

IFC's Response to the Comments from the UK and SPAIN- GERMANY to the PPCR Bangladesh Program Proposal: *Promoting Climate Resilient Agriculture and Food Security*

| UK Comments to Project 1: <i>Promoting Climate resilient Agriculture and Food Security</i> | IFC Response |
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| <p>1. Explanation of the relationship between this programme and the Bangladesh Climate Change Resilience Fund's £25 million Agriculture Project currently under design with the Department of Agricultural Extension (DAE) (in the Ministry of Agriculture and Extension). There is potential overlap but more importantly an opportunity for closer synergy. The Comprehensive Disaster Management Programme (CDMP) has also been working with DAE on training farmers through market based farmer field schools and has a strong focus on climate change adaptation. It would be good to understand if IFC have had contact with these initiatives and are building an advisory service based on learning or synergies with them.</p> | <p>The project team is aware of multiple other initiatives taking place in the same sector in Bangladesh, and appreciates the critical need for effective collaboration and coordination in order to avoid overlaps and take the opportunities for synergies. While IFC's focus is to productively engage private sector in climate change adaptation and strengthen its capacity to provide extension services to farmers, IFC's implementation strategy will be to work towards creating a broader platform by collaborating and incorporating lessons learned from other programs. IFC team will explore synergies between the PPCR project, CDMP and the new Agriculture Project under design with the DAE among others. Moreover, IFC intends to tap into any available capacity at DAE when designing and implementing the Lead Firm extension programs.</p> |
| <p>2. The National Implementing Agency for this programme is the Ministry of Environment. We would like some assurances that Department of Agricultural Extension (DAE) will also be a partner particularly once the programme moves to investment stage. While we understand some of the various challenges of working with DAE on this proposal, it would be ill advised to leave them out altogether.</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 PPCR IFC-managed program: <i>Climate Resilient Agriculture and Food Security</i>.</p> <p>Following CIF procedures for private sector operations, the program activities will be implemented by IFC. During both preparation and</p> |

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| | <p>implementation phases, IFC will work in close coordination with MoEF and MoA and its line agencies. In this respect, the Program will seek input from DAE to help Lead Firms develop farmer extension programs, leveraging from their current engagements in the polders. Moreover, DAE has been consulted during the project design process.</p> |
| <p>3. The involvement of the Water Management Board needs to be stated and clarified. Working within polders comes with the added challenge of effective water resource management. The Water Management Board (WMB) are the water management agency in all the coastal zone polders and are a crucial partner. This means that in order to safeguard the potential gains from improvements in agricultural productivity, there needs to be a strong partnership with WMB who manage the influx and outlet of water from the polders. It is not clear from the proposal if they are involved. IFC should take this into serious consideration and indicate their strategy accordingly.</p> | <p>IFC team has interacted with WMB during the SPCR design phase and it is aware that efficient management of scarce water resources in the polder areas is critical to promoting dry season agriculture. Water management groups of BARI and BRRI are working on irrigation and water management issues for rice and non-rice crops in selected sites in the coastal areas. Moreover, IFC will consult with relevant agencies including WMB with regards to introduction of efficient water storage and irrigation technologies and overall water resources management, as relevant to the development and implementation program activities.</p> |
| <p>4. It is not clear from the proposal what the business model for private sector engagement really is and how the private sector will make its profit margins. Please clarify.</p> | <p>Profitability of companies and farmers is certainly a major consideration for IFC in designing the right business models that engages lead firms, public sector, financial institutions, NGOs, and other key stakeholders. In this respect, the specific crops selected for intervention in the PPCR project were selected using market and profitability (for both companies and farmers) as key selection criteria.</p> <p>Under the “lead firm approach” IFC will partner with lead agribusiness companies and financial institutions in Bangladesh that have an understanding of local and regional markets, a track record of success, and an abiding commitment to transparent corporate governance, social responsibility, and environmental sustainability. During the design phase of</p> |

