



Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 25-Feb-2021 | Report No: PIDA31246

**BASIC INFORMATION****A. Basic Project Data**

Country Bangladesh	Project ID P175820	Project Name Resilience, Entrepreneurship and Livelihood Improvement Project	Parent Project ID (if any)
Region SOUTH ASIA	Estimated Appraisal Date 15-Feb-2021	Estimated Board Date 28-May-2021	Practice Area (Lead) Agriculture and Food
Financing Instrument Investment Project Financing	Borrower(s) Government of Bangladesh	Implementing Agency Social Development Foundation	

Proposed Development Objective(s)

Improve livelihoods of the poor and extreme poor, enhance their resilience and support rural entrepreneurship in project areas

Components

Component A: Community Institutions and Livelihood Development
Component B: Business Development and Institutional Strengthening
Component C: Project Management, Monitoring and Learning
Component D: Contingent Emergency Response Component (CERC)

PROJECT FINANCING DATA (US\$, Millions)**SUMMARY**

Total Project Cost	341.00
Total Financing	341.00
of which IBRD/IDA	300.00
Financing Gap	0.00

DETAILS**World Bank Group Financing**



International Development Association (IDA)	300.00
IDA Credit	300.00

Non-World Bank Group Financing

Counterpart Funding	41.00
Borrower/Recipient	40.00
Local Beneficiaries	1.00

Environmental and Social Risk Classification

Moderate

Decision

The review did authorize the team to appraise and negotiate

Other Decision (as needed)

B. Introduction and Context

Country Context

1. Bangladesh has made rapid social and economic progress in recent decades, reaching lower middle-income status by 2015. Officially reported gross domestic product (GDP) growth averaged close to 6 percent annually since 2000 and accelerated to over 8 percent in FY19. Strong labor market gains contributed to a sharp decline in poverty, with the national poverty rate falling from 48.9 to 24.5 percent between 2000 and 2016, while extreme poverty declined from 34.3 to 13.0 percent.¹ However, the pace of poverty reduction slowed in recent years even as growth accelerated, particularly in urban areas and in the west of the country. Similarly, the progress on shared prosperity slowed between 2010 and 2016 after a decade of improvements, with annual consumption growth of the bottom 40 percent trailing that of the overall population (1.2 versus 1.6 percent). Bangladesh entered the COVID-19 crisis with a relatively strong macroeconomic position. Garment exports and remittances narrowed the external deficit in recent years and international reserves were adequate. While tax collections are amongst the lowest in the world, under-execution of the budget has contained the fiscal deficit, which has been below 5 percent of GDP since FY01. As a result, public debt is low and stood at 33.7 percent of GDP at the end of FY19.

2. A modest deceleration of growth in the first half of FY20 turned into a sharp decline after the COVID-19 pandemic caused major disruptions to economic activity. In the first half of FY20 (July to December 2019), growth decelerated as slower global trade and deteriorating external competitiveness lowered exports and tighter access to finance constrained private investment growth. With declining

¹ Household Income and Expenditure Survey, 2000/01 through 2016/17.



readymade garment (RMG) orders, exports declined by 5.8 percent (y-o-y) during this period. A sharp contraction in capital goods imports (3.4 percent, y-o-y) suggests private investment also declined. Growth during the first half of the year was primarily supported by remittance-fueled private consumption. The initial phase of the pandemic in early 2020 disrupted the supply of intermediate goods from China, reducing manufacturing output. As the pandemic intensified abroad, export orders from Europe and the United States declined precipitously. The government implemented a national shutdown from March 26 to May 30 to control an accelerating domestic outbreak of the virus. Control measures resulted in a sudden stop of many sectors. Consequently, real GDP growth is estimated to have decelerated to 2.4 percent in FY20. Vulnerability in the banking sector remains high, with officially recognized non-performing loans (NPLs) accounting for 8.9 percent of total loans in September 2020. Due to deviations from international recognition, loss provisioning, capital calculation standards, and the moratorium on loan repayments after the COVID-19 outbreak, the actual extent of financial sector risk is likely higher than its share suggests. With 5.0 percent in December 2020, inflation remained benign. Declining imports and surprisingly large inflows of remittances, which increased by over 30 percent (y-o-y) in the first seven months of FY21 (July to January), contributed to a current account surplus in FY21 so far.

