

Document: EB 2011/102/R.20/Rev.1
Agenda: 12(b)(ii)
Date: 11 May 2011
Distribution: Public
Original: English

E



Enabling poor rural people
to overcome poverty

President's memorandum

Proposed supplementary financing to the Lao People's Democratic Republic for the Rural Livelihoods Improvement Programme – Attapeu Province

Note to Executive Board representatives

Focal points:

Technical questions:

Stefania Dina
Country Programme Manager
Tel.: +39 06 5459 2478
e-mail: s.dina@ifad.org

Dispatch of documentation:

Deirdre McGrenra
Governing Bodies Officer
Tel.: +39 06 5459 2374
e-mail: gb_office@ifad.org

Executive Board — 102nd Session
Rome, 10-12 May 2011

For: **Approval**

Recommendation for approval

The Executive Board is invited to approve the recommendation for the proposed supplementary financing in the form of a grant to the Lao People's Democratic Republic for the Rural Livelihoods Improvement Programme – Attapeu Province as contained in paragraph 11 and the modifications to the financing agreement, as contained in paragraph 10.

President's memorandum

Proposed supplementary financing to the Lao People's Democratic Republic for the Rural Livelihoods Improvement Programme – Attapeu Province

I. Background

1. The Lao People's Democratic Republic is considered as a "red country" under the Debt Sustainability Framework (DSF), therefore, support is provided in the form of a grant.
2. This memorandum seeks approval for supplementary financing in the form of a grant of US\$2.5 million for the Rural Livelihoods Improvement Programme – Attapeu Province approved by the Executive Board in April 2005 (EB 2005/84/R.14/Rev.2).
3. The Rural Livelihoods Improvement Programme (RLIP) covers eight districts, of which five are located in Sayaboury Province in the north of the country and three in Attapeu Province in the south. The target group consists of approximately 26,200 poor and food-insecure households living in the programme area. The overall goal of the programme is sustained economic growth and livelihood improvement for the rural poor, including women and other vulnerable groups. The programme is structured around four components: (i) social development; (ii) economic development and natural resources management; (iii) rural infrastructure development; and (iv) institutional development and capacity-building.
4. The Attapeu subprogramme, scheduled to be completed in March 2014, has already disbursed 93 per cent of the loan, based on the current annual workplan and budget. Funds will be fully disbursed by early 2012. The level of disbursement is due to early completion of the rural infrastructure works, as well as price escalations. As reported by the two latest supervision missions, good progress has been made in many of the diverse activities of the RLIP but much remains to be done to improve the economic position of the target group and ensure the sustainability of activities.

II. Justification and rationale

5. The programme area suffered a major cyclone in 2009/10; this had a negative impact on food security as reflected in the indicators collected by the provincial programme coordination unit (PPCU). In addition, during the early part of the programme, the PPCU focused on procurement and infrastructure development. Furthermore, access to important parts of the target districts has only recently been made possible (e.g. by road construction in Sanxai District).

6. The programme is now able to devote greater attention to the economic development and natural resource management component, where there is much to be done to achieve quantifiable improvements.
7. Additionally, some aspects of community development such as village planning have reached a promising stage but need now to be activated on the ground. Finally, engineering works need to be undertaken to realize the full potential of the construction already completed. The supplementary financing will help the programme achieve its objectives and ensure that the programme activities are sustainable and have maximum impact.

III. Programme costs

8. The total revised programme cost is US\$28.60 million. The sources of financing are: (i) IFAD, with a loan of US\$17.30 million, a component grant of US\$0.69 million, and supplementary financing of US\$2.5 million; (ii) the World Food Programme, with a contribution of US\$1.32 million; (iii) the Germany Agency for Technical Cooperation, with a contribution of US\$1.75 million; (iv) the German Development Service, with a contribution of US\$0.26 million; (v) the Government, with a contribution of US\$3.55 million; and (vi) the beneficiaries, with a contribution of US\$1.23 million.
9. The Attapeu subprogramme has the following expenditure categories to be funded by the supplementary financing: (i) civil works (34 per cent); (ii) vehicles and equipment (6 per cent); (iii) training and studies (24 per cent); (iv) technical assistance (15 per cent); (v) directly hired staff and programme allowances (9 per cent); (vi) incremental operating expenses (9 per cent); and (vii) rural microfinance (3 per cent).

IV. Proposed modifications to the financing agreement

10. Upon approval by the Executive Board, the existing financing agreement will be amended to reflect the supplementary financing. This supplementary financing does not imply any modification to the programme description.

V. Recommendation

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

RESOLVED: that the Fund shall provide supplementary financing in the form of a grant to the Lao People's Democratic Republic in an amount equivalent to one million five hundred and fifty thousand special drawing rights (SDR 1,550,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Kanayo F. Nwanze
President