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Investing in rural people

## President's memorandum

Proposed loan and grant to the Republic of the Niger to address the financing deficit of the Family Farming Development Programme (ProDAF) in the regions of Maradi, Tahoua and Zinder

### Note to Executive Board representatives

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For: Approval

## Recommendation for approval

The Executive Board is invited to approve the recommendation on the proposed loan and grant to the Republic of the Niger to address the financing deficit of the Family Farming Development Programme (ProDAF) in the regions of Maradi, Tahoua and Zinder, as contained in paragraph 31, and the amendments to the financing agreement as contained in paragraph 27.

## President's memorandum

### Proposed loan and grant to the Republic of the Niger to address the financing deficit of the Family Farming Development Programme (ProDAF) in the regions of Maradi, Tahoua and Zinder

#### I. Context

1. The Family Farming Development Programme (ProDAF) in the regions of Maradi, Tahoua and Zinder was conceived taking account of the possibility of mobilizing IFAD financial resources across two performance-based allocation system (PBAS) cycles (2013-2015 and 2016-2018). This approach allowed IFAD to meet the Government of the Niger's request of 12 November 2014 seeking assistance in formulating and implementing a broad investment programme to support family farming in all three regions: a first tranche of US\$48.5 million (29.8 per cent of total financing) was provided by using all resources available under the 2013-2015 PBAS cycle. The Ministry of Economy and Finance of the Niger made a formal supplementary request to IFAD on 15 November 2015 to fill the US\$48.5 million financing gap.
2. The present memorandum seeks the approval of the IFAD Executive Board of the final tranche of US\$23.7 million under the 2016-2018 PBAS cycle in order to fill the remaining ProDAF financing gap and thereby fulfil IFAD's commitments to the Government, development partners and, above all, ProDAF's rural beneficiaries in the regions of Maradi, Tahoua and Zinder.

#### II. Rationale

3. In reviewing the existing resource mobilization to fill the gaps in programme financing, which was approved at the design phase, IFAD management deemed it appropriate to modify internal procedures in order to distinguish resource mobilization (to address the financing deficit foreseen at the project design stage) from existing instruments for supplementary financing (to address financing deficits not anticipated at the time of project design, or to provide additional resources for scaling-up). IFAD Management therefore judged it timely to submit to the Executive Board the present resource mobilization request to fill the financing gap and to explain the strategic and operational reasons underpinning the request as well as the financing approach adopted.
4. ProDAF was designed and approved by the Executive Board with a financing shortfall already identified and a proposal to finance the programme using resources available over the course of two PBAS cycles. The following considerations justified such a financing approach.
5. First, the strategic and political stakes for IFAD, in the context of its commitment to the international community to provide ongoing material support to all countries

in the Sahel region in their efforts to prevent, control and manage recurrent (environmental, social and political) crises. That support primarily takes the form of the mobilization of sufficient financial resources to support investments in public policy and development programmes, particularly in the areas worst affected by the terrorist threats, increasing cross-border migrant flows and the effects of climate change.

6. Secondly, the overall IFAD financing anticipated at the design stage has an influence on the way ProDAF is perceived by the Government and programme management units: programme managers and officers are able to ensure medium- and long-term planning; management teams and operational partners focus on the effective implementation of the annual work plan and budget (AWP/B) and on the proper implementation and performance of planned activities and investments. The approval of the total amount and, thereby, the confirmation of IFAD's commitments will send a positive message to other donors and development partners.
7. Finally, in terms of investment programme design, ProDAF has also given IFAD the opportunity to demonstrate the efficiency and effectiveness of designing broad investment projects in a context where the prerequisite conditions for developing and implementing such programmes (effective national and local planning and financial management capacities, an appropriate monitoring and evaluation [M&E] system, effective financial and material implementation, etc.) are met and form an effective and integral approach for scaling up operations.

