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Preliminary Proposal for Faster Implementation of Project Start-up (FIPS) Instruments

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For: Review

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Abbreviations and acronyms

AsDB	Asian Development Bank
COSOP	country strategic opportunities programme
DSF	Debt Sustainability Framework
FFA	financing facility agreement
FIPS	Faster Implementation of Project Start-up
IDA	International Development Association
IDB	Inter-American Development Bank
LIC	low-income country
MDB	multilateral development bank
MFS	(country with a) most-fragile situation
PBAS	performance-based allocation system
PPF	Project pre-Financing Facility
PIM	project implementation manual
PMU	project management unit
PPF	Project Preparation Facility (World Bank)
SDG	Sustainable Development Goal
SECAP	Social, Environmental and Climate Assessment Procedures
SIDS	small island developing states
SOF	Special Operations Facility
TAPS	Technical Assistance for Project Start-up Facility

Recommendation for review

The Executive Board is invited to provide preliminary feedback on the establishment of two new instruments for faster implementation of project start-up:

1. The Project pre-Financing Facility (PFF); and
2. The Technical Assistance for Project Start-up Facility (TAPS).

Proposal for Faster Implementation of Project Start-up (FIPS) Instruments

I. Introduction

1. In the global effort to achieve the Sustainable Development Goals (SDGs), the development community and governments have adopted the 2030 Agenda for Sustainable Development (2030 Agenda), including specific targets for ending rural poverty and hunger. IFAD's contribution to the 2030 Agenda and the SDGs will be largely shaped during the Eleventh Replenishment of IFAD's Resources (IFAD11) from 2019 through 2021. In the IFAD11 Consultation, IFAD's Member States came together to review IFAD's performance, replenish its resources and agree on a set of new priorities for the IFAD11 period. The first key message of the IFAD11 Consultation was that "business as usual" is not sufficient to achieve the SDGs. As a result, participants agreed on an extensive work programme aligned with concrete commitments to enhance IFAD's capacity for bigger, better and smarter delivery.

II. Context

2. IFAD11. The IFAD11 Consultation yielded a wide spectrum of commitments. At the operational level, streamlined internal business processes will shorten the project design process while improving quality from the start of implementation. To this end, Management will submit to the Executive Board "a proposal ... for the creation of a project preparation advances facility to facilitate borrowers' leadership role in project preparation and expedite implementation readiness. This will include a mechanism to provide more substantial project preparation, start-up and implementation support to LICs [low-income countries] and MFS [countries with the most fragile situations], whether directly by IFAD or by partners."¹
3. With the proposal for Faster Implementation of Project Start-up (FIPS) instruments, IFAD is responding to recommendations from different evaluations and audit reports.
4. As early as 2012, an internal audit report on the efficiency of the project design process identified the need for additional support to facilitate implementation readiness without overburdening the project design process. IFAD's 2017 Annual Report on Results and Impact of IFAD Operations recommended enhancing implementation support during project start-up for projects deemed "at risk" and in countries with fragile situations. Finally, the Corporate-Level Evaluation on IFAD's Financial Architecture recommended investing more resources in project preparation and promoting strong country ownership, implementation capacity and preparedness.

¹ See para. 75 of the Report of the Consultation on the Eleventh Replenishment of IFAD's Resources (GC 41/L.3/Rev.1).

III. Problem analysis and lessons learned

5. IFAD lessons learned. There are many reasons for start-up delays among different countries and regions. Once a financing agreement enters into force, there are often delays in the fulfilment of conditions deemed critical before disbursement can begin, which are reflected in the financing agreement. These conditions vary, but usually include establishment of a project management unit (PMU), appointment or recruitment of project management staff, IFAD's approval of the first annual workplan and budget, preparation of procurement plans, preparation of bidding documents for the first procurement plan, finalization of the project implementation manual (PIM) and procurement of accounting software when necessary. There are also many challenges given the context of some LICs, MFS and small island developing states (SIDS).
6. An analysis of IFAD's existing and past instruments for overcoming these challenges is summarized in appendix I. The main lessons learned from this analysis were that:
 - (a) Country programme managers appreciated the flexibility of IFAD's use of grant resources for supporting implementation-readiness activities;
 - (b) Retroactive financing does not provide liquidity to Member States before projects' entry into force, which is a crucial limitation in LICs and MFS;
 - (c) Parliamentary ratification is an important cause of start-up delays;
 - (d) The new design process² foresees that preparatory activities will be completed as part of project design whenever possible; and
 - (e) The pilot of single PMUs coordinating all IFAD operations in a country has reduced start-up delays by ensuring the continuity of project staff, management and fiduciary systems.

