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## Summary of Project and Programme Proposals discussed at the Executive Board Consultation held on 7 December 2021

### Note to Executive Board representatives

#### Focal points:

#### Technical questions:

**Donal Brown**  
Associate Vice-President  
Programme Management Department  
Tel.: +39 06 5459 2448  
e-mail: d.brown@ifad.org

**Enika Basu**  
Senior Technical Adviser  
to the Associate Vice-President  
Programme Management Department  
Tel.: +39 06 5459 2744  
e-mail: e.basu@ifad.org

#### Dispatch of documentation:

**Deirdre Mc Grenra**  
Chief  
Institutional Governance and Member  
Relations  
Tel.: +39 06 5459 2374  
e-mail: gb@ifad.org

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**For: Review**

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### I. Introduction

1. Per practice, an informal consultation was held virtually to enable the Executive Board representatives to have an in-depth discussion on country strategic opportunities programmes (COSOPs) and sovereign and non-sovereign project proposals in advance of the upcoming 134<sup>th</sup> session of the Board. The following items were discussed: COSOPs for Guatemala, Morocco and Togo; and investment projects for Burundi, Ghana, Haiti, India, Kenya, Madagascar (additional financing), Nigeria, Pakistan, Senegal, and Viet Nam. For the first time, proposals under IFAD's non-sovereign operation (NSO) window – for Madagascar and Mozambique – were also presented for discussion.
2. In attendance were representatives from 12 Member States, and a further 8 representatives from countries of the COSOPs and proposals under discussion.<sup>1</sup> The consultation was chaired by the Associate Vice-President, Programme Management Department (PMD). The Associate Vice-President, Strategy and Knowledge Department (SKD), the directors, country directors and project technical leads of the concerned PMD and SKD divisions; the Secretary of IFAD; and other IFAD staff also participated.
3. Due to the high number of projects and COSOPs for discussion, the presentations were batched by region. Representatives were invited to comment on and discuss each batch after its presentation. Limited time was allotted for the presentations to ensure sufficient room for discussions.
4. The consultation was notable not only for the volume of projects that were discussed, but also for the range of regions and types of projects covered, and for the presentation of an innovative results-based lending programme. The NSO projects generated productive discussions around IFAD's exposure to foreign currency risk and risk management, and how to ensure that these investments would target IFAD's principal stakeholders: smallholder farmers and small-scale entrepreneurs.
5. Overall, representatives were supportive of the proposals. The discussions gave Management the opportunity to clarify and focus on important aspects of the operations under discussion. A key theme emerging from the discussions related to how the projects were addressing climate change. Management took the opportunity to clarify that IFAD had increased its targets for climate financing in IFAD12. Management expressed appreciation for the valuable input provided by the representatives to improve design, going forward, and enhance the monitoring of impact of investments in climate adaptation.
6. An additional theme linking the projects was that of increased collaboration and cofinancing with key partners in the same sector and in the targeted areas. This was evident from the significant volume of cofinancing presented at the consultation, i.e. with the private sector (India and Kenya); the Islamic Development Bank, African Development Bank (AfDB) and International Development Association (Nigeria and Senegal) and bilateral partners (Viet Nam). While IFAD has made every effort to coordinate and consult with key partners, representatives made some useful suggestions that will be followed up by

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<sup>1</sup> Executive Board representatives: Canada, Costa Rica, Egypt, France, Germany, India, Mexico, Netherlands, Nigeria, Sweden, United Kingdom and United States.

Management. There was also some discussion about project design budgets and their adequacy given the increasing number of issues to be addressed.

7. While members were appreciative of the projects, queries were raised about how IFAD had ensured engagement with stakeholders in the design process, given the limitations posed by COVID-19. Management clarified that country teams had had to work closely with Government counterparts and local consultants in order to ensure that local stakeholders were adequately consulted at design.
8. In addition, members had shared detailed technical comments on specific projects with country teams by e-mail prior to the consultation. These had been responded to within 48 hours.
9. The main points of the discussions are summarized below for the review of members before the 134<sup>th</sup> session of the Board. The present document will be updated after the session to reflect any additional comments made by representatives.

