



IFAD
INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT
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PLANNED PROJECT ACTIVITIES

Since document EB 98/65/R.32 was dispatched to Executive Board Directors, three additional projects have reached a sufficiently advanced stage to warrant inclusion in the Annex A portion of the document. The relevant project summaries are attached.

ANNEX A

Region: Asia and the Pacific	Country: Bangladesh
Project Name: Smallholder Agricultural Improvement	Per capita GNP ¹ : 260
Project Cost (USD million): 25.7	Population (million) ¹ : 122.0
IFAD Loan (USD million): To be determined	Leading External Financier ² : IFAD
Proposed Terms: Highly Concessional	Cofinancier: Discussions ongoing with WFP
Present Status: Under appraisal	Appraising Institution and Loan Administrator: IFAD and the United Nations Office for Project Services (UNOPS)

Project Objectives

Bangladesh is one of the poorest countries in the world. It remains particularly vulnerable both to regular, often catastrophic floods and to frequent cyclones that destroy crops, livestock and property and cause loss of life. Against this backdrop, the proposed project will seek to boost food production and household incomes of the rural poor in the project area and thereby improve their food security and living standards, while enhancing the economic infrastructure serving the targeted rural households. An important secondary objective will be to strengthen and deepen the implementation capacity of key institutions, namely community groups, the Department of Agricultural Extension (DAE), the Local Government Engineering Department (LGED), non-governmental organizations (NGOs) and possibly Union Parishads (UPs). The project has been designed to take into account the positive experience of other IFAD-supported projects in the country, in particular the Marginal and Small Farm Systems Crop Intensification Project, the Netrakona Integrated Agricultural Production and Water Management Project and the Agricultural Diversification and Intensification Project.

Project Beneficiaries

The project will be implemented in the districts of Mymensingh, Jamalpur and Sherpur in the north-centre of the country. The total population of the three districts was estimated to be about 7.9 million in 1997, of which 88% is rural. It will serve a total of 24 *thanas*, although activities will initially focus on the 14 poorest *thanas*. The target groups will be the vulnerable, poor, rural households who are landless, marginal or small farmers, with particular attention paid to women heads of households, indigenous families (*Adivasi*) and to *Charlanders*.³ About 131 000 households will be targeted by the project, of which 13 000 are *Adivasis* households and 5 000 *Charland* households. The project will benefit the entire population of the project area through the improvement of basic infrastructure and living conditions.

¹ 1996 data; GNP in United States Dollars.

² The external financier who, at the request of the Government, takes the lead in project design, pre-appraisal processing and mobilizing external resources.

³ People who live on the newly formed banks of rivers.



Project Components

(a) Agricultural Development

The component will provide support for extension and technology dissemination. Specifically, it will aim to: (i) improve extension delivery by strengthening DAE's technical and logistical capability to deliver appropriate extension messages to the small and marginal farm groups; training will be provided to farmers' and DAE staff; (ii) adopt a participatory crop research process; (iii) introduce an informal participatory seed multiplication and distribution scheme; (iv) expand homestead gardening; (v) increase livestock production at the household or group level; (vi) develop *Charlands* where the majority of farmers are marginal and small; and (vii) construct small-scale water-management schemes, including embankments, regulators, drainage sluices, channels and shallow tubewells.

(b) Rural Community Support

The component will provide support to beneficiary groups, both men and women, as well as to NGOs working with them and in close collaboration with DAE. A total of 6 535 groups will be targeted. Financing will be provided for: (i) the carrying out of participatory rural appraisals (PRAs) by NGO and DAE staff; (ii) the contracting out of NGOs to facilitate the creation of new beneficiary groups or to strengthen existing groups, including training of beneficiaries; and (iii) supporting and building up the capacity of NGOs, particularly of smaller local NGOs, through training and the provision of equipment.

(c) Rural Savings and Credit

The component will support: (i) the provision of a credit line through scheduled commercial banks for on-lending to group members (agricultural and seasonal credit); (ii) the channelling of revolving funds by the project management unit (PMU) to selected qualifying NGOs to finance on and off-farm and income-generating activities; (iii) a pilot revolving fund to be administered by selected groups on a trial basis; and (iv) institutional support to PMU to supervise and monitor the credit component.

