. Although SDF is familiar with the Bank's safeguard policies, SDF still needs further capacity building related to the proposed new activities like nutrition, market facilitation and value addition for sustainability. SDF would assign a specialist for environment and social aspects at national, regional and district level. In addition, SDF will contract an environmental consultant, on a retainer basis, to regularly assess if ESMF guidelines and procedures are adhered to and provide recommendations for additional elements to be included or required capacity building activities. In addition to the ESMF, a simple booklet on the ESMF will be included in the COMs to elaborate the process to identify and address safeguard issues in sub-projects and disseminated among the communities and field staff. The ESMF has been disclosed in the client's website and be made available at World Bank's InfoShop. The following safeguards are triggered by the project:

Safeguard Policies	**Explanation**
Environmental Assessment OP/BP 4.01	While the project designed to improve livelihood and living conditions of rural poor and extreme poor, it may have some minor impacts from small-scale local infrastructures, agriculture based livelihoods, and market facilitation. Therefore, the project is classified as a "Category B" under OP/BP 4.01 with a partial assessment as the impacts are likely to be very minor, site specific with no irreversible impacts and mitigation measures can be designed more readily. The implementing agency will update the Environmental and Social Management Framework (ESMF) prepared for the SIPP-II. The updated ESMF will ensure environmental management of newly incorporated interventions as well as compliance with Bank's Safeguard policies. It will provide checklist as well as guidelines to carry-out sub-project specific environmental assessment and EMPs, consultations, costing, implementation, and guidelines for construction and post-construction monitoring. In addition, the ESMF will provide a negative list of attributes and interventions so that no natural habitats or physical cultural resources will be affected during the implementation of sub-projects.
Natural Habitats OP/BP 4.04	The project will not implement any activities inside Protected Areas (wildlife sanctuaries, national parks, etc.). It is also highly unlikely that any natural habitats formed largely by native plant and animal species would undergo transformation of use or would be affected or modified by project activities. However, as a precautionary measure, the Natural Habitat OP has been triggered. The presence of natural habitats will be assessed during the environmental screening of sub-projects. The ESMF will also include a negative list of attributes to avoid implementing interventions in the natural habitats.
Pest Management OP 4.09	Although, the project will work on soil health improvement and promote IPM technologies in the small-scale home gardening program, project beneficiaries may use pesticides on a small scale. Therefore, the pest management OP has been triggered. The ESMF will incorporate pest management guidelines and provide a negative list of pesticides. However, considering scale of the interventions, a separate document on the Pest Management Plan will not be required.
Indigenous Peoples OP/BP 4.10	The project will likely work in areas where indigenous people live and will engage with them for the improvement of their livelihoods. SIPP-II did not trigger OP 4.10, therefore the existing ESMF has been updated to include an Indigenous People's Development Framework (IPDF) based on which specific sites will be screened and where relevant site specific Indigenous Peoples Development Plans (IPDP) will be prepared and implemented. The ESMF will also update the Communication and Inclusion sections and address gender issues and those of very vulnerable people in a more focused manner. The ESMF also includes a Grievance Redress Mechanism that is easily understandable and accessible at local levels.

Monitoring & Evaluation

182. SDF has developed a comprehensive monitoring, learning and evaluation (ML&E) system under SIPP-II. NJLIP would build on the current project experience and strengthen the existing ML&E system including data collection, validation and utilization. NJLIP's results framework outlines key results indicators at the PDO and intermediate outcome levels, data collection methods and a timetable and responsible agency for data collection. The framework will be used to monitor, evaluate and supervise the implementation of the project. Predetermined targets of selected key results indicators would be reviewed at mid-term and prior to project completion. In order to capture the processes of community participation, satisfaction with project services, and institutional dynamics, third party monitoring would be continued. SDF's ML&E unit will have the overall responsibility for the project monitoring, learning and evaluation of the project.

183. The project's monitoring would build on the following elements: (i) a well-defined M&E strategy for project processes, information requirements, tools and methodologies for data collection, analysis and reporting; (ii) a comprehensive M&E plan with clear roles and responsibilities as they relate to indicators tracking with respect to data gathering and reporting; (iii) internal and external periodic assessment and evaluations which would include baseline surveys, mid-term evaluation, impact evaluation and end-of-project evaluation; (iv) a web-based, well-functioning management information system (MIS) catering to the project level information needs; and (v) participatory community monitoring and social accountability approaches and systems using community assessment processes (score cards).

184. *Independent Assessments and Impact Evaluation*. The objective of the impact evaluation is to independently examine the achievements of the PDO, based on assessment of the project's key performance indicators. A project results framework has been developed to assess the outcomes and results of the expanded program and captures the quality of project implementation. The project would continue building on the impact evaluation process that has been started in SIPP–II and would include a second follow-up survey for communities where the program had been active for some time and a baseline and follow-up survey for the new areas to be conducted by an independent research organization. A mid-term independent impact assessment would be conducted in project year three and a full impact evaluation will be carried out at project completion to assess progress towards achieving the PDOs. The implementing agency would also undertake few thematic studies to complement and support other learning mechanisms, document good lessons learned and opportunities for scaling up, identify needed refinements to intervention approaches, and synthesize lessons to help fine tune project design. Under SIPP-II, a comprehensive baseline survey was conducted in 2012 in four districts (Kurigram, Naogaon, Mymensingh and Barisal). The survey design will also be used for NJLIP with additional nutrition related questions being added. A baseline for the new areas will be undertaken in 2015 once the communities have been identified. The baseline study would define the pre-project status of the indicators that will be used to assess achievement of the project development objectives and evaluate the project impact and establish an adequate control group.

185. *Community-level participatory monitoring and evaluation*. SDF has developed a monitoring tool, known as the 'village matrix', that captures key implementation milestones i.e. selection of target beneficiaries, use of various funds by installments (IDF, SF and CISF), livelihoods and farmer-market linkages activities, youth and employment generation and functioning of community level institutions. This matrix is being updated on a monthly basis by communities, with the information being entered into SDF's MIS. Social accountability tools such as functioning of SACs, public board displays, participation in GP meetings, conflict resolution systems, and community assessment processes as used in SIPP-II will be continued in NJLIP.

186. *Project monitoring, learning and oversight*. SDF has developed and institutionalized a web-based MIS system that provides real time information at the village level. The current project MIS consists of a

project management information module to support program monitoring and learning, and modules for accounts and finance, procurement, inventory, payroll and human resource management will further be strengthened especially to management information module to capture additional information: (i) more information on the quality and performance of the revolving funds need to be captured in the MIS system, particularly to the aging of the portfolio; (ii) the MIS system needs to not only provide the information on the village level, but should also be able to provide tailored information to SDF specialists to their area of expertise. This would particularly apply to community financing, infrastructure, livelihood and capacity building activities.

187. Under NJLIP, the MIS inputs would be modernized and streamlined by introducing information and communication technologies to simplify the existing book keeping and data entry modules at village level. SDF's MIS software will be customized accordingly. NJLIP would introduce the use of notebooks/tablets with 3G internet modem connection at the village level to allow data input by beneficiaries and automatic transmission to SDF's MIS. The notebooks/tablets would be equipped with tailored MIS software (for fund management, potentially a simple microfinance software available on the market would be procured). This would address the current issue of communities having to maintain project related information manually on paper which not only has proven time consuming, and not necessarily providing all information in the formats required for various purposes, but also carries the risk of data loss especially through natural disasters such as flood and cyclones.