### III. Developments in partnerships and cofinancing

8. At present, ProDAF is among the leading investment programmes implemented in the Niger in the area of family farming. Since its approval by the Executive Board in 2015, the partnerships and cofinancing initially planned have evolved positively and dynamically. On 12 October 2015, the OPEC Fund for International Development (OFID) and the Niger signed a new financing agreement for a supplementary loan in the amount of US\$15 million towards the infrastructure component of ProDAF, based on the positive results of the first loan of US\$6 million; the first meeting of the Niger-Italian Cooperation Steering Committee was held in Niamey on 25 July 2016 regarding the mobilization of a loan in the amount of EUR 20 million to support ProDAF operations in the Tahoua region; a grant proposal for US\$8 million was submitted to the Global Environment Fund (GEF) for final approval in July 2016.
9. With regard to national counterpart funding, despite the critical state of the national budget in 2015/2016 due to unforeseen major public spending on national and regional security and counterterrorism, the Ministry of Agriculture and Livestock nonetheless managed to secure, in 2015, US\$1 million from the national budget as counterpart financing for IFAD projects; a request for an equivalent amount for 2016 has been submitted to the Ministry of Finance.
10. In terms of operational partnership agreements, ProDAF, under the guidance of the Ministry of Agriculture and Livestock, is in the process of concluding a protocol agreement with the Small-scale Irrigation and Food Security Programme (PISA) (EUR 17 million) financed by the KfW Development Bank, while the French Development Agency Agricultural Sector Support Project is financed to the amount of EUR 67 million: this agreement aims to establish a platform for coordination, harmonization and operational synergies in the region of Tahoua, under the auspices of the Ministry of Agriculture and local communities.
11. The Government and all development partners in the country appreciate IFAD's initial work on ProDAF design and implementation, which are recognized as an innovative approach to planning and mobilizing resources for family farming and the rural sector in the Niger.

## IV. Programme implementation status

12. The ProDAF financing agreement was signed on 25 July 2015 and entered into force on 21 September 2015. The programme, including all mobilized resources, will reach completion on 30 September 2023 and close on 31 March 2024. All planned institutional and operational programme implementation arrangements are in place in the three regions and Niamey. The first programme steering committee meeting, on 1 October 2015, approved the 2016 AWP/B totaling approximately US\$23.5 million (total combined resources). A first withdrawal request, for US\$500,000 to cover start-up expenditures, was submitted on 30 November 2015 and paid on 18 December 2015. Regional and national start-up workshops were held in January 2016. On 25 January, a second fund withdrawal request – for US\$4,356,930 (50 per cent as a loan and 50 per cent as a grant under the Debt Sustainability Framework [DSF]) plus US\$715,980 (a loan under the Adaptation for Smallholder Agriculture Programme [ASAP]) – was submitted to IFAD.
13. Regarding the implementation status of the two IFAD projects under way (the Maradi Region Food Security and Development Support Project [PASADEM] and the Ruwanmu Small-scale Irrigation Project), the rate of disbursement (total combined resources, IFAD loans and grants, Spanish Food Security Cofinancing Facility Trust Fund and GEF) was approaching 100 per cent by 30 June 2016. More specifically, in terms of the planned investments under the ProDAF infrastructure component totaling US\$91.6 million, it is noteworthy that: by 15 June 2016, 390 km of rural roads (an investment of US\$13 million) had been or were almost completed (of the 1,300 km goal); a semi-wholesale market (Djirataoua) was completed on 19 July 2016; the two wholesale markets in Maradi (Sabon-Machi and Tessoua) will be delivered in October 2016 and four others (Tahoua and Zinder) are in the procurement phase (an overall investment of US\$9.7 million); and 14 storage centres have been completed and six are still under construction (an investment of US\$4.4 million). The combined investments already made under the ProDAF infrastructure component (completed, under construction or in procurement) total US\$47.5 million.

## V. Security in the country

14. Diffa is the region currently most affected by terrorist attacks. Excellent collaboration among the Department of Safety and Security of the United Nations, the IFAD Country Office, the project management unit and the national security forces, ProDAF implementation is on track in the regions of Tahoua, Maradi and Zinder, with implementation activities and AWP/Bs proceeding in a regular manner. The national security forces, as per agreement with the United Nations Department of Safety and Security, provide military escorts to field supervision missions under the coordination of local authorities and communities.
15. In addition to these measures, the IFAD Security Unit decided to despatch a field mission to undertake a detailed evaluation of the security conditions in IFAD's area of operations within the three regions and formulate appropriate recommendations to the ProDAF management and supervision mechanism.

## VI. Programme costs and financing

16. The Executive Board approved ProDAF in April 2015 (EB 2015/114/R.8/Rev.1). Programme financing came from the following sources: (i) IFAD – thanks to the harmonization of the PASADEM and Ruwanmu Small-scale Irrigation Project AWP/Bs already under way (US\$10.5 million) with the ProDAF AWP/B – with PBAS 2013-2015 financing (US\$48.5 million – 50 per cent grant and 50 per cent loan) and ASAP funds (a grant of US\$13.0 million); (ii) the GEF (a grant of US\$8.0 million, subject to approval); (iii) OFID (a loan of US\$6.0 million); (iv) Italian Cooperation (US\$28.2 million in financing); (v) the Government of the Niger

(US\$33.4 million – US\$18.6 million in tax exemptions and US\$14.8 million in funding); and (vi) the beneficiaries (US\$11.1 million).

