

Document: EB 2022/135/R.8
Agenda: 6(b)
Date: 25 April 2022
Distribution: Public
Original: English

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Summary of Project and Programme Proposals Discussed at the Executive Board Consultation Held on 13 April 2022

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Executive Board — 135th Session
Rome, 25-27 April 2022

For: Review

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I. Introduction

1. As is the usual practice, an informal consultation session was held virtually to enable the Executive Board representatives to engage in an in-depth discussion on sovereign and non-sovereign project proposals and country strategic opportunities programmes (COSOPs), in advance of the upcoming 135th session of the Executive Board. The discussion covered sovereign investment projects for Bangladesh and Pakistan, non-sovereign operations (NSOs) in the Plurinational State of Bolivia and COSOPs for Burundi, Eswatini and the United Republic of Tanzania.
2. In attendance at the session were representatives from 11 Member States, and a further four representatives from the countries of the COSOPs and proposals under discussion.¹ The senior technical expert for water resources from the Asian Development Bank (ADB) also attended the consultations, as ADB was cofinancing the project in Bangladesh being presented.
3. The consultation was chaired by the Associate Vice-President, Programme Management Department and attended by the Associate Vice-President, Strategy and Knowledge Department (SKD), the directors of the relevant divisions, country directors, project technical leads, the Secretary of IFAD and other IFAD staff.
4. To optimize the time available for the session, items were presented and discussed in segments. In the first segment, two sovereign loan projects from the Asia and the Pacific Division (APR) were presented and discussed, followed by the NSO project in the Plurinational State of Bolivia. The consultation concluded with the segment on COSOPs. Member State representatives were invited to comment and discuss after each segment had been presented. During the segment on COSOPs, each COSOP was presented and discussed individually.
5. The session was notable, as the Chair indicated in his opening remarks, for discussing the first lot of projects and COSOPs under the Twelfth Replenishment of IFAD's Resources (IFAD12) cycle, which would provide the momentum for delivering on replenishment commitments.
6. Overall, representatives were supportive of the projects. A key cross-cutting theme of the discussion was government ownership of projects and country programmes. The Chair noted that this discussion was very timely considering the evaluation synthesis on government performance in IFAD-supported operations, prepared by the Independent Office of Evaluation of IFAD (IOE), which was being presented at the 135th session of the Executive Board. The Chair also noted that the great importance placed by IFAD on government ownership came through clearly in the projects presented. Furthermore, he stressed that IFAD's strength was in designing development models that governments can scale up.
7. Another recurrent theme was the possible impact of the ongoing war in Ukraine on prices and availability of inputs, and how that would adversely affect rural households. Member States called for IFAD to be mindful of the developments in the design and execution of new projects. Member States also asked for possible adjustments in drafts of project and programme documents that were prepared prior to the crisis. In response, the Chair assured Member States that IFAD would closely monitor the crisis and its impact, and pre-empt responses in project designs.

¹ Executive Board representatives: Belgium, Canada, Dominican Republic, France, Germany, Ireland, Japan, Mexico, Sweden, United Kingdom and the United States.

8. One key action proposed by Management and agreed by members was the addition of a short summary addendum to the Eswatini COSOP to outline more analysis of the increasing fragility in the country and what mitigation steps IFAD is taking.

II. Summary of proposals and discussions

A. Asia and the Pacific Region

Bangladesh: Climate- and Disaster-Resilient Small-Scale Water Resources Management Project (EB 2022/135/R.24)

