Note to Executive Board representatives

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President’s memorandum

Proposed supplementary financing to the Democratic Republic of Sao Tome and Principe for the Participatory Smallholder Agriculture and Artisanal Fisheries Development Programme
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**Financing summary**

Initiating institution: IFAD

Borrower: Democratic Republic of Sao Tome and Principe

Executing agency: Ministry of Agriculture, Rural Development and Fisheries

Total programme cost: US$16.45 million

Amount of IFAD loan: SDR 7.95 million (equivalent to approximately US$9.97 million)

Amount of IFAD grant: SDR 1.99 million (equivalent to approximately US$3.0 million)

Terms of IFAD loan: Highly concessional

Cofinancier(s): Agence française de développement (AFD)

Amount of cofinancing (loan): US$1.45 million

Terms of cofinancing (loan): Parallel

Contribution of borrower (loan): US$1.18 million

Contribution of borrower (grant): US$159,800

Contribution of borrower (total): US$1.34 million

Contribution of beneficiaries (loan): US$0.84 million

Appraising institution: IFAD
Recommendation for approval

The Executive Board is invited to approve the recommendation for the proposed supplementary financing to the Democratic Republic of Sao Tome and Principe for the Participatory Smallholder Agriculture and Artisanal Fisheries Development Programme, as contained in paragraph 28.

Proposed supplementary financing to the Democratic Republic of Sao Tome and Principe for the Participatory Smallholder Agriculture and Artisanal Fisheries Development Programme

I. The programme
A. Main development opportunities addressed by the supplementary financing

1. The proposed supplementary financing will enable IFAD and the Government of the Democratic Republic of Sao Tome and Principe to extend the benefits of the ongoing Participatory Smallholder Agriculture and Artisanal Fisheries Development Programme (PAPAFPA) to a larger number of poor households throughout the country whose livelihoods depend on agricultural activities and artisanal fishing. The proposal responds to a specific request from the Government to broaden the programme’s coverage in the light of its interesting development approaches and the notable benefits it has managed to generate among poor beneficiaries.

B. Proposed financing

   Background

2. The supplementary financing was requested by the Ministry of Agriculture, Rural Development and Fisheries (MARDF) to: (i) expand PAPAFPA’s current coverage to encompass nine additional cocoa-growing communities (located in the centre-west of the country) and seven coffee-producing communities based inside the Monte Café estate and (ii) reinforce ongoing work within existing target value chains for food security crops, organic pepper and fisheries products. The request is a clear acknowledgement of PAPAFPA’s role in developing the country’s agriculture and fisheries sectors and in elaborating national policies for these sectors based on the innovative operational approaches it has used at both the grass-roots and the institutional level.

Terms and conditions

3. It is proposed that IFAD provide the Democratic Republic of Sao Tome and Principe with supplementary funding in the form of a grant in the amount of SDR 1,990,000 (equivalent to approximately US$3 million) using the performance-based allocation system allocation that IFAD has made available to this country for the 2010-2012 cycle. The Government will contribute US$159,800, bringing to about US$3.16 million the overall value of this top-up (covering the five-year period 2011 to 2015).

Country debt burden and absorptive capacity of the State

4. As the supplementary financing will be in grant form, neither the current debt burden nor the absorptive capacity of the country will be affected.
Flow of funds
5. The requested supplementary financing will be deposited into a special account to be managed by the PAPAFPA’s programme coordination unit, but separate from the account that the programme currently manages. As in the case of the existing account, requests to withdraw funds from the new special account must be signed by parties authorized by the Ministry of Finance and Plan.

Governance
6. Good governance of this supplementary financing will be assured though the annual activities already implemented by PAPAFPA, namely: (i) the independent audit contracted to ensure compliance with IFAD regulations; and (ii) direct supervision missions by IFAD.

Supplementary financing and the programme’s disbursement rate
7. The PAPAFPA’s disbursement rate, as assessed by the last IFAD direct supervision mission, equalled 53 per cent at the end of March 2010. Based on withdrawal applications processed and procurement actions that received IFAD’s no-objection, the rate is expected to reach 60 per cent (59.3 per cent) by June 2010. It is reasonable therefore to expect full and timely disbursement of the funds still available before programme closure (September 2015). The effectiveness of the current institutional set-up in ensuring proper and timely adherence to the programme’s workplan and budget provides additional assurance that the requested supplementary financing will be efficiently used.

