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**Agenda Item 10**

28 April 1999  
English

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**IFAD**  
**INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT**  
**Executive Board — Sixty-Sixth Session**  
Rome, 28-29 April 1999

**PLANNED PROJECT ACTIVITIES**

Since document EB 98/66/R.30 was dispatched to Executive Board Directors, three additional projects have reached a sufficiently advanced stage to warrant inclusion in Annex A of the document. The relevant project summaries are attached.

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<b>Region:</b> Africa II	<b>Country:</b> Uganda
<b>Programme Name:</b> Area-Based Agricultural Modernization Programme	<b>Per capita GNP</b> <sup>1</sup> : 300
<b>Programme Cost (USD million):</b> 33.6	<b>Population (million)</b> <sup>1</sup> : 20.0
<b>IFAD Loan (USD million):</b> To be determined	<b>Leading External Financier</b> <sup>2</sup> : IFAD
<b>Proposed terms:</b> Highly concessional	<b>Cofinancier:</b> Discussions under way with the World Bank
<b>Present Status:</b> Under formulation	<b>Appraising Institution and Loan Administrator:</b> IFAD and to be determined

### Programme Objectives

The overall goal of the proposed programme is to increase incomes among poor rural households in south-western Uganda. This will be achieved through the stimulation of economic activity and contributions to the modernization of smallholder agriculture in the target area. Specifically, the programme will seek to: (a) increase the involvement of the private sector in support of further commercialization of smallholder agriculture; (b) improve the capacity of economically-active smallholders to organize themselves to gain better access to rural services (technical, financial and marketing services); (c) sustainably improve rural infrastructure (especially rural road networks); and (d) increase public sector capacity to respond to production needs identified by rural households/interest groups. The programme will also consolidate the achievements made under the closed Southwest Region Agricultural Rehabilitation Project financed under the Special Programme for Sub-Saharan African Countries Affected by Drought and Desertification.

### Programme Beneficiaries

The programme will be an area-based intervention in support of ten districts with a total population of approximately five million. Over 90% of the area's inhabitants are rural, and agriculture is the dominant occupation. Smallholders constitute the overwhelming majority of the rural population. Most are mixed farmers who produce a combination of food crops for home consumption and cash crops (food and industrial crops), and raise small numbers of animals (mainly indigenous cattle for milk). Within the target group, women play a major role in crop and livestock production, processing and small enterprise operations. The target group will comprise economically-active smallholders living in rural areas who derive their livelihood from agricultural production, as well as existing or potential small-scale entrepreneurs and business associations providing services to rural households. It is estimated that 70-80 sub-counties (representing about one third of the 196 sub-counties), comprising over 1.6 million people, will directly benefit from the programme intervention.

<sup>1</sup> 1996 data: gross national product (GNP) in United States dollars (USD).

<sup>2</sup> The external financier that, at the request of the Government, takes the lead in project design, pre-appraisal processing and mobilizing external resources.

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### Programme Components

(a) **Agricultural commercialization**, involving three sub-components:

- (i) **Rural financial services support** for: (a) two commercial banks (Cooperative Bank and Centenary Rural Development Bank) with a mandate to serve rural areas and rural-based clients to enable them to increase their equity capital base and expand their operations in the programme area in terms of both coverage and rural financial services offered; and (b) micro-financing intermediaries, to improve their operations through management and business training.
- (ii) **Technical support for farming enterprises**, primarily in terms of staff and farmer agricultural training, skill development, technology and market information system, technical backstopping, and the re-orientation of district staff towards contracting private sector agencies, non-governmental organizations (NGOs) and other specialized agencies for the provision of inputs and advisory services.
- (iii) **Business development and improved market linkage**, involving community mobilization, sensitization and awareness-raising related to development and economic opportunities; agri-business training for district staff to complement their technical agricultural skills; tailored training to meet the needs of beneficiary economic interest groups; improved linkages between beneficiary groups and other ongoing donor/NGO activities; beneficiary tours and participation in workshops and trade fairs to facilitate liaison, especially with private sector, NGO and other stakeholders; and the development of suitable regulatory arrangements for more uniform standards, especially among stockists.