## **II. Summary of proposals and discussions**

### **A. Asia and the Pacific Region**

#### **Pakistan: Khyber Pakhtunkhwa Rural Economic Transformation Project (EB 2021/134/R.38)**

10. The total cost of this project is US\$185.82 million (IFAD loan of US\$84.19 million) project will cover all districts of the Khyber Pakhtunkhwa province and is expected to benefit 785,000 households. It will be implemented over seven years. The project is a nutrition- and youth-sensitive, aiming to improve agribusiness development and promote employment through skills development.
11. Responding to comments, Management confirmed that the project would work to develop synergies with an ongoing German Agency for International Cooperation (GIZ)-supported project and incorporate lessons from other partners' initiatives in the country. Management added that climate risks would be addressed through business planning and environmental mitigation plans. Given the security situation in certain areas, the project would use hybrid implementation arrangements and undertake regular risk assessments.

#### **India: Rural Enterprise Acceleration Project (EB 2021/134/R.39)**

12. This project aims to build the resilience of 560,000 rural households in the State of Uttarakhand by diversifying their sources of income through cluster-based, climate- resilient production systems and promoting farm and off-farm enterprises. The IFAD loan of US\$105 million leverages substantial domestic cofinancing from Government, beneficiaries, banks and other converging programmes towards an overall investment cost of US\$378 million over seven years.
13. During the discussion, Management provided confirmation of the climate-smart approach of the project and its focus on agroecology. Building on traditional cropping patterns, the project will promote recycling and labour-reducing technologies (no tillage/organic mulches) as well as crop diversification, agro-forestry, mixed cropping, green manure, conservation agriculture and breed improvement, thus enhancing synergies and efficiency. Management also explained that the design of the project under COVID-19 restrictions relied on the structures for community consultation already put in place for a previous project. This had allowed for virtual meetings with livelihood collectives and extensive virtual interactions with project partners and development agencies.

**Viet Nam: Climate-smart Agriculture Transformation Project in the Mekong Delta (EB 2021/134/R.40)**

14. With a total cost of US\$136.4 million (IFAD loan of US\$43 million), this project is designed to scale up the successful IFAD-funded Project for Adaptation to Climate Change in the Mekong Delta in Ben Tre and Tre Vinh Provinces, which was completed in 2020. The project will be implemented over five years in an area that is highly vulnerable to the effects of climate change. It will reach 60,000 smallholder households directly (or about 210,000 people) with particular attention given to women, youth and ethnic minorities. The climate-smart approach of the project involves: (i) sustainably increasing agricultural productivity and incomes; (ii) adapting and building resilience to climate change; and (iii) reducing and/or removing greenhouse gas emissions.
15. Representatives expressed appreciation for IFAD's active engagement in the Mekong Delta Working Group to ensure coordinated efforts with the Government and other partners. Management was asked to clarify the context-specific climate-smart agricultural practices that will be promoted, and to provide assurances that project start-up will not be delayed by approval processes, thanks to a highly collaborative approach with the relevant government ministry. Management added that implementation readiness would also be facilitated by the capacity already created under another IFAD project.

**B. West and Central Africa**

**Ghana: Promoting Rural Opportunities, Sustainable Profits and Environmental Resilience Project (EB 2021/134/R.45)**

16. This is a US\$147.35 million project with IFAD funding of US\$52.5 million. Its aim is to strengthen the integration, climate resilience and environmental sustainability of smallholders and businesses in priority value chains in the northern and the middle belt of the country. The project will target around 100,000 people, 40 per cent of whom will be women, 30 per cent youth and 5 per cent persons with disabilities.
17. In response to comments, Management clarified that the Government cofinancing was earmarked for activities that were usually best financed by the Government, whose funding is mostly in the form of in-kind contributions and limited cash contributions. On climate and value chain aspects, members were informed that the project would tackle both. All beneficiaries would receive information and capacity-building around these themes. In terms of coordination with other projects, Management noted that IFAD is very active in the sector working group to ensure strong engagement and coordination with partners.

**Nigeria: Special Agro-Industrial Processing Zones Programme (EB 2021/134/R.46)**

18. The objectives of the programme will be to support the development of the spatial agro-industrial processing zones in very high food production areas, empowering smallholders and small operators, including women and youth, to participate in agro-processing. IFAD will focus on the Kano and Ogun states, targeting around 100,000 people and 500,000 indirect beneficiaries. There are two technical components: (i) infrastructure development and management for agro-industrial hubs; and (ii) agricultural productivity, production, market linkages and value addition. The third component deals with policy and institutional development. The total project cost is US\$541 million, of which IFAD is financing US\$100 million.
19. Representatives appreciated the close collaboration with the AfDB. Management noted that IFAD had conducted complementary assessments to accompany the AfDB's environmental and social due diligence, to ensure that the project was aligned with IFAD guidelines. The potential environmental impact of IFAD interventions through the project would be limited, remediable, site-specific and related to production (including land development and agrochemical management

issues), agro-processing facilities (including the use of firewood, waste and effluent management and an unhealthy working environment). Other risks related to the construction of market infrastructure including market-connected feeder roads, and small-scale irrigation and drainage development activities. Management went on to explain the strong climate change mitigation measures that would be implemented through the project.

