executive board

nineteenth session

Rome, 12-14 September 1983 *

agenda item 2

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* Note: If necessary the meeting may be extended to 15 September 1983.
6. Proposed Grant for Technical Assistance: Development of Institutional Capability for Project Preparation in Central America and Panama (EB 83/19/R.45)

7. Planned Project Activities (EB 83/19/R.46 and Add. 1)

8. Programme of Work and Budget for 1984 (EB 83/19/R.47)

9. IFAD's Lending Policies and Criteria (EB 83/19/R.48)

10. IFAD's Policy on Relending Rates (EB 83/19/R.49)

11. Review of IFAD-financed Integrated Rural Development Projects (EB 83/19/R.50)

12. Draft Provisional Agenda for the Seventh Session of the Governing Council (EB 83/19/R.51)

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   (a) Extension of Education Grant to Non-expatriate Internationally Recruited Staff (EB 83/19/R.52)
1. Opening of the Session

The Nineteenth Session of the Executive Board will be opened at 10.00 a.m. on Monday 12 September 1983 in Room 201 of the IFAD premises in Rome, EUR, Via del Serafico 107.

2. Adoption of the Agenda

The Provisional Agenda is contained in the present document (EB 83/19/R.32/Rev.1)

3. Financial Matters

(a) Members' Contributions

The position regarding Members' contributions as at 22 July 1983 will be presented in document EB 83/19/R.33 to be tabled at the Session for the information of the Board. A background paper on the status of contributions to the First Replenishment is tabled as an information document at the meeting (EB 83/19/INF.2).

(b) Investment of the Fund's Liquid Assets

The overall status of the Fund's holdings of liquid assets as at 30 June 1983, presented for information, is shown in document EB 83/19/R.34.

(c) Drawdown Requirements for Remainder of 1983

At its Seventeenth Session (December 1982) the Board considered the Fund's drawdown requirements for 1983. Document EB 82/17/R.59 of 9 December 1982 refers). This document estimated a total requirement for calendar year 1983 of US$ 190 million. However, in accordance with previous practice, the document recommended an initial drawdown of US$ 150 million for the nine-month period ending September 1983, with a further review in September. The Board approved these recommendations. Based on the latest estimates by the Fund, it is proposed to seek authority for a further drawdown of US$ 40 million for the remainder of 1983. (Document EB 83/19/R.53)


The President will make an oral report on this subject.
5. Projects for the Consideration of the Board

(a) Latin America

St. Lucia: Small Farmers Agricultural Development Project

The principal objective of this IFAD-initiated project is to raise the quality of life of the rural population of St. Lucia where many households presently live in subsistence and lack such basic amenities as drinking water, sanitation and health care, and where the problem of malnutrition is compounded by endemic parasite infestations. Despite inequitable land distribution which confines 82 percent of all farmers to only 14 percent of St. Lucia's arable land, the small farmers, most of whom operate on less than 2 ha with limited credit, inputs and marketing facilities, nevertheless produce at least 56 percent of export crops and nearly all food for domestic consumption. The project would directly benefit some 1 200 of the estimated 7 000 small farm families by helping them to increase food crop production; by establishing a line of credit for short and medium term loans to food crop producers; by providing marketing centres and cooling facilities for improvement of the distribution system; by provision of agricultural inputs; by strengthening the information unit of the extension service of the Ministry of Agriculture to ensure that project messages and information reach the poor farmers; and by augmenting community development services to provide safe drinking water and sanitation. The provision of a veterinary diagnostic laboratory would help control animal diseases transmittable to humans which would make a valuable contribution to human health and nutrition. Incremental production resulting from improved techniques and an increase in cultivated area would amount to some 2 000 tons per annum, of which ginger (675 tons) yams (603 tons) and plantain (490 tons) would account for 88 percent of the increase. Crops high in nutritional value such as tomatoes and peanuts would be increased, as would livestock and poultry. Total project costs, estimated at US$ 4.1 million, would be financed by IFAD (US$ 2.1 million; CDB (US$ 1.0 million); and the Borrower (US$ 1.0 million). Intermediate terms are proposed. (Documents EB 83/19/R.36 and Add.1 and Annex).

