
**Summary of project and programme proposals,
country strategies and non-sovereign operations
discussed at the Executive Board consultation held
on 31 August 2022**

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I. Introduction

1. The Executive Board met virtually on 31 August for a formal consultation on the second lot of country strategic opportunities programmes (COSOPs), projects and non-sovereign operations (NSOs) to be delivered for the Twelfth Replenishment of IFAD's Resources (IFAD12) period. These consultations are being held to enable the Member States to engage in an in-depth discussion on the aforementioned items in advance of the upcoming 136th session of the Executive Board. The items discussed included COSOPs for Bangladesh, Cambodia and Malawi, NSO in Cambodia and an investment project in Brazil.
2. In attendance at the session were Executive Board representatives from 18 Member States,¹ and a further 13 representatives from other IFAD Member States, including representatives from countries with a COSOP or project under discussion. The consultation was chaired by the Associate Vice-President, Programme Management Department and attended by the directors of the relevant divisions, country directors, project technical leads, the Secretary of IFAD and other IFAD staff.
3. The consultations took place in two segments. During the first segment, representatives discussed the three COSOPs, and during the second segment they deliberated on the NSO project and the sovereign loan project. To ensure that sufficient time was available to discuss each item, and as requested previously by Member States, Management presented one item at a time for discussion.
4. The session was notable, as the Chair indicated in his opening remarks, for discussing the first NSO in the Asia and Pacific Region, and the first project financed under the Borrowed Resource Access Mechanism for the IFAD12 period, which was coincidentally also IFAD's first cofinancing collaboration with the Inter-American Development Bank (IDB) in Latin America.
5. Overall, representatives were supportive of the projects. A key cross-cutting theme of the discussion was alignment of IFAD country strategies with those of the other Rome-based agencies (RBAs). The Chair noted that while this was a usual practice in developing country strategies, collaboration with the other RBAs was likely to be enhanced in view of IFAD's increasing field presence. Another cross-cutting issue raised by Member States was that of sustainability and how IFAD's COSOPs and projects were ensuring the sustainability of investments, especially in countries with weak institutional capacity. This discussion was timely, as Management noted that IFAD sustainability action plan was expected to be finalized in the near future.
6. In the context of discussion on the COSOPs, the Members enquired how IFAD intended to ensure that its long-term country strategies remained relevant in the context of ever more frequent crises that require governments to rethink their priorities. Management explained that the COSOP implementation procedures require a COSOP results review to be conducted every two years, in addition to at least one mid-term review, to assess the strategy's continued relevance and allow for course correction.
7. During the discussions on the investment project, Member States expressed appreciation for the focus placed by IFAD's investments on capacity-building of institutions, especially in the context of weak capacities, and welcomed this model as suitable even for middle-income and lower-middle-income countries. Members

¹ Executive Board representatives were present from Argentina, Bangladesh, Canada, China, Dominican Republic, France, Germany, Indonesia, Ireland, Italy, Japan, Luxembourg, Mexico, Nigeria, Sweden, United Kingdom, United States and Bolivarian Republic of Venezuela.

States also urged IFAD to focus its investments on areas of strategic importance to leverage its limited resources. Management welcomed this remark and requested further direction from Member States during the replenishment consultations for IFAD13.

II. Summary of proposals and discussions

A. East and Southern Africa Region

Malawi: Country Strategic Opportunities Programme (EB 2022/136/R.24)