IV. Description of FIPS instruments

7. This document presents to the Executive Board an overview of two distinct and complementary FIPS facilities for review, introducing the rationale for these new instruments to accelerate project start-up and improve implementation readiness.
8. The detailed operational aspects and expected impacts of these instruments, as well as financial and legal considerations related to their implementation will be presented in the final proposal, which will be submitted to the Executive Board in December (once an agreement has been reached on the broad principles).

A. Proposed facilities

9. IFAD proposes to establish two new instruments, building on the Fund's own experience and those of other multilateral development banks (MDBs):³
 - (i) The Project pre-Financing Facility (PFF) is a revolving fund that would provide liquidity early on in the project cycle so that activities can be initiated and financed prior to entry into force of the financing agreement, (as part of project design). PFF funds would be managed by the borrower or recipient based on a pre-financing agreement signed by the country and IFAD, with the same fiduciary requirements applied to IFAD loans and grants.
 - (ii) The non-reimbursable Technical Assistance for Project Start-up Facility (TAPS) would finance specific activities to support project implementation capacities at start-up. TAPS would be focused on LICs, SIDS and MFS, but offer targeted support to projects in any country that requires technical

² See PB/2018/04, President's Bulletin: Recalibrating the IFAD project design process.

³ See appendix I: Lessons learned from IFAD experience and other multilateral development banks.

studies for complex and risky operations. TAPS-funded activities would be implemented and managed by IFAD in line with its existing policies and guidelines.

10. Table 1 below shows the main differences between PFF and TAPS.

Table 1
Main differences between PFF and TAPS

	<i>PFF</i>	<i>TAPS</i>
Overall ceiling	Between US\$50 million and US\$70 million as total current pre-financing	US\$7.1 million to US\$10.7 million annually
Eligibility	All countries eligible for IFAD financing	Special focus on LICs, SIDS, MFS and risky operations
Preliminary source of funding	Performance-based allocation system (PBAS) – advances from loans and grants	PBAS – sourced from cancelled loan/grant amounts
Preliminary financing terms	Prevailing financing terms	Non-reimbursable technical cooperation
Eligible activities	Start-up and project preparation activities including: <ul style="list-style-type: none"> • Baseline and feasibility studies • Social, Environmental and Climate Assessment Procedures (SECAP) and studies related to cross-cutting thematic areas • PMU staff recruitment • First annual workplan and budget • Procurement plan • Project implementation manual • Establishment of monitoring and evaluation, and fiduciary systems • Procurement of goods and services required for project start-up 	<ul style="list-style-type: none"> • Implementation-readiness capacity • Risk mitigation for complex projects or contexts to meet project design requirements
Individual maximum ceiling	US\$500,000 to US\$1.5 million	US\$500,000
Execution	By borrower/recipient	By IFAD
Legal agreements	Two modalities for countries with and without ratification processes: <ul style="list-style-type: none"> • Long-term agreement at country strategic opportunities programme (COSOP) stage that lists future projects (with ratification) • Pre-financing legal agreement (without ratification) 	<ul style="list-style-type: none"> • No legal agreement required since it is executed by IFAD • Expression of interest from the government
Approval process	<ul style="list-style-type: none"> • Concept note stage • With COSOP if costing and an agreement on pre-financing with the government are available 	Together with project identification form
Approved by	Vice-President of IFAD; or Associate Vice-President, Programme Management Department following design review process	Associate Vice-President, Programme Management Department