(d) Support to *Adivasis* and *Charland* Areas

This will involve: (i) flood-proofing activities and the construction of flood shelters; and (ii) the development of pilot ecological villages, including the creation of an *Adivasis* Development Fund for specific and emergent needs of tribal communities in terms of social infrastructure. Dug wells for water supply, to be funded through the creation of pilot ecological villages, will be tested to ensure that they are free from arsenic contamination. A participatory needs assessment will be carried out in order to better address the needs of the *chars* inhabitants and tribal communities.

(e) Rural Community Infrastructure

The component will improve rural infrastructure by supporting a demand-driven programme of mostly labour-intensive rural works that will comprise: (i) the upgrading of critical stretches of rural roads linking farms to markets; (ii) the rehabilitation of growth centres and/or small market complexes; (iii) the construction of landing stations; and (iv) the rehabilitation and/or construction of community facilities.



(f) Project Management

Financing will be provided for the establishment of an effective PMU in the project area, together with support for local technical assistance, monitoring and evaluation (M&E), and provision for a new IFAD project liaison unit within DAE to service this and two other IFAD-financed ongoing projects.

Project Implementation

The Ministry of Agriculture, through the Director-General of DAE, will be responsible for the implementation of this six-year project. The DAE will also be responsible for the execution of the agricultural development component. The project will be managed by the project coordinating director of PMU who will report to the Director-General of DAE. Coordination will be ensured by a project management committee. At the national level, an inter-ministerial steering committee will ensure coordination. The LGED will be responsible for the execution of the rural infrastructure component and for the embankment/drainage schemes. The project will be implemented by the district and *thana* staff with technical support from the concerned line agencies. The private sector will be the major implementor of the project actions.

Important Features

The project will be strongly participatory, targeted, demand-driven and flexible. The major integrating factor will be PRAs carried out up-front, which will link agriculture, income-generation, credit/savings and infrastructural support. An important innovation built into the project is the support to *Adivasis* and *Charland* areas as well as the creation of pilot ecological villages. Implementation will be carried out by partnerships and in dialogue with the public and private sector, NGOs and community groups, in which the Government and NGOs will support the coping strategies and needs of the rural poor.

Main Issues

No major unresolved issues will remain after appraisal completion.

Previous IFAD Operations

To date, Bangladesh has been assisted with 18 projects (14 IFAD-initiated and four cofinanced) for a total of SDR 174.71 million. Seven projects are currently under implementation and one is expected to become effective in the first quarter of 1999.

Region: Asia and the Pacific	Country: Bhutan
Project Name: Second Eastern Zone Agricultural	Per capita GNP ¹ : 390
Project Cost (USD million): 15.20	Population (million) ¹ : 0.3
IFAD Loan (USD million): To be determined	Leading External Financier ² : IFAD
Proposed Terms: Highly Concessional	Cofinanciers: The United Nations Capital Development Fund (UNCDF) and the Netherlands Development Organization (SNV)
Present Status: Formulation completed	Appraising Institution and Loan Administrator: IFAD and UNOPS

Project Objectives

Food insecurity is still widespread in nearly all the districts of the eastern region, the poorest and most remote region. Within this context, the specific objectives of the proposed project, which builds on the lessons learned from IFAD's experience in the country and the achievements of the First Eastern Zone Agricultural Project (FEZAP), will be to: (i) increase agriculture and livestock production and target group household incomes and household food security in a sustainable manner; (ii) generate appropriate technologies for extension through participatory action research and on-farm testing; (iii) support the effective extension of agriculture and livestock technology and development programmes; (iv) develop and implement approaches for beneficiary participation to increase the sustainability and effectiveness of all project activities; and (v) improve farmer access to markets, agriculture and livestock inputs and support the timely and cost-effective delivery of credit services. Moreover, the project will also contribute to achieving the objectives set in the Eighth Five-Year Plan (8FYP) namely, national food security, conservation of natural resources, sustainable economic production and enhancement of rural incomes and equitable development.

Project Beneficiaries

The project area will comprise the whole of the eastern region and its six districts. Around 81% of the region's rural households are food-insecure. The target group will comprise 22 840 rural households or 155 312 people. It is estimated that 7 000 or about 25% of the total rural households in the project area will directly benefit from project activities, particularly from increased crop production, greater household food security, improved nutrition and higher cash incomes. All farms will benefit from the improvements to extension, research and the support to the input supply farms and other units.