(b) **Rural infrastructure development**

To reduce the costs of market access and stimulate more widespread economic activity in the area, the programme will finance improvements to the rural road network through the rehabilitation of about 500 km of farm access roads and 1 000 km of feeder roads through the establishment of a common Rural Infrastructure Fund from which the ten districts will draw on a competitive basis. Farm access roads improved under the programme will be maintained by, and at the expense of, the sub-counties and communities concerned. District feeder roads rehabilitated under the programme will continue to be maintained by each district, with the additional choice of drawing from the central fund, depending on the priorities of the district. The programme will also support the development of infrastructure for livestock, including the installation of water supplies and the rehabilitation of animal dip tanks. The Rural Infrastructure Fund will also be available to districts for equipment, maintenance and/or replacement. Financing will also be provided for institutional support in the form of training and logistical support. It is expected that the International Development Association (IDA) will finance this component.

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### (c) Programme facilitation

The programme will strengthen the existing Donor Coordination Office of the Ministry of Local Government to enable it to more effectively carry out its supervisory role by establishing a programme facilitation team, consisting of a programme facilitator and a programme accountant based in Kampala, as well as a technical sub-group seconded from the respective central/line ministry and based in the programme area (Mbarara).

### **Programme Implementation**

This six-year programme will be implemented under the overall responsibility of the Ministry of Local Government and will be guided initially by the interim Technical Committee of the Plan for the Modernization of Agriculture (or possibly the Agricultural Policy Committee). A programme operations sub-committee of the technical/policy committee will ensure smooth implementation of the programme within the national framework. The sub-committee will also be responsible for establishing budgetary limits for district programmes. District local governments will be responsible for determining and carrying out proposed activities under the overall guidance of district councils and in the context of the respective district development plans, with the chief administrative officer as the accounting officer. At the sub-county level, programme activities will be controlled by the respective sub-county councils and executed under the authority of the sub-county chief.

### **Important Features**

This area-focused programme has been developed within the framework of the government's Plan for the Modernization of Agriculture and the Poverty Eradication Action Plan. It will adopt a relatively flexible, programme approach, which more closely matches the government's decentralization policy, and the role and functions of local governments. The contribution to commercial banks will be made in the form of equity to improve their debt:equity ratios and increase their ability to provide a range of financial services in rural areas, using already-available internal funds. It will introduce a participatory scheme development process for any infrastructure designed to benefit specific communities or economic interest groups. It will stimulate private-sector service delivery to smallholders, particularly through a series of partnerships with public sector agencies and NGOs.

### **Main Issues**

The major issues to be pursued during appraisal include: (a) modalities and arrangements for the proposed equity investment in the two banks; and (b) consolidation of organizational and implementation arrangements.

### **Previous IFAD Operations**

IFAD has so far financed seven projects in Uganda from its core resources, of which four have closed, two are being implemented and one is awaiting effectiveness. Total IFAD assistance amounts to SDR 76.18 million on highly concessional terms. In addition, grant assistance under the IFAD/Belgian Survival Fund (BSF) Joint Programme totals BEF 700 million for two ongoing projects and one closed project. Negotiations for a fourth BSF-financed project (USD 2.97 million equivalent) are scheduled for early May 1999.

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<b>Region:</b> Asia and the Pacific	<b>Country:</b> Indonesia
<b>Programme Name:</b> Participatory Integrated Development Programme in Rainfed Areas	<b>Per capita GNP<sup>1</sup>:</b> 1 080
<b>Programme Cost (USD million):</b> 25.0	<b>Population (million)<sup>1</sup>:</b> 197
<b>IFAD Loan (USD million):</b> To be determined	<b>Leading External Financier<sup>2</sup>:</b> IFAD
<b>Proposed Terms:</b> Highly concessional	<b>Cofinanciers:</b> Discussions under way with Australia and The Netherlands
<b>Present Status:</b> Under formulation	<b>Appraising Institution and Loan Administrator:</b> IFAD and UNOPS

### Programme Objectives

There is increasing recognition that improvements in food self-sufficiency and food security cannot be achieved only through further intensification in the lowland, irrigated areas. Therefore, the proposed programme will focus on the development of rainfed areas where poor farmers are concentrated. Building on the successful implementation of the East Java Rainfed Agricultural Project (Loan 255-ID), the objectives of the proposed programme will be to: (a) increase the incomes and improve the living conditions of low-income households in the programme area; (b) promote the conservation and improvement of natural resources; (c) set up and strengthen existing farmers' and women's groups, with the aim of rendering them independent, self-managed and capable of undertaking their own development activities; and (d) contribute to the improvement of household and national food security.