(i) Project pre-Financing Facility

11. The PFF would provide borrowers or recipients with advance access to funds included in a future IFAD loan or Debt Sustainability Framework (DSF) grant so that projects would have sufficient liquidity to begin preparation activities prior to entry into force of the financing agreement (as part of project design). Its design was based on lessons learned from the World Bank's Project Preparation Facility.⁴
12. The PFF would be a revolving fund available to all borrower and recipient countries, and would be refinanced from the project loan or DSF grant. PFF activities would be an integral part of project activities and costs, which would be included in all project designs and budgets. All activities pre-financed under the PFF would be executed by the borrower or recipient country.

⁴ For more details, see appendix I.

13. The Executive Board will be invited to approve an overall PFF ceiling of between US\$50 million and US\$70 million. This ceiling was based on the estimated demand for PFF funds⁵ and defined as the total portfolio of all active PFF transactions at any given moment. A further increase in the ceiling would require approval by the Executive Board. In December, a proposal will be submitted to the Board requesting its delegation of authority to the Vice-President of IFAD or the Associate Vice-President, Programme Management Department for approval of individual PFF transactions with borrowers and recipients.
14. Activities to be financed. The PFF would support borrowers and recipients in identifying and addressing sector-specific challenges, mitigating environmental, social and climate risks, and accelerating preparatory activities for project start-up. Such activities are important for generating high-quality technical designs and setting up efficient operational and fiduciary systems. It would finance start-up activities that promote fast implementation, which must be completed prior to project approval.
15. Individual PFF ceilings. IFAD will establish criteria for determining the commitment to each individual PFF; cost estimates indicate that the ceiling would range from US\$500,000 to US\$1.5 million.⁶
16. Addressing ratification in parliament. As highlighted in the problem analysis, some countries require ratification of all international agreements, including those for financing; this process has contributed to start-up delays. In order to maintain a flexible and effective approach to ratification in these countries, IFAD may sign a PFF pre-financing agreement with the borrower or recipient in tandem with the development of a COSOP. This agreement would remain in force for the life of the COSOP to support project design and start-up activities. Lending terms and the repayment period are under consideration and will be presented in the final proposal.
 - (ii) Technical Assistance for Project Start-up Facility
17. TAPS would comprise non-reimbursable technical assistance aimed at increasing implementation-readiness support for project start-up capacities. While it would be made available to all countries, the focus would be on LICs, SIDS, MFS and projects in any country requiring technical studies for complex and risky operations to ensure compliance with IFAD's current requirements. TAPS would finance the following:
 - Implementation-readiness capacity. Project preparatory activities linked to the contracting of government staff and compliance with disbursement condition requirements often lack on-the-ground support, leading to start-up delays. While PFF would provide resources to ensure readiness prior to loan approval, TAPS would support implementing entities by providing direct support for setting up required operational and fiduciary systems.
 - Risk mitigation strategies for complex projects. TAPS could be used to finance technical studies aimed at ensuring compliance with IFAD's policies and fulfilling IFAD11 commitments on cross-cutting themes such as nutrition, gender, youth and climate. These studies are meant to provide a sound technical basis for theories of change related to complex and risky projects, and for identifying drivers of change.
18. The new SECAP process brings IFAD's safeguards in line with those of other MDBs. These new procedures lay out the steps to be taken during the project cycle, with an emphasis on social assessments of community health, safety, labour and other

⁵ For more details, see appendix II.

⁶ More details can be found in appendix II.

issues. TAPS would finance all mandatory SECAP requirements⁷ in cases where these activities are not financed by PFF. Furthermore, TAPS would provide the necessary resources to conduct vulnerability assessments and develop fragility strategies.