17. A funding gap of US\$48.5 million was explained by the fact that neither the resources allocated to the Niger under the PBAS 2013-2015 cycle nor the available cofinancing were sufficient to fully cover ProDAF financing plans. An amount of US\$24.8 million under the current PBAS 2016-2018 allocation for the Niger was approved by the Executive Board on 9 April 2016 under the lapse-of-time procedure.
18. Funds totaling US\$23.7 million (50 per cent in the form of a loan on highly concessional terms and 50 per cent as a DSF grant) remain to be mobilized and will be used to fill the financing gap identified at the programme design stage and, thereby, to proportionally expand previously planned programme activities; this financing will not modify the programme description in any way.
19. Table 1 gives the breakdown of costs by component and source of financing.

Table 1  
**Programme costs by component and source of financing**  
(Thousands of United States dollars)

Component	IFAD PBAS 13-15 50% loan–50% grant		IFAD PBAS 16-18 (1 <sup>st</sup> allocation) 50% loan–50% grant		IFAD PBAS 16-18 (2 <sup>nd</sup> allocation)		ASAP		GEF		Beneficiaries		Government		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<b>A. Strengthening sustainable family farming</b>																
1. Structured, productive farms resilient to climate risks	15 774.5	22.0	8 029.19	11.2	7 714.32	10.8	10 122.3	14.1	7 061.6	9.9	9 724.4	13.6	13 169.1	18.4	71 595.5	44.1
2. Rural stakeholder capacity-building	6 173.4	42.1	3 161.03	21.5	3 037.07	20.7	1 365.4	9.3	-	-	128.0	0.9	815.7	5.6	14 680.6	9.0
3. Women's leadership and enhanced nutrition security	2 812.6	44.0	1 434.43	22.5	1 378.17	21.6	-	-	-	-	-	-	762.9	11.9	6 388.0	3.9
Subtotal	24 760.5	26.7	12 624.59	13.6	12 129.51	13.1	11 487.7	12.4	7 061.6	7.6	9 852.4	10.6	14 747.8	15.9	92 664.1	57.0
<b>B. Access to markets</b>																
1. Structures for access to marketing platforms	12 662.4	32.5	6 457.82	16.6	6 204.58	15.9	-	-	-	-	-	-	13 670.6	35.1	38 995.4	24.0
2. Infrastructure management and financing for economic operators	3 267.3	39.4	1 666.32	20.1	1 600.98	19.3	-	-	-	-	1 286.0	15.5	469.3	5.7	8 289.8	5.1
3. Regional trade integration	1 720.6	44.0	877.51	22.5	843.09	21.6	-	-	-	-	-	-	466.6	11.9	3 907.8	2.4
Subtotal	17 650.2	34.5	9 001.60	17.6	8 648.6	16.9	-	-	-	-	1 286.0	2.5	14 606.5	28.5	51 192.9	31.5
<b>C. Programme management and coordination, M&amp;E and knowledge management</b>																
	6 084.2	32.6	3 102.94	16.6	2 981.26	16.0	1 482.8	7.9	964.4	5.2	-	-	4 045.4	21.7	18 660.9	11.5
<b>Total</b>	<b>48 494.9</b>	<b>29.8</b>	<b>24 729.14</b>	<b>15.2</b>	<b>23 759.37</b>	<b>14.6</b>	<b>12 970.5</b>	<b>8.0</b>	<b>8 026.0</b>	<b>4.9</b>	<b>11 138.4</b>	<b>6.9</b>	<b>33 399.7</b>	<b>20.6</b>	<b>162 518.0</b>	<b>100.0</b>

20. In accordance with programme design, funds will be allocated under the expenditure categories indicated in table 2.

Table 2

**Programme costs by expenditure category and source of financing**

(Thousands of United States dollars)