9. This US\$225 million project is a fourth phase of the small-scale water resources subsector development programme. The sector development programme has been a joint collaboration between the Government of Bangladesh, the ADB, the Government of the Netherlands and IFAD since the late 1990s. The project will be implemented in 42 districts covering 4 climate hotspots, over a duration of 6 years and is expected to benefit 380,000 households. The project has a significant climate focus and aims to enhance climate-resilient features of small-scale water infrastructure, strengthen community-based water management cooperative associations and support investments in market infrastructure and selected value chains.
10. Member States expressed appreciation for the project design and engagement in the subsector and requested clarification on the measures taken to ensure the necessary field presence over the large geographic area proposed and on how the project will ensure sustainability of the water management cooperative associations (WMCAs). The country director for Bangladesh responded that sustainability would be ensured through enhanced resilience. Resilience was a key consideration of the project, given the highly vulnerable status of the project areas. Component 3 of the project focused on generating employment within rural areas. Sustainability of the WMCAs would be ensured by generating market income, with the extensive support to be delivered by the Local Government Engineering Department (LGED), the entity selected to deliver the project. The project technical lead further elaborated that LGED, the executing agency, would be supported by engagement of local NGOs, to ensure coverage of the large area and activities. On sustainability, the project technical lead added that WMCA viability would be assessed through a scorecard system.

Pakistan: Southern Punjab Poverty Alleviation Project Additional financing (EB 2022/135/R.25)

11. This proposal is for additional financing of US\$50 million for the ongoing and successful Southern Punjab Poverty Alleviation Project (SPPAP). The project has been active for the last 16 years and this is the second additional financing provided by IFAD. The project will benefit a further 350,000 households and will cover 10 out of the 36 districts of Punjab Province. The project has a modular approach to poverty graduation, and will invest in the provision of productive economic assets to ultra-poor households, skills development for employment and self-employment, community-led rural physical infrastructure schemes, access to finance and food banks. Over 85 per cent of the targeted beneficiaries are women and 30 per cent young people.
12. Representatives commended the project's design and objectives. The main query raised was with regard to comparatively limited counterpart financing of the project and the impact of the ongoing war in Ukraine on the project's constituency. The country director for Pakistan specified that in addition to providing some counterpart financing to the SPPAP, the Government of Punjab is financing, through its own development budget, a parallel programme worth US\$60 million, that is replicating the SPPAP model in an additional 10 districts of Punjab Province. This programme, the Punjab Poverty Graduation Initiative, shares the project director with SPPAP, which facilitates learning. Regarding the Ukraine crisis, Management

responded by highlighting in particular the consequences on food and energy prices, and the possible impact on access to finance and exchange rate volatility. Management committed to closely monitoring the unfolding situation and would respond promptly to any government requests.

B. Non-sovereign operations

CRECER IFD – Promoting Rural Development through Microfinance – Plurinational State of Bolivia (EB 2022/135/R.9)

13. CRECER IFD is a regulated, deposit-taking microfinance institution based in the Plurinational State of Bolivia. Its business model focuses on providing microfinance loans (both group and individual), savings products, advances against receivables, and financial literacy and technology training programmes. Clients are mainly self-employed, poor women who, as of September 2021, comprised 77 per cent of the client base. The great majority of them live below the US\$6.50 per day poverty line. IFAD proposes a US\$5 million subordinated debt instrument, to be used entirely to expand the rural microfinance portfolio of CRECER. The loan will catalyse up to US\$36 million in additional direct lending from CRECER to 65,000 rural clients, of whom 50,000 are expected to be women and 25,000 youth. The total number of people reached by the project is estimated at around 214,500, including direct and indirect beneficiaries.
14. During the discussion, in response to questions posed by representatives regarding lending rates and concerns of over-indebtedness, Management clarified that CRECER offers the lowest rates in the market, is also a member of the Accion Center for Financial Inclusion (CFI) Smart Campaign, and has implemented all its client protection standards in their services. Additionally, in 2014, CRECER obtained a client protection certification issued by MicroFinanza Rating, a leading rating agency specializing in microfinance institutions. This, alongside CRECER's strong development mandate and very low observed non-repayment rates, provided assurance to Management on the issue of client over-indebtedness.
15. Members States also enquired about the expected impact of the project on job creation. Management clarified that in addition to the 40 full-time jobs that will be created within CRECER (where 20 are expected to be women, 20 of indigenous origins and 8 young people), further job creation is expected at the end-beneficiaries level (on micro and small businesses), although these cannot be tracked by the institution. It was suggested that Management, in order to ensure proper monitoring, add an indicator to track incremental job creation in addition to the jobs created at the level of CRECER.
16. Furthermore, clarification was provided about onlending to people living below the poverty line and small-scale farmers: these groups are already part of CRECER's portfolio, and the IFAD project is incentivizing an expansion in their credit lines. It is expected that an additional 17,000 beneficiaries living below the extreme poverty line will be reached, and CRECER will increase its agricultural portfolio to 30 per cent by 2028, bringing in an additional 20,000 producers to this line (more than doubling their current client base of 18,000).