19. Based on preliminary analysis, cost estimates⁸ show that between US\$7.1 million and US\$10.7 million may be needed per year for TAPS financing. Options for sourcing this financing are under discussion. One possibility that emerged in a preliminary analysis is sourcing TAPS from cancelled loan balances. An assessment showed that using up to US\$10.7 million each year from these cancelled balances to finance TAPS would be sustainable under IFAD's current financial model for IFAD11 and IFAD12. Alternative financing options under consideration will be presented in the final proposal.
20. Individual TAPS ceiling. IFAD will determine criteria for establishing the ceiling applicable to individual TAPS; the maximum ceiling has been set at US\$500,000. These criteria will be based on a project's risk profile and an assessment of requirements for additional studies and on-the-ground support.

B. Results and impact of FIPS

21. Objectives. The overall objective of FIPS is to support IFAD's new streamlined design process by improving the quality of projects from the start of implementation. The detailed objectives are to ensure that projects: (i) are relevant to country development priorities for rural areas; (ii) have operational and fiduciary systems in place for rapid start-up; (iii) have completed the design process in line with SECAP standards as demonstrated by technical studies; and (iv) improve their performance and disbursement rates so that they can close within the foreseen period with all funds completely disbursed.
22. Expected results. FIPS instruments are expected to reduce time lags in project start-up and implementation, improve disbursement rates and decrease the number of "problem projects". These improvements will lead to improved portfolio quality, fiduciary compliance and disbursement performance. They are also expected to stimulate greater country engagement, with a focus on LICs, SIDS and MFS, as well as any country requiring technical studies for complex and risky operations.

C. Risks and benefits

23. Risk analysis
The FIPS instruments pose different levels of risk to IFAD depending on the implementation modality chosen and source of financing. These options are being analysed and will be presented in detail in the final paper, which will be submitted for approval in December. The risk mitigation strategy for FIPS is based on using the instruments together in a mutually supporting manner. Depending on the mechanisms adopted, changes to financial systems, reporting and procedures could be significant.

Benefits

24. Improved and inclusive delivery for beneficiaries. Combining technical assistance and pre-financing resources would bring IFAD in line with other MDBs. TAPS and PFF would enable IFAD to provide hands-on support to resolving bottlenecks while ensuring the scale of funding to get activities going.
25. Establishing systems. The availability of technical cooperation and liquidity for pre-financing will be instrumental for countries to establish effective and efficient

⁷ See IFAD, "SECAP – Managing risks to create opportunities" (2017 Edition).

⁸ More details are provided in appendix II.

project implementation systems. These systems will facilitate the tracking of results needed to enhance IFAD's and Members States' capacity for development effectiveness.

26. Country ownership and partnerships. By supporting early policy dialogue within the rural sector and strengthening in-country teams, FIPS would enable IFAD to enhance ownership and delivery capacity at the country and project levels.

V. Next steps

27. The paper to be submitted in December will include:
 - The overall FIPS results framework;
 - An assessment of financing options for each instrument;
 - A financial sustainability analysis and a set of initiatives being considered in line with IFAD11 commitments;
 - Risk mitigation measures in case of subsequent non-approval of a project;
 - Legal, efficiency and cost-of-capital implications;
 - Possibly an analysis of a potential third instrument under consideration, which would take the form of a loan to finance activities connected with IFAD's medium-term programme and strategy. This proposed financing instrument could amplify the impact of IFAD-financed operations that are included in COSOPs but not covered by single project activities; and
 - Management's assessment of the timeline for approval of the FIPS instruments.