8. The new COSOP for Malawi (2023-2030) is centred on two strategic objectives: (1) improved food and nutrition security, to be achieved through the increased agricultural productivity and climate-resilience of smallholder farmers; and (2) improved access to remunerative agricultural markets and services, notably for rural women and youth. The COSOP has fully internalized the findings and recommendations of the recently held country strategy and programme evaluation (CSPE), which was completed just before the formulation of this COSOP, noting the need to sustain and scale up several of the positive practices that have been initiated. The funding allocation during the COSOP period will be used to scale up four ongoing projects in the portfolio to benefit around 700,000 households, including 50 per cent women and 30 per cent youth.
9. The COSOP for Malawi was discussed extensively and was fully endorsed by the Member States, who expressed appreciation for its alignment with both key government development priorities and the recent CSPE's findings and recommendations. Some valuable suggestions were put forward during the consultation, including: (i) strengthening RBA collaboration, especially in view of the upcoming opening of the IFAD Country Office in Lilongwe; (ii) enhancing the COSOP's focus on sustainability at the level of both farmers' organizations and subnational institutions; (iii) including more detailed information on targeting with increased targets on jobs creation for youth; (iv) emphasizing the focus on agricultural productivity; (v) updating the economic scenarios to reflect the most recent effects deriving from the crisis in Ukraine; and (vi) ensuring regular monitoring of the COSOP implementation progress in light of its duration.
10. The country team clarified that IFAD actively participates in the Donor Committee on Agriculture and Food Security in Malawi, representing the key channel for regular cross-fertilization among the RBAs' activities. IFAD is currently supporting the Food and Agriculture Organization of the United Nations (FAO) in its application for Green Climate Fund funding, which would cofinance IFAD's Financial Access for Rural Markets, Smallholders and Enterprise Programme. There are also several areas of collaboration with the World Food Programme (WFP), including the development and promotion of a new value chain around goats.
11. The regional director also explained that sustainability will be ensured through the adoption of relevant technologies and agricultural practices that promote farmers' adaptation to climate change and boost their resilience. Moreover, strengthening producers' organizations and cooperatives will facilitate farmer group access to inputs, information, finance and access to markets, and their participation in policy setting. The country director further explained that the COSOP indicators were built around the logical frameworks of the current programmes, and may be increased at the time of the COSOP results review to include the results of upcoming operations. Overall, IFAD is gradually stepping up its efforts to capture age-disaggregated data. Data will be collected at the project baseline, midterm and completion stages and will be reflected in the COSOP reviews, which will serve as a key tool to monitor progress throughout the full COSOP duration, reflecting the impact of the crisis in Ukraine in the economic scenarios.

B. Asia and the Pacific Region

Bangladesh: Country Strategic Opportunities Programme (EB 2022/136/R.22)

12. Bangladesh currently represents IFAD's largest investment portfolio, with approved financing of US\$432 million across several ongoing projects directly benefiting 3.6 million households. The new COSOP for Bangladesh covers the period 2023 to 2028 and spans two replenishment cycles, IFAD12 and IFAD13. With an overall goal of promoting rural prosperity by generating inclusive and resilient livelihoods opportunities for smallholders, micro-entrepreneurs and marginalized groups, the COSOP has two strategic objectives: (1) to strengthen the climate change adaptation and mitigation capacities of vulnerable rural communities through resilient infrastructure and climate-smart agriculture; and (2) to enhance the access of rural smallholders, microentrepreneurs and marginalized groups to financing, technology and markets so that they can diversify their economy and generate rural employment.
13. It was highlighted that during the design of the COSOP, the country team had held extensive consultations with all relevant stakeholders. The country team also commissioned four thematic studies that provided the COSOP design team with valuable insights. The COSOP builds on the experiences and lessons learned during the previous COSOP period and is aligned with the strategic development objectives of the Government of Bangladesh.
14. The new COSOP for Bangladesh was discussed extensively and was endorsed by Member States. Representatives expressed appreciation for the COSOP's alignment with key government development priorities and for the participatory and consultative approach followed by the country team in designing it. Management was also commended for the multidimensional approach of the COSOP, which specifically also includes the capacity to adapt to climate change and to mitigate the risks to vulnerable communities, as well as supporting rural small economies and job creation with access to microfinance and technology. Some valuable suggestions made by delegates included enhanced coordination among the RBAs to implement their respective country strategies, with greater emphasis on ensuring access to finance for smallholder farmers and agricultural mechanization, and increasing the adaptive capacities of vulnerable groups.
15. The country team explained that linkages are being established with a large-scale mechanization programme funded by the Asian Development Bank and with another initiative financed by the Islamic Development Bank. The country director also highlighted IFAD's current work in microcredit, which focuses on developing new products and lowering credit costs through electronic banking. He also described the recent and ongoing initiatives being carried out with RBAs, including poverty mapping and nutrition mapping for Bangladesh recently produced with WFP, in addition to programmes being developed with FAO.

Cambodia: Country Strategic Opportunities Programme (EB 2022/136/R.23)

16. The new COSOP for Cambodia covers the period from 2022 to 2027, and spans two IFAD replenishment cycles. It has three strategic objectives: (1) increasing the productive capacity of 250,000 poor rural households; (2) increasing the incomes of 250,000 poor rural households through inclusive participation in remunerative agricultural value chains; and (3) strengthening the environmental sustainability and climate resilience of poor rural people and their economic activities. The COSOP is built on the lessons learned during the COSOP results review process and the CSPE conducted by the Independent Office of Evaluation of IFAD. The goal of the COSOP is also aligned with Cambodia's United Nations Development Assistance Framework.