188. Under the proposed ICT initiative, community beneficiaries and community professionals would be assigned to feed primary data into the MIS system. Two project beneficiaries (that are active in the GS and have at least secondary school certificate degree and have a keen interest in learning about internet and computer usage) and one community professional from the village level will be selected for training and using of the ICT tools. This initiative will be scaled-up only to the new villages to be supported under the project after successful piloting in the remaining implementation period of SIPP-II.

189. *Third Party Monitoring*. Independent verification processes have been built into the design of SIPP-II and have proven very useful to review and discuss program delivery. Therefore, third party monitoring will remain a fundamental part of the overall monitoring, evaluation and learning system of the project. The monitoring would provide SDF management a more direct and objective communication of the qualitative changes and processes taking place throughout the project and gives early indications on potential adjustments needed. It also provides a valuable feedback mechanism for the communities on issues and suggestions on how the project could do things better, and serves as a tool to indicate shifts in community attitudes. SDF has established a third party monitoring process that looks at processes and activities on a monthly basis and feeds into quarterly monitoring and learning workshops held per region. NJLIP would continue to use the successful process monitoring mechanisms. Two agencies (one in Southern region and the other in Northern region) would be recruited to review project procedures, processes and satisfaction and to identify ways to improve the quality of project implementation processes. The agencies would submit monthly process monitoring reports (monthly process diary) on key livelihood activities and quarterly field reports to summarize key lessons learned case studies and follow-up status.

190. *Appraisal and Monitoring Team (AMT)*. The project would also retain SDF's appraisal and monitoring system to ensure quality and milestone completion. The AMT would independently review community submissions for release of fund installments following the project's guidelines and rules.

191. *Institutional/Implementation Arrangements*. SDF's monitoring unit would oversee the project's monitoring, learning and evaluation tools. This would include supervising data collection, updating and maintaining project database and coordinating all ML&E activities. Currently, SDF's Community Facilitators are responsible for the collection of ML&E data through the 'Village Matrix' which is filled out manually and handed over to the Data Entry Operator at Cluster level for computerization. The data

then is put into SDF's MIS – through a web-enabled interface. NJLIP would introduce information and communication technology to all new project villages for direct data entry into the integrated MIS system at village level. SDF's cluster team leader and district team would review a sample of the input data periodically to check its validity, and provide necessary technical backstopping support for the data inputs. The cluster team would be responsible to review the data inputs and sign-off for reporting to the project MIS system. For data collection and reporting on a regular basis, the cluster and district teams will compile and submit monthly and quarterly progress reports. SDF's monitoring unit at national level will then consolidate all data collected and generate project reports and share with relevant stakeholders.

Annex 4: Operational Risk Assessment Framework (ORAF)
BANGLADESH: Nuton Jibon Livelihood Improvement Project

Stage: *Negotiations and Board*

1. Project Stakeholder Risks							
1.1. Stakeholder Risk	Rating	**Moderate**					
Description: Beneficiary selection: Project beneficiary selection might pose some risks. There are a number of completed or ongoing poverty reductions and rural livelihood assistance programs in the project areas. There is a risk that communities already received assistance under completed or ongoing program, may be benefited again by the project, or benefit or funds are captured by elites in project villages. Inadequate coordination: Numerous development partners and NGOs are active in rural livelihoods and poverty alleviation programs and their activities are not fully coordinated by local government bodies.	**Risk Management:** Beneficiary selection tool - 'participatory identification of poor' process will be used for selecting project beneficiaries. During this process, the list of beneficiary names will be posted publicly at local clubs, schools or notice boards. People can lodge complain if they have any objection or do not agree with the list. After taking all considerations into account, the beneficiaries' list will then be finalized. SDF has well trained field staff that has repeatedly used this technique under the SIPP-I and -II. SDF will coordinate with implementing agencies of other projects in the same areas to ensure that no overlap occurs with other projects and programs. In addition to that the project's M&E specialist will undertake a separate survey to gauge beneficiary input on transparency of the selection process. Staff from SDF will regularly participate in monthly development review coordination meeting at Union, Upazila and district level where most of development agencies are active implementing their poverty alleviation program and SDF will coordinate and collaborate with implementing agencies of other donors if necessary.						
	Resp: Client	**Stage:** Implementation	**Recurrent:**	**Due Date:**	**Frequency:**	**Status:**	
3. Implementing Agency Risks (including fiduciary)							
3.1. Capacity	Rating	**Moderate**					

<table>
<tr><td rowspan="3">Description:

SDF has demonstrated overall good capacity in implementing SIPP-I and -II projects. Nevertheless, in some areas adequate staff competency remains weak and regular adjustments to job descriptions and review of staffing needs are not conducted.

Procurement and Financial Management: Although SDF has been involved in implementing projects since 2003, procurement capacity and the internal control system could still be improved. SDF does not have sufficient procurement trained staff. For FM, remaining weaknesses in the accounting system and record keeping practices can hamper provision of timely and adequate financial information during the implementation of the project.</td><td colspan="6">Risk Management:

SDF has undertaken a capacity review and developed a training plan for its staff based on the findings. Trainings are ongoing. SDF has also started to review its staffing needs and requirements with the aim to streamline functions.

Procurement and Financial Management: SDF has a well-functioning management information system. All five modules including Procurement and Financial Management modules are tested, finalized, staff trained and data entered on a monthly basis. The system now allows real time information at all levels. The implementing agency needs to ensure that the data entry quality is being maintained to assure that the system is using the correct information. In case of procurement at community level, community operations manual on community procurement has already been developed and practiced by the communities. SDF has built capacity over time, but the following measures will also be taken:
(i) Service of an experienced Procurement Manager/Specialist in preparation of procurement documents;
(ii) A system for handling complaints and a database for recording, monitoring and following up all project procurement activities;
(iii) Procurement guidelines will be issued to the local level to ensure clarity on procedures and training will be provided to staff;
(iv) Service of an experienced Finance Manager/Specialist in ensuring smooth flow of project funds to community levels, preparation of IUFRs, preparation of annual financial statements, quarterly disbursement projections, coordination of project audit and other relevant tasks.</td></tr>
<tr><td>Resp:</td><td>Stage:</td><td>Recurrent:</td><td>Due Date:</td><td>Frequency:</td><td>Status:</td></tr>
<tr><td>Client</td><td>Preparation</td><td></td><td></td><td></td><td></td></tr>
<tr><td>3.2. Governance</td><td>Rating</td><td colspan="5">Moderate</td></tr>
<tr><td rowspan="2">Description:

Change in leadership or management at SDF may affect oversight on the progress of project implementation.

The implementing agency, SDF, is responsible for all procurements and their reporting lines are also clear. However, political and bureaucratic interference in resource allocation, contract management, project districts and beneficiary selection and user feedback system malfunctioning are risks.</td><td colspan="6">Risk Management:

The project design will have to assure that the Bank reserves the right for review for key positions and key SDF institutional documents.