C. Eastern and Southern Africa

Burundi: Country Strategic Opportunities Programme (EB 2022/135/R.18)

17. The Director, ESA explained that the new COSOP for Burundi has been formulated at a time of political stability, unlike the last COSOP, which was developed and implemented during politically challenging times for the country. However, Burundi's recovery remains a significant risk. The country suffers from high vulnerability to shocks, both economic and climate change, but is working towards a transition to resilience. The impact of COVID-19 and of supply chain disruptions on Burundi remains a significant risk in the medium term. In addition, given the

country's strong dependence on agriculture, the economy is highly vulnerable to weather extremes.

18. The new country strategy seeks to support addressing these challenges by building the capacity of institutions, which is key in rural areas, while supporting the value addition and job creation for youth along key agri-value chains. The strategy was informed by the first country strategy and programme evaluation (CSPE), covering the period 2009–2020, which was completed in 2021. The review was satisfactory overall. The COSOP goal is to reduce poverty and fragility affecting smallholder producers, through sustainable improvements in their income, food security, nutrition and socioecological resilience. The strategy is aligned with key government strategies and objectives, including the national food systems pathway. It is expected to reach 450,000 vulnerable and poor rural households, with a focus on women (50 per cent) and youth (50 per cent), in provinces with the highest poverty rates, nutrition vulnerability and fragility factors and the institutions that serve them. This will be achieved through the following strategic objectives: SO1: increased productivity, sustainability and climate resilience of smallholder farming in priority value chains; SO2: enhanced value addition and benefits from market participation for rural women and youth; and SO3: strengthened institutional governance for food systems transformation through capacity-building, stronger coordination and inclusiveness.
19. Member States welcomed the new COSOP, and suggested that considering that 80 per cent of the population are engaged in subsistence agriculture, adaptation and agricultural development models must be conducive to adoption by smallholders given their technical capacities. Suggestions were also made to explore regional programmes with the Democratic Republic of the Congo and the United Republic of Tanzania, considering the geographical importance of Lake Tanganyika. Member States also suggested considering linking up with the European Union, particularly around the three priority areas of the multi-year indicative programme of the European Union in Burundi and with the European Green Deal. Management noted the comments and responded that in terms of regional programming, the Rural Poor Stimulus Facility is funding an ongoing programme in East Africa that involves Burundi, Rwanda, South Sudan and Uganda, to strengthen food corridors following disruptions created by COVID-19. Management also noted, in the context of the war in Ukraine, that Burundi imports 100 per cent of its wheat from the Russian Federation, and that IFAD is in discussion with the Government to look at substitute crops.

**Kingdom of Eswatini: Country Strategic Opportunities Programme
(EB 2022/135/R.19)**

20. This new Eswatini COSOP 2022-2027 builds on the recommendation of IOE's CSPE. The CSPE recommendations were integrated into the new COSOP to ensure that the country programme continues to respond to the real agricultural development challenges confronting rural men, women and youth in Eswatini. Eswatini's macroeconomic stability is influenced by economic trends in South Africa and by variable annual allocations from the Southern African Customs Union, which have declined in recent years. Despite some progress in poverty reduction, Eswatini's economic growth over the past decade has declined from 5.7 per cent in 2012 to 2.2 per cent in 2019. COVID-19 related disruptions in supply chains, strict mobility restrictions and border closures with South Africa exacerbated the economic downward trends with a further decline in annual GDP growth from 2.2 per cent in 2019 to minus 1.6 per cent in 2020.
21. This COSOP's goal to reduce rural poverty recognizes that specific, well-selected and well-targeted interventions are crucial for addressing rural poverty, given that about 70 per cent of Eswatini's rural population live below the national poverty line, with youth most affected. It is underpinned by two strategic objectives (SOs):