(b) Asia

(i) Tonga: Agricultural Credit Project

This three-year project, national in scope, would support small farmers and artisanal fishermen, by providing through the Tonga Development Bank (TDB) a part of the resources they need for their development, and contribute to
the continued strengthening of TDB in its development role. By making credit available for coconut and rootcrop production, banana production, livestock -- particularly goats and poultry production -- and artisanal fisheries, it would (a) improve Tonga's food supply, one-third of which is currently imported, and (b) increase the export of coconuts and bananas, and thus, the cash incomes of rural families. Particular emphasis would be given to the Ha'apai group of outer islands, the 11,000 population of which has a GDP per capita income of US$ 300 compared to the national average of US$ 460. While some 7,000 farm and fishing families would be eligible for assistance under the proposed project as a whole, it is estimated that the IFAD loan would provide some 1,900 subloans. Estimated incremental production would be 10,550 tons of foodcrops with an annual gross value of about US$ 3.1 million by the time all the subloans have reached maturity. Total project costs, estimated at US$ 7.0 million, would be financed by IFAD (US$ 1.0 million); ADB (US$ 0.25 million) and the Government of the Kingdom of Tonga (US$ 5.75 million). Highly concessional terms are proposed. (Documents EB 83/19/R.37 and Add.1 and Annex).

(ii) Laos: Agricultural Production Project

This short gestation and cost-effective project is designed to produce a relatively rapid production impact. Operating primarily in the Vientiane Province in one of the world's poorest countries (1980 per capita income: US$ 145) it would seek to increase food and livestock production through the provision of irrigation equipment and materials, agricultural inputs, improved feeder road maintenance, agricultural support services and livestock feed; it would also establish an inventory system for frequently needed spare parts and essential inputs, provide training for government staff in budgeting and accounting, procurement and project management, and strengthen the Government's implementation capacity. By its terminal year, it is expected to achieve an annual incremental production of 48,000 tons of paddy, corn, cassava and sugar valued at US$ 55 million with a net foreign exchange saving of US$ 87 million. The project would also produce concentrates for use in the production of 10,000 piglets and 500,000 chicks per annum. It would directly benefit 60,000 farm households and generate 1.4 million employment man-days during cropping seasons and 550,000 employment man-days for livestock production. Total project costs, estimated at US$ 24.77 million, would be financed by IFAD (US$ 7.38 million, including a grant of US$ 0.39 million); IDA (US$ 6.21 million); the OPEC Fund (US$ 3.11 million); a UNDP grant of US$ 0.86 million; and the Government of the Lao People's Democratic Republic (US$ 7.21 million). It is proposed that the loan be on highly concessional terms. (Document EB 83/19/R.38).
(iii) Bangladesh: Pabna Irrigation and Rural Development Project. - (Request by Borrower to Change the Scope of the Project and Establish a Special Account)

The Pabna Irrigation and Rural Development Project (Bangladesh) was approved by the Executive Board on 11 December 1978. Serious technical difficulties and cost increases contributed towards a substantial cost overrun of the Project, which the Government has been unable to meet due to severe domestic resource constraints. Accordingly the Government has requested a reduction in the scope of the project and establishment of a Special Account, as set out in document EB 83/19/R.39.

(c) Africa

(i) Ethiopia: Agricultural Credit Project

This IFAD-initiated four-year project would focus on the major food-producing areas of the Ethiopian highlands and those where credit demand can be expected. Its main objectives would be to foster development through the provision of credit to cooperatives and farmers for agricultural production, marketing and processing; and to strengthen the Agricultural and Industrial Development Bank (AIDB), the main credit institution, so that it can expand its agricultural lending and improve the management capacity of cooperatives to provide improved services to smallholders. It would finance the purchase of flour and oil mills, the construction of storage space (with self-help contributions in labour and materials by cooperative members); channel loans to farmers for draught oxen and their insurance (if the current study on insurance is positive); provide credit for cross-bred dairy heifers, and for other miscellaneous lending through the credit institution. Institutional building would include staff training for AIDB cooperatives and peasant associations, technical assistance to improve AIDB accounting and management systems, improving the credit institution staff mobility, and assistance in the preparation of a follow-up project. The target group would be peasant farmers who are members of peasant associations and cooperatives. An average farm family of five cultivates 1.2 ha of non-contiguous land and rears some livestock; and has a net per capita income of US$ 20 to US$ 40 (the estimated 1980 national GNP per capita income was US$ 140). Assuming 300 service cooperatives receive loans, the project would benefit 375,000 members. Per capita income in the project area would be less than US$ 120. Total project costs, estimated at US$ 16.2 million, would be financed by IFAD (US$ 11.0 million); the Government of Ethiopia
(US$ 2.8 million) and ultimate borrowers (US$ 2.4 million). In March 1983 IFAD made a grant of US$ 195 000 to the credit institution for assistance in the preparation of loan appraisal criteria, a staff training programme and a livestock insurance feasibility study. Highly concessional terms are proposed. (Documents EB 83/19/R.40 and Add.1 and Annex).