Lessons learned from IFAD experience and other multilateral development banks

I. IFAD experience

1. Project start-up delays are not a new problem. IFAD has addressed these delays in different ways:
2. Special Operations Facility. From 1985 to 1994, through the Special Programme for Africa, IFAD provided Special Operations Facility (SOF) grants to cover project formulation, start-up and initial implementation expenditures. The SOF was subsequently transformed into financing facility agreements (FFAs) targeting countries that benefitted from highly concessional lending terms; FFAs continued until 2007. SOF and FFA grants were executed by IFAD.
3. IFAD also has two mechanisms related to loans that aim to foster rapid project start-up. Retroactive financing allows governments to pre-finance project-related expenditures upon – or just before – project approval, which are then reimbursed after disbursement conditions have been fulfilled. Start-up advances comprise funds that can be withdrawn immediately upon the entry into force of financing agreements to fund the establishment of project management units and other readiness activities pending fulfilment of disbursement conditions. Demand for retroactive financing has been low since borrowers/recipients normally cannot pre-finance activities without budget approval (which in turn depends on financing agreements). Used only in a minority of cases, start-up advances do not provide liquidity to finance expenditures for implementation readiness before entry into force of financing agreements.
4. In a few cases, country-specific grants have been used to fund start-up activities. Only “green” countries under the Debt Sustainability Framework (DSF)⁹ are eligible for country-specific grants.¹⁰ Given competing priorities and the limited availability of IFAD grant funds, country-specific grants are not an ideal instrument to address start-up delays.
5. The main lessons from these experiences are:
 - Country programme managers appreciated the SOF tool as it provided flexibility to execute grant resources aiming at improving implementation readiness.
 - Retroactive financing does not provide liquidity to member countries before entry into force what for LICs and MFS is a crucial limitation.
 - Parliamentary ratification is one important cause of start-up delays.
 - New design process focus on implementation readiness requires has shifted disbursement conditions into design requirements.
6. In the past, the SOF and FFAs helped to address start-up challenges, but these instruments were discontinued when IFAD began direct supervision. None of the options listed above provide the scalability needed to promote faster implementation across the entire IFAD11 portfolio. The table below gives a comprehensive overview of all IFAD’s current and past mechanisms for accelerating project start-up.

⁹ The DSF uses the debt-distress “traffic light” framework (“green”, “yellow” and “red” countries) for determining repayment terms. If a country is “red” or “yellow”, it is eligible to receive a grant or loans on blend terms.

¹⁰ The Corporate Level Evaluation of the IFAD Policy for Grant Financing (2014) recommended that, “All IFAD borrowers, rather than “green” countries only, should be eligible for grants. “Red” and “yellow” countries also need grants to fund essential activities related to capacity-building” (paragraph 51).

Table 1
IFAD's experience with project start-up and project preparation

<i>Mechanism</i>	<i>Description</i>	<i>Effectiveness</i>	<i>Constraints</i>
Special Operation Facility (SOF)	<ul style="list-style-type: none"> Established in 1985 Special grants programme for implementation-readiness activities Ceiling of US\$100,000, in 1999 reduced to US\$60,000 Only for highly concessional loans 	<ul style="list-style-type: none"> US\$1.5 million spent on average each year for 15 to 20 SOF grants SOF funds were directly managed by IFAD The facility was appreciated by country programme managers Provided flexibility to improve implementation readiness 	<ul style="list-style-type: none"> Implemented before IFAD direct supervision Lack of administrative procedures and reporting Financed by supplementary funding, which is difficult to mobilize
Retroactive financing	<ul style="list-style-type: none"> Applies to expenditures to be incurred before entry into force of projects with Executive Board approval Amount not to exceed 10 per cent of financing Eligibility starting with project design date 	<ul style="list-style-type: none"> Not well known in IFAD Seldom used across the portfolio 	<ul style="list-style-type: none"> Does not provide liquidity prior to entry into force In-country regulations often do not allow loan proceeds to be used before projects' entry into force
Start-up advance	<ul style="list-style-type: none"> Can be used once financing agreement has entered into force Can finance expenditures to be incurred before the annual work-plan and budget has been approved and other conditions have been satisfied Eligible activities include project implementation manuals, accounting software, procurement and staff recruitment 	<ul style="list-style-type: none"> Start-up advances have been used relatively little Average amount is US\$260,000 ranging from US\$10,000 to US\$600,000 No positive impact on speeding either first or second disbursements* 	<ul style="list-style-type: none"> Starts after entry into force Some countries do not request any start-up advance because of legal barriers Does not provide any liquidity to the project before approval Project preparation activities have been moved to the design phase
Country-specific grant	<ul style="list-style-type: none"> The purpose must be in line with the IFAD Policy on Grant Financing and is not specifically for project readiness Used to finance a component of a loan-funded investment projects in "green" countries under the performance-based allocation system (PBAS) Grant-approval process is part of the loan-approval process 	<ul style="list-style-type: none"> Three cases of country-specific grants used for project start-up have been identified Case studies have pointed to positive experiences with completing activities, but indicated limited effectiveness in speeding up time to first disbursement 	<ul style="list-style-type: none"> The main purpose of the Policy on Grant Financing is not project preparation The approval process is the same as that for the attached loan, which can be too lengthy for start-up activities Can only be used for a small fraction of IFAD "green" countries

* According to IFAD's study on disbursement performance.

