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President's memorandum

Proposed supplementary financing to Burkina Faso for the

Participatory Natural Resource Management and Rural Development Project in the North, Centre-North and East Regions (*Neer-tamba* Project)

Note to Executive Board representatives

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Executive Board — 108th Session
Rome, 10-11 April 2013

For: Approval

Recommendation for approval

The Executive Board is invited to approve the recommendation for the proposed supplementary financing to Burkina Faso for the Participatory Natural Resource Management and Rural Development Project in the North, Centre-North and East Regions (*Neer-tamba* Project) as contained in paragraph 10, and the modifications to the financing agreement, as contained in paragraph 6.

President's memorandum

Proposed supplementary financing to Burkina Faso for the Participatory Natural Resource Management and Rural Development Project in the North, Centre-North and East Regions (*Neer-tamba* Project)

I. Background

1. This memorandum seeks the approval of the Executive Board for additional financing of US\$28.98 million, equivalent to SDR 19.35 million, for the Participatory Natural Resource Management and Rural Development Project in the North, Centre-North and East Regions (*Neer-tamba* Project), approved by the Executive Board in December 2012.

II. Justification and rationale

2. It was envisaged in the relevant President's report (paragraph 31, EB 2012/107/R.15) that the *Neer-tamba* Project would receive an initial grant from IFAD of US\$51.16 million in 2012 under the performance-based allocation system (PBAS) cycle for 2010-2012 and, subsequently, additional financing under the PBAS cycle for 2013-2015 which would be submitted to the Executive Board for approval.
3. In light of the above, the approval of the Board is now sought for additional financing of US\$28.98 million (US\$14.49 million as a highly concessional loan and US\$14.49 million as a grant) for the *Neer-tamba* Project, under the PBAS allocation for Burkina Faso for 2013-2015.

III. Project costs and financing

4. The total project cost remains at US\$114.6 million over eight years. The sources of financing are: (i) IFAD, with an initial grant of US\$51.16 million, a supplementary grant of US\$14.49 million and a highly concessional loan of US\$14.49 million (totalling 69.9 per cent of project costs); (ii) the Government, with a contribution of US\$24.10 million (21 per cent); (iii) beneficiaries, with a contribution of US\$5.90 million (5.2 per cent); and (iv) a cofinancier contribution of US\$4.47 million (3.9 per cent).
5. IFAD supplementary financing of US\$28.98 million (of which 50 per cent will be in the form of a Debt Sustainability Framework (DSF) grant and 50 per cent in the form of a highly concessional loan) will be allocated to the following expenditure categories: (i) civil works, approximately US\$10 million; (ii) equipment and materials, approximately US\$1 million; (iii) services, approximately US\$13 million; (iv) start-up capital fund, approximately US\$2.5 million; (v) salaries and operating costs, approximately US\$2.4 million. All the amounts include contingencies.

Table
Project costs by funding source

	IFAD + cofinancier		Contribution of Government		Contribution of beneficiaries		Total		Foreign currency	Local currency (excluding taxes)	Duties and taxes
	Amount	%	Amount	%	Amount	%	Amount	%			
A. Smallholdings and productive potential development											
Smallholdings development	30 017.7	72.2	6 972.8	16.8	4 603.9	11.1	41 594.3	36.3	4 060.5	31 370.5	6 163.4
Reclamation of degraded land	-	-	-	-	-	-	-	-	-	-	-
Support for local management and secure land tenure	7 430.6	74.9	2 492.1	25.1	-	-	9 922.6	8.7	1 462.7	7 253.7	1 206.3
Subtotal	37 448.2	72.7	9 464.9	18.4	4 603.9	8.90	51 517.0	44.9	5 523.2	38 624.2	7 369.6
B. Intensification and production development											
Improvement in the supply of technical assistance services	15 146.6	75.0	5 048.9	25.0	-	-	20 195.5	17.6	3 382.0	14 026.3	2 787.2
Support for local production development initiatives	9 294.5	74.9	1 804.4	14.5	1 306.1	10.5	12 404.9	10.8	264.5	11 765.7	374.7
Subtotal	24 441.1	75.0	6 853.2	21.0	1 306.1	4.0	32 600.4	28.4	3 646.5	25 792.0	3 161.9
C. Capacity-building											
Target populations	6 791.8	75.0	2 263.9	25.0	-	-	9 055.8	7.9	113.5	8 006.1	936.2
Chambers of agriculture	8 179.2	74.4	2 818.4	25.6	-	-	10 997.6	9.6	2 903.1	6 373.7	1 720.8
Regional directorates	2 172.8	71.8	854.4	28.2	-	-	3 027.2	2.6	1 438.8	967.1	621.4
Subtotal	17 143.8	74.3	5 936.8	25.7	-	-	23 080.6	20.1	4 455.4	15 346.8	3 278.4
D. Project management											
Personnel	1 706.8	75.0	568.9	25.0	-	-	2 275.7	2.0	-	2 275.7	-
Equipment, studies	1 690.7	74.2	587.2	25.8	-	-	2 277.9	2.0	317.7	1 761.1	199.1
Operations	2 171.9	75.0	724.0	25.0	-	-	2 895.9	2.5	718.4	1 743.1	434.4
Subtotal	5 569.4	74.8	1 880.1	25.2	-	-	7 449.5	6.5	1 036.1	5 780.0	633.5
Total project cost	84 602.6	73.8	24 134.9	21.1	5 910.0	5.2	114 647.5	100.0	14 661.2	85 542.9	14 443.4

IV. Proposed modifications to the financing agreement

- Upon approval of the Executive Board and subject to the entry into force of the financing agreement for the *Neer-tamba* Project approved by the Executive Board at its 107th session, such agreement will be amended to reflect the supplementary IFAD financing. This additional financing was foreseen in the financing plan initially agreed at design stage and does not imply any modification to the project description. The fiduciary arrangements defined in the design documents and applicable for the first DSF grant, as highlighted in section D (paragraph 27) of the President's report, will also apply for this second financing. These include requirements for financial accountability, audit and flow of funds. The pre-disbursement conditions set forth in the financing agreement for the first DSF grant will also need to be fulfilled before starting disbursement of the additional financing. Simplified and harmonized financial reporting and disbursement arrangements for all three financing streams will be developed and specified in the relevant legal agreement.

V. Legal instruments and authority

- An amendment to the current financing agreement between Burkina Faso and IFAD will constitute the legal instrument for extending the proposed supplementary financing to the recipient/borrower.
- Burkina Faso is empowered under its laws to receive financing from IFAD.
- I am satisfied that the proposed supplementary financing will comply with the Agreement Establishing IFAD and the Lending Policies and Criteria.

VI. Recommendation

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

RESOLVED: that the Fund shall provide a supplementary highly concessional loan to Burkina Faso in an amount equivalent nine million six hundred seventy-five thousand special drawing rights (SDR 9,675,000), and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein, in particular in paragraph 6;

RESOLVED FURTHER: that the Fund shall provide a supplementary grant to Burkina Faso in an amount equivalent to nine million six hundred seventy-five thousand special drawing rights (SDR 9,675,000), and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein, in particular in paragraph 6.

President
Kanayo F. Nwanze