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Enabling poor rural people  
to overcome poverty

## **President's memorandum**

### **Proposed supplementary grant to the Union of the Comoros for the**

### **National Programme for Sustainable Human Development**

#### **Note to Executive Board representatives**

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**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 Union of the Comoros for the National Programme for Sustainable Human Development, as contained in paragraph 14, and the modifications to the financing agreement as contained in paragraph 10.

## **President's memorandum Proposed supplementary grant to the Union of the Comoros for the National Programme for Sustainable Human Development**

### **I. Background**

1. The Union of the Comoros is considered a "red country" under the Debt Sustainability Framework (DSF), therefore support is being provided in the form of a grant.
2. This memorandum seeks approval for supplementary financing in the form of a grant for the equivalent of US\$2.6 million for the National Programme for Sustainable Human Development (PNDHD) approved by the Executive Board in April 2007 (EB 2007/90/R.13/Rev.1). This amount constitutes the full allocation for Comoros for 2010-2012 under the performance-based allocation system (PBAS).
3. The National Programme for Sustainable Human Development (PNDHD) covers five areas in the three islands of the Comoros. These areas have been selected on the basis of the incidence of rural poverty, the fragility of natural resources, the extent of current land and marine degradation, and the willingness of the population to undertake community activities. The target group consists of approximately 90,000 poor inhabitants of 54 villages (31 in Anjouan island, 16 in Grande Comore and 7 in Mohéli). These include 50,000 direct programme beneficiaries and 40,000 who will benefit from the activities of the agricultural extension centres.
4. The overall goal of the programme is to reduce poverty by promoting better natural resource management, in order to raise agricultural production. This in turn is expected to increase household income and food security, thereby improving the livelihoods of poor villagers, including women and the unemployed youth. The programme is structured around four components: (i) support to farmer organizations and local governance, including village development associations, producer groups and private-sector intermediary organizations; (ii) land rehabilitation and sustainable natural resource management, including conservation of watersheds and coastal areas as well as crop intensification, livestock development, and promotion of artisanal fisheries; (iii) local investment initiatives in close partnership with the diaspora (migrants' associations); and (iv) programme coordination and management.
5. The PNDHD initial cost was estimated at US\$7.2 million, with contributions of US\$4.6 million from IFAD (SDR 3.150 million, DSF grant 8003-KM) and US\$1.0 million from the Global Environment Facility (GEF) (MSP 16-KM). Furthermore, three additional contributions were expected: the first from the Food and Agriculture Organization of the United Nations (FAO) to support agricultural extension within the programme area; the second from the United Nations Development Programme (UNDP) to provide six volunteers (three international and three local) to strengthen programme capacity in monitoring and evaluation (M&E), gender and the environment; and the third from overseas migrants (diaspora). It was initially scheduled for completion in December 2012, and the

grant was to be closed in June 2013. As of 31 May 2011, 76 per cent of the IFAD funds and 25 per cent of the GEF grant had been disbursed.<sup>1</sup>

## II. Justification and rationale

6. In accordance with the grant agreement dated 6 July 2007, a mid-term evaluation mission visited the Comoros in June 2011.<sup>2</sup> The mission reported that good progress had been made in strengthening the village development associations and other community groups, and mobilizing their involvement in the various programme activities. The programme has generated real enthusiasm at the local level, including among women who have been active participants. Nonetheless, the mission reported that the programme is at risk because it has been unable to meet some important beneficiary expectations. Due to funding constraints, the PNDHD has not revitalized the agricultural extension and training centres<sup>3</sup> that were to play a key role in technical training for agricultural producers. Also for funding reasons, the programme has not been generous enough with the beneficiaries, while requiring from them much hard work. This problem only surfaced when field activities started in earnest, following the first phase of community capacity-building. Quantities of tools, inputs and improved planting materials, and compensation for labor, have all been insufficient and the programme has not had the capacity to respond to other expressed needs (processing, marketing and other income-generating activities).
7. Based on its analysis, the mid-term evaluation mission recommended changes in the approach to execution of key activities to make the programme more responsive to needs. The mission also suggested adding several new activities that had been overlooked and, importantly, identified additional funding required to offset the shortfall incurred when the expected cofinancing from FAO and UNDP did not materialize. Accordingly, the mission formulated a programme of activities to be executed during the next phase, and proposed a reallocation of existing funds as well as an allocation of the supplementary IFAD grant for which authorization is being sought. In order to execute the revised programme, the grant closing date would need to be extended by 18 months, to December 2014.