II. Summary of benchmarking analysis with other multilateral development banks

- For this FIPS proposal, IFAD conducted a benchmark analysis to compare its mechanisms for facilitating project start-up with those of other multilateral development banks (MDBs). All other MDBs have project preparation facilities or technical assistance programmes in place to accelerate start-up and improve implementation readiness. In addition to a desk review, project-preparation experts from the World Bank, Inter-American Development Bank (IDB), Asian Development Bank (AsDB), Green Climate Fund and Global Environment Facility were interviewed.
- The World Bank's Project Preparation Facility (PPF) was established in 1976 as a revolving fund using capital from its programme of work to support speedy start-up of project activities. In 2017, the PPF ceiling was US\$750 million or about 2 per cent of the World Bank's lending programme. The agricultural sector receives the largest share of PPF funding. Approximately 87 per cent of PPF financing goes to International Development Association (IDA) countries; countries in Africa

receive about 66 per cent. PPF funds are generally allocated at the regional level and from there to the countries within each region. The procedures for country-level PPF allocation and approval can be completed rapidly. Pre-financing funds are used to finance project design and start-up; these initial expenditures are repaid by the borrower/recipient once the loan is effective and the first disbursement has been made. In addition, the World Bank has US\$250 million in technical assistance funds, of which about one third is used in IDA and International Bank for Reconstruction and Development countries; the greatest share is devoted to environment and climate activities.

9. In 2016, the AsDB approved US\$317 million through its technical assistance programme, representing 1.8 per cent of its programme of loans and grants. Approximately half of these funds were allocated to project preparatory work in low-income countries. AsDB manages these funds and there is no cost recovery. However, AsDB does not have pre-financing funds for accelerating project start-up.
10. The founding documents of the IDB place special importance on technical assistance for project preparation. In 1989, IDB put in place a Project Preparation and Execution Facility (PROPEF), establishing a revolving credit line at the country level.
11. The World Bank, IDB, AsDB and the Green Climate Fund all provide substantial non-reimbursable technical assistance funding for project design as well as pre-project-effectiveness financing covering: technical studies; environmental, social and climate assessments; detailed feasibility work including pre-engineering studies; participation in national policy dialogue; the establishment of project management and execution systems; and funds for the recruitment and salaries of project staff.

Table 2
Overview of project-preparation facilities at other MDBs

<i>Institution</i>	<i>Type</i>	<i>Amount and terms</i>	<i>Source</i>	<i>Comments</i>
World Bank	PPF for design and start-up	US\$750 million repayable from loans provided in amounts between US\$5 million and US\$10 million	Earmarked at 2 per cent of lending programme with Executive Board-approved ceiling	Good country demand; no Board approval; managed by borrowers; used in fragile situations and emergencies; about 87 per cent of funds to IDA countries
	Technical assistance funds for design	US\$250 million, provided in amounts up to \$1 million	Supplementary trust funds	Grant resources are declining; only 30 per cent used for World Bank/IDA, mostly for environment and climate projects
AsDB	Technical assistance for design	US\$320 million in grants to member countries provided in amounts up to US\$1 million	Share of capital income and allocation from lending programme and Japan supplementary funds, along with cofinancing; 1.8 per cent of lending programme	Provided as a technical assistance grant procured and managed by AsDB, and allocated internally
IDB	PROPEF – line of credit at the country level	US\$150 million repayable from loan in amounts up to US\$10 million over 10 years	Ordinary capital from lending programme	Board approves 10-year line of credit, from which advances can be drawn; used rarely; borrowers prefer technical assistance grants
	Technical assistance grants	Technical assistance: US\$882 million approved in 2017; active grant financing portfolio in 2017; 1,633 operations of US\$2.1 billion	Ordinary capital and special funds	Substantial technical assistance funds for borrowers that are well appreciated by borrowers
Green Climate Fund	Grants and repayable grants	Total of US\$40 million made available for the initial phase of the PPF; each request subject to a cap of US\$1.5 million		