3. The pandemic has impacted poor households and micro and small enterprises. The Bangladesh Business Pulse Survey by the World Bank Group, based on interviews conducted with 500 micro, small, and medium enterprises (MSMEs) in July 2020, shows that 94 percent of businesses have experienced sharp drops in sales, 83 percent of firms have made losses and 33 percent of firms have not been able to pay installments on existing loans. A staggering 37 percent of Bangladesh's workers have lost their jobs, temporarily or permanently. The first wave of the World Bank's COVID-19 household monitoring survey, conducted in June/July 2020 in slum and non-slum areas in Dhaka and Chittagong, shows that about 23 percent of the poor stopped working after the national shutdown announced in March 25. Of the surveyed people, 80 percent of wage workers and 94 percent of own-account workers were earning lower than usual. Median wages for salaried and daily workers declined by about 37 percent compared to usual earnings right before COVID-19. A different survey led by BRAC, the largest non-government organization (NGO) in Bangladesh, indicated that urban and rural poor suffered an income loss of 75 percent and 62 percent, respectively.² The income shock led to a decline in food expenditure in both rural and urban areas. A micro-simulation conducted by the World Bank Poverty and Equity Global Practice indicates that, on average, per capita household consumption could decline by 13 percent, implying that as much as 21 million people could face their income dropping below the poverty line. The second round of the World Bank's COVID-19 household monitoring survey, conducted from September 2 to October 11, shows signs of recovery in employment and earnings. The share of adults working in the week preceding the interview rose 10 percentage points between July and September 2020, driven by respondents who had been unemployed or absent from work during the first round. Employment recovered faster in Chittagong, reaching pre-COVID-19 levels, while Dhaka remained about 14 percentage points below pre-COVID-19 employment levels. Earnings and revenues have not recovered fully, and salaried and wage workers still report substantial uncertainty about keeping their jobs.

4. COVID-19 has darkened the economic outlook, but economic activity is forecast to pick up again in FY21. Amid lingering impacts from the pandemic on domestic activity and persisting disruptions in major export markets, a mild recovery is forecast for this year. The unprecedented uncertainties related

² Livelihoods, Coping and Support During COVID-19 Crisis. BRAC Institute of Governance and Development (BIGD) and Power and Participation Research Centre (PPRC), June 2020.



to COVID-19 are likely to further dampen private investment. Weaker demand and more severe financing constraints may continue to weigh on industrial production, while the flooding in early FY21 may hamper agriculture production. Inflation is projected to remain close to target. The fiscal deficit is likely to rise as recurrent expenditure on social protection measures is expected to remain elevated in the near term, and capital expenditure to increase. The recovery in subsequent years is expected to be gradual, with the waning of pandemic related economic disruptions partly offset by increasing fragilities in the banking system. The recent rise in remittances is unlikely to persist, as thousands of migrant workers returned home³ and the prospects of hiring new workers in the Gulf Cooperation Council (GCC) countries remain grim. Declining remittance inflows could reduce household income and slow private consumption growth, the main engine of the economy.

5. Bangladesh is extremely vulnerable to the effects of climate change. The Global Climate Risk Index ranks Bangladesh as the world's seventh most affected country over the period 1999-2018.⁴ Rising temperatures leading to more intense and unpredictable rainfalls during the monsoon season and a higher probability of catastrophic cyclones are expected to result in increased tidal inundation. It is estimated that a one-meter rise in sea levels would submerge 18 percent of arable land in coastal areas.⁵ Recent studies estimate that by 2050 Bangladesh could have 13.3 million internal climate migrants.⁶ Additional rural-urban migration would have significant consequences for air and water pollution and unsustainable consumption of natural resources, while putting additional pressure on urban labor markets. Addressing climate risks is increasingly urgent to ensure sustainable economic development of the country.

Sectoral and Institutional Context

6. Despite substantial improvements in past decades, poverty and vulnerability remain high in Bangladesh. From 2000 to 2016, the country's poverty rate was divided in half, with 25 million people escaping poverty over the period. Concurrently, improvements were recorded in nutrition and life expectancy, in access to electricity, clean water and sanitation, and in access to education, among others. However, about 1 in 4 Bangladeshi still lived in poverty in 2016 and 1 in 8 lived in extreme poverty and were unable to afford a basic food consumption basket. In addition, more than half of the population are considered vulnerable to poverty.⁷

7. Rural areas are home to most of the country's poor. Even though rural poverty fell from 52 percent in 2000 to 27 percent in 2016, 80 percent of Bangladesh's poor are still to be found in rural areas. Furthermore, 55 percent of the non-poor have consumption levels just above the poverty line, and their vulnerability of falling back into poverty is high. Improvements in education, reductions in household size, and expansions in access to electricity and other assets all contributed to this poverty reduction in rural areas, but these improvements were not evenly distributed spatially, making some of the non-poor more vulnerable than others to slippage below the line. This can be seen in recent increases in poverty in the country's Western (rural) divisions.

³ According to the Ministry of Expatriates' Welfare and Overseas Employment, more than 100,000 Bangladeshi workers returned home between April and September.

⁴ Germanwatch (2020) *Global Climate Risk Index 2020*.