Expenditure category	IFAD PBAS 13-15 50% loan-50% grant		IFAD PBAS 16-18 (1 <sup>st</sup> allocation) 50% loan-50% grant		IFAD PBAS 16-18 (2 <sup>nd</sup> allocation)		ASAP		GEF		Beneficiaries		Government		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
1. Works	20 991.3	31.3	10 525.5	15.7	10 112.7	15.10	1 893.9	2.8	3 023.8	4.5	128.0	0.2	20 285.3	30.3	66 960.6	41.2
2. Vehicles	1 277.1	30.2	728.9	17.3	700.3	16.58	293.9	7.0	87.8	2.1	-	-	1 135.0	26.9	4 223.0	2.6
3. Equipment and supplies	1 000.6	34.0	510.3	17.3	490.3	16.66	109.1	3.7	67.5	2.3	-	-	765.2	26.0	2 943.0	1.8
4. Training	1 827.7	37.4	935.2	19.1	898.5	18.37	376.9	7.7	36.1	0.7	-	-	815.5	16.7	4 890.0	3.0
5. Consultations	6 930.7	33.5	3 523.4	17.0	3 385.3	16.35	1 693.3	8.2	500.4	2.4	-	-	4 675.8	22.6	20 708.9	12.7
6. Goods, services and inputs	7 154.4	25.7	3 756.2	13.5	3 608.9	12.95	6 907.1	24.8	3 792.8	13.6	-	-	2 645.1	9.5	27 864.5	17.1
7. Grants and subsidies	2 634.3	16.2	1 343.5	8.3	1 290.8	7.93	-	-	-	-	11 010.3	67.6	0.0	-	16 278.9	10.0
8. Salaries and benefits	5 637.2	36.4	2 875.0	18.6	2 762.2	17.84	1 324.9	8.6	382.4	2.5	-	-	2 498.6	16.1	15 480.3	9.5
9. Operating costs	1 041.4	32.9	531.1	16.8	510.3	16.10	371.5	11.7	135.2	4.3	-	-	579.2	18.3	3 168.7	1.9
<b>Total</b>	<b>48 494.9</b>	<b>29.8</b>	<b>24 729.1</b>	<b>15.2</b>	<b>23 759.4</b>	<b>14.62</b>	<b>12 970.5</b>	<b>8.0</b>	<b>8 026.0</b>	<b>4.9</b>	<b>11 138.4</b>	<b>6.9</b>	<b>33 399.7</b>	<b>20.6</b>	<b>162 518.0</b>	<b>100.0</b>

## VII. Financial management, procurement and governance

21. Programme planning will be an ongoing process based on AWP/Bs. The M&E system will be built around the logical framework as a management, planning and decision-making tool for all implementing partners. The programme computer database will be linked directly to the geographic information system (GIS) to provide a map-based visualization of programme results.
22. The ProDAF planning and M&E system will broaden the sphere of action of existing IFAD systems in the Niger and will complete their harmonization into a single unified database, GIS and procedural manual. In drawing up the AWP/B and in reviewing the logical framework together with stakeholders, quantitative targets were set by region and by implementation phase. Two interim reviews and a completion evaluation are planned to compare changes observed with the baseline situation.
23. ProDAF has a rigorous and reliable management and internal fiduciary control environment and a qualified team inherited from IFAD projects under way, which have attained remarkable levels of performance. A designated account in the name of the Programme was opened in CFA francs at a commercial bank approved by IFAD in Niamey. An operating account (four in total) in CFA francs will be opened for each of the regional project management units and the national technical assistance unit (CENAT). Each of these accounts will receive funds from designated accounts opened in Niamey (one per donor) based on funding requests from regional programme management units (RPMUs) to meet quarterly cash flow needs. At the request of CENAT, which is responsible for, among other things, quality control, coherence and financial consolidation, the designated account will be operated and managed on a revolving funds basis.
24. This innovative procedure will allow the programme to receive substantial advances to cover projected expenditures over six months included in the AWP/B. The use of these funds will be subject to regular and periodic reconciliation. Existing project teams make regular and optimal use of the latest version of the financial management software Tompro to prepare reimbursement requests and monthly reports.

25. The procurement system complies with the applicable laws, decrees and legal provisions in force concerning general principles; the control and regulation of public procurement and public service concessions; a priori control of procurement procedures, exercised by the General Directorate for the Control of Public Procurement, and of financial commitments; and setting public procurement thresholds for the State, public establishments, State enterprises and corporations with majority public ownership, on the one hand, and territorial or local groups, on the other.
26. ProDAF accounts are audited annually by an independent qualified firm.

## VIII. Proposed amendments to the financing agreement

27. Subject to Executive Board approval of the third tranche of financing to fill the funding gap identified in the programme design phase, the financing agreement will be amended accordingly. This financing completes the financing plan as originally approved during programme design phase and in no way modifies programme description, area of intervention or target groups. No new expenditure categories will be created.

## IX. Legal instruments and authority

28. An amendment to the financing agreement between the Republic of the Niger and IFAD will constitute the legal instruments for extending the proposed financing to the borrower/recipient.
29. The Republic of the Niger is empowered under its laws to receive financing from IFAD.
30. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the Policies and Criteria for IFAD Financing.

## X. Recommendation

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

RESOLVED: that the Fund shall provide a loan on highly concessional terms to the Republic of the Niger in an amount equivalent to eight million one hundred and fifty thousand special drawing rights (SDR 8,150,000), 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 grant under the Debt Sustainability Framework to the Republic of the Niger in an amount equivalent to eight million one hundred and fifty thousand special drawing rights (SDR 8,150,000), and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Kanayo F. Nwanze  
President