**Senegal: Agriculture and Livestock Competitiveness Programme for Results (EB 2021/134/R.47)**

20. This is a results-based lending project designed in collaboration with the World Bank. IFAD will contribute US\$23 million to the US\$150 million component of an ongoing World Bank project. The project objective is to enhance productivity and market access of priority commodity value chains and livestock in the extended groundnut basin and agro-pastoral areas. About 950,000 farmers (50 per cent of whom will be women) will benefit from the project. The target group consists of a broad range of stakeholders, smallholders of cooperatives, research agencies and traders.
21. During the discussion, Management clarified that the indicators used for results were aligned with national policies and objectives and that monitoring of these indicators would be supported by some capacity-building. Management also confirmed that the required environmental safeguards would be put in place.

**Togo: Country strategic opportunities programme (EB 2021/134/R.29)**

22. The COSOP for Togo (2022-2027) will be based on inclusive geographic targeting and maximizing economic potential. The COSOP will target about 150,000 family farms (about 800,000 people), aiming to accelerate the transformation of family farming and promote climate change adaptation. The COSOP is aligned with the national strategic vision and policy priorities, and with the United Nations Sustainable Development Cooperation Framework.
23. The COSOP was commended for its focus on integrating beneficiary feedback and on promoting the transformation of family farming. Management noted the recommendations from representatives to put further emphasis on digital solutions for agriculture, and prioritize local value addition through a choice of value chains linked to the local processing small and medium-sized enterprises (SMEs) and promotion of contractual commitments between farmers and processing SMEs.

**C. Near East, North Africa, Europe and Central Asia**

**Morocco: Country strategic opportunities programme (EB 2021/134/R.28)**

24. The Morocco COSOP (2022-2027) comes at an opportune time, with an emerging development model in Morocco that is the country's inaugural agriculture development strategy: Generation Green 2020-2030. In addition, the COSOP design builds on the 2020 recommendations of the country strategy and programme evaluation undertaken by the Independent Office of Evaluation of IFAD. The COSOP aims to promote social and human capital; increase competitiveness, access to markets and finance for smallholder farmers and livestock producers in the mountain areas; and promote environmental sustainability and climate change resilience.
25. There were no specific comments from members, apart for their appreciation for the good quality of the COSOP and IFAD's close collaboration with the Government in its development.

## **D. East and Southern Africa**

### **Burundi: Rural Entrepreneurship Development Programme (EB 2021/134/R.41)**

26. The development objective is to promote equitable and inclusive youth entrepreneurship and an enabling environment for agro-pastoral enterprises in order to build resilience among the most vulnerable poor rural people. In terms of outreach, the programme will target 85,000 households, i.e. 80,000 direct beneficiaries and 5,000 services providers. Out of the 80,000 direct beneficiaries, 50 per cent will be women and 50 per cent youth.
27. Representatives acknowledged the importance of this programme and its focus on youth.

### **Kenya: Rural Kenya Financial Inclusion Facility (EB 2021/134/R.42)**

28. This project will be one of the instruments aimed at ensuring the availability of appropriate financial services for the planned transformation and growth of Kenya's rural economy. Two rural investment instruments will be utilized. The first is a rural credit guarantee scheme (R-CGS), which provides risk sharing to promote rural outreach innovations and catalyse funding from financial institutions. The second instrument is a Green Financing Facility that will alleviate liquidity constraints and encourage small-scale farmers and micro-firms to invest in climate-smart and environmentally friendly activities, while promoting gender-equitable access to finance.
29. During the discussion, Management elaborated on the component for supporting rural financial institutions: As part of this component, beneficiaries would be supported in developing simple bankable business plans that include green investments for submission to participating financial institutions (PFIs). In terms of mitigation of climate risks, Management confirmed that the target group would be provided with training and advisory services to enhance their resilience. Climate change risk management would be incorporated into the environmental and social management strategy of the PFIs.