⁵ UNFCCC (2007) *United Nations Framework Convention on Climate Change*.

⁶ World Bank (2018) *Groundswell: Preparing for Internal Climate Migration*.

⁷ World Bank (2019). *Bangladesh Poverty Assessment: Facing old and new frontiers in poverty reduction*.



8. Recurrent movement in and out of poverty also partly reflects the vulnerability and informality of jobs. Many rural households derive income from multiple sources, reflecting a rapidly transforming and interconnected economy. While 40 percent of rural households derive income only from agriculture, 43 percent of rural households derive income from different sectors (agriculture, industry, and services). A worker's type of employment (i.e. daily laborer, self-employed, or salaried) is, however, a better poverty predictor. Rural employment largely consists of informal self-employment activities, followed by daily wage arrangements. Day labor is much more prevalent among the poor, with 45 percent of them engaged in this type of work. Within agriculture, about 1 in 4 workers are daily workers.⁸

9. Stark gender disparities exist in women's livelihood and entrepreneurship opportunities. While female labor participation in rural areas has been rising steadily up to 36 percent, it remains markedly lower than men's 82 percent labor force participation.⁹ 63 percent of employed women work in agriculture, which is also a sector where women earn the least.¹⁰ Women's representation in agriculture is nearly double that of men. The "feminization of agriculture" has not translated into higher incomes because women are largely involved in unpaid farm activities. Gender disparity is apparent in the types of earnings sources that women rely on. Women work mostly at or near home and in unpaid work. Sixty-nine percent of working rural women work inside their homes, while almost all men work outside their homes.¹¹ It is estimated that rural female agricultural workers constitute the largest share of Bangladesh's unpaid employment.¹² Another study highlighted the gender gap within agricultural employment, where 50 percent women reported engaging in livestock and 22 percent in unpaid farm activities, whereas only 4 percent of men reported working in livestock and only 4 percent were unpaid. Furthermore, women's entrepreneurial activity in Bangladesh is low, particularly in rural areas.¹³ Out of the 500 MSMEs surveyed in the Business Pulse Survey, only 19 percent were women-owned.¹⁴ Among beneficiaries of the Nuton Jibon Livelihood Project (NJLIP, P149605), 15 percent of the self-employed women lead agri-based enterprises. Among women, female-headed households face additional challenges and tend to have lower income levels.¹⁵ Given the large representation of women in agriculture and the gender gaps, prioritizing higher income activities for women is important for rural income growth as well as women's economic empowerment.

10. The gender gaps derive from several underlying barriers limiting women's ability to develop and scale livelihood and entrepreneurship activities. Barriers include: (i) Social and cultural barriers to take up economic enterprise; (ii) Poor access to capital and financing options; (iii) Lack of knowledge and access to productive resources and technology; (iv) Limited skills and access to skills training; (v) Poor knowledge and access to markets; (vi) Poor knowledge and access to professional networks and associations; and (vii)

⁸ World Bank (2020). *Bangladesh Rural Income Diagnostic*.

⁹ World Bank (2020). *Bangladesh Rural Income Diagnostic*.

¹⁰ Although gender wage gaps are reducing over the year, women earn the least in agriculture sector and gender gap continues to exist

¹¹ Solotaroff, Jennifer L.; Kotikula, Aphichoke; Lonnberg, Tara; Ali, Snigdha; Pande, Rohini P.; Jahan, Ferdous. 2019. *Voices to Choices: Bangladesh's Journey in Women's Economic Empowerment*. International Development in Focus. Washington, DC: World Bank

¹² Solotaroff, Jennifer L.; Kotikula, Aphichoke; Lonnberg, Tara; Ali, Snigdha; Pande, Rohini P.; Jahan, Ferdous. 2019. *Voices to Choices: Bangladesh's Journey in Women's Economic Empowerment*. International Development in Focus. Washington, DC: World Bank

¹³ Aktar, M., Abdullah, A., Jantan, A., & Hossan, D. (2020). Factors Influencing Entrepreneurial Success Among the Rural Women Entrepreneurs In Bangladesh. *International Journal of Business and Economy*, 2(3), 42-58

¹⁴ Kader, Ananya W. & Pattanayak, Maoranjana. 2020. *Business Pulse Survey: Impact of COVID-19 on MSMEs in Bangladesh*

¹⁵ SDF Management Information System (MIS).