A Governance and Accountability Action Plan (GAAP) that has been in place in SIPP-II, has been updated for NJLIP. Oversight functions of the implementing agency will continue to be monitored by the Board of Directors and the World Bank. Apart from Financial Management and Procurement supervision, third party monitoring is embedded in the project design to enhance the accountability and transparency.</td></tr>
<tr><td>Resp:</td><td>Stage:</td><td>Recurrent:</td><td>Due Date:</td><td>Frequency:</td><td>Status:</td></tr>
</table>

	Client	Implementation				

4. Project Risks

4.1. Design	**Rating**	**Low**

Description: The project design is based on tested approaches under SIPP which have proven to work well. Some streamlining in procedures and processes are suggested that may bare the risk of weakening some of the oversights inadvertently. The formation of community groups and various committees, tendering of infrastructure packages and funds disbursement to the community level may take longer as expected as may the building of business linkages.	**Risk Management:** Continuous communication, feedback and engagement with village organizations is a cornerstone of the project's design. The project will support capacity building and training provided to concerned staff so that they are aware of procedures. SDF already has skilled staffs in the field level. Based on experience, SDF and communities have suggested some simplifications of procedures and reporting structures that have been reviewed and agreed during the project preparation process.					
	Resp: Client	**Stage:** Preparation/ Implementation	**Recurrent:**	**Due Date:**	**Frequency:**	**Status:**

4.2. Social and Environmental	**Rating**	**Moderate**

Description: Environment: The potential negative environmental impacts of the proposed investments are minimal, given the small size of activities and infrastructures. Some of the small-scale infrastructures involve earthworks, including earthen road construction and landfill for community building may have some negative impact. The main concern related to the capacity of the project is to identify and mitigate site specific environmental problems. Social: The potential negative social impacts of the project are likely to be minimal. No private land acquisition is expected to take place and no displacement is expected. It is likely that the project will cover more areas with indigenous people.	**Risk Management:** SDF has an Environmental and Social Management Framework (ESMF), which provides screening tools to identify potential environmental risk in sub-projects, procedures to mitigate potentially adverse environmental impacts (if any) and a monitoring mechanism. In addition, independent third party assessment will include a brief environmental audit to assess and evaluate the quality of environmental compliance of sub-projects. SDF regularly reports on environmental management and findings and this has been found satisfactory. The ESMF has been reviewed and updated based on findings from the field. The project's ESMF includes an Indigenous Peoples Planning Framework. SDF will use the screening procedures outlined in the SMF to identify, assess, evaluate, mitigate and monitor social impacts of each sub-project. SDF has already established grievance handling mechanism, community participatory monitoring and social audit (full disclosure of the project costs, fund utilization and beneficiaries etc.).					
	Resp: Client	**Stage:** Implementation	**Recurrent:**	**Due Date:**	**Frequency:**	**Status:**

4.3. Program and Donor	**Rating**	**Moderate**
Description:	**Risk Management:**	

<table>
<tr><td rowspan="2">Duplication of effort and varying approaches may be observed in some areas if coordination with other stakeholders is not done closely. As part of their institutional sustainability, SDF would want to make increased efforts to attract other funding sources to broaden its program.</td><td colspan="6">The project design will seek to integrate other stakeholder activities more into the planning processes, particularly for infrastructure investments and see k to link communities better with other programs and service providers.</td></tr>
<tr><td>Resp:</td><td>Stage:
Preparation</td><td>Recurrent:</td><td>Due Date:</td><td>Frequency:</td><td>Status:</td></tr>
<tr><td>4.4. Delivery Monitoring and Sustainability</td><td>Rating</td><td colspan="5">Moderate</td></tr>
<tr><td rowspan="2">Description:
Inadequate Monitoring and Evaluation capacity in SDF and lack of follow-up could undermine the quality of the outcomes of the proposed project and the timely addressing of weaknesses.</td><td colspan="6">Risk Management:
Currently, SDF has a well-functioning integrated MIS system. The MIS system now allows real time information at all levels. So it is expected that monitoring and implementation of activities would be more accurate and efficient. The Monitoring, Evaluation and Learning unit of SDF has adequate staff at all levels but need to strengthen its capacity through provision of training. Third party process monitoring will also be undertaken during the course of the project and is embedded in the project design. A thorough impact evaluation process has been started under SIPP-II that will be carried forward into the proposed project to allow tracking of longer term project impacts.</td></tr>
<tr><td>Resp:
Client</td><td>Stage:
Preparation/
Implementation</td><td>Recurrent:</td><td>Due Date:</td><td>Frequency:</td><td>Status:</td></tr>
<tr><td colspan="7">5. Project Team Proposed Rating Before Review</td></tr>
<tr><td colspan="2">Preparation Risk Rating: Moderate</td><td colspan="5">Implementation Risk Rating: Moderate</td></tr>
<tr><td colspan="2">Given that the project will build on an existing project a lot of lessons learned can be considered in the project design.</td><td colspan="5">Given that the project is a successor project to SIPP-II with an already existing and trained implementing agency, the implementation risk is rated as moderate. This is following the PCN review guidance of rating the implementation risk as moderate.</td></tr>
<tr><td colspan="7">6. Overall Risk</td></tr>
<tr><td colspan="2">Preparation Risk Rating: Moderate</td><td colspan="5">Implementation Risk Rating: Moderate</td></tr>
</table>

Annex 5: Implementation Support Plan

BANGLADESH: Nuton Jibon Livelihood Improvement Project

Strategy and Approach for Implementation Support

192. The Implementation Support Plan (ISP) describes how the Bank and other development partners will support the implementation of the risk mitigation measures (identified in the ORAF) and provide the technical advice necessary to facilitate achieving the PDO (linked to results/outcomes identified in the result framework). The ISP also identifies the minimum requirements to meet the Bank's fiduciary obligations.

Implementation Support Plan

193. The project builds largely in existing institutional arrangements in which capacities have already been built. For those, continuous support would be provided on a regular supervision basis. For new project aspects, additional support would be provided, particularly in the start-up phase of the project to assure that concepts are well understood and implementation can take off without delays and with the envisaged results. Particular focus in the first part of the project implementation would be on community financing, second-tier institutional support, phasing-out of SIPP supported villages, producer group and nutrition activities. The main focus of support to implementation would be as follows:

Time	***Focus***	***Skills Needed***
First twelve months	*Community Financing* *Second-tier Institutions strengthening* *Phasing-out and exit strategy* *Producer group activities* *Nutrition* *Program roll-out to new villages* *Training and roll-out of ESMF activities*	*Agriculture and agricultural business, Rural Finance, Rural Development Institutional Development, Community Development, Nutrition, Environment and Social.*
12-60 months	*SDF institutional development plan* *Community financing, support and oversight of financing institutions* *Sustainability of Institutions* *Impact evaluation* *Gender and civic engagement* *Environment and social aspects*	*Agriculture and agricultural business, Rural Finance, Rural Development Institutional Development, Community Development, Nutrition, Monitoring and Evaluation, Environment and Social.*
60 – 72 months	*Completion of Activities* *SDF's future implementation plan* *Phase-out of project support*	*Agriculture and agricultural business, Rural Finance, Rural Development, Community Development, Nutrition, Monitoring and Evaluation*

Annex 6: Project Economic and Financial Analysis

BANGLADESH: Nuton Jibon Livelihood Improvement Project

I. Introduction and Overview of the Analysis

194. An economic and financial analysis of the project was undertaken to assess and answer the following three questions related to the project design and expected outcomes:

- *What is the project's expected economic development impact?* A standard cost-benefit-analysis of livelihood and income generating activities expected to be introduced under the project is used to assess this impact.
- *Is public funding needed and what levels of financing are appropriate?* This part of the analysis explains why public financing is justified and necessary to achieve the desired development impact.
- *What is the World Bank's value added in the project?* This part of the analysis discusses the value added derived from Bank experience and the commitment of Bank staff time and implementation support.