Estimated demand for FIPS funds

1. Project pre-Financing Facility (PFF) for faster implementation of project start-up cost estimate. Experience gained by the World Bank has shown that financing facility advances should be large enough to cover activities expected to be financed, and to justify their management costs to IFAD and governments. Experience has also shown that countries facing disaster or coping with fragile situations may require very large initial advances. Since completing initial procurements early on is a critical element of reducing start-up delays, the funding must be enough to cover contract costs before any request for bids – particularly in countries where procurement can only be initiated when the availability of funds is confirmed.
2. After 40 years of implementing its Project Preparation Facility (PPF) and increasing the ceiling a number of times, the World Bank set the ceiling for its revolving fund at the equivalent of approximately 2 per cent of its work programme. Like the PPF, the PFF is not a stand-alone facility, but a revolving facility with a requirement that any advances be re-financed from a follow-up loans. The World Bank's board has increased the PPF ceiling as its lending programme has increased. Applying this percentage share to the US\$3.5 billion programme of loans and grants (PoLG) for the Eleventh Replenishment of IFAD's Resources (IFAD11) results in an overall ceiling of US\$70 million for PFF. This amount would provide an average pre-financing ceiling of US\$1.5 million per project. An average project pre-financing amount of US\$1 million would require a ceiling of US\$50 million. A needs assessment has been conducted to estimate the costs of start-up and project preparation activities under PFF. The assessment suggests that, per project, a PFF funding ceiling of between US\$500,000 and US\$1.5 million would be needed. Once the level of the ceiling has been approved, it can only be raised through a request by IFAD to its Executive Board.

Table 1
Cost estimates for PFF

<i>Estimation</i>	<i>Full</i>	<i>Minimum</i>
Percentage share of annual PoLG	2	1.4
PFF ceiling	US\$70 000 000	US\$50 000 000

3. Technical Assistance for Project Start-up Facility (TAPS) cost estimates. Two TAPS cost scenarios have been developed on the basis of an IFAD11 PoLG of US\$3.5 billion and the preparation of approximately 30 new projects per year. Under the "full" scenario, IFAD would undertake activities to fulfil its IFAD11 commitments: about 30 to 50 per cent of projects would benefit from funding studies of cross-cutting themes and policy engagement. All planned Social, Environmental and Climate Assessment Procedures (SECAP) activities will be carried out and all projects could receive implementation-readiness support. Under the "minimum" scenario, only between 17 per cent and 30 per cent of projects will benefit from advisory and analytical services. Funding for SECAP costs will be reduced by between 30 per cent and 40 per cent, while implementation readiness funds will be reduced by 33 per cent. Under the "full" scenario, IFAD will need US\$10.7 million and under the "minimum" scenario it will need US\$7.15 million (or US\$357,000 and US\$237,000 per project respectively).

Table 2
Cost estimates for TAPS

<i>Purpose</i>	<i>Full scenario</i>	<i>Minimum scenario</i>
Analytic and advisory services	100% of projects with mainstreamed thematic areas	50-75% of projects with mainstreamed thematic areas
Environment and climate assessments	All projects in compliance with full technical background	All projects in compliance; less substantive work
Delivery capacity	Average budget includes advance project management unit (PMU) recruitment	Average budget does <u>not</u> include advance PMU recruitment
Analytic and advisory services	US\$2 495 000	US\$1 265 000
Environment and climate assessments	US\$3 770 000	US\$2 880 000
Delivery capacity	US\$4 500 000	US\$3 000 000
Total	US\$10 765 000	US\$7 145 000