### Programme Beneficiaries

The programme will cover nine provinces that have a substantial potential for the development of rainfed agriculture. IFAD will support the programme in three provinces<sup>3</sup> of the country's eastern region, which are among the poorest areas, according to pre-crisis 1996 indicators. It is estimated that 500 of the poorest villages (250 in East Java, 75 in West Nusa Tenggara and 175 in East Nusa Tenggara) will be targeted by the programme (a socio-economic survey will be carried out to confirm the choice of villages). Approximately 695 000 people, representing 50% of all households in the selected villages, will directly benefit from the programme's interventions. An estimated 5 000 women's groups will benefit from capitalization grants and credit support. The community infrastructure component will benefit a larger proportion of the village population.

### Programme Components

#### (a) Participation and community development

The programme will promote voluntary group formation and/or the strengthening of existing farmers' and women's groups to ensure that all members of the community participate in defining the priority activities to be carried out with programme support. This will be undertaken by small teams

<sup>3</sup> During programme implementation, additional funding will be sought to cover the other six provinces.



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of three facilitators each from selected NGOs contracted out by the programme. The results will constitute the Hamlet and Village Priority Programme, which will include individual as well as community activities. A facilitator will be elected by the community and will receive on-the-job training from the field worker. The programme will finance the recruitment of incremental male or female NGO field workers, staff training, motorcycles, some basic office equipment and operating funds.

### (b) **Agriculture and livestock development**

The programme's sub-components will support: (i) **distribution of small livestock** (goats or cattle) to interested groups on a revolving basis. Funds will also be provided for the provision of improved animal health services, technical assistance and seedlings/seeds of suitable forage species; (ii) **development of small-scale perennial tree crop plantings**, through the establishment of nurseries at the district level and/or the purchase of seedlings from other sources, both private and public-sector nurseries. Based on the approach used in the IFAD-financed cashew project, a package of inputs including seedlings, fertilizer or organic compost and small hand tools will be provided, on a grant basis, in the first year, while credit will be made available for the purchase of organic inputs for subsequent years. Short-term credit will also be provided for agricultural activities. Extension activities will be based on experiences gained in the Farmer-Centred Agricultural Research Management Programme; (iii) **testing, demonstration and extension of appropriate technologies**, making use of local knowledge and resources, and applying alternative techniques already available in the region in the field of organic and conservation farming; and (iv) **agricultural development and institutional capacity-building**, through the provision of staff allowances to sub-district and district extension staff, training in appropriate technologies and extension methodology, transport facilities, simple equipment, etc.

### (c) **Rural financial services and marketing**

Financing will be provided for: (i) the establishment of a savings and credit operation along the lines of the existing P4K<sup>4</sup> programme involving the formal banking system. Credit for on-farm and off-farm purposes will be provided by Bank Rakyat Indonesia (BRI) to formal solidarity groups, and new groups in West Nusa Tenggara and East Nusa Tenggara will be provided with seed money in the form of grants; (ii) the provision of training to NGO field workers and group members; (iii) the provision of incremental credit officers at each district office, motorcycles, operating funds, etc.; and (iv) the promotion of marketing groups to improve farmers' bargaining power, including the provision of training and market information, as well as credit.

### (d) **Women in development**

The programme will provide: (i) functional literacy and awareness training to improve rural women's low level of literacy and awareness; (ii) specific support to undertake income-generating activities in on-farm and off-farm sectors, through capitalization grants and credit; and (iii) institutional support to the NGOs implementing the component.

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<sup>4</sup> Income-Generating Project for Marginal Farmers and Landless.