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| | <p>project activities, IFC will identify suitable lead firms (agribusiness companies, financial institutions, etc.) that have the incentive to offer products/business services to improve smallholder farmer productivity and access to supply chains.</p> <p>Seed companies, for example, in Bangladesh have limited R&D capacity (which is also resource-intensive) to develop high yielding, stress tolerant, and other hybrid seeds. Partnership with relevant public sector agencies (such as BRRI and BARI) is critical to accessing their breeder seeds because it helps curb the costs of: 1) R&D required to develop the seeds; 2) accessing technical expertise to train staff on seed multiplication and production of good quality seeds; and 3) accessing information and developing networks to expand markets/ reach in the polder areas. It also gives seed companies a platform through which to dialogue with government. IFC team has observed that in the Agri-Seed project this approach ultimately helps seed companies maximize profits.</p> <p>In August 2013, the Government of Bangladesh approved the exports of hybrid rice seeds for the first time (for a few seed companies), in a bid to sell off surplus stock to foreign buyers and cut their sole dependency on the home market. Local seed companies have slowly developed expertise in producing hybrid seeds by breeding parental lines imported from China and in the process have significantly brought down import dependency. Currently, the cost of producing hybrid rice seeds is lower than in China.</p> |
| <p>5. In terms of good business models around making markets for the poor, Bangladesh has the global best practice model of KATALYST which has been operating in the country for over 10 years. Can IFC indicate the extent to which it has built on the lessons from the KATALYST programme?</p> | <p>IFC team is aware of the Katalyst program and IFC's Agri-Seed project (that is mentioned in the Program Proposal) follows a similar approach of the Katalyst model – working with businesses, business associations, among others to improve farmers' and small businesses' access to better services, technology and ensure sustainability as enterprises. While lessons drawn</p> |

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| | <p>from the Agri-Seed project are focused on the seed sector, IFC will build on the lessons learned from Katalyst in sectors relevant to the PPCR Program (rice, vegetables, pulses, edible oils sectors).</p> |
| <p>6. It would be useful for IFC to break down the costs involved in budget line 1.1. It is not clear what the \$2,000,000 will actually be used for.</p> | <p>Item 1.1 of the budget is USD 3 million and is broken down on page 11 of the proposal. As requested, more details of the expected program activities are provided below. These estimates are tentative for a period of 5 years and will be revised when the work program is finalized:</p> <p><i>Capacity building and training of farmers and agricultural supply chain members (USD 1,000,000)</i></p> <ol style="list-style-type: none"> 1. Training program for farmers, agricultural supply chain members- USD 600,000 2. Field demonstrations and field days for farmers and supply chain members on climate smart-technology- USD 400,000 <p><i>Improvement of climate risk management capacity of farmers and agribusiness companies (USD 1,000,000)</i></p> <ol style="list-style-type: none"> 1. Training program for farmers on post-harvest processing and storage techniques for specific crop/ produce – USD 250,000 2. Training program for supply chain/value chain members (of specific crops/ products) – USD 250,000 3. Pilot an early warning system (EWS) in collaboration with mobile telephone operators- USD 500,000 <p><i>Facilitating better access to finance for farmers and agri-business companies (USD 350,000)</i></p> <ol style="list-style-type: none"> 1. Training Programs- financial literacy for farmers- USD 100,000 2. Training Programs and pilot program for Financial Institutions on designing financial products for farmers- USD 100,000 3. Pilot Index Based Weather Insurance (IBWI) system for farmers- |

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| | <p style="text-align: center;">USD 150,000</p> <p><i>Monitoring and Evaluation (USD 200,000)</i> Baseline Assessment- USD 75,000- Year 1 Midline Assessment- USD 50,000- Year 3 Endline Assessment- USD 75,000- Year 5/ Post Completion</p> <p><i>Project Management (450,000)</i> Staff Cost and Consulting Firm - USD 450,000</p> |
| UK Comments to Project 2: Feasibility Study for Climate Resilient Housing in the Coastal Region | IFC Response |
| <p>7. Since the Bangladesh SPCR was approved there have been several pilots and studies on climate resilient housing, including testing these for community acceptability and cost effectiveness. The CDMP has piloted different cyclone resilient houses, and Practical Action in conjunction with RESET (a UK based NGO) have also piloted different low cost housing options and have also trained local artisans (carpenters and builders) in their construction (details of these reports are attached with these comments). There has also been experience of IFC taking this approach in other countries, including under Nepal’s SPCR. Can IFC indicate how they will be building on and linking to these existing studies and pilots, and what value they will be adding to them?</p> | <p>The formal housing and housing finance market in Bangladesh typically caters to the higher income groups of population. While there have been efforts and research in order to promote climate resilient housing, from a market perspective the pilots carried out to date haven’t achieved significant scale. The market for low-income disaster-resilient housing is thus under-explored, however it has a significant 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>The objectives of the proposed project are to assess the market potential for formal institutions to develop a feasible business model and pilot successful demonstration of such model. In order achieve these objectives, IFC team will continuously engage with all relevant stakeholders in the sector of climate-resilient housing and draw upon their experience so as to avoid duplication and to ensure that the design of a business model and pilot interventions complement past efforts and achievements. Throughout</p> |

