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Enabling poor rural people
to overcome poverty

President's memorandum

Proposed supplementary grant to the Republic of Djibouti for the

Programme for the Mobilization of Surface Water and Sustainable Land Management

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For: Approval

Republic of Djibouti

Programme for the Mobilization of Surface Water and Sustainable Land Management

Financing summary

| | |
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| Initiating institution: | IFAD |
| Recipient: | Republic of Djibouti |
| Executing agency: | Ministry of Agriculture, Livestock and Marine Resources, in charge of Water Resources |
| Total programme cost: | US\$12.3 million |
| Amount of IFAD supplementary grant: | SDR 2 million (equivalent to approximately US\$3.0 million) |
| Amount of IFAD grant: | SDR1.95 million (equivalent to approximately US\$3.0 million) |
| Cofinanciers: | World Food Programme (WFP), French Global Environment Facility (FFEM), Global Environment Facility (GEF), United Nations Development Programme (UNDP) |
| Amount of cofinancing: | WFP: US\$1.12 million equivalent in food for work FFEM: US\$1.2 million GEF: US\$1.0 million UNDP: US\$0.067 million |
| Terms of cofinancing: | Grants |
| Contribution of recipient: | US\$2.64 million |
| Contribution of beneficiaries: | US\$0.17 million |
| Appraising institution: | IFAD |
| Cooperating institution: | Directly supervised by IFAD |

Recommendation for approval

The Executive Board is invited to approve the recommendation for the proposed supplementary financing to the Republic of Djibouti for the Programme for the Mobilization of Surface Water and Sustainable Land Management, as contained in paragraph 20 and the modifications to the financing agreement, as contained in paragraphs 15 to 18.

President's memorandum

Proposed supplementary grant to the Republic of Djibouti for the Programme for the Mobilization of Surface Water and Sustainable Land Management

I. Background

1. This memorandum seeks approval for supplementary financing of US\$3 million, equivalent to SDR 2 million, for the Programme for the Mobilization of Surface Water and Sustainable Land Management in Djibouti, approved by the Executive Board in December 2007.
2. As highlighted in paragraph 36 of the relevant President's report (EB 2007/92/R.36/Rev.1), the programme is financed by IFAD with a grant under the Debt Sustainability Framework of SDR 1.95 million (equivalent to US\$3.0 million). With a total budget of US\$11.64 million, the programme has multiple cofinanciers including the Government of Djibouti, the beneficiary pastoral communities, the French Global Environment Facility (FFEM), the Global Environment Facility (GEF), the World Food Programme (WFP) and the African Water Facility.

Programme objectives

3. The programme's overall goal is to improve the living conditions of pastoral communities by promoting the integrated management of natural resources. Its two specific objectives are to: (i) implement a programme for the mobilization of surface water to improve access to water for the pastoral communities and their livestock and to increase agricultural production; and (ii) strengthen organization and management capacity at the institutional, technical and community levels. The programme has three components: (i) mobilization of surface water and sustainable land management; (ii) building national capacity; and (iii) programme coordination and management. The programme will benefit, either directly or indirectly, 6,000 pastoral households living in the districts of Arta, Dikhil and Tadjourah.

Programme achievements

4. The programme became effective in December 2008. It established five community development committees in the programme area and reached agreement with them on natural resources development plans. These committees are structured around the customary organizations managing the natural resources within their territories. A good illustrative example of the implementation of the participatory management approach is the progress achieved in engaging the community in the conservation of the resources of the Day Forest. Nevertheless, progress has been slow in implementing water-harvesting works for domestic and livestock purposes and in developing rangelands.
5. This weak performance is attributed to: (i) the delay in the availability of the GEF funds, which mainly finance technical assistance to the programme management unit and the communities; (ii) the non-availability of the African Water Facility funds

to finance the feasibility studies for small dams; (iii) the reduced availability of WFP's food-for-work programme relative to the ambitious labour-intensive works set at appraisal; (iv) an increase in the costs of purchasing and hiring the equipment used for water-related works compared with the budget allocation; (iv) the weak implementation capacity of the programme management unit of the Ministry of Agriculture, Livestock and Marine Resources in charge of water resources to manage an increasing portfolio of water-related projects. In addition to the programme, the unit currently manages the Project to Assist in the Harvesting of Surface Water for Domestic and Agriculture Uses funded by the African Water Facility.