II. The Project's Expected Development Impact

Project Benefits

195. The project would invest some US$ 220 million in empowering and organizing some 2.25 million poor and extreme poor people in village level and higher level groups and organizations, providing them with micro finance for economic activities; increasing employment and labor productivity, and improving community level social and infrastructural services. The project would be delivered as a package using the mobilization and organization of poor and extreme poor in community organizations as an entry point and platform for further development activities. SIPP-II and previously SIPP-I have demonstrated that this approach has successfully changed the social and economic life of people. Project beneficiaries show a substantive increase in economic productivity leading to sustainable income generation and poverty reduction. This is built on a behavior change around three main elements: (i) a boost in *motivation and self-confidence*, of previously largely isolated and passive poor and extreme poor people now undertaking considerable social and economic activities; (ii) *access to knowledge and information* giving people a wider option of choices; and (iii) *access to finance and services*, which allow investments in a large variety of productive activities. The most direct benefits of the project would come from livelihood activities expected to be undertaken by the project beneficiaries either individually or jointly and improved skills leading to access to labor markets and income. Indirect benefits are expected from the improvements in living conditions such as improved nutrition, sanitation, health, and education, which in turn will lead to higher productivity and incremental economic activities of the poor and extreme poor under the project.

Quantification of Project Benefits

196. **Assumptions and Data Source.** The forecast and quantification of the project benefits is largely based on the existing data source and experiences gained under SIPP-II. This project provides good quality and sufficiently detailed quantitative information about all livelihoods and employment generation activities. These data have been cross-checked and verified by SDF staff at the field level. A standard cost benefit calculation method is used, where it is assumed that the activities and the financial and physical input and output data would be of a very similar nature as under SIPP-II. However, the scope of activities and was adjusted to the new project. For the computation of rates of return and net present values constant price as of 2015 and a cash flow projection period of 12 years is used.

197. **Shadow Pricing**. The type of simple inputs and outputs used by the beneficiaries in the project are not significantly disturbed by major subsidization or taxation. The economic analysis therefore uses mostly local financial prices prevailing in the project areas. However, the price for local unskilled labor of BDT

300 per day is corrected by a conversion factor of 0.8 taking into account a significant underemployment and labor surplus in the project villages.

198. **Benefits from Livelihood Activities**. The detailed physical and financial inputs and outputs total of 22 different livelihood investment activities were computed to calculate the benefits. The calculation shows that there is a large variety of attractive investment opportunities for the project beneficiaries using loans under the community microcredit scheme. The financial returns from each investment range from some BDT 12,000 to over BDT 80,000. A summary is shown in Table 1. It is assumed that over a period of 12 years some 2.1 million loans will be provided to an estimated 500,000 households (average 4.2 loans per household). Many of the households can be expected re-finance investments from their net-profits after 4.4 cycles or will approach other microfinance institutions to meet their by then more sophisticated financing requirements.

Table 1: Profitability of Livelihood Activities

Livelihood activities (Sector wise)	Livelihood activities (Sub-sector wise)	Average net-return per investment (BDT)	% of loans used for activity
Livestock sector	Beef fattening	15,640	21.0%
	Dairy	22,000	20.1%
	Goat/sheep	15,800	9.7%
	Poultry	12,200	5.8%
	others	24,000	0.6%
	Sub total		**57.3%**
Transport sector	Rickshaw/van	13,000	4.6%
	Motor vehicle	25,000	0.3%
	others	12,000	0.7%
	Sub total		**5.5%**
Agriculture sector	Vegetable	18,100	3.1%
	Crop	12,600	4.7%
	Nursery	80,500	0.0%
	Other	13,500	3.2%
	Sub total		**11.1%**
Small trade	Tea shop	14,800	2.6%
	Grocery shop	15,800	5.6%
	Rice husking	32,000	3.1%
	Agro business, other	19,500	9.6%
	Sub total		**20.9%**
Fisheries sector	Shrimp	57,500	0.1%
	Fish hatchery	32,500	0.1%
	Fish culture	37,000	3.4%
	Sub total		**3.6%**
Other	-		1.6%
Total	-		**100%**

Source: SIPP-II progress reports.

199. For the calculation of aggregated returns from the livelihood activities the composition of activities observed under SIPP-II was applied with a relatively high proportion of livestock related activities (57.3 percent) and small business related activities (20.9 percent). Two elements of conservative approach have been applied: (i) a failure rate of five percent of all investments is included, which could for example be caused by natural disaster, livestock disease, illness in family, etc. and (ii) the assumption that VCOs would

have difficulties to maintain the real value of their portfolio. The economic calculation, therefore, assumes an annual loss of the real value (total loan amounts available to be given out to beneficiaries) of five percent.

200. **Benefits from Market and Business Linkage Development**. The benefits from improved market and business linkages would include: (i) a higher productivity due to the provision of services; (ii) higher product prices mainly due to a higher product standard and lower product handling and transaction cost including reduced losses; and (iii) a shift towards production of higher value crops. These benefits are not equally significant for all production activities. Given the current stage of very low technical and productivity levels potential gains in livestock productivity could easily exceed fifty or more percent. Similar gains are possible in terms of higher prices and value of vegetables and fruits products including gains from lower losses and transaction/handling costs. For the calculation of project benefits a conservative assumption of an overall additional net return of 20 percent is used. It is assumed that about 30 percent of the SIPP-II beneficiaries and 70 percent of all NJLIP beneficiaries, undertaking livestock, fruit and vegetable production activities, would benefit from the project investment in market and business linkage development.

201. **Youth Employment Generation**. The benefits from the project investment in youth employment generation include a higher labor productivity of previously under- and unemployed youth. Experiences under SIPP-II show that about half of the youth benefiting from the project become employed in local industry jobs with the other half engaging in self-employment activities. Monthly salary and income levels vary but reach at least BDT 5,000 to 10,000 per month. Some 35,000 youth have found permanent jobs under SIPP-II. For the economic analysis it is assumed that a similar number of young people would be put under employment, of which some 20 percent might drop out during the first two years. The incremental economic value in terms of labor productivity is assumed with BDT 2,000 per months, which is considered very conservative value. Under these assumptions the youth employment would nevertheless generate significant economic benefits and would contribute 18 percent of the total economic returns of the project.

