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Investing in rural people

Proposal for the provision of seed money for two strategic initiatives:

- (i) Scaling up of the Participatory Natural Resource Management Programme through the IFAD Fund for Gaza and the West Bank; and
- (ii) Rural Economic Growth and Employment Project in Jordan through the IFAD Facility for Refugees, Migrants, Forced Displacement and Rural Stability

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For: Approval

Recommendation for approval

The Executive Board is invited to approve the provision of an amount of US\$8.0 million as seed money for two strategic initiatives: (i) scaling up of the Participatory Natural Resource Management Programme through the IFAD Fund for Gaza and the West Bank; and (ii) the Rural Economic Growth and Employment Project in Jordan through the IFAD Facility for Refugees, Migrants, Forced Displacement and Rural Stability. Such provision is designed and expected to encourage additional contributions from Member States or other donors. The source of funds is the reserves of supplementary fund fees accumulated by IFAD in the recent past.

Proposal for the provision of seed money for two strategic initiatives:

- (i) Scaling up of the Participatory Natural Resource Management Programme through the IFAD Fund for Gaza and the West Bank; and
- (ii) Rural Economic Growth and Employment Project in Jordan through the IFAD Facility for Refugees, Migrants, Forced Displacement and Rural Stability

I. Introduction

1. IFAD's financial procedures require that adequate provision be made in all supplementary fund agreements to ensure coverage of the related direct and indirect costs. Indirect costs incurred by IFAD to provide financial, legal and administrative services associated with the management of supplementary funds are recovered through the imposition of a management fee. Each year, the budget document endorsed by the Executive Board and approved by the Governing Council specifies the annual allocable portion of the management fee that will be spent during the year to cover such indirect costs. This amount, when added to the net regular budget approved by the Governing Council, constitutes the gross budget. In 2016 an amount of US\$4.6 million was allocated in this way.
2. If not fully used to cover indirect costs incurred in connection with supplementary funds, fee income accumulates in a reserve, where it is retained as contingency for potential liabilities (e.g. to refund amounts to donors if expenditures are subsequently disallowed). Once no longer needed to guarantee performance of IFAD's fiduciary obligations to its donors, amounts accumulated in the reserve can be used for other purposes. Following an analysis of the reserve by the Accounting and Controller's Division, it has been determined that an amount of US\$11.4 million from the reserve is now available for such use. This analysis further indicated that such a reserve is unlikely to arise again in the future, given the higher costs associated with the fiduciary obligations of overseeing supplementary funds.
3. Management proposes that this reserve be used as "seed money" for strategic initiatives, outside the normal programme of loans and grants, with the goal of attracting additional sovereign and non-sovereign contributions to such initiatives.
4. As a first undertaking, Management is seeking the approval of the Executive Board to provide US\$8.0 million from this reserve as seed money for two strategic initiatives: (i) scaling up of the Participatory Natural Resource Management Programme through the IFAD Fund for Gaza and the West Bank; and (ii) the Rural

Economic Growth and Employment Project in Jordan through the IFAD Facility for Refugees, Migrants, Forced Displacement and Rural Stability (FARMS). Such provisions are designed and expected to encourage additional contributions from Member States or other donors.¹