Project Components

(a) Agricultural Extension and Infrastructure Support at the District Level

Financing will be provided for: (i) demonstrations in all *geogs*⁴ of improved land husbandry for each of the farm management systems, including training to agricultural extension staff and farmers; (ii) the promotion of improved crop husbandry packages; (iii) the control of spoilage during marketing; (iv) the construction of marketing infrastructure (Sunday markets, meat sales counters and

⁴ A block (administrative unit) within the district.



simple road side storage and packing sheds); (v) the improvement of animal health, animal husbandry and range management; (vi) the rehabilitation/construction of small farmer-managed irrigation systems, including training to irrigation staff, extension staff and members of the water users' associations; and (vii) provision of facilities at the district level in support of the agricultural, livestock and irrigation programmes (extension centres, equipment, transport, and training facilities).

(b) Research Support

The aim of the component will be to promote new technology generation and strengthen technology transfer and technical backstopping. To this end, financing will be provided for the construction of the mid-altitude Renewal of Natural Resources (RNR) Research Centre (RC) East at Wengkher and the provision of office, laboratory and field equipment, transport and training courses. The new extension programme unit of RNR-RC East will provide technical support to the district RNR teams, linking research and extension and providing support to on-farm research with beneficiary participation. Financial assistance will also be provided to three other research stations.

(c) Input Supply Units

Financial assistance will be provided to the livestock breeding farms in the project area and to the regional support service centres. The project will support the policy of privatizing the supply of breeding animals to farmers by establishing pilot village level breeding units to supply improved chickens, pigs and cattle. These units will be supported and monitored by staff of the breeding farms. Village veterinary health workers will be trained.

(d) Rural Credit

The project will finance: (i) loans to members of 400 small farmer groups (without collateral under a group-guaranteed loan scheme); (ii) small individual loans against the provision of collateral; and (iii) six *geog*-level banking units, to open, on a pilot basis, for improving access of the rural population to credit. The component will be part of a national Microfinance Project, supported also by the United Nations Capital Development Fund (UNCDF) and the Netherlands Development Organization (SNV), for which the IFAD project will provide funds for on-lending in the project area through the Bhutan Development Finance Corporation (BDFC). The UNCDF will finance the costs of establishing the BDFC regional office in the project area, group credit assistants and staff training. Members of groups formed by the National Women's Association of Bhutan (NWAB), a government-supported NGO, will be eligible for loans provided.

(e) Project Facilitation

To support the project facilitation office (PFO) in the project area, the project will finance limited renovation and upgrading of existing facilities and incremental staff, the holding of annual beneficiary evaluation workshops in each district, and the holding of an annual donor consultation on poverty alleviation in eastern Bhutan.

Project Implementation

The Ministry of Agriculture (MOA) will be responsible for the overall implementation of this five-year project. The PFO will be responsible for facilitating coordination, administration and monitoring of the project. A project steering committee will be responsible for coordination at the national level. A project coordination committee will ensure coordination between the *Dzongkhags* (districts), RNR-RC, BDFC, PFO, the input supply units and representatives of beneficiaries. At the district level, project activities are a major element of the district programmes and the district



development committee will be responsible for overseeing their implementation. The *Geog Yargay Tshogchung* (GYT) will have similar responsibilities. Members of village communities are represented in both committees.

Important Features

District level project activities are demand-driven and reflect the requirements of the villages, as expressed during the preparation of the district proposals for the 8FYP. The project will promote private-sector development, *inter alia*, through support to district commission agents for fertilizer distribution, contract/breeding of animals by farmers and encouraging small farmers to become para-veterinary workers and service suppliers. Credit groups will be organized and collateral-free credit will be provided to poor farmers; the BDFC will establish near outreach units below the district level to reach out to the target group in remote areas. Participative mechanisms will be developed through the reactivation of *geog*-level district committees with elected representatives, who will be involved in the planning, implementation and M&E of project activities through the annual work programmes. To make the irrigation rehabilitation under the project more sustainable, it is proposed that the Water Users' Associations (WUAs) will initiate income-generating, agro-forestry activities on a pilot basis on land to be specifically set aside for them.

