

August 13, 2013

**Response of IFC to United States on Approval by mail: IFC Investment Project 1  
“Promoting Climate Resilient Agriculture and Food Security” (Bangladesh)**

Dear Andrea,

Following a teleconference with the US last week, please find attached IFC's responses to the comments from US to the PPCR-IFC Program Proposal: Promoting Climate Resilient Agriculture and Food Security.

Hope this document could be shared with the SubCom and a final approval of the Program is announced very soon.

Thank you.

Best,

Laura Gaensly

**IFC’s Response to the Comments from US to the PPCR-IFC Bangladesh Program Proposal: Promoting Climate Resilient Agriculture and Food Security**

US Response: “We believe the project is in general well-conceived; however, we have some specific questions and comments relating to project implementation that should be addressed before project approval”:

**IFC Response: We appreciate that the US feels that the project is well-conceived. We look forward to quickly addressing and resolving the questions and comments relating to project implementation to expedite project implementation.**

US Comments	IFC Response
<p><b>1. Given the project’s focus on agricultural interventions, it is not clear to us why the Ministry of Environment and Forests would be the implementing entity rather than the Ministry of Agriculture (MOA) and the select agencies operating under the MOA including the Bangladesh Agricultural Research Institute (BARI) and Department of Agricultural Extension (DAE).</b></p>	<p>It has been agreed between the Ministry of Environment and Forests (MOEF), Ministry of Agriculture (MOA) and the External Resources Division (ERD) under the Ministry of Finance (MOF) that the MOEF will be the National Coordinating Agency for the IFC managed project: <i>Climate Resilient Agriculture and Food Security</i>. Following CIF procedures for private sector operations, the Project activities will be implemented by IFC in coordination/collaboration with the MOEF. IFC will work closely with the relevant agencies under the MOA such as BRRI, BARI, DAE, Seed Wing, as required. We have already engaged with BRRI, DAE, Seed Wing, among others because they are stakeholders in the program and key to effective implementation of the project.</p> <p>Additionally, IFC will work closely with private sector partners, local government agencies and community organizations to implement the project.</p>
<p><b>2. We believe greater complementarity could be achieved by focusing the project not on rice, which is being addressed by the multi-partner Cereal Systems Initiative for South Asia, but instead on piloting non-rice cereals including maize and wheat to diversify cereal production systems in the coastal belts.</b></p>	<p>1. Proposed sub-sectors for intervention have been selected based on the findings and recommendations from the Scoping Study prepared with PPCR project preparation grant, and extensive stakeholder consultations and focus group discussions with farmers, private and public sector</p>

	<p>within and outside of the polder areas. Business opportunities for private sector agribusiness companies to productively engage were also taken into consideration while specific crops for intervention.</p> <ol style="list-style-type: none"> <li>2. The Scoping Study took into account the following: (a) food security concerns of smallholder farmers; (b) linking farmers to private sector to facilitate their access to input and output markets; (c) facilitate strengthening of private sector delivery mechanism and extension services to farmers to enhance adoption rate of resilient rice varieties. Rice was considered vital for food security and improved farmer resilience to climate change. Additionally high value non-rice crops such as oil seeds, pulses, selected vegetables, spices and fruits (sunflower, okra, chilies, watermelon, etc.) have been carefully considered based on polder-specific agro-climatic conditions and the potential for value-added processing and linkage with downstream markets.</li> <li>3. We will pro-actively look for synergies with the CSISA and leverage its work in the project areas. We are in conversation with Sustainable Rice Seed Production and Delivery System for Southern Bangladesh – a subproject of CSISA on potential areas of collaboration.</li> <li>4. About 45 million people live in the southern coastal belt of Bangladesh. It is not possible for one project alone to effectively reach this many people. We look forward to collaborating and leveraging successes from donor-funded programs such as CSISA.</li> </ol>
<p><b>3. The project document provides insufficient information about the proposed Early Warning System for weather and crop-related information to understand how this system</b></p>	<p>The Program Approval Request serves to provide an over-view of the proposed design of the PPCR programs. Once the Program Approval Request is approved and project implementation</p>