202. **Additional Benefits not quantified.** No separate benefits are calculated for project investments in public infrastructure, community empowerment, institutional capacity building and project management and learning. These investments are added as costs to the aggregated cash flow from livelihood models. It is assumed that these investments will mainly generate benefits at the household level, which are already quantified. However, there will likely be spill-over effects. Public infrastructure will benefit other villagers and non-resident users and institutional capacity building will have a wider impact. The economic benefit calculation is therefore considered conservative and overall project benefits are likely higher than estimated.

Results

203. **Internal Rate of Return (IRR).** The aggregated economic cash flow of the project including all supporting investments shows an Economic Internal Rate of Return (EIRR) of 22.3 percent and an economic net present value (NPV) (OCC 12 percent) of BDT 3.7 billion. The Financial Internal Rate of Return (FIRR) of the project using market pricing for local labor is 21.4 percent with an NPV (OCC 12 percent) of BDT 3.1 billion. A summary is shown in Table 2. Details of the analysis are in the project files.

Table 2: Economic and Financial Analyses Results

Type of Benefits included	Economic Rate of Return (%)	Economic NPV (OCC 12%) BDT billion	Financial Rate of Return (%)	Financial NPV (OCC 12%) BDT billion
Only Livelihood Activities included	12.3	0.83	10.31	- 0.52
Livelihood Activities plus Market and Business Linkage	15.6	1.14	13.58	0.50
Livelihood Activities plus Market and Business Linkage plus Youth Employment Generation	**22.3**	**3.72**	**21.36**	**3.08**

Sensitivity Considerations

204. A classical sensitivity analysis considering standard assumptions about cost escalation and/or benefit reduction is considered relatively meaningless for this project. It is much more important to inform the designers and implementers about the economic impact of a change of key parameters, which are at their discretion of the designers and implementers. Two parameters are of considerable importance: (i) the proportion of project funds, which are available for the VCO as a start-up capital, and (ii) the value of the VCO portfolio over time. The baseline assumption is that the about 28% of the project investment would be disbursed as a capital stock to the VCO and the VCOs would face a loss of 5% per annum. Table 3 shows how the EIRR gets affected changing these assumptions.

Table 3: Sensitivity of EIRR using different Assumptions about Initial VCO Capital Stock and Development of Value over time

Type of Benefits included	Baseline EIRR (%)	Decrease initial VCO capital stock by 10%	Decrease initial VCO capital stock by 20%	Increase initial VCO capital stock by 10%	Increase initial VCO capital stock by 20%	Annual decrease of initial VCO capital stock by 10%	Maintai-ning VCO capital stock at initial value
Only Livelihood Activities	12.27	8.77	5.17	15.67	19.00	-2.08	14.84
Livelihood Activities, plus Market and Business Linkage	15.61	11.87	8.01	19.26	22.86	2.62	17.87
Livelihood Activities, plus Market and Business Linkage, plus Youth Employment Generation	**23.27**	**19.75**	**16.19**	**26.75**	**30.20**	**16.08**	**24.50**

205. The sensitivity analysis shows that the economic returns are very sensitive to the amount of money provided to the VCOs and their ability to maintain the initial capital stock. For the design of the project it would be important to keep the overall management costs as low as possible and to provide as much as possible resources to the VCOs. Similarly it will be important to avoid any portfolio losses during operation of the village loans (e.g. through sufficient yields, and high levels of loan recovery).

III. Justification of Public Funding and Levels of Financial Support

206. Public financing is necessary because no alternative sources of financing are available for such type of social investment projects. The use of public funds for the revolving credit mechanisms under the project

is an integrated part of the capacity building and empowerment package for the poor and extreme poor. In the initial stage the targeted poor would not be in a position to access private sector sources of financing nor would private financing institution be interested to provide credits. However, the project would be designed in such a way that at later stage project beneficiaries and village credit organization would be encouraged to link with commercial financing institutions.

207. The financial sustainably of SDF beyond the project investment phase would be a critical element for the overall sustainability of the program. The project is designed in such a way that the operational overhead costs would decrease over the lifetime of the project and would reach a level at the end of the project, where the remaining operational costs would be covered by the yield from the Government provided endowment fund.

IV. World Bank Value-added in the Project

208. The Bank has significant global and regional experience with similar projects. These projects have created a pool of knowledge and experience within the Bank and its staff as well as within its partnering countries. These experiences would be shared and would help both for shaping the design and during implementation. The Bank has supported two similar projects implemented by SDF, which has build-up its institutional capacity and gained considerable experience. However, Bangladesh and SDF on its own would not yet be in a position to design and implement such project. This relates to both the mobilization of sufficient financial resources and to the availability of human capacity.

Annex 7: Governance and Accountability Action Plan (GAAP)

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209. The GAAP is a matrix framework jointly developed by the project and the World Bank utilizing a participatory consultation with state holders at all levels. The detailed matrix is presented below. The GAAP has been designed under SIPP-II and has been updated for NJLIP to minimize governance and corruption risks and it outlines a framework for actions, specific responsibilities, institutional arrangements and additional measures to facilitate effective and appropriate use of project funds. The main objectives of the GAAP matrix are: (i) assess governance risk that may threaten the attainment of project objectives and implementation results, and (ii) to ensure that appropriate risk mitigation measures as planned are implemented and working.

210. In line with the World Bank's Disclosure Policy and Bangladesh's Right to Information Act, the access to information in the project has been detailed in SDF's public disclosure policy. This includes public disclosure of all project documents including project information and description, disclosure of procurement and other related information and a centralized information system that will allow the public to access information on the project.

211. SDF has paid considerable attention to maintaining transparency in processes and decision making and ensuring access to information. To manage local and national level awareness activities, SDF has prepared a number of information, education, communication materials and documented progress under the project. A web-site (www.sdfbd.org) is maintained and updated regularly. All program details are provided on the website. The project would also continue to build on SIPP-II's established governance and accountability functions. SDF has an internal audit team that audits village institutions on a regular basis; an appraisal monitoring team that reviews if milestones have been achieved by the village to receive the next tranche payment and if plans and designs of sub-projects are adequate; a governance team that oversees governance issues, trains the village social audit committees, assesses functioning of the governance mechanisms on a regular basis, and institutes SDF's recently approved exit policy.

Existing Accountability Tools

212. The self-governing community-level organization of project beneficiaries, the Gram Parishad and its executive arm, the Gram Samiti, directly receive project funds and implement project activities in accordance with the guidelines contained in the Community Operational Manuals (COM). The Village Credit Organization implements a revolving livelihood fund, the Shabolombi Fund, to provide loans to its members. Two more specialized sub-committees, the finance committee and the procurement committee, ensure efficient use of project funds by exercising fiduciary responsibilities. Resource use efficiency as well as compliance to guidelines in the functioning of all village level entities is monitored by the Social Audit Committee.

213. Judicious use of village funds is ensured through an appraisal system to assess readiness of the village institutions through the checking of attainment of physical milestones before transfer of funds. The COMs outline the rules, procedures and implementation steps to be followed by all institutions. The Financial Management Manual and Procurement Manual are part of the COMs. Upfront capacity building of all office bearers of the community institutions are conducted and refresher training being provided. The project has an annual Community Assessment Process to measure satisfaction levels of beneficiaries, performance in line with COM manuals and to check if governance and accountability measures are in place and working.