C. Target group and participation
The additional financing and target groups
8. Around 40,000 small farmers and 18,000 fishers/traders –about 40 per cent of the total population⁴– currently benefit from the programme. Beneficiaries belong to the poorest communities in rural and coastal areas of the two islands making up Sao Tome and Principe. The additional financing will enable the PAPAFPA to target seven new cocoa-growing communities and nine new coffee-growing communities.

Participation
9. Community participation in PAPAFPA activities to be implemented through the grant is expected to remain high thanks to the community-driven development (CDD) approach followed by the programme. The CDD approach works by: (i) organizing producers into primary associations, which are connected via one apex cooperative responsible for gathering, processing and exporting supplies and, in parallel, (ii) delivering communal/social goods and services.

D. Components and expenditure categories
Main components
10. The supplementary financing is not expected to change the current structure of the programme, which, following the recommendations of the last Flexible Lending Mechanism inter-cycle review of April 2009, is presently based on three components: (a) economic activities/value chain development, (b) the Community Infrastructure Fund and management thereof, and (c) support measures and programme management (management and coordination; information and communication; administration and financial management; and monitoring and evaluation).

Expenditure categories
11. The grant funding will be distributed among the nine expenditure categories included in the original grant: vehicles; equipment; training and studies; technical assistance; contracts for service provision; operational costs; staff; communal infrastructure and related target contracts; and unallocated expenses.

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E. Management, implementation responsibilities and partnerships

Key implementing partners

12. The main partners will be the programme coordination unit (PCU) of the PAPAFPA, local service providers and the various beneficiary organizations already formed under the PAPAFPA (Export Cooperative of Organic Cocoa [CECAB], Export Cooperative of Fair-Trade Cocoa [CECAQ-11] and Export Cooperative of Organic Pepper [CEPIBA]) or soon to be set up (i.e. an export cooperative for the coffee value chain).

Implementation responsibilities

13. The PCU of PAPAFPA will have overall responsibility for executing this grant, supported by local service providers and beneficiaries’ organizations, as per the contracts they have signed with PAPAFPA or the nature of their respective mandate (in the case of producers’ organizations).

Role of technical assistance

14. Technical assistance will have a key role to play in the implementation of the activities under the new grant and will continue to be sourced from: (i) local technical service providers and (ii) private partners and foreign enterprises, as members of the four public-private partnerships that the programme has managed to set up.

Status of key implementation agreements

15. Given that overall responsibility for implementation continues to rest with PAPAFPA, the implementation agreements for the new financing are already in place.

F. Benefits and economic and financial justification

Main categories of benefits generated

16. The expected benefits are: (i) a decrease in poverty in the new communities targeted as a result of the income and social assets and services generated by the programme interventions; (ii) further institutional strengthening of beneficiaries’ organizations; (iii) increased production of food security crops (maize, taro, cassava, plantains, bananas and fish products).

G. Knowledge management, innovation and scaling up

Knowledge management arrangements

17. A great deal of extremely useful know-how and good practices has so far been accumulated on producers’ organizations, organic/fair-trade production, processing/trade of export crops and public-private partnerships. This knowledge is being used to support: (i) ongoing PAPAFPA work in the new communities targeted by this grant; (ii) other development interventions countrywide; and (iii) the shaping of the new agricultural development policy. These will remain focus areas under the new grant.

Development innovations that the PAPAFPA will promote

18. The following innovative aspects of PAPAFPA will be adopted under the supplementary financing: (i) use of PPPs to develop the national coffee chain (thanks to the collaboration agreement recently signed between the MARDF/PAPAFPA and the French private company MALONGO); (ii) promotion of organic and fair-trade production methods; (iii) use of local beneficiaries’ organizations to directly export goods; and (iv) use of premiums paid by buyers in recognition of the quality of certified products to provide target communities with primary social and health care infrastructure and services).

Scaling-up approach

19. As mentioned above, the grant will reinforce IFAD’s role in assuring the institutional and practical support for the Government to define a national developmental policy for its primary and fisheries sectors and in enforcing an approach (through PPPs,
CDD and production/trade practices that are ethically, socially and environmentally sustainable) that fosters broad countrywide development of agricultural chains. This, in turn, will increase the potential for expanding IFAD’s portfolio in the country.