Mobility constraints.¹⁶ In addition, for rural women entrepreneurs a number of issues hamper their businesses and keep them from maximizing economic benefit. For instance, work opportunities as vendors, purchasers, or middlemen are greatly restricted for women due to limitations placed on their mobility.¹⁷ Women entrepreneurs in rural areas furthermore lack the physical space to sell goods or services as well as supportive market infrastructure. Some 34 percent of woman entrepreneurs report that a major impediment to SME development in Bangladesh is people's perceived discomfort with women doing business.¹⁸

11. Agriculture is a key driver in poverty reduction, but declining agricultural productivity growth hinders the development of the rural economy. It is estimated that agriculture accounts for 38 percent of rural households' income.¹⁹ The agriculture sector contributed to 69 percent of overall poverty reduction between 2000 and 2010. Its contribution to poverty reduction was however much more modest from 2010 to 2016 (27 percent) due notably to a slowdown in agriculture growth over the period, which was itself the result of the lower total factor productivity (TFP) growth – from 2.4 percent in 2001-10 to 1.0 percent in 2011-16 – along with a continuous decline in the growth of input use.²⁰ Given that evidence suggests a 10 percent increase in agricultural incomes generates a 6 percent increase in non-agricultural incomes through strong forward and backward linkages,²¹ the slowdown in agricultural growth is posing a serious challenge for both the farm and the non-farm rural economy.

12. Despite emerging market opportunities for productive diversification and increased value addition, on-farm and off-farm constraints are slowing down the modernization of the agri-food sector. Since the 1980s, Bangladesh has made significant policy reforms with agricultural input market liberalization (particularly fertilizer and irrigation) and the National Seed Policy that have largely contributed to achieving near self-sufficiency in rice production.²² The dominance of one crop brings, however, the risk of reducing income generation potential for smallholder farmers and limits the availability of diverse and nutrient-rich diets of poor farming households focusing on rice production. In addition, with rapid urbanization and fast income growth, dietary patterns are changing in the country with the demand for eggs, fruits, meat and fish expected to expand by more than 50 percent by 2030. Domestic production faces challenges in meeting that growing demand for higher value commodities, which has resulted in a three-fold increase of food imports from 2007 to 2017 to US\$10.7 Billion. These challenges fall under three broad categories: (i) On-farm productivity constraints; (ii) Off-farm value addition and commercialization constraints; and (iii) Cross-sectoral enablers. Bangladesh is not competitive in terms of yields for many products compared to its regional peers and world averages. Main productivity constraints include land fragmentation and informality in land rental markets, limited access to quality seeds for non-paddy crops, limited knowledge and adoption of good agricultural practices (GAP) reflected in imbalanced use and overuse of inputs, and limited use of farmer aggregation models, which constrains the delivery of extension services, accessing finance, and market linkages. Key constraints

¹⁶ World Bank (2020). *Bangladesh Rural Income Diagnostic*. Poor access to financing options is further hindered by women's low asset ownership. Among rural women, 13 percent solely or jointly own agricultural land and 7 percent own nonagricultural land, compared to 70 percent and 86 percent of rural men, respectively. IZA Institute of Labor Economics, Germany.

¹⁷ Asadullah, M. Niaz, & Wahhaj, Zaki. 2016. Missing from the Market: Purdah Norm and Women's Paid Work Participation in Bangladesh.

¹⁸ Makino, Yuka; Brahmam, Maya; Vargas, Juan Carlos; Yoon, Sulhee. 2019. Economic Empowerment of Women through Resilient Agriculture Supply Chains: A Geospatial and Temporal Analysis in Southwestern Bangladesh. World Bank, Washington, DC

¹⁹ Bangladesh Bureau of Statistics (2019). *Report on Agriculture and Rural Survey 2018*.

²⁰ World Bank (2020). *Promoting Agri-Food Sector Transformation in Bangladesh: Policy and Investment Priorities*.

²¹ World Bank (2016). *Dynamics of Rural Growth in Bangladesh: Sustaining Poverty Reduction*.

²² World Bank (2016). *Dynamics of Rural Growth in Bangladesh: Sustaining Poverty Reduction*.



hindering off-farm value addition and commercialization include the limited number of formal off-takers, inadequate and costly marketing infrastructure and logistic services, and inadequate upholding of appropriate food safety practices and product quality standards. These productivity, value addition, and commercialization related constraints are exacerbated by other cross-sectoral issues such as access to finance and overall investment climate and competitiveness challenges.²³

