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Enabling poor rural people
to overcome poverty

President's memorandum

Proposed supplementary financing to the Republic of Sierra Leone for the

Rehabilitation and Community-Based Poverty Reduction Project

Note to Executive Board representatives

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Executive Board — 101st Session
Rome, 14-16 December 2010

For: Approval

Recommendation for approval

The Executive Board is invited to approve the recommendation for the proposed supplementary loan and supplementary grant to the Republic of Sierra Leone for the Rehabilitation and Community-Based Poverty Reduction Project, as contained in paragraph 10 and the modifications to the loan agreement, as contained in paragraph 9.

President's memorandum

Proposed supplementary financing to the Republic of Sierra Leone for the Rehabilitation and Community-Based Poverty Reduction Project

I. Background

1. This memorandum seeks approval for additional financing of US\$21.45 million equivalent to SDR 14.10 million, for the Rehabilitation and Community-Based Poverty Reduction Project (RCPRP), approved by the Executive Board in December 2003 (EB 2003/80/R.26/Rev.1).
2. As highlighted in the results-based country strategic opportunities programme (RB-COSOP) for Sierra Leone, approved by the Executive Board in April 2010 (EB 2010/99/R.12), the recommendations for the 2010–2012 performance-based allocation system (PBAS) allocation for Sierra Leone (US\$21.45 million) is to scale up the activities being implemented by IFAD in Sierra Leone. The Government of Sierra Leone approved this COSOP and consequently approved the amount of US\$21.45 million to be used as top-up financing through the conditions related to the "yellow" debt distress category under the Debt Sustainability Framework, e.g. 50 per cent loan and 50 per cent grant.
3. Design of the scaling up of RCPRP activities started in April 2010 and followed IFAD's design procedures (for example, the quality enhancement and quality assurance processes).

II. Justification and rationale

4. The supplementary financing will contribute to the achievement of the overall project goal of empowering rural poor people to increase their food security and improve their livelihoods in the project districts. The project has two major objectives: (i) to improve smallholder farmers' access to land, irrigation, technical skills and markets; and (ii) to increase the participation of rural poor people in the management of local decentralized institutions.
5. The supplementary financing will be allocated over a period of five years to two project components. Specifically, the funding will be used to: (i) support smallholder agriculture and commercialization by improving smallholder farmers' access to irrigation, technical skills and markets; and (ii) support community development and local government, with the aim of increasing the participation of the rural poor in the management of local decentralized institutions.

III. Project costs

6. The total revised project cost is US\$39.83 million. The sources of financing are: (i) IFAD, with an original loan of US\$8.51 million; (ii) IFAD, with supplementary financing of US\$21.45 million; (iii) the Global Environment Facility (GEF), with a grant of US\$2.6 million; (iv) the Government, with a contribution of US\$3.62 million (US\$2.5 million plus US\$1.12 million of the original financing); and (v) the beneficiaries, with a contribution of US\$3.65 million (US\$2.5 million plus US\$1.15 million of the original financing).
7. The IFAD loan and supplementary loan are extended to the Republic of Sierra Leone on highly concessional terms. Changes in the amounts allocated to the IFAD loan expenditure categories will be reflected in annex II of the amended financing agreement.
8. The expenditure categories will be: (i) civil works (37 per cent); (ii) vehicles, equipment and materials (31.8 per cent); (iii) technical assistance (1.5 per cent); (iv) capacity-building (6.6 per cent); (v) road funds (1.7 per cent); (vi) GEF financing (9.6 per cent); and (vii) recurrent costs (11.8 per cent).

IV. Proposed modifications to the loan agreement

9. Upon approval by the Executive Board, the existing loan agreement will be amended to reflect: (i) the inclusion of the supplementary IFAD financing (50 per cent loan and 50 per cent grant) in the RCPRP budget; (ii) reallocation of the funds remaining from the original loan across the expenditure categories in the RCPRP budget; (iii) modification of the project description to include activities described in paragraph 8 above; and (iv) extension of the project completion date from March 2011 to December 2016 and the extension of the financing closing date from September 2011 to June 2017.

V. Recommendation

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

RESOLVED: that the Fund shall provide a supplementary loan to the Republic of Sierra Leone on highly concessional terms in an amount equivalent to seven million and fifty thousand special drawing rights (SDR 7,050,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

RESOLVED FURTHER: that the Fund shall provide a supplementary grant to the Republic of Sierra Leone in an amount equivalent to seven million and fifty thousand special drawing rights (SDR 7,050,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Kanayo F. Nwanze
President