- (i) SO1: improved food systems, through increased climate-resilient productivity, food security and nutrition for resource-constrained smallholder farmers; and
(ii) SO2: increased commercialization of smallholder farming through asset and capacity-building support to enable smallholders to graduate to off-farm agroenterprises.
22. The representative of the Government of Eswatini took the floor to highlight the close cooperation between the Government and IFAD. Ms Kota commented that the COSOP had benefited from the IOE recommendations and that the new COSOP provides a strong basis for two projects: Smallholder Market-led Project and the Financial Inclusion and Cluster Development Project. She also commented on the Government's increasing focus on having the private sector source produce from smallholder farmers.
23. Member States acknowledged the focus of the programme on rural poverty alleviation and improvement of food security. However, Member States noted that there is an increasing risk of fragility due to political instability in the country as a result of protests and violence and that the COSOP should articulate better how it would mitigate political instability. The country director responded that IFAD has tried to make its two ongoing projects youth-focused by promoting employment for young people. Furthermore, the programme seeks to promote dialogue through the Chiefdom Development Planning initiative. Management proposed to add a short addendum to the COSOP to better reflect the context of fragility and the COSOP's mitigation plans, which was welcomed by members.

United Republic of Tanzania: Country Strategic Opportunities Programme (EB 2022/135/R.20)

24. Building on the long-standing partnership between the Government of the United Republic of Tanzania and IFAD, the COSOP 2022 to 2027 identifies the key objectives and development results that IFAD intends to achieve together with the Government to support and transform the rural and agricultural sectors to the benefit of smallholder farmers and rural dwellers. The new COSOP is closely aligned with national policies and strategies for the transformation of the agriculture and rural sectors, including the Tanzania Development Vision 2025, the Zanzibar Development Vision (ZDV 2050), the Agricultural Sector Development Programme (ASDP-II) and the third Five-Year Development Plan (FYDP-III). This COSOP is the result of wider consultations with the Government and key in-country stakeholders both in the mainland and in Zanzibar. These include development partners, civil society representatives, farmers' organizations, the private sector and the United Nations Country Team. The COSOP has been endorsed by the United Nations Resident Coordinator.
25. The overall objective of this COSOP is "to transform agrifood systems for higher productivity, better nutrition, and improved income and resilience for the poor rural people". The COSOP is guided by two mutually reinforcing strategic objectives (SOs): SO1: enhanced climate-resilient production systems for increased productivity of smallholder farmers; and SO2: improved smallholder producer access to markets and to micro, small and medium sized enterprises.
26. The government representative, Mr Gungu Mibavu, Director of Policy and Planning, Ministry of Agriculture, highlighted the COSOP's close alignment with the Government's priorities and strategies for the transformation of the rural and agricultural sectors.
27. Member States welcomed the COSOP's focus on transforming food systems to the benefit of the rural poor in the United Republic of Tanzania. They also requested clarifications on the COSOP's strategy for gender equality and women's empowerment. Member States stressed the importance of conducting sector- and geographic-specific gender analysis during implementation in order to identify the

inherent challenges and constraints faced by women. Finally, Member States also raised the issue of existing challenges in the country in cross-sectoral cooperation and coordination, which might present an additional obstacle for the COSOP in implementing its gender strategy.

28. Management emphasized that, as indicated in the COSOP, the country programme will gradually promote gender transformative approaches to ensure that: (i) at least 40 per cent of beneficiaries are women; (ii) women have access to resources and services, including financial services; and (iii) women participate in decision-making at the household and community level. The Gender Action Learning System, which is a specific household methodology, will be widely used in the country programme to improve gender equality and generate gender-transformative changes. The COSOP will promote investments in three accelerators: digital innovations, access to financial services and policy engagement, which will tackle different dimensions of gender inequality, leveraging the new momentum generated by the current conducive policy environment. The COSOP will be implemented in close coordination with the Office of the Prime Minister, which has a mandate to implement ASDP-II, with the role of coordinating the line ministries.