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Enabling poor rural people
to overcome poverty

President's memorandum

Proposed supplementary financing from the IFAD Fund for Gaza and the West Bank for the Participatory Natural Resource Management Programme

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For: Approval

Recommendation for approval

The Executive Board is invited to approve the recommendation for the proposed supplementary financing from the IFAD Fund for Gaza and the West Bank to the Palestine Liberation Organization (for the benefit of the Palestinian Authority) for the Participatory Natural Resource Management Programme, as contained in paragraph 13.

President's memorandum

Proposed supplementary financing from the IFAD Fund for Gaza and the West Bank for the Participatory Natural Resource Management Programme

I. Background

1. At its twenty-first session in February 1998, IFAD's Governing Council established the IFAD Fund for Gaza and the West Bank (FGWB), to be used for the provision of financial assistance to projects operating in areas under the jurisdiction of the Palestinian Authority (resolution 107/XXI). Such assistance would be in the form of loans and grants, and would be provided in accordance with IFAD rules, regulations, guidelines and procedures. The resolution established that the FGWB was to be financed from IFAD regular resources and other contributions, and authorized the Executive Board to decide, from time to time, the maximum amount of resources that the FGWB could hold. It also specified that the FGWB would remain effective either until such date as Gaza and the West Bank attained membership of IFAD, or upon a proposal from the President of IFAD to close the fund – at which time, the Executive Board would decide on the disposal of FGWB resources.
2. On 23 April 1998, the Executive Board approved a loan of SDR 5.8 million to the Palestine Liberation Organization, for the benefit of the Palestinian Authority, on highly concessional terms, for the Participatory Natural Resource Management Programme (PNRMP) in the West Bank districts of Jenin, Nablus, Ramallah and Tulkarem.
3. At its ninety-fifth session in December 2008, the Executive Board allowed the PNRMP loan account to close, ensuring that the undisbursed balance (i.e. SDR 3.287 million, equivalent to approximately US\$5.0 million) was retained in the FGWB. This balance was made available to the Palestine Liberation Organization as a grant (for the benefit of the Palestinian Authority) to finance the same Participatory Natural Resource Management Programme. The grant financing agreement was signed on 1 April 2009 and the grant was declared effective on 26 July 2010. The total programme cost was estimated at US\$5.73 million over three years. The sources of funding were IFAD (SDR 3.29 million or approximately US\$4.98 million) and beneficiaries (US\$0.75 million). The programme is directly supervised by IFAD.
4. At its ninety-seventh session in September 2009, the Executive Board approved the channelling of the net balance due under the Rehabilitation and Development Project - Phase II in Gaza and the West Bank to the FGWB for subsequent use pursuant to the provisions of resolution 107/XXI. These financial resources amount to approximately SDR 1.942 million, equivalent to approximately US\$2.99 million.

II. Progress in programme implementation

5. The primary objective of PNRMP is to increase the incomes and living standards of smallholder farmers by enhancing their productivity through the development and management of land and water resources. To this end, the programme supports: (i) land reclamation and improvement (including construction of terraces, fencing, cisterns and access roads); (ii) improved crop productivity; (iii) a credit fund; and (iv) programme management and institutional support. The programme area contains about 260 villages with a total population of about 593,000, within an area of about 2,400 km² in the West Bank districts of Jenin, Nablus, Ramallah and Tulkarem.
6. Overall, the Ministry of Agriculture (in partnership with six NGOs) has made satisfactory progress in implementing the land reclamation and improvement component. Olive and fruit trees have been planted; and terraces, cisterns and access roads have been constructed in six villages. Since the launching of the grant programme phase in late 2010, a total of 1,140 dunums (one dunum is equal to 1,000 m²) of land have been improved, directly benefiting 411 households (of which 22.5 per cent are headed by women) and providing employment opportunities to the local labour force. In addition, a total of 47,483 m³ of retaining walls, 7,800 m³ of water cisterns and 10.6 km of rural roads were constructed. The improved land was converted into orchards through the planting of some 37,000 seedlings (21,379 olive and other fruit tree seedlings, and 15,500 thyme seedlings).
7. To date, no action has been taken to implement the credit component. This is mainly due to the provision of the existing grant financing agreement, which stipulates that the programme would be divided into two 18-month phases (phases I and II respectively), and that activities falling under the credit fund component would be implemented primarily in phase II, after the midterm review (MTR) had been undertaken. The review took place in early September and revalidated the relevance of engaging in microcredit delivery for programme beneficiaries. In addition, as a result of the MTR, a new partnership was established involving cofinancing of US\$3.29 million from the United Nations Development Programme/ Programme of Assistance to the Palestinian People (UNDP/PAPP) in support of the implementation of the credit component.

