



IFAD
INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT
Executive Board – Seventy-Second Session

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DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA/REPUBLIC OF INDONESIA

PRESIDENT'S MEMORANDUM

**PROPOSAL TO CHANGE IFAD DIRECT SUPERVISION RESPONSIBILITIES FROM
THE MATALE REGIONAL ECONOMIC ADVANCEMENT PROJECT
(LOAN NO. 493-LK) IN SRI LANKA TO THE POST-CRISIS PROGRAMME FOR
PARTICIPATORY INTEGRATED DEVELOPMENT IN RAINFED AREAS
(LOAN NO. 539-ID) IN INDONESIA**

I. INTRODUCTION

1. At its Twentieth Session in February 1997, the Governing Council adopted Resolution 102/XX, operative paragraph 2 of which specified that 15 projects, three from each geographical region, should be directly supervised and administered by IFAD. The Matale Regional Economic Advancement Project in Sri Lanka (Loan No. 493-LK), approved by the Executive Board at its Sixty-Fifth Session in December 1998, was one of the three projects in the Asia and the Pacific region selected for direct supervision. However, the Fund's strategy for the region has since shifted to placing greater emphasis on developing upland and dry land regions containing a high concentration of rural poor. Partnership building with civil-society organizations has also been recognized as an effective strategy for building up the capital of poor people in the remote areas and for fostering coalitions among them. With the adoption of the IFAD V: Plan of Action (2000-2002) by the Twenty-Fourth Session of the Governing Council in February 2001, greater emphasis is now placed on partnership building, policy reforms, impact assessment and knowledge management.

2. The Asia and the Pacific Division accordingly concluded that it would be more productive for the Matale Regional Economic Advancement Project in Sri Lanka to be supervised by a cooperating institution, in this case the United Nations Office for Project Services (UNOPS); and for the Post-Crisis Programme for Participatory Integrated Development in Rainfed Areas (PIDRA) in Indonesia to be directly supervised by IFAD.



II. RATIONALE

3. The Asia and the Pacific Division has been closely monitoring its portfolio of ongoing projects in order to identify interventions which, if strategically supervised and supported, might set off a ripple effect for enhancing the wellbeing of the intended beneficiaries. The PIDRA in Indonesia, which was approved by the Sixty-Ninth Session of the Executive Board in May 2000 and declared effective in January 2001, is deemed to be one such project. It was therefore decided that it should be supervised directly by IFAD rather than by the cooperating institution (UNOPS). The programme not only meets the criteria set by the Executive Board for the selection of projects to be directly supervised by IFAD, but it also corresponds to the objectives of the Plan of Action, as briefly explained hereunder.

4. **Partnership development.** The programme's main innovative feature is the direct involvement of Indonesian non-governmental organizations (NGOs) in its formulation, negotiation and implementation. Seventeen NGOs will be involved in implementing the programme, based on equal partnerships between NGO facilitators and Government staff at both the provincial and district levels. The resultant strategic alliance between the Government and civil-society representatives is now slowly taking a hold in Indonesia. Direct PIDRA supervision by IFAD would ensure both the continuity of this three-party dialogue and strengthening of the new working relationship.

5. **Knowledge management.** PIDRA aims to build upon a mix of local traditional knowledge and modern technology that was developed within the region with the active participation of poor rural communities for the purpose of addressing soil and water conservation issues in different areas. The programme thus offers great potential for effective management of the knowledge thus generated. In that context, the continued involvement of the responsible Country Portfolio Manager would be desirable to ensure timely feedback to the Government of Indonesia and to the international community at large.

6. **Policy dialogue.** Based on the success of the previous East Java Rainfed Agriculture Project (Loan No. 255-ID), the Government of Indonesia requested IFAD to replicate the project in nine additional provinces. Although, owing to IFAD's financial constraints, only three provinces are presently covered by PIDRA, it seems probable that financing will be available from other international financial institutions and bilateral institutions interested in expanding the programme to other provinces of the country. In this regard, it is to be noted that the Asian Development Bank (AsDB) recently fielded a mission to review the possibility of such expansion. Therefore, direct IFAD supervision of the programme would allow for closer follow-up with interested donors, such as AsDB.

7. **Impact assessment.** The possibility of using NGO participatory methods and expertise for impact assessment was reviewed during the course of project design. The Government of Indonesia has already indicated its intention to introduce annual impact assessments by the communities concerned. PIDRA would therefore provide the Country Portfolio Manager with a useful opportunity to deepen his/her knowledge of the various methodologies tested.

8. It follows, therefore, that including PIDRA in the portfolio of projects directly supervised by IFAD would make it possible for the Fund to acquire more hands-on experience in tackling the objectives of the Plan of Action on the ground. It would also make it possible to link up the traditional knowledge of the rural poor with the different hierarchies among the various stakeholders.

9. The Matale Regional Economic Advancement Project in Sri Lanka was approved by the Board in December 1998 and became effective one year later. It was included in the portfolio of projects for direct supervision by IFAD owing to its innovative approach to project planning and the involvement of the private sector as a provider of services for subsistence agriculture, an area traditionally



monopolized by public services. Since start-up, project implementation has been beset by difficulties in identifying service providers from the private sector and in arriving at a common understanding of the various stakeholders' expectations. While the overall vision of the project is still sound, in the Sri Lanka situation, developing links with the private sector for subsistence agriculture has proved extremely complex.

10. Over the last few years, UNOPS has acquired valuable experience in dealing with the private sector, and for this reason it would be more productive to entrust it with the administration and supervision of the project in Sri Lanka. UNOPS has already indicated its willingness to assume this responsibility, and the agreement of the Governments of Sri Lanka and Indonesia is being sought to the proposed changeover.

III. RECOMMENDATION

11. In view of the foregoing, it is recommended that the Executive Board agree in principle to the substitution, in the portfolio of projects directly supervised by IFAD, of the Sri Lanka Matale Regional Economic Advancement Project (Loan No. 493-LK) by the Indonesia Post-Crisis Programme for Participatory Integrated Development in Rainfed Areas (Loan No. 539-ID).