**H. Sustainability**

**Environmental sustainability**

20. Pursuant to IFAD’s environmental assessment procedures, the PAPAFPA has been classified as Category C (no risk) for its fisheries activities and as Category B (monitoring required) for its activities in the agricultural domain. The expansion of the programme will strictly adhere to principles that are fully compliant with ethical, social and environmental best practices. The PAPAFPA’s environmental classification with regard to agricultural production will therefore improve, while no change is expected regarding the classification for the fisheries activities.

**Gender issues**

21. The programme is performing well in terms of women’s participation. The activities proposed under the supplementary financing are expected to enhance this participation further by developing the coffee value chain, where traditionally women play a leading role.

**Monitoring and evaluation system**

22. The proposed grant will not introduce any major change to the organization and monitoring procedures currently in place. Modifications will be limited to adjusting the current quantitative indicators and schedules in alignment with the new targets set under the grant.

**Institutional arrangements**

23. No change will be made to the institutional set-up put in place by the last Flexible Lending Mechanism inter-cycle review as this is estimated to be adequate (also in terms of human resource requirements) for the proper and timely management of the flow of the extra financial resources to be made available under the new grant.

**Other sustainability issues**

24. The mechanisms progressively put in place to ensure long-term sustainability of the PAPAFPA interventions are seen as the best assurance of viability also for the activities to be implemented under the new grant. Further guarantees of appropriate handling of the new supplementary funding will be provided through: (i) overall satisfactory programme management, as highlighted in the latest IFAD supervision mission reports and project status report and (ii) PAPAFPA’s total compliance with loan covenants, and satisfactory procurement and financial management (as certified by the timely and independent audits commissioned by the PCU).

**II. Legal instruments and authority**

25. An amendment to the current programme financing agreement between the Democratic Republic of Sao Tome and Principe and IFAD will constitute the legal instrument for extending the proposed additional financing to the borrower/recipient.

26. The Democratic Republic of Sao Tome and Principe is empowered under its laws to receive financing from IFAD.

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2 Between 16 and 38 per cent of the members of the producers’ organizations created by the PAPAFPA are women; the board of CECAB – the programme’s most prominent producers’ organization – includes three women.

3 The Community Infrastructure Fund.

4 Based on: (i) the creation of producers’ organizations; (ii) their progressive empowerment with technical, institutional and managerial know-how; (iii) the establishment of sound market linkages through established purchasing arrangements with foreign operators and their involvement in providing embedded technical support; and (iv) the high level of participation of target communities thanks to the social services/goods that PAPAFPA manages to deliver and to the stream of economic benefits generated.
27. I am satisfied that the proposed additional financing will comply with the Agreement Establishing IFAD and the Lending Policies and Criteria.

III. Recommendation

28. I recommend that the Executive Board approve the proposed financing in terms of the following resolution:

RESOLVED: that the Fund shall provide a grant to the Democratic Republic of Sao Tome and Principe in an amount equivalent to one million nine hundred and ninety thousand special drawing rights (SDR 1,990,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Kanayo F. Nwanze  
President
Key reference documents

Country reference documents
- Amendments of the loan agreement for the: Sao Tome and Principe – Participatory Smallholder Agricultural and Artisanal Fisheries Development Programme, PAPAFPA (loan 557-ST) - February 2006 and September 2009.
- EB 2009/98/INF.3 - Implementation of the second cycle of the Participatory Smallholder Agriculture and Artisanal Fisheries Development Programme.
- PAPAFPA, Rapport d’évaluation du cycle II et formulation du cycle III, Rapport 2206-ST.

IFAD reference documents
- IFAD’s targeting policy - Guidance note: Poverty targeting in IFAD supported projects.
- IFAD’s rural poverty portal: Organic and fair trade production revitalizes cocoa industry in São Tome and Principe.