17. The COSOP for Cambodia was well received by Member States. Only one question was raised, with regard to the sustainability of IFAD interventions in Cambodia. The regional director clarified that the sustainability of benefits is assured through a careful appraisal of investments and the commitment of funding for operation and maintenance of both public and private assets. It was further explained that IFAD's private sector engagement is also important for the delivery of services and management of the assets being created. IFAD's country-level policy engagement, as planned in the COSOP, will target gaps in the policy framework that are of key importance to ensuring sustainability, particularly in the area of rural finance regulations – to ensure effective policies and products to finance production and post-harvest investment by smallholders and agricultural cooperatives.
18. Member States expressed appreciation for the new COSOP and its strong alignment with government policies and priorities, as well as the country programme approach whereby projects are mutually reinforcing to build public-private-producer partnerships in the value chains.

C. Non-sovereign operations

AMK Microfinance – Promoting Pro-Poor Rural Development through Microfinance in Cambodia (EB 2022/136/R.29)

19. This operation involves a subordinated loan of US\$5 million with a maturity of seven years, including a grace period of three years, to a microfinance institution called AMK Microfinance in Cambodia. The proceeds of the IFAD loan to AMK will be used to create lines of credit to: (i) support pro-poor value chains identified by the Government as having priority; and (ii) to support agricultural micro, small and medium-sized enterprises (MSMEs) and agricultural cooperatives working for smallholders. The NSO is fully aligned with the country strategy.
20. It was explained that AMK is a relevant partner to IFAD because of its target client groups and because its network is very well established in the areas of importance to IFAD. Ninety-five per cent of AMK borrowers are in rural areas, and 80 per cent of them are women. AMK also has extensive experience in agriculture and a keen interest in expanding this portfolio and piloting innovative financial products. The resulting line of credit is expected to reach up to 60 agricultural cooperatives and MSMEs working directly with producers benefiting from IFAD's sovereign loan projects. It will provide direct lending to 45,000 rural clients, of whom 27,000 will be women and 9,000 young people.
21. The Member States commented extensively on the project and commended it for the leverage effect of the subordinated debt. Additional information was solicited on the capacity of AMK to expand its portfolio, and on the concrete benefits that IFAD expects to achieve.
22. Management clarified that AMK's capacity to expand its portfolio had been confirmed during the due diligence process. The project delivery team explained that this loan would strengthen AMK's capital structure, allowing it to increase debt levels, which should translate into sustainable growth in the agricultural portfolio. In addition to highlighting the leverage effect of this intervention, the project design team confirmed that the terms and conditions of the line of credit would be favourable to IFAD target groups. The team also elaborated on the overlap of targeted beneficiaries with those of IFAD's sovereign loan projects, thereby demonstrating how the NSO project would support government investments in agriculture development. This NSO project will complement various programmes while providing much needed financial support to IFAD's beneficiaries.

D. Latin America and the Caribbean

Brazil: Piau  Inclusive and Sustainable Project (EB 2022/136/R.28)

23. The Piau  Inclusive and Sustainable Project is financed jointly with IDB and the borrower is the Brazilian State of Piau . Its main development objective is to

improve the incomes, food security and nutrition, access to basic services, and adaptation to climate change of the rural population living in the semi-arid region of the state. It will reach 60,000 households, mainly family farmers living in poverty and extreme poverty, and especially women, youth and traditional communities, indigenous people and artisanal fishers. Fifty per cent of the target beneficiaries are women, 20 per cent are youth, and over 5,000 households belong to traditional communities and indigenous communities.

24. The project consists of three main components: (1) water security and rural sanitation; (2) adaptation to climate change and environmental recovery; and (3) institutional strengthening. The project covers the four mainstreaming priorities, including adaptive capacity. In terms of financing, IFAD's financing amounts to US\$18 million, while IDB is providing US\$100 million. The leading cofinancing agency is IDB. This is a loan to the subnational entity (the state) with a sovereign guarantee. This project builds on lessons from another IFAD project in Piauí, the Semi-arid Sustainable Development Project in the State of Piauí (PVSA), which is expected to close this year.
25. The Member States commended the project for being able to generate substantial cofinancing from IDB, and for being a good model for middle-income countries where strong inequalities continue to persist. Representatives expressed appreciation for the project's strong alignment with the 2030 Agenda, particularly in light of its focus on "leaving no one behind" and South-South and Triangular Cooperation best practices, in addition to the exemplary use of institutional capacity-building, leading to the sustainability of project activities. The project's focus on gender, youth (including youth leadership), climate change, nutrition, innovative technologies and basic services such as sanitation was also welcomed.
26. The regional director mentioned that the Latin America and the Caribbean team intends to continue leveraging further cofinancing in the region, building on the positive results achieved by IFAD in the region in the area of programme implementation.