A. IFAD Fund for Gaza and the West Bank

5. Establishment of the fund. In 1998 the Governing Council established the IFAD Fund for Gaza and the West Bank (FGWB) to provide financial assistance to projects and programmes in Gaza and the West Bank. In accordance with the resolution creating the trust fund (GC Resolution 107/XXI), it is authorized to receive funds from IFAD with the approval of the Executive Board.
6. Background. IFAD investments in the Palestinian Territories since 1994 have enabled the creation of successful rural development models. The last intervention, the Participatory Natural Resource Management Programme (PNRMP, 2000-2015, West Bank only) was financed from the resources of the FGWB, which can receive transfers from IFAD regular resources and other contributions. The FGWB is currently the only IFAD vehicle for financing operations in these areas. For the PNRMP, the FGWB received IFAD resources twice (about US\$11 million). The programme closed on 31 March 2016 and the FGWB is currently depleted.
7. PNRMP results and achievements. PNRMP achievements were considerable and the potential for scaling up was rated satisfactory at completion. Scarcity of land and water for agricultural use remains the major constraint in the Palestinian agriculture sector. The PNRMP directly addressed this constraint through land development activities (de-rocking, terracing, construction of rain water collection cisterns, rehabilitation of small springs, etc.), which helped farmers enhance their ownership and control of the land, encouraged more agricultural activities and greater security of ownership of these resources. It also helped poor rural households access tailored rural financial services (through a component cofinanced by the United Nations Development Programme [UNDP]), allowing them to further invest in their land or to develop/expand small off-farm businesses. Overall, the PNRMP helped develop some 9,340 dunums (934 hectares [ha]), generating an increase in farm-production-related income for smallholder farmers of about 75 per cent, while the value of the land increased by 70 per cent. For beneficiaries of the rural finance component, net monthly incomes of their enterprises rose, on average, from about US\$601/month to about US\$888/month. Data from impact and completion surveys showed a high level of satisfaction from both beneficiaries and government, as well as relevance of the programme to farmer, community and institutional needs.
8. Scaling up of the PNRMP. It is against this background that the Government has called upon IFAD – which is regarded as a partner with a high level of expertise in promoting rural resilience – to assist in the scaling up of the PNRMP. A concept note has been prepared for a new programme to reduce poverty in the targeted rural areas through improved livelihood protection and resilience. The specific objectives are to: (i) increase land access security and food security; (ii) increase economic opportunities; and (iii) enhance income diversification. Support will consist of a combination of mutually supportive activities under three components: (i) land development and improved food security; (ii) increased connectivity and economic opportunities; and (iii) enhanced income diversification through accessing tailored rural financial services. This is an initiative of strategic importance that demonstrates IFAD's commitment to remain engaged in the Palestinian Territories and to support poor rural people there.
9. Impact. Based on PNRMP experience, the new programme will directly benefit about 50,000 people, while indirect beneficiaries will amount to some 150,000

¹ Other initiatives under consideration to this end are: (i) the Smallholder and Small and Medium-Sized Enterprise Investment Finance fund (SIF); (ii) the Professional Pathways Programme; and (iii) the Accelerator Fund.

people. In terms of impact, it will aim to: (i) improve asset ownership; and (ii) raise monthly incomes and savings of at least 60 per cent of beneficiary households. It will achieve this mainly through the development of 8,000 dunums (about 800 ha), improved storage facilities and market access, and access to tailored financial products for at least 1,000 small and microenterprises (with a specific focus on women).

10. Financial envelope and donors approached. IFAD is seeking to raise an overall amount of up to US\$20 million (of which US\$4 million from IFAD), to be disbursed in the form of grants. Efforts were made by the Near East, North Africa and Europe Division and the Office of Partnership and Resource Mobilization to mobilize financing from development partners. Bilateral meetings were held (and subsequently followed up) with Canada, the European Union, France, Italy, Japan, the Netherlands, Norway, Sweden and Switzerland. The OPEC Fund for International Development, UNDP and the Arab Fund for Economic and Social Development were also approached. Several of these donors have given positive signals of potential cofinancing, but were interested in knowing IFAD's contribution prior to any further engagement. Committing IFAD resources will generate far greater interest among them and will help materialize cofinancing opportunities.
11. Duration and monitoring. The new programme will take place over seven or eight years, with two phases of three-and-a-half to four years each. Supervision missions will take place at least once a year. For progress and resource monitoring purposes, an in-depth report could be presented to IFAD every two years.
12. Seed money. It is proposed to provide an amount of US\$4.0 million to the trust fund to scale up the PNRMP.