Other miscellaneous reference documents
- Memorandum de entendimento para captação de financiamentos – PAPAFPA/ Agencia Francesa de desenvolvimento/ Compañía Mediterranea dos Cafés Malongo, March 2010.
- Convention de Partenariat entre le Consortium Hom&Ter SAS/Agrisud International et le PAPAFPA pour la «Professionnalisation de la filière poivre et épices biologiques et équitables à Sao Tome et Principe».
- Convention de Partenariat entre le Consortium CaféDirect/FairTrade Solutions Ltd et le PAPAFPA pour la «Professionnalisation de la filière cacao équitable à Sao Tome et Principe».
- Convention de Partenariat entre le l’entreprise KAOKA Ltd et le PAPAFPA pour la «Professionnalisation de la filière cacao biologique et équitable à Sao Tome et Principe».
Logical Framework (revised as per last MTR of April 2009)

<table>
<thead>
<tr>
<th>Logique d'intervention</th>
<th>Indicateurs objectivement verifiables IOV</th>
<th>Sources de vérification</th>
<th>Hypothèses et risques</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. OBJECTIF GENERAL DU PROJET</strong></td>
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<tr>
<td>Objectif global: L’amélioration des revenus/conditions de vie du groupe cible</td>
<td>120 communautés d’intervention, 12 000 familles, 40 000 personnes, 6000 personnes bénéficiaires de services et de formations diverses</td>
<td>- Enquêtes de base, Statistiques nationales, Rapports de S&amp;E et du PAPAFPA</td>
<td>Environnement politique/économique défavorable/ Fiabilité des indicateurs</td>
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**2. OBJECTIFS SPECIFIQUES**

| Objectif spécifique 1: Renforcer les capacités des populations rurales | - 5 Contrats d’objectifs et de partenariat avec opérateurs privés opérationnels et 5 coopératives professionnelles viables et rentables/volumes d’exportation | Evaluation intermédiaire et finale/Enquêtes thématiques ponctuelles/Rapports d’activités | Fragilité de l’accès aux marchés d’export et volatilité des prix |
| Objectif spécifique 2: Renforcer les infrastructures sociales/productives (FIC) | - Nombre d’infrastructures de production et sociales opérationnelles/Nombre de km de routes/pistes construits/remis en état fonctionnels/75% des groupes de gestion formés | Enquêtes thématiques/Evaluation intermédiaire et finale/Rapports d’activités | Incertitude du cadre réglementaire, Absence d’autres bailleurs |
| Objectif spécifique 3: Renforcer les OPs et leurs représentations professionnelles | L’organisation féminine (FENAPA) formée/consolidée est opérationnelle/80% des OPs sont opérationnelles et affiliées à la FENAPA et 60% paient leurs cotisations. | Enquêtes thématiques/Rapports d’activités | Insuffisant dynamisme associatif, Législation lente des Ops |

**3. RESULTATS**

<table>
<thead>
<tr>
<th>Résumé descriptif</th>
<th>IOV des résultats</th>
<th>Citemes</th>
<th>Sources de vérification</th>
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<tbody>
<tr>
<td><strong>COMPOSANTE 1: APPUI AU DEVELOPPEMENT D'ACTIVITES ECONOMIQUES ET FILIERES</strong></td>
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<tr>
<td>Résultat attendu 1: Le développement opérationnel des cinq filières est assuré au travers de coopératives professionnelles viables et rentables</td>
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<tr>
<td>Résultat 1.1: La filière cacao bio-équitable est opérationnelle et la CECAB est viable</td>
<td>- Contrat d’objectif KAOKA rempli/Augmentation de la productivité/95% du cacao classifié de qualité/ Nombre de membres de la CECAB (par genre)</td>
<td>- 40 communautés concernées/3200 ha de cacaoyères/ 650 tonnes exportées</td>
<td>- Enquêtes CECAB/Missions KAOKA/ Rapports PAPAFPA</td>
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<td>Résultat 1.2: La filière cacao équitable et la CECAC-11 est opérationnelle</td>
<td>- Contrat d’objectif CaféDirect (18 mois renouvelable) rempli/95% du cacao classifié de qualité/Nombre de membres de la CECAC11</td>
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<td>Résultat 1.3: La filière poivre-pièces est opérationnelle et la CEPIBA est viable</td>
<td>- Contrat de partenariat Hom&amp;Ter/Agrisud signé et rempli/95% du poivre classifié de qualité/Nombre de membres de la CEPIBA (par genre)</td>
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<td>Résultat 1.4: Le projet-pièce café est lancé avec l’appui du PAPAFPA</td>
<td>- Contrat d’objectif Marango signé et rempli/Responsable et équipe technique recrutés/Coproduction/mise en place des plateaux exportés</td>
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<td>Résultat 1.5: La filière pêche artisanale/poison frais sous glace est lancée</td>
<td>- Contrat d’objectif MARAPA signé/Responsable technique désigné et 2 animateurs de proximité recrutés/ Volumes de poisson commercialisés</td>
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<td>Résultat 1.6: La diversification des cultures vitières est développée</td>
<td>- Convention d’expertise CIAT signée et mise en œuvre/Nombre de communautés touchées/Surfaces cultivées et volumes de production</td>
<td>- 120 communautés/21 échanges inter-communautaires/7 champs-écoles</td>
<td>- Enquêtes/Missions et Rapports S&amp;E et PAPAFPA</td>
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**COMPOSANTE 2: RENFORCEMENT DE L’OFFRE DE SERVICES AU MONDE RURAL/FONDS D’INFRASTRUCTURES COMMUNAUTAIRES (FIC)**