13. Weather and climate change-related risks also impact rural incomes and rural poverty negatively, especially among households engaged in agriculture. Bangladesh is particularly vulnerable to adverse climate events and to climate change impacts. Climate disasters have both direct effects (such as loss of lives and productive assets) and indirect effects (such as loss of employment and income, reduced access to products and services, and opportunity cost of resources that need to be diverted to relief and rehabilitation), as well as disrupting effects on rural economies, accelerating rapid urbanization, and migration. Limited opportunities for women to access institutions that help increase adaptive capacity, entrenched social norms, mobility constraints and access and ownership of assets increase women's risks to climate change-related impacts.²⁴ Agricultural incomes are especially vulnerable to extreme weather events. Climate change is already affecting agricultural production through temperature increases, sea level rise, saltwater intrusion, rainfall variability, and extreme weather events. Increased temperature could lead to a decline in crop yields of pulse, vegetables, and wheat, oilseeds in the range of 6 to 9 percent compared to scenario without climate change. Increased soil and water salinity due to sea level rise is expected to result in a 15.6 percent yield reduction in high-yielding rice varieties by 2050.²⁵ Soil salinity is affecting 62 percent of coastal land, and sea level rise may reduce available cropland by about 25 percent in coastal divisions of the country. Unseasonal and extreme events affect crops and increase the risks of infestations. Late monsoon arrival can lead to water stress. Results from the CERES-Rice model indicate that high water stress during flowering and maturing stages can lead to rice yield losses as high as 70 percent.²⁶

14. The COVID-19 crisis is threatening to reverse the progress made on rural poverty reduction. The impact of the pandemic on poverty is expected to be greater in urban areas, which are estimated to see a percentage point rise of 15 versus a slower rise in rural areas of 11 percentage points. However, this means that rural poverty will rise to 36 percent as a result of COVID-19 (versus 32 percent in urban areas).²⁷ A large share of non-farm employment in sectors impacted by the pandemic takes place in the country's rural areas. Most producers, processors, traders, and logistics companies along the agri-food supply chain experienced incomes losses triggered by supply chain disruptions and reduced demand. This was particularly acute for value chain actors producing and selling perishable goods and livestock products, such as vegetables, poultry, eggs, and milk.²⁸ This is part of the 'new poor' phenomenon overtaking rural areas in Bangladesh as a result of the COVID crisis.

15. COVID-19 has further undermined women's economic opportunities and outcomes. The sharp differences between men and women's earning sources in terms of income generation activities and rural entrepreneurship have further widened due to the pandemic. The increase in women's care

²³ World Bank (2020). *Promoting Agri-Food Sector Transformation in Bangladesh: Policy and Investment Priorities*.

²⁴ Ahmad, Nilufar (2012). *Gender and Climate Change in Bangladesh. The Role of Institutions in Reducing Gender Gaps in Adaptation Program*. Washington, DC: World Bank

²⁵ World Bank (2019). *Bangladesh: Climate-Smart Agriculture Investment Plan*.

²⁶ Iqbal, K. and Siddique, A. 2014. The impact of climate change on agricultural productivity: evidence from panel data of Bangladesh. Discussion Paper 14-29. Available at: <http://econpapers.repec.org>

²⁷ World Bank (2020). *Losing Livelihoods: The Labor Market Impacts of COVID-19 in Bangladesh*.

²⁸ World Bank (2020). *Bangladesh Rural Income Diagnostic*.



responsibilities has affected their ability to take on paid work.²⁹ Women are also likely to be at a greater risk of increasing indebtedness since many microfinance borrowers are women.³⁰ Lockdown and additional economic stresses have increased the risks of gender-based violence (GBV) and medium-term risk of child-marriage. BRAC documented a nearly 70 percent increase in reported incidents of violence against women and girls in March and April 2020 compared to the same time the year before.³¹ This is a major concern as Bangladesh already has high prevalence of GBV with over 70 percent of married women reporting intimate partner violence in their lifetime.³² Reducing the economic stresses within households and restoring women's income generating capacity and livelihoods, always important, has become critical.

16. The World Bank supported NJLIP has been successful in contributing to poverty alleviation in rural areas, while strengthening beneficiaries' resilience to shocks like the COVID-19 pandemic. The project has implemented livelihood approaches that have reached over one million beneficiaries, of which over 90 percent were women. From 2015 to 2020, over 80 percent of the poor and extreme poor in project villages took loans from Village Credit Organizations and over 40 percent of beneficiaries saw their income increase by at least 30 percent. With the project's support, the livelihoods of many beneficiaries shifted away from insecure and low-paid wage employment, such as casual day-labor in both agriculture and non-agriculture sectors, towards greater self-employment through livestock rearing, income generating activities (IGA) in crop and fisheries subsectors and non-farm enterprises. Prior to the COVID-19 outbreak, over 50,000 of the targeted 400,000 households had graduated out of poverty and positive trends of health and nutrition had been observed. NJLIP beneficiaries are now facing challenges induced by the pandemic that reduce their ability to carry out IGAs. Based on a survey completed by the Social Development Foundation (SDF) in November 2020, 76 percent of NJLIP beneficiaries have suffered a decline in their regular income, raising the risk of seeing these beneficiaries fall back into poverty. However, surveyed beneficiaries proved more resilient to the crisis than people surveyed in the control group. NJLIP beneficiaries were 16.5 percent more likely to earn income from non-farm self-employment, had suffered less from food shortages in the four weeks preceding the survey (11 percent versus 15 percent for the control group), and were likelier to report having some form of savings (89 percent of respondents versus 59 percent).