### **Madagascar: Inclusive Agricultural Value Chains Development Programme - additional financing (EB 2021/134/R.43)**

30. Additional financing was requested for the Inclusive Agricultural Value Chains Development Programme (DEFIS), specifically a US\$61 million loan on highly concessional terms and a grant of US\$22 million under the Debt Sustainability Framework. DEFIS (2018-2028) is a US\$250 million project with cofinancing from the OPEC Fund for International Development, the Green Climate Fund (GCF) and the Government. The aim is to improve the crop and livestock productivity of family farms and to integrate them into profitable value chains. The proposal is expected to benefit 1.6 million people, including 30 per cent women and 30 per cent youth. The additional financing will be used to scale-up operations based on a financing gap that was built into the project design.
31. During the discussion, members expressed appreciation for the value chain-based approach of the project and its strong reflection of the sectoral priorities in the country. In response to comments around cooperation, Management confirmed that IFAD would continue working closely with key partners to ensure synergy, including GIZ, and ensure efforts to obtain further cofinancing from the GCF were well aligned with those of key partners.

## **E. Non-sovereign operations**

### **SOAFIARY: Smallholder Farmer Value Chain Inclusion in Madagascar (EB 2021/134/R.15)**

32. SOAFIARY is a medium-sized agribusiness that specializes in the procurement, production and sale of various agricultural products for sale and export. As part of its business model, the company trains smallholder farmers and provides them with the agricultural equipment and inputs needed to operate 4,100 hectares of land owned by a local Catholic church and purchases what is produced. The proposed investment is for a senior loan of up to EUR 3.5 million to cover the company's capital needs for expanding origination and purchasing of grains and legumes from smallholder suppliers and expanding their outreach. The investment is expected to benefit 5,000 smallholder farmers between 2022 and 2025, of whom 35 per cent women and 30 per cent youth.
33. During the discussion, Management clarified that they would ensure that the targets for women and youth were met using rigorous monitoring, and that capacity-building activities provided by the company would contribute to the intended impacts on these groups. Management also elaborated on the strategy for managing currency risks.

### **Futuro McB – Inclusive Microfinance, Mozambique (EB 2021/134/R.16)**

34. Futuro McB is a microfinance institution based in the Nampula Province. The company was founded in 2017 and lends to around 6,300 borrowers through either individual or group lending, and also provides savings and insurance services. The proposal is for a senior loan of US\$2 million to strengthen the sustainability of the company, and allow them to expand outreach to an additional 21,000 borrowers by the end of 2025, including 75 per cent women and 30 per cent youth. It is expected that the loan will allow the company to expand its loan portfolio from US\$2.5 million to US\$4.2 million by the end of 2022 and attract additional investors.
35. While agreeing to respond further in writing, during the discussion, the project team justified the use of a senior loan on the basis that it incurred a lower risk premium, and was best-suited for allowing the company to expand its loan portfolio. Management was also urged to be wary that an expansion of the company's loan size might affect access by smallholder farmers. However, Management expressed confidence that the target for female beneficiaries was secured given that the company was founded by women and had a strong pre-existing mandate in this area. As with the investment in Madagascar, Management outlined IFAD's strategies for addressing currency risks, noting that such risks will be monitored.

## **F. Latin America and the Caribbean**

### **Haiti: Inclusive Blue Economy Project (EB 2021/134/R.44)**

36. This is a project co-designed with several government ministries. It will contribute to the inclusive and sustainable transformation of Haitian coastal communities in the Three Bays Protected Areas in the North-East Department, bordering the Dominican Republic, and part of the north. The total cost of the project is US\$26.6 million, of which IFAD's contribution is US\$14 million.
37. Representative appreciated the project design and IFAD's presence in a fragile country and invited Management to describe how the project would be protected against currency fluctuations. Management confirmed that a written response would be provided on the justification for the categorization of the project and further details on its subcomponents and cost structure.

**Guatemala: Country strategic opportunities programme  
(EB 2021/134/R.27)**

38. The COSOP for Guatemala 2022-2027 has an overall goal of reducing poverty and food insecurity among rural people living in vulnerable conditions in Guatemala's poorest areas, with special emphasis on indigenous peoples, women, youth and persons with disabilities. The COSOP is grounded in two strategic objectives: (i) rural smallholders living in poverty have access to equitable and sustainable livelihoods; and (ii) poor rural households belonging to the most vulnerable communities improve their adaptive capacity and resilience to climate change and instability. The target group is composed of 360,000 households of smallholders engaging in agricultural and non-agricultural activities characterized by low productivity, limited access to economic income and high climate vulnerability.
39. During the session, representatives recognized the partnerships with the GCF, Global Environment Facility, Adaptation Fund and the enhanced Adaptation for Smallholder Agriculture Programme (ASAP+) in the framework of this COSOP.