## III. Programme costs

8. The costs to be covered by the supplementary financing (equivalent to US\$2.6 million) relate mainly to: (i) activities for which expected cofinancing did not materialize; (ii) new activities deemed essential to the success of specific components; (iii) additional costs due to changes made to existing activities in order to better meet beneficiary demands; and (iv) the cost of extending programme implementation for 18 months. Details follow:

<sup>1</sup> The GEF grant became effective on 28 October 2008.

<sup>2</sup> The mid-term review was scheduled for mid-2010 but had to be postponed due to internal political unrest and turmoil during the whole of 2010.

<sup>3</sup> Due to the fact that the FAO project did not materialize.

Table 1  
**Activities to be financed by IFAD supplementary grant**

<i>Activities</i>	<i>United States dollars</i>
<b>Activities for which expected cofinancing did not materialize</b>	
Rehabilitation of agriculture training centres (FAO shortfall)	636 000
Regional M&E cells (UNDP shortfall)	103 600
Economic Development Fund (diaspora/MECKs shortfall)	342 000
<b>Added activities</b>	
Liquid nitrogen supply for artificial insemination	128 600
<b>Establishment of two goat nurseries</b>	
Rehabilitation of in-vitro lab for production of seedlings	22 100
<b>Cost increases due to changes in implementation conditions</b>	
Purchase of tree cuttings	123 080
Labour costs (vulnerable groups)	8 790
Increased working fund for veterinary medicine	20 270
Production of basic genetic material	43 440
<b>Subtotal, new or amended activities</b>	<b>1 475 380</b>
Extension of programme activities for an additional 18 months*	1 124 620
<b>Total</b>	<b>2 600 000</b>

\* All other activities for additional 18 months, including salaries and operating costs (ref: main report and detailed cost tables).

Table 2\*\*  
**Available financing including supplementary grant, by component**  
 (Thousands of United States dollars)

<i>Component</i>	<i>Amount</i>
1. Stakeholder capacity-building	2 054.7
2. Rehabilitation and sustainable land management	968.5
3. Support to local initiatives	371.2
4. Coordination and management	812.9
<b>Total</b>	<b>4 207.3</b>

Table 3\*\*  
**Available financing including supplementary grant, by expenditure category**  
 (Thousands of United States dollars)

<i>Category</i>	<i>Amount</i>
1. Civil works	373.8
2. Vehicles and equipment	976.5
3. Training, studies and technical assistance	497.6
4. Contracts and service providers	1 126.9
5. Economic development fund	371.2
6. Salaries	526.5
7. Operations and maintenance	334.9
<b>Total</b>	<b>4 207.3</b>

\*\* Table 2 and 3 indicate the use of both the supplementary financing (equivalent to US\$2.6 million) and the balance of the original IFAD grant (US\$1.6 million) as of 31 December 2011.

9. The expenditure categories to be financed with the supplementary financing include: civil works; vehicles and equipment; training, studies and technical assistance; contracts and service providers; economic development fund; salaries; and operations and maintenance. These categories are consistent with Schedule 2 of the original grant agreement.

#### **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 implies only a minor modification to the programme description. The target group originally identified will remain the same, however the 40,000 indirect beneficiaries will now benefit from the activities of agricultural extension centres. Component 3 is renamed "support to local initiatives" (rather than "support to local initiatives of the diaspora"); subcomponent 3.1 ("rural finance"<sup>4</sup>) is dropped and subcomponent 3.2, "economic development fund", does not change. All other components and subcomponents remain the same.

#### **V. Legal instruments and authority**

11. An amendment to the current programme financing agreement between the Union of the Comoros and IFAD will constitute the legal instrument for extending the proposed supplementary financing to the borrower/recipient.
12. The Union of the Comoros is empowered under its laws to receive financing from IFAD.
13. I am satisfied that the proposed supplementary financing will comply with the Agreement Establishing IFAD and the Lending Policies and Criteria.

#### **VI. Recommendation**

14. 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 Union of the Comoros in an amount equivalent to one million six hundred and eighty thousand special drawing rights (SDR 1,680,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Kanayo F. Nwanze  
President

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<sup>4</sup> This component has been eliminated because, despite several attempts on the part of PNDHD and IFAD, the projects to be funded by the Comorian diaspora in Marseilles, France never materialized – nor will they, in view of the difficulty for the members of the diaspora to monitor investments while outside the country 10 months out of 12 or even for a longer period.