C. Proposed Development Objective(s)

Development Objective(s) (From PAD)

To improve livelihoods of the poor and extreme poor, enhance their resilience and support rural entrepreneurship in project areas.

Key Results

17. Key indicators to measure the achievement of the PDO include:

²⁹ Surveys in late March 2020 in Dhaka and Chittagong found that the percent of males and females who stopped working were approximately equal, at 23 and 24 percent, respectively; however, of those who stopped working, women were more likely to leave the labour force; 80 percent of men versus 66 percent of women were seeking work. World Bank (2020). *Losing Livelihoods: The Labor Market Impacts of COVID-19 in Bangladesh*.

³⁰ World Bank (2020) Protecting the most vulnerable during and in the aftermath of COVID-19 Pandemic

³¹ <https://www.hrw.org/report/2020/10/29/i-sleep-my-own-deathbed/violence-against-women-and-girls-bangladesh-barriers>

³² Bangladesh Bureau of Statistics 2015.



- i. Number of beneficiaries with an income increase of at least 30% from income generating activities and increased employment (of which, female);
- ii. Share of beneficiaries changing poverty status (of which, female);
- iii. Producers and rural entrepreneurs with increased income of at least 40% (of which, female);
- iv. Share of beneficiaries with improved resilience (of which, female); and
- v. Share of beneficiaries who are satisfied of project activities.

D. Project Description

18. The proposed project will provide immediate livelihood support for rural communities, and primarily women, while contributing to building back better in a resilient way. The project adopts the approach of the Nuton Jibon Livelihood Improvement Project (NJLIP, P149605), which documented great success in reaching the poor and poorest, and will tailor livelihood opportunities in order to respond to the following urgent needs: (i) Respond to the impact of the COVID-19 pandemic and climate-induced events such as cyclone Amphan on the livelihood of vulnerable rural households and support recovery and resilience building; (ii) Help rural households graduate out of poverty through income-generating activities (IGA), as well as skills development and employment support; (iii) Support NJLIP's current beneficiaries who have fallen back into poverty because of recent crises; and (iv) Support rural entrepreneurship for sustained post-COVID-19 economic recovery.

19. The project will have four components:

- i. Component A: Community Institutions and Livelihood Development
- ii. Component B: Business Development and Institutional Strengthening
- iii. Component C: Project Management, Monitoring and Learning
- iv. Component D: Contingent Emergency Response Component (CERC)

20. Component A – Community Institutions and Livelihood Development (US\$254 million IDA). The objectives of this component are to: (i) Mobilize poor and extreme poor households of the selected project villages by forming and strengthening community institutions; (ii) Provide technical and financial support for livelihood improvement and small-scale infrastructure development; and (iii) Provide technical and financial support for health and nutrition improvements. This component will also strengthen awareness about social and cultural norms that constrain women and exclude marginalized groups, as well as increase beneficiaries' understanding of climate change and risks and promote activities to strengthen climate resilience and build back in a sustainable, climate-resilient manner. These activities are critical because of beneficiaries' high exposure and vulnerability to climate change. This component will finance: (i) Setting up offices for cluster field facilitation and mobilization, staff and other costs related to providing technical support; and (ii) Village-level community plans for (a) technical support to community groups and institutions, (b) cash transfers to the poor and vulnerable, (c) loans for income generating activities, (d) small-scale climate-resilient infrastructure development, and (e) technical and financial support for health and nutrition.

Subcomponent A.1: Development and Strengthening of Community Institutions (IDA: US\$48 million)

21. This subcomponent will mobilize, develop, and strengthen self-reliant community organizations in each of the villages targeted by the project, which will in turn be able to support beneficiaries as described in the next subcomponents. This subcomponent will finance setting up offices for cluster field



facilitation and mobilization, as well as staff and other costs related to providing technical support to establish village-level community institutions and strengthen their development.

Subcomponent A.2: Financing of Community Plans (IDA: US\$200 million)

22. This subcomponent will support the financing of community plans to: (i) Establish and build the capacity of community groups and institutions; (ii) Provide cash transfers to the poor and vulnerable; (iii) Provide loans to beneficiaries for operating IGAs; and (iv) Finance prioritized small-scale infrastructure. These community plans will be funded by transferring project funds to a Village Development Fund (VDF) in each village targeted by the project. Each VDF will then consist of four sub-funds: (i) Institutional Development Fund; (ii) Poverty Alleviation Fund; (iii) Revolving (Shabolombi) Fund; and (iv) Construction Works Fund.