(ii) Kenya: National Extension Project

The proposed project would build systematically over the next few years the agricultural extension and research capability essential to increasing food production and raising the incomes of Kenya's smallholders. Approximately 1.7 million farm families, 75 percent of whom have farms of less than 2.0 ha, would be served by the reformed extension system which would focus initially on improving critical seasonal agricultural practices to yield quick benefits to farmers. Close interaction between extension, research and home economics would be emphasized. The training and visit system, based on regular visits to farmers by extension staff delivering simple, relevant technological messages derived from controlled research and on-farm trials to test farmers' acceptance, would be the major ingredient for improving extension-research linkages and for effective adaptation of research findings to the diverse agro-ecological zones of Kenya. Special attention would be given to the requirements of women farmers, who operate 35 percent of all smallholdings. Thirty of Kenya's 41 districts would be included in the project, with initial activities in nine and the phasing-in of the other 21 districts over the 4 years of the project. This planning target would be closely reviewed annually. The project would concentrate on the principal smallholder crops: maize (1 110 000 ha), beans (1 100 000 ha), cotton (130 000 ha), coffee (118 000 ha), sugar cane (32 000 ha) and potatoes (49 000 ha). The cost per ha of cropped land net of taxes and price contingencies is estimated at US$ 6.85 or about US$ 10 per family. Total project costs, estimated at US$ 23.5 million would be jointly financed by IDA (US$ 15.0 million), IFAD (US$ 6.0 million) and the Government of the Republic of Kenya (US$ 2.5 million). Highly concessional terms are proposed. (Document EB 83 19/R.41).

(iii) Mali: Mali Sud II Rural Development Project

In keeping with the Government's policy of increasing agricultural production and farm incomes to improve the living standards of the rural population, the proposed project seeks to achieve the following objectives: (i) increased production of maize, sorghum, millet, cotton, cowpeas, rice and livestock; (ii) improvement of financial returns to farmers for cotton production as well as an adjustment of the Government's tax and subsidy policy towards the cotton sector; (iii) promotion of independent farmer
organizations through economic incentives and training; (iv) the securing of future improvements in agricultural production through applied research; and (v) improvement of living conditions in the project area through village water supply and basic health services whose operation and maintenance would be the responsibility of village organizations. An estimated 86,000 families would benefit directly from the production components, but other components such as water supply, primary health care, feeder roads, etc., would also serve a wider population of some one million people. The use of improved techniques and the expansion of the area under cultivation would yield a net annual increase in income of US$ 25 per capita for a family of 9 on an initial area of 4 ha, rising to US$ 85 upon expansion to 7 ha. The value of annual incremental production at full development is estimated at US$ 26 million, of which 39 percent would be from cotton, 36 percent from maize and 25 percent from millet and sorghum. Total project costs, estimated at US$ 84 million, would be financed by IDA (US$ 25.9 million); IFAD (US$ 13.0 million); CCCE (US$ 11.3 million); and the Government of the Republic of Mali (US$ 23.2 million); as well as grants from FAC (US$ 4.2 million); France (US$ 2.3 million) and the Netherlands (US$ 4.1 million). Highly concessional terms are proposed. (Documents EB 83/19/R.42 and Corr.1).

(iv) Madagascar: Second Village Livestock and Rural Development Project - (Proposal for Establishment of a Special Account)

The Second Village Livestock and Rural Development Project was approved by the Executive Board on 30 March 1982. The project is designed to increase meat production for some 110,000 families and to improve the productivity of the livestock sector through a variety of measures. The present proposal (document EB 83/19/R.43) to amend this loan agreement by establishing a Special Account arises from a request by the Executing Agency due to budget difficulties and cash flow problems.