Rationale

8. Recently, the Palestinian Authority, through the Minister of Agriculture, formally requested IFAD assistance to enable the scaling up of the land reclamation and improvement component. It is considered that IFAD assistance to the Palestinian Authority for this purpose is appropriate for two key reasons. First, overall implementation progress and the attendant high disbursement rate (nearly 115 per cent) under the land reclamation and improvement component are satisfactory. Resources earmarked under the aforementioned component were used in their entirety at programme midterm. Second, the provision of supplementary IFAD resources will contribute to increasing, in a cost-effective manner and within a relatively short time frame, the incomes and living standards of small farmers in the target area. In view of the above, the MTR mission fielded to the West Bank in September 2012 strongly recommended that IFAD consider extending additional grant resources to the Palestinian Authority to scale up the land improvement activities.

III. Proposed supplementary grant financing

9. The supplementary financing will be funded through the FGWB, which has an available balance of US\$2.99 million. The supplementary financing will lead to the following increases: improved land will be expanded by 300 per cent, from 1,140 to 3,440 dunums; water cistern capacity will rise by 340 per cent, from 7,800 to

26,400 m³; retaining walls will increase by 336 per cent, from 47,500 to 162,500 m³; rural roads will increase by 190 per cent, from 10.6 to 21.6 km; and the number of beneficiary households will grow by 205 per cent, from 600 to 1230, in 29 villages. In addition, an estimated 118 km of fencing will be erected and some 57,000 seedlings planted. The supplementary financing will enable the target group to improve food security, household income, and living conditions and will enhance the programme's policy influence at district and national levels. It will also allow for an increased focus on identifying best practices and knowledge products for broader application in the Palestinian Territories.

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. The proposed modifications to the financing agreement will imply a revision of the allocation of the IFAD financing to include the supplementary grant financing. The programme area, objectives, strategy, target groups and implementation arrangements will remain as described in the programme design report and grant agreement. The flow of funds, procurement and contracting modalities, disbursement, financial accounts, audit and reporting are outlined in the programme grant agreement and the programme implementation manual and remain valid and applicable for the incremental resources. The key amendments to the financing agreement are as follows:
 - (a) Provision of supplementary financing to the component for land reclamation and improvement;
 - (b) Reallocation of grant funds across expenditure categories, in accordance with the approved programme design, to investment activities for which there is substantial smallholder demand, primarily to enhance land reclamation and improvement; and strengthen or expand access to credit, especially microfinance, in order to promote farm and off-farm enterprises and income generation initiatives; and
 - (c) extension of the programme completion and closing dates by two years to 30 September 2015 and 31 March 2016, respectively.

V. Total programme cost and financing

11. Taking into account the supplementary grant and the cofinancing resources, the total revised programme cost is US\$13.9 million (from US\$5.73 million) over five years, i.e. an increase of 243.5 per cent. The sources of financing are: (i) IFAD, with an original grant of SDR 3.29 million, equivalent to approximately US\$4.98 million (33.70 per cent) and a supplementary grant of approximately SDR 1.942 million, equivalent to approximately US\$2.99 million (21.51 per cent); (ii) UNDP/PAPP, with a contribution of US\$3.29 million (23.58 per cent); (iii) the microfinance institutions, with a contribution of US\$0.78 million (5.59 per cent); and (iv) programme beneficiaries, with a contribution of US\$1.90 million (13.62 per cent).
12. Changes in the amounts allocated to the original IFAD grant categories of expenditure will be reflected in schedule 2 of the amended financing agreement as per the table below. The supplementary grant financing of SDR 1.94 million, equivalent to approximately US\$2.99 million, will be allocated against category II - Civil works.

Category Description	Programme grant allocation	IFAD supplementary grant (indicative SDR)	Amount after reallocation using incremental supplementary grant of approximately SDR 1.94 million	Percentage of eligible expenditures (net of taxes)
I. Vehicles, equipment and goods	50 000		43 300	100
II. Civil works	750 000	1 942 000	3 164 500	100
III. Training, technical assistance, demonstration and studies	280 000		167 000	100
IV. (a) Incremental credit - credit fund	1 500 000		1 693 000	100
IV. (b) Incremental credit - credit risk	300 000			100
V. Incremental operating costs	90 000		160 849	100
VI. Unallocated	316 649		-	
Total	3 286 649	1 942 000	5 228 649	

VI. Recommendation

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

RESOLVED: that the Fund shall provide a supplementary grant to the Palestinian Authority in various currencies in an amount equivalent to approximately 1.942 million special drawing rights (SDR 1,942,000) from the IFAD Fund for Gaza and the West Bank, upon such terms and conditions as shall be substantially in accordance with the terms and conditions approved by the Executive Board at its ninety-fifth session in December 2008.

Kanayo F. Nwanze
President