Subcomponent A.3: Health and Nutrition Support (IDA: US\$6 million)

23. This subcomponent will support improved health and nutrition in each village through a number of targeted activities.³³ These activities will be funded by transferring project funds to the Health and Nutrition Support Committee (HNSC) in each village targeted by the project.

24. Component B – Business Development and Institutional Strengthening (US\$40 million IDA, US\$1 million Local Beneficiaries). The objectives of this component are to: (i) Establish second-tier institutions to ensure the sustainability of village institutions; (ii) Increase livelihood opportunities of the poor and extreme poor by organizing them in producer groups (PGs), cooperatives or federations, improving their market and business orientation, and developing linkages and partnerships with market actors and service providers;³⁴ (iii) Support rural entrepreneurship to enhance livelihoods and resilience; and (iv) Ensure skills development training and sustainable employment for the un/underemployed youths and returning migrants and immigrants. Activities also include awareness raising about climate change and risks, and adaptation and resilience building practices among targeted PGs, rural entrepreneurs, youth and migrant returnees and promotion of climate-smart practices as well as opportunities for income diversification to increase livelihood resilience. This component will finance: (i) The first two years of operations of RELI Cluster Community Societies; (ii) Technical and financial support to PGs and rural entrepreneurs; and (iii) Technical and financial support to youths and returning migrants.

Subcomponent B.1: Development and Strengthening of Second-tier Institutions (IDA: US\$9 million)

25. This subcomponent will help create and support the operations of second-tier institutions called RELI Cluster Community Societies (RCCS) at cluster level and RELI District Community Societies (RDCS) at district level to support the networking and aggregation of the village-level community institutions created under Component A. These second-tier institutions take over the support and development function for their village institutions and monitor their performance, while also seeking potential options for economic growth and service provision for the village institutions or groups of beneficiaries they oversee. This subcomponent will finance the first two years of operations of these RCCSs by transferring

³³ Given the high prevalence of GBV, activities raising awareness on GBV risks and services available for support will also be carried out.

³⁴ Producer groups are primarily composed of female beneficiaries.



project funds to an Institutional Development Fund (IDF) for their first year of operation and a Performance Support Fund (PSF) for their second year of operation.

Subcomponent B.2: Commercial Agriculture and Rural Entrepreneurship (IDA: US\$17 million; Local beneficiaries: US\$1 million)

26. This subcomponent will seek to support the growth of the rural economy by supporting the formation and development of producer groups (PGs) and rural enterprises. PGs and rural entrepreneurs will receive both technical assistance from local service providers (LSPs) contracted by the project and direct financial support from the commercial agriculture and rural entrepreneurship (CARE) fund following a productive partnership approach.

Subcomponent B.3: Employment Generation Support (IDA: US\$14 million)

27. This subcomponent will help un/under employed youths³⁵ and jobless migrant / immigrant returnees, including climate migrants, residing in villages supported by RELI to acquire marketable skills and access employment opportunities. This subcomponent will finance technical support, the cost of skill development training, and a stipend program for meritorious students to improve their access to higher education.

28. Component C – Project Management, Monitoring and Learning (US\$6 million IDA, US\$40 million Government of Bangladesh). This component will support project management, as well as monitoring and continuous learning throughout the life of the project. It will cover the operating costs of SDF at national, regional, and district levels, including salaries and office operating costs. IDA will finance some of the non-staff operational costs, whereas all staff costs and remaining non-staff operational costs will be financed by counterpart funding.

29. Component D – Contingent Emergency Response Component (US\$0 million IDA). This CERC is included under the project in accordance with OP/BP 10.00, paragraphs 12 and 13, for situations of urgent need of assistance. This will allow for rapid reallocation of project proceeds in the event of a natural or man-made disaster or crisis that has caused or is likely to imminently cause a major adverse economic and/or social impact.

Legal Operational Policies

	Triggered?
Projects on International Waterways OP 7.50	Yes
Projects in Disputed Areas OP 7.60	No

Summary of Assessment of Environmental and Social Risks and Impacts

³⁵ Youths in Bangladesh are people between 18 and 35 years of age.



The project is rated “moderate” both on environment and social risk categorizations. The main anticipated E&S risks and impacts are likely to relate to: (1) occupational and community health and safety, (2) water, air & noise pollution, soil contamination, solid waste generation and management, (3) ensuring appropriate benefits to the marginalized and disadvantaged groups including the indigenous peoples from the project activities; (4) managing and mitigating the SEA/SH risks and (5) risk of child labor. All of which need to be addressed. However, most of the activities are expected to have localized and reversible negative but insignificant environmental and social impacts.

The borrower will develop a Stakeholder Engagement Plan (SEP) proportional to the scale and complexity of the project and its associated risks and impacts. The client will engage in meaningful consultations with all stakeholders throughout the project life cycle in particular, to the inclusion of women/girls and vulnerable and disadvantaged groups and as well as the indigenous communities.