(d) Near East and North Africa

Sudan: Northern Region Agricultural Rehabilitation Project

This IFAD-initiated six-year project would raise the productivity and incomes of small farmers in a 50,400 ha area along the Nile River in the Northern Province. These objectives, together with import substitution, would be achieved through investment in irrigation rehabilitation of the existing pump schemes, the provision of credit for on-farm irrigation investments and farm inputs, the strengthening of the agricultural credit institution, the
extension services and other farm support services; and through the provision of funds for agricultural research and experimentation. The project target group cultivates an average farm of 1.22 ha and has an average per capita income of US$ 64, compared to the national per capita average of US$ 410. Some 40 000 farm families, or 240 000 people, would benefit directly through an increased output of wheat, faba beans, sorghum, vegetables, berseem, dates and citrus with a total net annual incremental value of about US$ 10 million at full project development. This would increase their net per capita annual income by an average 41 percent. The project would be implemented by existing agencies. Total project costs estimated at US$ 23.1 million would be financed by IFAD (US$ 10 million); the OPEC Fund (US$ 8.2 million); the Government of the Democratic Republic of the Sudan (US$ 3.9 million) and the beneficiaries (US$ 1 million). Highly concessional terms are proposed. (Documents EB 83/19/R.44 and Add.1 and Annex).

6. **Proposed Grant for Technical Assistance**

**Development of Institutional Capability for Project Preparation in Central America and Panama**

Extension of Technical Assistance Grant for the Regional Unit for Technical Assistance (RUTA) to develop Institutional Capability for Project Preparation in Central America and Panama (US$ 300 000).

The first phase of this grant was approved by the Board in April 1980. The proposed grant would provide funding for the extension of this technical assistance project from December 1983 to August 1985 to enable RUTA to continue to cooperate with the governments of six countries in Central America (including Panama) and thus to increase the flow of agricultural projects for external financing. The project is beginning to produce the results expected in terms of both the quality of work and the number of projects prepared. The mid-term evaluation of RUTA by the financing agencies and the countries concerned has strongly urged that the project be continued for an additional period. (Document EB 83/19/R.45).

7. **Planned Project Activities**

Documents EB 83/19/R.46 and Add.1 containing relevant data on planned project activities is presented for the information of the Executive Board.

8. **Programme of Work and Budget for 1984**

In accordance with Article 6, Section 10, of the Agreement Establishing IFAD, the President is submitting the proposed Budget for 1984 for transmission by the Executive Board to the Governing Council for approval. The Programme of Work for 1984 is submitted to the Executive Board for approval. The relevant information about the two items is contained in document EB 83/19/R.47.
9. **IFAD's Lending Policies and Criteria**

The Executive Board has discussed this matter at its last four sessions. Its recommendations on this subject, contained in documents GC 6/L9 and Add.1 were considered at the Governing Council's Sixth Session. The Governing Council referred the matter to the Executive Board for further deliberation. Consequently at its Eighteenth Session the Board made various suggestions and requested the President to prepare a paper to review the discussion so far, on the issue of lending terms for IFAD loans and to explore the implications of any change in lending terms on IFAD's financial position. The Board also requested that the paper examine additional possibilities for strengthening IFAD's financial position. These issues are presented in document EB 83/19/R.48.

10. **IFAD's Policy on Relending Rates**

At its Eighteenth Session the Board had before it a document (EB 83/18/R.26) on this matter. The Board decided to postpone further discussion to the Nineteenth Session and noted that the report would be modified to reflect the comments made at its last session. Accordingly document EB 83/19/R.49 contains additional information.

11. **Review of IFAD-Financed Integrated Rural Development Projects**

At its Eighteenth Session the Board took note of a document (EB 83/18/R.25) which contained a comparative review of rural credit projects. This document was the first comparative study of IFAD-funded projects. A second study based on a review of 32 integrated rural development (IRD) projects is submitted for the consideration of the Board, contained in document EB 83/19/R.50.

12. **Draft Provisional Agenda for the Seventh Session of the Governing Council**

In accordance with Rule 6.1 of the Rules of Procedure of the Governing Council, the Board is invited to consider and approve the Provisional Agenda for the Seventh Session of the Governing Council to be held from 6 to 9 December 1983, contained in document EB 83/19/R.51.

13. **Future Sessions of the Executive Board**

The Twentieth Session of the Executive Board will be held from 12 to 14 December 1984. Executive Board Sessions during 1984 are scheduled for the following dates:

- **Twenty First Session**: 3 to 5 April, 1984
- **Twenty Second Session**: 11 to 13 September, 1984
- **Twenty Third Session**: 4 to 6 December, 1984
14. **Other Business**

(a) **Extension of Education Grants to Non-expatriate Internationally Recruited Staff**

Document EB 83/19/R.52 provides background information on a problem in personnel practice relating to Education Grants; the document also sets out proposals for resolving the matter.