214. There is a systematic process of internal audit and internal checks and balances to be followed by the SDF's national, regional, district and cluster levels. A third party monitoring process is built into the project that produces monthly reports of compliances and deviations and is followed-up in quarterly regional monitoring and learning meetings in which the findings are being discussed and follow-up actions agreed. The project also adheres to annual external audits and monitoring of audit compliances. SDF has an audit committee that is responsible to follow-up on deal with audit observations. The project has also instituted grievance mechanisms and a communication tree providing contact numbers of respective SDF staff at all levels.

215. The risk levels are calculated in the form of a risk score by multiplying the likelihood of the identified risks with consequence-the impact from the identified risk. The likelihood and consequence are rated on a scale ranging one to five by the project staff and other knowledgeable state holders of the project. Risk scores for each of the risk area are classified as low risk (a score of 6 or less), moderate risk (a score of 8-12), high risk (a score of 14-20) and top risk (>20). The key tools implemented as part of the GAAP are (i) Information disclosure policy; (ii) Grievance Redress System; (iii) Annual Community Process at village level and Community Score Card to assess performance; (iv) Annual Grading System for villages and second-tier institutions.

Matrix of GAAP Actions and Responsibilities

<table>
<tr><th>Risk Areas
Risk Level (R)= C x L (R=Risk Score; C=Consequence; L=Likelihood)</th><th>Risk Mitigation Measures</th><th>Responsible</th></tr>
<tr><td colspan="3">Risk Area 1: Governance Risks at community level, second-tier institutional and project level</td></tr>
<tr><td rowspan="3"><u>Community level</u> - Moderate (C= 4, L= 2, R=8) – identified potential risks include:
• Elite capture of GP, GS, VCO and sub-committee
• Improper selection of office bearers
• Improper targeting of poor with project support going to non-target
• Inadequate number of GP and various committee meetings
• GS, VCO and committee members not performing responsibilities/violating rules
• Conflicts between GS and VCO members
• Violation of “non- negotiable principles”
• Non-performing SAC
• Small groups becoming defunct after formation
• Youth groups not active
• Deviations from approved sub-projects
• Financial misappropriation
• SF loans sanctioned to ineligible persons including project staff
• Bypassing village development cycle stages
• New generation leadership not having required capacity
• Non- regular saving activity
• Unresolved conflicts in the village</td><td><u>Level 1 (Village Level)</u>: Dash Neeti and Good Governance principles are part of COM. SAC monitors GP, GS, VCO and sub committees. Milestone disbursement of project, support stopped for problem villages.</td><td>- GSs
- SACs
- CT leader</td></tr>
<tr><td><u>Level 2 (Monitoring by SDF staff to ensure that rules are being followed)</u>: Cluster and District staff facilitate and monitor progress. AMTs verify compliance with rules before any fund release to GS. A Village Grading System is used to assess village level performance and identify weak village organizations for focused facilitation. Provision to suspend or stop on-going support to communities that do not adhere to good governance principles.</td><td>- District Team Leaders
- Appraisal Monitoring Teams
- Village Grading Teams</td></tr>
<tr><td><u>Level 3 (Independent third party monitoring and audit systems to ensure that the governance systems at village level are functioning properly)</u>: A monthly Village Progress Review meeting attended by SDF staff, process monitoring agency and appraisers identify and correct violations. Zero tolerance to corruption at village level, and project level. All corruption issues are being followed-up and persecuted.</td><td>- Regional Directors
- External Auditor
- Third Party Monitoring
- Internal Audits</td></tr>
<tr><td rowspan="3"><u>Second-tier level</u> - Moderate (C= 4, L= 2, R=8) – identified potential risks include:
• Sub-committees not cooperating
• Elite capture of decision making positions and benefits
• Few beneficiaries monopolizing decision making without larger participation and consultation
• Inexperienced community members working as staff and service providers
• Financial misappropriation
• Not generating enough revenue from non- project sources to become sustainable</td><td><u>Level 1</u>: Second-tier Institution built sufficient capacity within project period to provide services to communities, support provided for business planning and management of community finances, clear legal structure and responsibilities, functioning SAC.</td><td>- SDF second-tier team on all implementation levels
- SACs
- NJCS</td></tr>
<tr><td><u>Level 2</u>: Mentoring, handholding and monitoring of the functioning of Second-tier Institution by SDF staff from district and regional Team.</td><td>- SDF second-tier team on all implementation levels</td></tr>
<tr><td><u>Level 3</u>: SDF’s national coordinator to oversee and be accountable for the successful performance of the institutions, fund release based on appraisal of readiness.</td><td>- SDF National Coordinator with team</td></tr>
</table>

<u>Project level</u> - Moderate (C= 4, L= 3, R= 12**)** identified potential risks include: • Supervising staff not visiting the field and/or submitting inaccurate reports • Target setting that affects quality • Malfunctions at the village level not detected or followed-up • Collusion with field staff • Sanctions not imposed on non-performing villages • Communications between HQ, regional and field offices are delayed or ineffective • Insufficient capacity building support to VCOs • Independent evaluation assessments not being done in timely manner • Contracted staff not sufficiently qualified or trained in their positions • Bureaucratic interference in VO functioning; inadequate guidance and/or oversight by SDF Board • Political interference in decision making	*<u>Level 1 (SDF Management)</u>:* Internal audit verifies compliance with prescribed procedures; Appraisal monitoring teams separated from facilitation staff and report directly to the Managing Director; comprehensive MIS; COMs to guide staff; disclosure of information on website; participatory of all SDF levels in the preparation of Annual Implementation Plan; regular refresher training on COMs and performance reviews of SDF staff.	- Managing Director - Director of Operations - Regional Directors
	<u>Level 2 (SDF Board, Government oversight, and World Bank missions</u>): Frequent progress reporting to Board and GOB. Quarterly Progress Report and regular implementation support missions on implementation quality.	- Managing Director
Risk Area 2: Financial Management weaknesses leading to inadequate accounting and/or leakage of funds		
<u>Community level</u> - Moderate (C= 3, L= 3, R= 9) identified potential risks include: • Weak FM capacity • Poor record keeping and other irregularities in management of VCO funds • Frequent turnover of bookkeepers • Non repayment of VCO loans • Misappropriation of funds • Village fund proposal estimates over-projected and funds not fully utilized • Idle funds in Bank accounts • Kickbacks in payment of contractors/suppliers • Siphoning off funds from workshop or training programs • Lack of experience in operating Bank accounts resulting in fund misuse • False reporting • Diversion of community funds for personal use	*<u>Level 1 (Community Level)</u>:* Book keeper recruited and trained to maintain books in each village as per COM; up-front and refresher capacity building programs; public display of financial information and access to books for all; monthly, quarterly and annual financial reporting to GP; SACs performing periodic audits; all funds flow through Bank accounts which require two community signatories; small groups exert peer pressure for regular repayment; financial management procedures disseminated; village matrix updated with financial data every month.	- Finance Sub Committee - Cluster Team Leader - District Finance
	<u>Level 2 (SDF Level)</u>: Cluster Field Team provides technical guidance and handholding in addition to monitoring book-keeping, internal audit; community assessment and Village Progress Review meeting. The national, Regional and district teams randomly visit villages and verify accounts.	- Regional Finance
	<u>Level 3</u>: External audit, internal Audit, Process Monitoring, World Bank missions.	- Director Finance
<u>Second-tier level</u> - Moderate (C= 3, L= 3, R= 9) identified potential risks include: • Week capacity to maintain books of accounts and publish annual statement of accounts • Financial misappropriation • Failure to follow up receivables • Overspending on contracts without considering income levels • Keeping surplus funds in unattractive bank accounts	*<u>Level 1</u>:* Dedicated Finance Committee and staff to undertake FM functions monitored by Social Audit Committee. Manual to have FM and Accounting guidelines	- District FM Manager
	<u>Level 2</u>: Regional and District FM staff to provide training and handholding support.	- Regional FM
	<u>Level 3</u>: External Auditing, supervision by WB Missions.	- Director Finance
<u>Project Level</u> - Moderate (C= 3, L= 3, R= 9) identified potential risks include: • Delays in releasing funds • Delays in approval of budgets	*<u>Level 1:</u>* Financial Management Rules and Procedures, FMS integrated with MIS.	- Regional Finance Manager