| | <p>the implementation of the project, IFC team will adopt a strategy to build on the 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>Moreover, in order to leverage internal knowledge, experience and expertise, the project team will closely follow similar projects of IFC and the World Bank in different regions (including in Nepal where there is 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 certain that with the above-mentioned approach, the project will be able to deliver a market based scalable business model which can significantly address the supply side challenges for low-income climate resilient housing.</p> |
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| SPANISH-GERMAN Comments to Project 1: <i>Promoting Climate resilient Agriculture and Food Security</i> | IFC Response |
| <p>1. We recommend the project to establish a link between the private companies and the national agricultural research institutions, thereby ensuring that appropriate crop species and varieties, as well as agronomic practices are properly disseminated to the farmers.</p> | <p>IFC team fully agrees with the recommendation. There is real need for such collaboration. In this respect, IFC team has been engaging with the Bangladesh Rice Research Institute, Department of Agricultural Extension, Seed Wing, among others during the program design process, as they are stakeholders in the program and key to effective implementation of the project. The importance of engaging with these institutions was also highlighted in the scoping study conducted during project preparation phase.</p> |
| <p>2. Since the project is implemented under the overall responsibility of MoEF, we highly recommend providing information about the progress of the PPCR project to and an active participation in the above mentioned LCG working group.</p> | <p>IFC appreciates the suggestion to actively participate in the Local Consultative Group working group on Climate Change and Environment that is co-chaired by the Ministry of Environment and Forests (MoEF). IFC will meet with the MoEF to discuss this matter further.</p> |

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| <p>3. In order to avoid duplication of efforts, we recommend seeking close coordination and cooperation with the Coastal Livelihoods Adaptation Project (CLAP). We recommend close coordination and exchange between German-supported projects, to avoid duplication of efforts and exploit synergies to the best extent possible.</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 are key to project success. IFC team has had discussions with many projects, such as the 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. IFC would like to meet with the CLAP team, as well as those of other German-supported projects to further explore possible synergies, coordination and information exchange. More information on the existing programs would, indeed, be useful.</p> |
| <p>4. We recommend the project to support training of the sale agents and suppliers of the companies to enable appropriate and applicable advice being provided to their clients, the farmers, since they are often the only source of information to the farmers.</p> | <p>As articulated in the PPCR Program Proposal, Project 1 aims to train “supply chain members” (which refers to dealers, retailers, and suppliers of the companies) because they have the direct links with farmers and often provide embedded business services. Such training will also strengthen the private sector capacity to provide, along with public sector agencies such as DAE, extension services to farmers. IFC has experience on this approach through the Bangladesh Agri-Seed project (funded by DFID and Norad). Output and Impact results from training provided to seed company dealers are being captured through an intensive baseline and endline study of the Agri-Seed project. Lessons learned captured from the Agri-Seed project will be integrated into the PPCR program.</p> |
| <p>5. It would be important to assure that the agricultural extension workers of the Department of Agricultural Extension in charge of the project related polders are informed and involved in the project activities.</p> | <p>As mentioned previously, the Project will seek input from DAE (especially when preparing farmer outreach materials) to help Lead Firms develop farmer extension programs.</p> |

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| <p>6. The project should view carefully that the agricultural inputs, like seeds, are affordable to the farmers, especially to small scale farmers.</p> | <p>The project will carefully look into addressing market barriers that affect small scale farmers. The project will work with multiple companies so that farmers have the options to make their choices without compromising on the quality of inputs which is critical for achieving higher productivity. Moreover, the project will try to facilitate farmer access to some markets in order to help them get a reasonable price on their produce. IFC has done extensive work through the Agri-Seed project where seed farmers are linked to large seed companies. In contract farming type of arrangements, seed companies have shown interest in subsidizing the price of initial seeds required by farmers to start-up their seed production.</p> |
| <p>7. We recommend disaggregating as many of the impact level indicators as possible by gender, in particular the following indicators: (1) “Treatment farmers get 20% higher yield compared to the control farmers”; (2) “Farmer incremental revenue increased by 15%”; (3) and “Farmer household income increased by 20%”.</p> | <p>IFC ensures obtaining disaggregate impact level indicators by gender, when possible. This is standard practice for all IFC’s projects. As an illustration, for the Agri-Seed project, it was found that 100% of women trained through the project adopted the knowledge provided to them. In comparison, only 67% of men trained through the project adopted the knowledge provided to them. Indicators capturing farmer yield and revenue can be disaggregated once gender-focused programs are developed.</p> |