Main Issues

During appraisal, the following issues will be addressed: (i) strengthening the participatory mechanism under the project; (ii) strengthening the means for unshackling agricultural research from the research stations and concentrating it to the maximum extent at the farmers' fields; (iii) ensuring the adequacy of infrastructure, equipment and other support to ensure the project's research, extension and input-supply activities reach scattered target groups in a geographically difficult environment; (iv) assessing the sustainability and cost-effectiveness of irrigation rehabilitation in a technically difficult setting; and (v) determining the terms of on-lending of the IFAD-financed loan funds from the Government to the borrower/farmers.

Previous IFAD Operations

IFAD has financed four projects for a total of SDR 11.19 million. Only one project is currently under implementation.

Region: Near East and North Africa	Country: Moldova
Programme Name: Rural Poverty-Alleviation Programme (RPAP)	Per capita GNP ¹ : 590
Programme Cost (USD million): To be determined	Population (million) ¹ : 4.0
IFAD Loan (USD million): To be determined	Leading External Financier ² : IFAD
Proposed Terms: Highly concessional	Cofinancier: Discussions ongoing with the World Bank
Present Status: Under formulation	Appraising Institution and Loan Administrator: IFAD and to be determined

Programme Objectives

The overall goal of the proposed programme will be to contribute to poverty alleviation and the improvement of household food security in rural areas during the transition to a well-structured free market economy. To help achieve this goal, initial programme investments will aim to: (i) facilitate the participation of the rural poor in the commercialization of agricultural and rural development; and (ii) contribute to the establishment of a responsive institutional framework for rural services delivery. RPAP's initial post-privatization support will build upon the substantial foundation established through the ongoing World Bank Rural Finance Project (RFP), and will be consistent with and supportive of a cohesive microfinance strategy for Moldova. Overall investment will be geared towards ensuring a build-up in economic and commercial activity in the rural areas targeted for IFAD intervention among the rapidly growing constituency of private landholders (i.e., households with individual land title(s) derived from the privatization of the former *kolkhozes/sovkhoses* in their area).

Programme Beneficiaries

IFAD's potential target group in Moldova comprises an estimated current 150 000 farm households nation-wide that have left the former collective farms to become private farmers or who aspire to become rural microentrepreneurs. After having been effectively halted for about two years, the farm decollectivization process resumed in 1996-1997. An additional 200 000 farm families are expected to leave collective farms over the next several years and form an additional potential part of the programme's target beneficiary group. Private farmers, most of whom organize production on an extended family or small-group basis, will constitute the backbone of agricultural production and form the new economic base of Moldova's 1 600 villages. The RPAP is targeted to a beneficiary population comprised of the poorest of the poor in Moldova.

Programme Components

(a) Community Mobilization

Funds will be allocated to a contracted NGO(s) to operate as a catalyst for rural development in the programme area, working with and on behalf of recently privatized land owners. The programme component will: (i) establish a dialogue with villagers; (ii) assist in the identification of potential development opportunities and the steps which villagers may take to establish and/or improve access to such opportunities (e.g., through their formation of different types of self-help organizations, including small-scale businesses, associations, service or multi-purpose cooperatives, etc.); (iii) assist



in linking private, small-scale businesses and self-help organizations to sources of supply of relevant goods, services, technical and marketing information, and financing; and (iv) work in close collaboration with Rural Finance Corporation (RFC) to help interested households establish their own village savings and credit association (SCAs).

(b) Rural Financial Service Support

The component will support: (i) a state supervisory body (SSB) to license new SCAs and ensure the continual compliance of the rural financial service network with the established financial and prudential framework. SSB personnel, in particular those in the licensing department, will be trained to build the capacity for effective SCA supervision; (ii) the provision of institutional support to strengthen RFC in its dual role as a central financing facility and as a source of financial and business development training/advice for its membership; (iii) the promotion of SCAs to function as rural financial intermediaries at the village level. The aim will be for SCAs to attract members' savings to build up their total assets base to permit future on-lending of such savings, and as a basis for negotiating access to medium and longer-term investments credits; and (iv) the introduction of an experimental deposit insurance scheme.