• Finance Staff ascribing power and demotivating program staff • Misappropriations of funds • Collusions with contractors and service providers • Insufficient book keeping and record keeping • Non-compliance with service standards • Failure to submit withdrawal applications to World Bank on time and with quality	Level 2: Internal Auditing and External Auditing.	- Director Finance
	Level 3: Supervision by FM Team of World Bank.	- Managing Director
Risk Area 3: Irregularities in Procurement and Asset Management		
Community Level - Low (C= 3, L= 2, R= 6) identified potential risks include: • Lack of adequate information and knowledge on procurement procedures and quality of materials; • Prices exceeding rate bank norms; • Accepting lower quality materials or construction than specified; • Lack of post-purchase checks or asset verification including maintaining asset register. • Collusion between committee members and service providers • Lack of adequate committee members trained in procurement • Unnecessary delays in procurement	*Level 1 (Community Level):* COM includes procurement guidelines. Village level- Procurement Sub-committee and SAC ensure compliance. GS engage Technical Service Providers (TSP) and these TSPs help prepare the budget and help ensure quality. SAC does asset verification. Purchasing function separated from price negotiation function.	- Procurement Committee - Cluster team leader
	Level 2 (SDF level): Cluster and District teams have established rate banks and roster of TSP. Appraisal teams verify compliance with procurement guidelines, purchase prices and do asset verification during the construction phase.	- District Procurement
	Level 3 (Independent Monitoring): External auditors, Technical Auditors and Process Monitors for sample checking.	- Regional Procurement
Second-tier Level - Low (C= 3, L= 2, R= 6) identified potential risks include: • Collusion between Committee members and suppliers. • Prices of procured items exceeding market rates. • Lack of capacity of Procurement Committee	*Level 1:* Well illustrated detailed guidelines on procurement in the manual, procurement committee monitored by Social Audit Committee. Procurement plans prepared upfront and uproot.	- District Procurement staff
	Level 2: District and Regional Procurement staff capacity built and procurement functions monitored.	- Regional Procurement staff
	Level 3: External Audit	- National Procurement staff
Project level - Moderate (C= 4, L= 2, R= 8) identified potential risks include: • Collusion between suppliers and service provider • Contract specifications rigged in favor of a small number of potential bidders • Multiple quotations by same supplier using different company names • Lack of transparency in selection of consultants/suppliers • Poor quality consultants selected • Procurement information not being disclosed in timely and complete manner • Weak oversight of consultant work and outputs • Lack of sufficient knowledgeable qualified and experienced procurement staff • Delays in procurement	*Level 1(SDF):* Transparent procurement process, following Bank procurement guidelines; Internal audits to include physical verification of assets; institute review committees to monitor consultant work and outputs.	- Regional Procurement staff
	Level 2 (Independent monitoring): Prior and ex-post review by the World Bank; External audit verifying compliance with procurement guidelines; complaint handling mechanism to record complaints from bidders and resolution and publicly disclose data.	- National Procurement Specialist
Risk Area 4: Weaknesses in implementation of Human Resource Development Activities		
Community Level - Moderate (C= 5, L= 2, R=10) identified potential risks include:	*Level 1:* Strong capacity building and training efforts in the initial stages of mobilization, regular support through cluster facilitators.	- Cluster team leader

• No regular visit by field staff • Non- compliance with guidelines due to lack of understanding and technical support • Collusion with project staff	*Level 2:* SDF district and regional team randomly visit field.	- District Team Leader
	Level 3: Community score card to assess performance of SDF field staff.	- Regional Director
Project level - Moderate (C= 5, L= 2, R= 10**)** identified potential risks include: • Low staff performance • Poor quality of staff capacity building • Interference in staff selection • Victimization of performing staffs due to personal liking and disliking by superiors • Rumors spreading conflicting and confusing messages • Women staff members feeling insecure • Aggrieved staff sending anonymous letters, emails to GOB, World Bank • High attrition levels and staff turnover	*Level 1:* All human resource development activities are carried out by HR manual, performance-based recruitment of project staff; rigorous staff training program; service standards developed for all staff and external service providers.	- Manager Administration
	Level 2: Performance appraisal system based on result, staff redress and complaint mechanism in place, orientation and refresher programs, staff counseling system for women employees.	- Director HR
	Level 3: External Human Resource Development Audit, revision to HR manual to reflect implementation experience.	- Managing Director
Risk Area 5: Weaknesses in Communication, Capacity Building and Monitoring		
Community level - Moderate (C= 5, L= 2, R= 10**)** identified potential risks include: • Wrong reporting of field situations • Discrepancies between village matrix and field situation • Revision to COM Guidelines is not communicated timely to the community • New office bearers not receive training and do not know COM guidelines	*Level 1:* Village matrix is updated every month.	- Cluster team
	Level 2: COM dissemination and refresher programs are periodically organized, awareness campaigns are conducted and other communication materials like posters used.	- Regional Directors
	Level 3: Process monitoring to check quality of communication and capacity building.	- Director of Operations
Project level - Moderate (C= 5, L= 2, R= 10**)** identified potential risks include: • Sub-project implementation delayed • Incorrect progress reports fail to reveal implementation quality • Officially communicated message ignored by the staff • Staff members provide conflicting messages to communities • Capacity building programs fail to build staff capacity • Key stakeholders develop negative impression about the project • Project implementation effectiveness reduces	*Level 1:* MIS and FMS functioning well.	- AMT - District Team Leaders - Monitoring team
	Level 2: Capacity building strategy and action plan including communication strategy; monthly progress reports, quarterly progress reports, mission briefing notes are prepared with quality.	- Director of Operations - Monitoring team
	Level 3: National Level lobbying and strategic upward communication, ratings and agreed actions by Bank missions.	- Managing Director

Annex 8: Summary of SIPP-II Results

BANGLADESH: Nuton Jibon Livelihood Improvement Project

- 580,800 households are engaging in income generating activities through the project.
- Ninety-four percent of the project beneficiaries are women who also occupy most decision making positions in village institutions. Women, through the participation in the project, are also increasingly becoming decision makers in their households.
- About 35 percent of the project HHs has been able to increase their income by 40 to 50 %. Project beneficiaries have almost doubled their average monthly HH income, compared to baseline and have on average a 28 percent higher monthly income compared to the control group.
- 5,221 community infrastructure and social services sub-projects benefiting around 900,000 households, including non-target households. Reported key impacts of the infrastructure are increasing mobility (reduced travel times to work, hospitals/schools and markets), accessibility also during the flood period, less water logging.
- The major sources of HH income are livestock, poultry, business, agriculture, and salary/wages – accounting for nearly 90 percent income of HHs. Income from businesses, livestock, and poultry are significantly higher in project areas than in control areas.
- About 44,800 youth have found jobs or started their own business with facilitation of the project.