B. Facility for Refugees, Migrants, Forced Displacement and Rural Stability

13. Establishment of the facility. In accordance with the information note presented to the 118th session of the Executive Board (document EB 2016/118/INF.6), IFAD established FARMS to address the causes and consequences of the current refugee and forced displacement crisis, which lies within IFAD's mandate, and to support efforts to bridge the humanitarian/development financing gap.
14. Background. The top priority for FARMS, and strategically for IFAD, is to support Jordan in responding to the refugee crisis. A formal request was received from the Government in this regard. Jordan is host to about 1.4 million Syrians, comprising over 20 per cent of the total population (of which 630,000 are officially registered as refugees with the United Nations High Commissioner for Refugees [UNHCR], in accordance with the Jordan Response Platform for the Syria Crisis [JRP]). Only 20 per cent live in the main refugee camps, and though precise rural figures are not available, it is estimated that many of the other refugees are in rural areas. This influx of refugees, almost unprecedented in scale, puts refugees in positions of immense vulnerability and places enormous pressure on both host communities and refugees in terms of livelihoods, natural resource management and food systems. Support to refugees and affected communities reduces the risk of deepening vulnerabilities and exacerbating the current crisis of displacement and conflict. It is imperative that both refugees and host communities are targeted with grant financing from FARMS.
15. Utilization of resources. Of the total funds (US\$4 million), US\$3.9 million will be used to top up the ongoing IFAD-supported Rural Economic Growth and Employment Project (REGEP) – IFAD financing of US\$11.3 million, total project financing of US\$17.13 million). The remaining amount (US\$100,000) will be used internally within IFAD to support partnership development, global policy engagement, and administrative and management costs.

16. Linkages. The proposed FARMS top-up will complement the REGEP and is aligned with Jordan's refugee distribution, constraints in host communities and the JRP. This ensures effective coordination with other humanitarian and development partners operating in the region. The top-up builds on the grant to enhance both food security in the Zaatari refugee camp and IFAD's partnerships with the Jordan River Foundation, chaired by Her Majesty Queen Rania Al Abdullah of Jordan, and with other actors and partners working in refugee-affected areas.
17. Project areas and components. In terms of targeting, the FARMS top-up to the Jordan portfolio will focus on the provinces of Mafraq (already covered by REGEP) and Irbid, two border governorates that have witnessed a high influx of refugees and are highlighted in the JRP. These provinces have prepared local economic development strategies to boost business and employment in the areas most affected by the Syrian refugee influx, and both strategies identify agriculture as a priority sector. The proposed components will focus on enhancing resilience and promoting sustainable livelihoods in both host communities and refugee households:
 - (a) Productive infrastructure. This will directly mitigate the unprecedented pressure from the refugee influx on natural resources and food systems through the creation and rehabilitation of irrigation networks, and creation of water users' associations, infrastructure to support agricultural production, and alternative energy (greenhouses and solar energy).
 - (b) Youth and women's enterprises. This component will directly address the vulnerabilities of refugee families and the pressure on host community livelihoods through seed funding of microenterprises, value chain mapping and training. This will enhance the capacities of refugees and their prospects for remunerative livelihoods on their return to Syria.
18. Uses. An amount of US\$100,000 from these funds will be used for administrative and management costs and will be catalytic in mobilizing resources, mapping, developing partnerships, promoting IFAD engagement in global policy forums and raising IFAD's profile as a key player in this evolving context.
19. Target. FARMS aims to obtain an overall envelope of US\$100 million from donors and partners. In the first phase, it will focus on the Near East and North Africa region, where the current crisis is most acute. In the future, and based on both needs and availability of resources, it could also address other regions.
20. Seed money. Given the urgency of the crisis and the need to start up the facility quickly, it is proposed to provide an amount of US\$4 million to FARMS to top up the REGEP in Jordan.

II. Recommendation

21. I recommend that the Executive Board approve the following resolution:

RESOLVED that: (i) an amount of US\$4 million be transferred from the supplementary funds fee reserve to the IFAD Fund for Gaza and the West Bank in order to provide seed money for the scaling up of the Participatory Natural Resource Management Programme; and (ii) an amount of US\$4 million be transferred from the supplementary funds fee reserve to the IFAD Facility for Refugees, Migrants, Forced Displacement and Rural Stability to provide seed money for the Rural Economic Growth and Employment Project in Jordan.

Kanayo F. Nwanze
President