Justification of supplementary financing

6. The programme, now in its second year of implementation, is facing a financing gap that will limit the capacity of Ministry of Agriculture to achieve the programme's physical and institutional targets. The proposed supplementary financing from IFAD will enable the Ministry to bridge this financing gap and to strengthen its implementation capacity. The Ministry needs such institutional support to enable it to mobilize the required financing to meet the target of increasing water supply from 2.5 million to 7 million cubic metres by 2020.

II. Proposed supplementary financing

Relationship to the IFAD performance-based allocation system (PBAS)

7. The allocation defined for the Republic of Djibouti under the PBAS is US\$3.0 million over the 2010-2012 allocation cycle.

Country debt burden and absorptive capacity of the State

8. Djibouti is currently eligible under IFAD's Debt Sustainability Framework for IFAD financial assistance on 100 per cent grant terms.

Supervision arrangements

9. The IFAD grant will be administered and supervised by IFAD.

Exceptions to IFAD General Conditions for Agricultural Development Financing and operational policies

10. The financial team of the programme management unit will expand to include two additional staff members: a procurement officer and an accounting assistant. While the post of accounting assistant will be filled competitively, the Ministry of Agriculture would like to appoint the programme's former financial manager – who was competitively recruited in 2008 – to this new position with the appointment effective as at 1 June 2010. This retroactive appointment would be subject to Executive Board approval.

Main components

11. The programme's objectives, programme area, physical targets, duration and three components remain unchanged. The three components are (i) mobilization of surface water and sustainable land management (64.3 per cent of base costs); (ii) building national capacity (10.4 per cent); and (iii) programme coordination and management (25.3 per cent).
12. The main change in the programme is the decreased reliance on the food-for-work programme and its replacement by contractor implementation, force account and community participation.

Expenditure categories

13. The programme has six expenditure categories: (i) construction and rehabilitation works (42.9 per cent of total cost); (ii) equipment and vehicles (13.9 per cent of total cost); (iii) studies, training and technical assistance (16.9 per cent of total cost); (iv) service contracts (1.9 per cent of total cost); (v) salaries and allowances (14 per cent of total cost); and (vi) operation and maintenance (10.4 per cent of total cost). Expenditure categories (i) and (ii) have been expanded to reflect

additional financing needs, and their definition will be provided in the amended schedule 2 of the grant financing agreement.

Programme financing plan

14. The programme financing plan has been revised to bridge the financing gap, to address the needs for technical assistance, and to reflect the expanded programme management unit. The total programme cost has been revised to US\$12.30 million. The sources of financing are (i) IFAD, US\$6.0 million, including the supplementary grant; (ii) WFP, US\$1.12 million equivalent in food-for-work; (iii) GEF, with UNDP as executing agency, US\$1.0 million; (iv) FFEM, with UNDP as executing agency, US\$1.2 million; (v) UNDP, US\$0.067 million; (vi) the Government, US\$2.64 million; and (vii) beneficiaries, with an estimated contribution of US\$0.17 million.

Proposed modifications to the grant agreement

15. Four modifications are required to the grant agreement. First, the grant agreement needs to be amended to be in line with the new programme financing plan. The revisions will affect the financing from IFAD, WFP and the Government of Djibouti. Financing from the African Water Facility will be deleted and financing from UNDP will be added.
16. Second, the authorized allocation of the special account will be revised to reflect a larger amount of grant fund utilization for financing programme activities. It will be increased with another deposit of US\$0.25 million, to be equal to US\$0.60 million in aggregate. The Secretary General of the Ministry of Agriculture and the Director of External Financing of the Ministry of Finance will be authorized to manage the special account in line with a 2009 law governing financial management within the Ministry of Agriculture.
17. Third, the description of component (i) will reflect the recommendation made by an in-depth technical and environmental study that two small dams be rehabilitated. The description of component (ii) will state that short- and long-term technical assistance will be provided.
18. Fourth, and as mentioned in paragraph 10, the procurement officer and the accounting assistant will now be added to the programme management unit. The accounting assistant will be recruited competitively. With regards to the procurement officer, the former financial manager was re-assigned from his previous post. Therefore, Executive Board's approval is hereby sought to approve the appointment of the programme's former financial manager to the position of procurement officer with the appointment effective as from 1 June 2010.
19. Upon approval by the Executive Board, the grant agreement will be amended to reflect the different changes resulting from supplementary IFAD financing.

III. Recommendation

20. I recommend that the Executive Board approve the modifications to the financing agreement, as contained in paragraphs 15-18, and the proposed supplementary financing in terms of the following resolution:

RESOLVED: that the Fund shall provide a supplementary grant to the Republic of Djibouti in an amount equivalent to two million special drawing rights (SDR 2,000,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Kanayo F. Nwanze
President