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### (e) **Community infrastructure**

Funds will be made available for the improvement of drinking water supplies, and the repair and improvement of existing village roads, as well as the improvement/rehabilitation of other existing community infrastructures (e.g., existing local markets).

### (f) **Institutional support and programme management**

The programme will finance: (i) training of staff from the Mass Guidance for Agricultural Production Agency (Bimbingan Massal - BIMAS) and other agencies and institutions involved in implementation; (ii) socio-economic surveys, office equipment and vehicles; and (iii) staff salaries and allowances of the programme coordination and management units.

## **Programme Implementation**

This eight-year programme will be executed under the overall responsibility of BIMAS in the Ministry of Agriculture. An advisory committee at national level will be responsible for policy and strategic advice. National and provincial programme coordination units will be responsible for representation, overall financial management, control, and monitoring and evaluation. District programme management units, which will contract out specific activities or components to competent and experienced agencies in the public, private and NGO sectors, will assure the programme management function. Coordination with other donors will be maintained, especially with the World Bank and Australia, which have ongoing programmes in the same area.

## **Important Features**

The promotion of organic farming, in line with a recent policy adopted by the Ministry of Agriculture, and as a result of the crisis, raised the prices of imported inputs to a point where their use has become unfeasible. The adoption of an effective participatory approach through which households in hamlets will determine the priorities for programme support. The decentralization of programme management to district level. The involvement of NGOs, in line with government-stated policies, on the necessary scale and in activities which are essential for sustainable results and application of a truly participatory approach.

## **Main Issues**

During appraisal, the following issues will be addressed: (i) finalization of credit arrangements; (ii) completion of the institutional analysis of three lead NGOs; and (iii) re-confirmation of the policies of decentralization and involvement of NGOs.

## **Previous IFAD Operations**

IFAD has financed a total of ten projects (eight IFAD-initiated and two cofinanced) for a total of SDR 155.09 million. Five projects are currently being implemented.

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<b>Region:</b> Latin America and the Caribbean	<b>Country:</b> Guatemala
<b>Programme Name:</b> Rural Development Programme for the North-Eastern Region of Las Verapaces (PRODEVER)	<b>Per capita GNP</b> <sup>1</sup> : 1 470
<b>Programme Cost (USD million):</b> 24.0	<b>Population (million)</b> <sup>1</sup> : 11
<b>IFAD Loan (USD million):</b> To be determined	<b>Leading External Financier</b> <sup>2</sup> : IFAD
<b>Proposed Terms:</b> Intermediate	<b>Cofinancier:</b> Discussions under way with the Organization of Petroleum Exporting Countries (OPEC)
<b>Present Status:</b> Under formulation	<b>Appraising Institution and Loan Administrator:</b> IFAD and UNOPS

### Programme Objectives

Thirty-six years of armed conflict have had devastating consequences for Guatemala. War worsened poverty and extreme poverty. The rural population suffered most due to a large number of casualties and serious marginalization and displacement, both within and outside the country. Under the Peace and Reconstruction Agreements signed by the Government of Guatemala and the rebel forces in 1996, it was decided that one of the highest priorities was to combat rural poverty in the areas most affected by the civil conflict. To that effect, the government requested that IFAD finance a project, which would support its fight against rural poverty. The general objective of the proposed programme will be to reduce rural poverty among indigenous peasants who live in a very fragile natural resource environment in the poorest municipalities of the Las Verapaces departments. The specific objectives of the programme will be to: (i) increase indigenous peasants' incomes through the promotion and support of agricultural and non-agricultural income-generating activities; (ii) promote and consolidate peasants' organizations in order to strengthen local institutions; (iii) empower peasant women's roles and guarantee their full participation in the programme's social and economic activities; (iv) improve and preserve the natural resource base for future generations by implementing sustainable natural resource conservation practices; and (v) foster the integration of rural communities into the mainstream of the national economy.