216. SIPP-II undertook two studies for the mid-term review in October 2013[11]: (i) an impact assessment survey. The survey was conducted between July and September 2013 and covered a total of 1,636 randomly selected households (of which 502 belong to the control group) in six districts (Barguna, Bagerhat, Gaibanda, Kurigram, Jamalpur, Mymensingh); and (ii) a qualitative survey – the mid-term evaluation report - focusing on village-level institutions and SDF staff through focus group discussions and key informant interviews. The key results are summarized in the following:

217. *Income.* Project beneficiaries have almost doubled their average monthly household income (BDT 8,226) compared to baseline data and have on average a 28 percent higher monthly income compared to the control group. The survey showed a statistically significant impact on an increased household income for project participants and the length of time that they have participated in the project. About 39 percent of the loans are used for livestock and poultry related activities, 17.8 percent for small businesses and 12 percent for agriculture. Data shows a progression in the use of funds over time. The first loan cycle is heavily used for livestock related activities (62% of all first time borrowers invest in livestock related activities), in subsequent cycles lending for livestock decreases while that for agriculture and other businesses increases (though, with 42%, livestock remains having the largest share in the third loan cycle). Most project households (61.8 percent) have only a small piece of land ranging from 1-10 decimal[12]. Close to ten percent of the project beneficiaries are landless (compared to 15 percent in the control group). The amount of land (total land and agricultural land) owned by project beneficiaries (12 decimal of which 5.6 decimal is agricultural land) is significantly higher than for the control group (8.8 decimal of which 4.3 decimal is agricultural land).

218. *Income Inequality*. While about 20 percent of the households have income below BDT 20,000, 50 percent of the households have income between BDT 20,000 and BDT 100,000. That is, 70 percent of the households belong to the income groups within BDT 100,000. Income situation in the control area is also the same. However, the proportion of higher income group is relatively higher in project areas. The Lorenz curve suggests that income inequality is higher in control areas than the project areas (Gini Coefficient: 0.46 vs. 0.54). Income distribution in the project area is found more equitable than that of control areas. Major sources of income of the households are agriculture (including agriculture wage, income from crop and agribusiness), business and salary/wages, which accounts for about 80 percent. Each of agriculture and business accounts for 30 percent shares of total household income. About 7 percent of total household income comes from livestock and poultry. Incomes from both livestock and poultry and businesses are significantly higher in the project areas than control areas. Regression analysis suggests that project contributed positively and significantly to income and expenditures of the households. Expenditure pattern

[11] The Impact Assessment Survey was prepared by the Bangladesh Institute of Development Studies and the Mid-term Evaluation Report was prepared by the Development Technical Consultants Pvt. Limited.

[12] One decimal is about 40.46 m^2 (1/100 acre).

also suggests that both food and non-food expenditures are significantly higher in project areas. The situation of sanitary, housing, and drinking water are also better in project areas. These together indicate a better quality of life of the project beneficiaries.

219. *Empowerment.* The project places the rural poor and extreme poor of the community at the center of all decision making process, especially in planning and implementing self-development sub-projects. The study findings suggest that 89 percent of women have taken a decision making role upon joining Nuton Jibon Groups. Women are not only taking loans, but are also becoming decision makers in their households on issues related to investments in income generating activities such as livestock and poultry. A large number of women reported that their opinions, suggestions, decisions and comments are now valued more than before by their husbands and relatives. They now have more 'say' in family matters such as buying and selling properties, children's schooling, medical treatment etc. They participate substantially more in decision making (education for their children, saving money, spending money, taking loans, family planning, working outside of the home, visiting parent's home) than in the control group. Women members of NJG are better connected to markets than the control group, primarily because of their greater involvement in income generating activities. The survey shows a statistically significant impact of the project on social capital. Members of NJGs became more active players in the community and are more engaged in community and social works of the community and more likely to provide voluntary labor for the village and motivate others to resolve conflict.

220. *Infrastructure.* The project completed 3,282 community infrastructure and social services sub-projects (earth works/road improvements, culverts, canal/drains, tube-wells, schools and markets). A total of 876,330 households in project villages (77 % of all households in project villages) are directly benefitting from these sub-projects. Focus group discussions showed that NJG members rank infrastructure works very high when asked about major contribution of the project in their area. NJG members and other villagers report the key impact of the infrastructure is the increasing mobility (reduced travel times to work, hospitals/schools and markets and accessibility also during the flood period, less water logging through better drainage). Gram Samiti offices are seen to provide a platform to meet and discuss further livelihood improvements as a group.

221. *Household Expenditures.* Food expenditures, with 67 percent, remain the largest expenditure category and do not differ largely between project beneficiaries and the control group. However, the extreme poor category shows a higher spending ability for household expenditures that cannot be observed in the control group. Except for rice and oil (for which expenditures are decreasing), consumption expenditures on all other food items (i.e. fish, meat, vegetables) are significantly higher in the project areas than in the control areas. Survey results further show that the housing conditions have improved since the baseline with increased availability of tin walled houses. About 60 percent of respondents are using sanitary latrines now compared to 28 percent in the baseline. Beneficiaries are also accessing more health services and are consulting a doctor within a shorter period after the onset of a disease (7 days) than the control group (15 days).

222. *Village level institutional development.* Under the project, the rural poor and extreme poor including the youth have been mobilized into Gram Parishads (GPs). Women represent more than 95 percent of members. Various functional committees have also been formed under the GPs. These committees are functioning following the community operational manual guidelines with facilitation from SDF. The GP members indicated that the project has enabled them to plan, design, and implement their own developmental activities. The members take pride for being sole owners and arbiters of funds. Village institutions developed under SIPP-I have evidently been a useful platform for the rural poor and extreme poor women.

223. *Savings.* Almost all NJG members save money compared to only about 64 percent in the control group (the end of project target for savings is 80 percent of NJG members have mobilized savings). Among target households that are saving money, nearly 90 percent save within the project structures with an average annual amount of savings per households of BDT 730 for 2012.

224. *Socio-economic improvement of vulnerable group*. 34,171 vulnerable households have received a one-time grant and 93 percent of these have started income generating activities and on average have now a monthly household income of BDT 3,900. While appreciating the usefulness of grant money for disadvantaged people, the GS members believe more vulnerable beneficiaries could better invest in IGAs if the one time grant size would be a bit larger.