| Résultat attendu 2: Le FIC est effectivement opérationnel et répond aux besoins et attentes des producteurs | | | |
| Résultat 2.1: Une meilleure connaissance des besoins d’infrastructures socio-économiques | Diagnostic et priorisation participatives des besoins réalisés/Nombre de communautés touchées/Nombre d’infrastructures identifiées (par type) | - Au moins 60 communautés ont leurs besoins identifiés et prioritaires | - Rapports des diagnostics participants | |
| | | | |
| Résultat 2.2: La consolidation institutionnelle et opérationnelle du FIC est assurée | Manoeuvre de procédures finalisée et appliquée/Contributions d’autres bailleurs et évolution de la part FIDA/Evolution du ratio Investissement/Fonctionnement | - Au moins 2 millions €EU investi en 2014/ Coûts de fonctionnement partagés | - Rapports techniques/financiers et d’évaluation PAPAFPA |
| | | | |
| Résultat 2.3: Réalisation de projets d’infrastructures socio-économiques | Montant investis pour les infrastructures/Nbre de réseau d’eau potable et périmètres d’irrigation installés/Nbre de km de routes/pistes construits/ | - Environ 180 projets bénéficiant à 4000 ménages | - Rapports techniques et financiers de la mise en œuvre PAPAFPA |

**COMPOSANTE 3: ACCOMPAGNEMENT ET GESTION DU PROGRAMME**

| Résultat attendu 3: La FENAPA est renforcée, légitime et représentative des associations de petits agriculteurs | | | |
| Résultat 3.1: La FENAPA est renforcée, légitimée, représentative et viable | Nombre d’ateliers de concertation réalisés/Restructuration effective de la FENAPA/Nbre de producteurs/unions membres effectifs/Montant des cotisations payées | - 8 ateliers régionaux et 2 nationaux/ 70% des OP membres sont actifs et payant | - Rapports FENAPA et PAPAFPA/ Plan d’action FENAPA |
| | | | |
| Résultat 3.2: La FENAPA offre des services de qualité à ses membres | Nombre de services de qualité offert/Nbre d’associations approvisionnées en sulfate et chaux/Nbre groupes communautaires créés/Redynamisés | - 88 visites de sensibilisation/55 enquêtes de prix et 3 études de marché/10 voyages d’échanges | - Rapports FENAPA et PAPAFPA/ Rapports S&E |
| | | | |
| Résultat 3.3: Les associations et coopératives de producteurs sont membres de la FENAPA | Nombre d’associations/coopératives membres/Nombre de personnes membres de ces associations (par genre)/Nombre de réunions interprofessionnelles réalisées | - 70% des coopératives sont membres de la FENAPA et paient leurs cotisations | - Rapports FENAPA et PAPAFPA/ Rapports S&E |

**Résultat attendu 4: La gestion du programme est efficiente et le système de S&E basé sur les résultats est opérationnel**

| Résultat attendu 4.1: Coordination assurée/gestion efficiente | - Comité (CDT) et Plan de désengagement et transfert (PDT) en place | - Formalisation du PDT | - Rapports d’activités PAPAFPA |
| Résultat attendu 4.2: Outils de suivi-évaluation performants | - Dispositif de S&E opérationnel (dont SYGRI)/Tableaux de bord suivis | - 5 études d’impact/thématiques réalisées | - Rapports d’activités PAPAFPA |
| Résultat attendu 4.3: Transfert des acquis assuré | - Comité (CDT) et Plan de désengagement et transfert (PDT) en place | - Formalisation du PDT | - Rapports d’activités PAPAFPA |