### Programme Beneficiaries

The programme will be located in the north region of the country and will cover eight municipalities in the department of Alta Verapaz and four municipalities in the Baja Verapaz department. The target group will comprise poor rural families whose income level is lower than USD 1.30 per capita per day (extreme poverty). The programme will directly benefit approximately 16 000 rural families made up of (i) landless and marginal producers accounting for approximately 6 600 families; and (ii) subsistence and incipient commercial producers who will account for almost 9 400 families.



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### Programme Components

#### (a) Sustainable agricultural development

The programme will: (i) finance training activities and the productive improvement of small producers through agreements (*convenios*) with co-implementing organizations and service providers; (ii) foster a programme of reforestation and conservation of natural resources in peasant landholdings; and (iii) support the improvement of commercialization systems and rural microenterprises.

#### (b) Rural financial services

The programme will strengthen rural financial services in order to mobilize savings and provide credit to rural families. It will comprise two sub-components: (i) **strengthening the rural financial system** by: (a) supporting the mobilization of peasant family savings; (b) fostering village banks (small revolving savings and credit funds managed by the community itself); (c) promoting the financing of micro-credit operations for small income-generating activities through the establishment of solidarity groups; and (d) strengthening intermediate financial institutions in order to able to expand their services within the rural context and have more flexible operating methodologies to respond to the particular requirements of small producers; and (ii) **a credit fund** to cofinance productive investments, commercialization groups and rural microenterprises. The credit fund will be channelled through the Rural Development Bank (BANRURAL).

#### (c) Socio-economic investments

The component will support community initiatives of the most disadvantaged groups. It will contribute resources to rehabilitate and maintain rural roads and small works to facilitate access to and by communities. Local initiatives will be supported to improve the food security of the communities, and in favour of labour-intensive activities being carried out by the most disadvantaged groups.

#### (d) Programme promotion and information

Under this component, communities will be informed about the programme's goals and activities and local formal and informal groups will be strengthened and consolidated in order to better participate in the programme by identifying their needs, presenting initiatives and being actively involved in implementation.

#### (e) Programme coordination

The programme will support the establishment of a programme-coordinating unit that will guide, manage and coordinate implementation of the programme, with the assistance of a programming and follow-up system. The component will also finance evaluation of the programme.

### Programme Implementation

This eight-year programme will be implemented under the overall responsibility of the National Peace Fund (Fondo Nacional para la Paz – FONAPAZ) with the participation of the Ministry of Agriculture, Livestock and Nutrition. The Ministry of Finance will be responsible for channelling budgetary counterpart funds and external resources to FONAPAZ. The beneficiaries themselves and



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their organizations, which in turn will contract out technical and financial services to private individuals or firms working in the programme area (cooperatives, NGOs, private consulting firms or consultants), will implement programme activities.

### **Important Features**

The most innovative programme implementation methodology includes a gradual, stage-by-stage approach to prepare the target group — with the assistance of programme staff — during the first stages of the programme to identify, rationalize, prioritize and submit sub-project proposals to be financed by the programme through agreements with private and/or public organizations. There will be three main stages of implementation: (a) establishment (three years, supported by an information and promotion campaign); (b) programme expansion (three years); and (c) sustainability (two years). Implementation will also follow a menu-driven approach that will allow the programme coordinating unit to act as a facilitator among the beneficiaries — who will identify and select priority services from the menu — and the co-executing agencies which will be sub-contracted to implement those activities through agreements. Finally, the decentralized features of the programme will allow the transfer of implementation responsibilities to the beneficiaries, thus guaranteeing sustainability and ‘ownership’ of the programme.

### **Main Issues**

During appraisal, the following issues will be addressed: (a) presentation by FONAPAZ of the budgetary requirements necessary to implement the first year of the programme; (b) coordination mechanisms to draft agreements with organizations already operating in the Las Verapaces departments; (c) assessment and establishment of possible mechanisms for cooperation and implementation with potential first-tier financial intermediaries, and preparation of credit by-laws; and (d) assessment of the appropriate methodology to implement the FONAPAZ-BANRURAL trust-fund agreement for the management of credit funds by BANRURAL as a second-tier financial institution.

### **Previous IFAD Operations**

IFAD has approved four projects (three IFAD-initiated and one cofinanced) totalling SDR 25.88 million. Two projects are currently being implemented.