<p><b>would integrate with existing data sources and activities in Bangladesh and whether it would be designed in such a way as to effectively address the actual needs of farmers.</b></p>	<p>commences, the project team intends to develop the structure of an information delivery platform in more detail. The PPCR is supporting innovative and pilot programs and IFC intends to use a phased approach to identify adequate delivery mechanisms to encourage private sector investment. We will coordinate with the Access to Information Program of the GoB, UNDP and others in this regard and identify suitable ICT platforms and EWS systems that can be leveraged for the project.</p>
<p><b>4. Collaboration and integration of the project with existing efforts and building on the experience of other institutions and programs will be key to success. These include the U.S. Government’s Feed the Future program (as noted), but also UNDP, BRAC, CARE and SPARRSO. We would be happy to provide more detailed recommendations for specific existing programs that should be built upon in designing specific program elements.</b></p>	<p>The project team fully agrees that “collaboration and integration of the project with existing efforts and building on the experience of other institutions and programs will be key to success.” In this respect, we’ve had discussions and are currently exploring collaborations with many projects, including: Sustainable Rice Seed Production and Delivery System for Southern Bangladesh – a sub project of CSISA; USAID Climate Resilient Ecosystems and Livelihood project; Aquaculture for Feed the Future; WB NATP project; among others. We will take required initiatives to leverage the ongoing efforts. More information on the existing programs would, indeed, be useful.</p>
<p><b>Re Resilient Housing: It will be very important to have a well-defined idea of the target group. If looking at the lower income category (particularly important in the Bangladesh context) it is important to realize that a large share of that group may be functionally landless. Not owning land could clearly have implications for housing and housing finance.</b></p>	<p>Target group for this project: Low and Lower-middle income populations who are climate change vulnerable. It is indeed a fact, lack of land or even inadequate size of land will be a major challenge for market-based solutions to climate resilient housing. The proposed study, thus, will explore plausible business models to ensure financial inclusion of individuals who do not have land and adequate mortgage assets. The study will further identify recommendations and market incentives required to alleviate this constraint.</p> <p>For this project, IFC is looking at two categories within the low-income group segment:</p>

	<ol style="list-style-type: none"><li data-bbox="1073 198 1858 797">1. Low-income households who are typically also micro-finance clients - These are mostly rural and semi-urban poor who are existing clients of MFIs in Bangladesh with a sound credit history and these clients have some form of KYC documents. While they may be landless (meaning they do not own farm land) they would generally own the village land on which they have their existing dwelling. Communities in this target group, particularly in coastal areas are often vulnerable to frequent climactic events such as floods, landslides and cyclone. Such clients are moderately poor with household incomes ranging from 8,000 - 20,000 taka per month and could benefit from housing microfinance products such home improvement loans (incremental housing with 2-3 loan cycles). The study could help in the design of construction technical assistance to be included as part of the product offering to ensure safety features and climate resilience.</li><li data-bbox="1073 837 1858 1365">2. Lower and lower-middle income households - These would be urban and peri-urban families who are either self-employed or working in the informal sector or are wage earners employed in industrial or manufacturing units. Such clients may have household incomes in the range of 15,000 - 40,000 taka per month and they would be mostly residing in rental housing. While they may not own any land in the urban areas in the vicinity of their workplace, they may qualify for micro-mortgages provided the supply side issues in affordable and climate resilient housing as well as housing finance get addressed. The study, design of innovative business models and pilot interventions following the same would explore the possibility of making a business case for private developers as well as for financial institutions to facilitate their entry in this space.</li></ol>
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	<p>3. As mentioned above, IFC will carefully define criteria for the target group. Also the issue of not owning residential land is likely to be a greater challenge in the urban and peri-urban areas but not so much of a constraint in the rural and semi-urban areas.</p>
<p><b>Re Resilient Housing: There are some housing loan programs operating in country through the micro finance institutions (e.g. Grameen Bank), so the study should look at those experiences as well.</b></p>	<p>1. The formal housing and housing finance market in Bangladesh typically caters to the higher income groups of population. While there have been efforts to research and promote climate resilient housing, from a market perspective the pilots carried out till date haven't achieved significant scale. The market for low-income disaster-resilient housing is thus under-explored, but has massive potential from the viewpoint of both, market profitability for the private sector, and disaster mitigation and preparedness for the vulnerable communities, particularly in the southern coastal belt of Bangladesh.</p> <p>2. The objective of the proposed project is to assess the market potential for formal institutions, develop a feasible business model and pilot successful demonstration of the business model. Throughout the implementation of the project, the team will adopt a strategy to take notes on lesson learnt and leverage upon existing knowledge and resources available such as the studies and pilots carried out under the Comprehensive Disaster Management Programme (including Phase II of CDMP) and the experience of NGOs which have implemented these pilots.</p> <p>3. To understand the market and develop a suitable business model, the project will continuously engage with all relevant stakeholders in the sphere of climate-resilient housing. Under the component of stakeholder engagement, the project will meet with each of the relevant stakeholders</p>

	<p>including entities that have been active in developing this market and draw upon their experience so as to avoid duplication and to ensure that the design of business model and pilot interventions complements the past efforts and achievements.</p> <p>4. To leverage internal knowledge, experience and expertise, the project team will closely follow similar projects of IFC and the World Bank Group in different regions (including Nepal which has a similar project commencing as of now) and routinely share information. IFC has extensive and easily accessible Knowledge Management systems, which will help the team to track and learn from similar projects. The team is hopeful that with the above-mentioned approach, the project would be able to deliver a market based scalable business model which could with private sector involvement significantly address the supply side challenges for low-income climate resilient housing.</p>
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