The constructions of Community Infrastructure Works (CIW) are small buildings in semi-urban settings and contractors are likely to hire labors from the community without creating any labor influx. The project supported rural livelihood activities, especially the agricultural activities, are unlikely to hire outside labor. Even the small home-based manufacturing units will employ labor from the community.

Resource efficient construction materials will be encouraged to use for building construction which may eventually reduce local air pollution indirectly. Other pollution prevention and use of bio-fertilizer and bio-pesticides are encouraged.

Many of the project activities, such as cash transfer, carry inherent risks of SEA/SH given the current characteristics of Bangladeshi society, especially in the rural areas. The ESMF will lay down the process for carrying out screening of SEA/SH related risks and measures to be taken.

The project does not anticipate any land acquisition. The small amount of land required for the project will be ensured through “willing-buyer willing-seller” modality or voluntary land donation. The detailed guidelines for both will be included the project’s Environmental and Social Management Framework (ESMF). This framework approach is adopted as the project’s locations at community level are not yet identified.

The ESMF will also consider the borrower’s E&S systems, carry out an institutional capacity assessment, and identify disadvantaged and vulnerable people in the context of the project. Following the guidelines of the ESMF, the borrower will prepare a Project Operational Manual (POM) that will lay down the detailed operational and implementation procedures of the project activities at the field/community level. When the communities at the sub-project will be identified, they will be screened, and an ESIA and/or ESMP may be carried out and prepared, as needed.

The project will include the indigenous peoples as beneficiaries for which the ESMF will include the broad guidelines and based on this, during implementation stage, the borrower will prepare sub-project specific Indigenous Peoples Plan, as relevant. Similarly, the project does not anticipate any labor influx. The community level small constructions will be essentially undertaken by the communities themselves and only on exceptional cases that require skilled labor (such as mason, mechanics, etc.), these will be outsourced. The project’s Labor Management Procedures (LMP) will include relevant provisions for managing labor influx and measures against child and forced labor along with a labor specific Grievance Management.



The project will prepare and SEA/SH Management Plan that will include specific GM and as well as provision for SEA/SH specific service providing organizations. The project's Stakeholder Engagement Plan (SEP) will identify all relevant stakeholders including the approaches to engage with them. The SEP will be prepared and disclosed prior to appraisal.

The key points identified in the ESMF along with the other ESF documents mentioned above will be incorporated in the ESCP.

E. Implementation

Institutional and Implementation Arrangements

30. The project will be implemented by the Social Development Foundation (SDF), an autonomous “not-for-profit” organization established in 2001 under the Ministry of Finance. The project will keep the institutional structure of NJLIP, with an SDF National Office, Regional Offices, District Offices, and Cluster/Field Offices, as well as a Project Advisory Committee with appropriate representation of key ministries and agencies. The project will 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 the project. The documents will outline the roles and responsibilities of SDF, other stakeholder and community organizations and provide details of project processes and implementation steps. The operational documents will be developed and improved to respond to lessons and experiences gained under previous projects. These documents will be reviewed periodically by the GoB and IDA with stakeholder participation. Any changes to these manuals and operational documents will require prior approval from IDA. IDA approval will also be required for any changes to SDF's Articles of Association.

31. Board of Directors. The task of controlling and directing the formulation and administration of SDF's policy will primarily be the responsibility of its Board of Directors whose members are selected by the Ministry of Finance from a General Body whose members are also appointed by the Ministry.

32. SDF. The overall responsibility of achieving Project Development Objectives (PDOs) and implementing the project on time will be superintended by SDF's National Office, which will be responsible for monitoring of project activities, quality control and compliance, communications and governance. Five Regional Offices will be set-up to operate as decentralized locations overseeing project activities within their jurisdictions. District Offices will be responsible primarily for supporting and facilitating the implementation of activities by the field teams. All project activities at the 'cluster' level will be implemented by Cluster Offices each supporting about 25 to 30 villages.

33. Community-level Institutional Arrangements. RELI Groups (RG) will be initiated in each village for savings and internal lending. They will be comprised of 10 to 15 members, with priority given to extreme poor, unemployed women and youth. RGs elect the Executive Committee, or Gram Samiti, which is responsible for implementing VDF activities in the village. Apex bodies at village level, or Gram



Parishads, independently appoint Social Audit Committees for providing oversight of all village activities and funds.

34. Local governments. An MoU will be signed between SDF and the Local Government Division under the Ministry of Local Government, Rural Development and Co-operatives to provide a framework for the collaboration of local government bodies with SDF during project implementation, as well as with RELI Community Societies past project completion.

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APPROVAL

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