(c) Revolving Credit Funds

The component will finance the provision of: (i) a supplementary SCA credit line for on-lending through RFC; and (ii) the establishment of a small-scale enterprise development fund dedicated to supporting the setting-up of small-scale businesses in the rural areas. The fund could be accessed for on-farm or off-farm enterprises at the discretion of the applicants, subject to their meeting pre-specified eligibility criteria.

(d) Programme Management and Coordination

A programme implementation unit (PIU) with full management and coordination authority over not only the IFAD-supported programme but also the overall strategy and process of microfinancing at the village level is considered essential in order to maintain the integrity of the framework now in place for rural financial service delivery. IFAD will therefore finance the establishment and incremental operational costs of a management and coordination unit to oversee programme implementation within the existing Rural Finance Project Implementation Unit (RFPIU). IFAD will take-up full operating costs of the existing RFPIU when World Bank funding for the latter ceases in the year 2000.

IFAD funds will also be allocated to provide for the operating costs of an *ad hoc*, locally constituted technical advisory group (in effect, a "think tank") which will convene periodically to monitor trends in the microfinance subsector and advise upon longer-term strategic and policy issues. Since the programme will be the first IFAD-supported one in Moldova, a short-term programme planning advisor will be fielded to familiarize PIU and associated implementing organizations with IFAD loan procedures and reporting requirements. A M&E specialist will also be recruited for a short period.

Programme Implementation

The programme will be implemented over a twelve-year period through a series of four three-year funding cycles. Implementation will be through the institutions that now provide the framework for rural financial services delivery, with provisions for the contracting of additional services from the private sector and NGOs as necessary. Particular attention will be given to ensuring that mutually supportive roles are sustained by the various organizations to be involved within the framework of a



cohesive strategy for rural financial service delivery under the implementation authority of PIU.

Important Features

The planning process and elapsed time involved in the conventional sequence of Country Opportunity Strategy Paper (COSOP) preparation, inception, formulation and appraisal is not particularly suited to serving the Government's perceived needs in support of its transition to a market economy and the attendant problems. This led IFAD to consider introducing a more flexible approach to planning and funding an intervention in Moldova. This will involve initiating an agreed-upon flexible lending mechanism programme framework and introducing an initial small loan for a discrete set of "crisis-neutral" activities, to be followed by a "rolling" form of subsidiary programming, linked to the negotiation of a series of supplementary loans servicing a common programme framework. Furthermore, a key requirement in Moldova at this juncture is to encourage the rapid development of small to medium-scale business development in rural areas, including participation of foreign companies/entrepreneurs, with a view to combining necessary financial support with direct access to specialized technical expertise. This, in turn, suggests a need for IFAD to take the lead in developing new financing instruments in collaboration with private-sector partners and grant-aid donors. Given the nature of the dynamic change occurring in the agricultural and financial services sector in Moldova, the salient feature in the design of the programme will be the allowance made for a matching of the project's time-frame with the pursuit of the project's long-term development objectives.

Main Issues

During programme development and implementation, the following issues will be addressed: (i) to maintain a close watching brief on economic and political events unfolding in Moldova over the next six months, especially with respect to the Government's achievement of fiscal targets set by the International Monetary Fund (IMF), and to assess the implications of any resultant policy and institutional changes for programme design; (ii) to proceed, as rapidly as possible, with necessary steps to establish the relatively "crisis-neutral" aspects of the programme, while recognizing that confirmation of detailed design requirements for additional IFAD financing interventions may only become feasible at a slightly later stage (i.e., approve an initial-cycle loan using a variant of the flexible lending mechanism, with a view to negotiating a supplementary loan(s) as events in Moldova unfold); and (iii) to subject the access to provisional fund allocation to a confirmation of continuing credit demand over and above that which can be served by existing credit lines, as well as the extent to which commercial banks have become involved in serving SCA credit needs from their own resources and/or any additional credit lines which may be agreed upon with the World Bank. Should the combination of World Bank and commercial bank credit lines prove sufficient to meet emerging SCA needs, IFAD, with the agreement of the Government, would retain the option to re-allocate the USD 2.0 million as an additional credit source for the proposed small-scale enterprise development fund, or to reallocate the fund to other priority activities that may arise during the period of overall funding commitment for the programme.

Previous IFAD Operations

This is IFAD's first intervention in Moldova.