International Fund for Agricultural Development

Executive Board – Eighty-Second Session

Rome, 8-9 September 2004

Report and Recommendation of the President

To the Executive Board on Proposed Technical Assistance Grants under the Global/Regional Grants Window for Agricultural Research and Training by Non-CGIAR-Supported International Centres
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### ABBREVIATIONS AND ACRONYMS

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<th>Abbreviation</th>
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<tr>
<td>CGAP</td>
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<td>International Development Research Centre</td>
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<td>Near East and North Africa</td>
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<td>WaDIMENA</td>
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<td>WDM</td>
<td>Water demand management</td>
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REPORT AND RECOMMENDATION OF THE PRESIDENT OF IFAD TO THE EXECUTIVE BOARD ON PROPOSED TECHNICAL ASSISTANCE GRANTS FOR AGRICULTURAL RESEARCH AND TRAINING BY NON-CGIAR-SUPPORTED INTERNATIONAL CENTRES

I submit the following Report and Recommendation on two proposed technical assistance grants (TAGs) for agricultural research and training to non-CGIAR-supported international centres in the amount of USD 2 400 000.

PART I - INTRODUCTION

1. This report recommends the provision of IFAD support to the research and training programmes of the following non-CGIAR-supported international centres: the Consultative Group to Assist the Poor (CGAP) and the International Development Research Centre (IDRC).

2. The documents of the technical assistance grants for approval by the Executive Board are contained in the annexes to this report:

   (i) Consultative Group to Assist the Poor (CGAP): Programme for Building Strategic Coalitions and Promoting Innovation and Learning in Rural Finance

   (ii) International Development Research Centre (IDRC): Regional Water Demand Initiative

3. The objectives and content of these applied research programmes are in line with the evolving strategic objectives of IFAD, and the policy and criteria of its TAG programme for agricultural research and training.

4. The strategic objectives of IFAD’s support for technology development relate to: (a) IFAD’s target groups and their household food-security strategies, specifically in remote and marginalized agro-ecological areas; (b) technologies that build on traditional knowledge systems, are gender-responsive, and enhance and diversify the productive potential of resource-poor farming systems by improving productivity and addressing production bottlenecks; (c) access to productive assets (land and water, financial services, labour and technology, including indigenous technology) and the sustainable and productive management of such resources; (d) a policy framework that provides the rural poor with an incentive to reach higher levels of productivity, thereby reducing their dependence on transfers; and (e) an institutional framework within which formal and informal, public and private-sector, local and national institutions provide services to the economically vulnerable, according to their comparative advantage. Within this framework, IFAD also intends to develop commodity-based approaches for the rural poor. Finally, the establishment of a consolidated network for knowledge gathering and dissemination will enhance the Fund’s capacity to establish long-term strategic linkages with its development partners and to multiply the effect of its agricultural research and training programme.

5. The TAGs proposed in this document respond to the foregoing strategic objectives. The Programme for Building Strategic Coalitions and Promoting Innovation and Learning in Rural Finance specifically addresses IFAD’s strategic objectives (c) and (e). This TAG also responds to the strategic objective to enhance IFAD capacity as a networking organization engaged in ‘virtual’ debates and active partnerships with other donors and rural finance practitioners. In that context, the proposed TAG, while providing support to CGAP, will enable IFAD to access critical support services from CGAP that will
strengthen IFAD’s strategic partnerships with other donors and greatly expand IFAD’s knowledge base and learning agenda in rural finance.

6. The Regional Water Demand Initiative responds to (c) and (e) as follows. For strategic objective (c), the outputs of the TAG will contribute to improved access to water and more effective water governance by enhancing water-use efficiency, equity and sustainability in the countries of the Near East and North Africa region. The TAG results will empower poorer communities, rural populations and women to access water through more informed decision-making. In terms of objective (e), the activities of the TAG will foster dialogue, awareness, networking, capacity and knowledge through research, pilot activities and regional exchange among public, private, local, national, regional and international institutions.

PART II - RECOMMENDATION

7. I recommend that the Executive Board approve the proposed technical assistance grants in terms of the following resolutions:

RESOLVED: that the Fund, in order to finance, in part, the Programme for Building Strategic Coalitions and Promoting Innovation and Learning in Rural Finance, shall make a grant not exceeding one million two hundred thousand United States dollars (USD 1 200 000) to the Consultative Group to Assist the Poor (CGAP) upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented to the Executive Board in this Report and Recommendation of the President.

FURTHER RESOLVED: that the Fund, in order to finance, in part, the Regional Water Demand Initiative, shall make a grant not exceeding one million two hundred thousand United States dollars (USD 1 200 000) to the International Development Research Centre (IDRC) upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented to the Executive Board in this Report and Recommendation of the President.

Lennart Båge
President
CONSULTATIVE GROUP TO ASSIST THE POOR (CGAP): PROGRAMME FOR BUILDING STRATEGIC COALITIONS AND PROMOTING INNOVATION AND LEARNING IN RURAL FINANCE

I. BACKGROUND

1. The Consultative Group to Assist the Poor (CGAP) is a consortium consisting of 26 multilateral and bilateral donors (plus two foundations), who are committed to working together to expand access to financial services for the poor in developing countries. CGAP is a resource centre for the entire microfinance community, and provides a platform for generating global consensus on standards and norms for the donor community. In addition, CGAP has launched a major Donor Peer Review initiative with 17 donor agencies including IFAD.

2. CGAP has five key priority areas:
   - developing a wide range of financial and non-financial institutions serving the poor;
   - reaching the poor and unserved clients and ensuring a positive impact on their lives;
   - improving the quality and availability of information;
   - enhancing the policy and regulatory framework; and
   - improving donor effectiveness.

II. RATIONALE/RELEVANCE TO IFAD

3. In recent years, IFAD has developed a symbiotic relationship with CGAP, where the latter serves as an effective platform for the interchange of concepts, designs and technical advice in rural finance. In turn, IFAD provides operational validity for the ‘shared knowledge’.

4. IFAD’s continued membership of CGAP is critical to maintaining and strengthening IFAD’s work in the area of rural finance, as well as to its overall visibility in the donor community. CGAP entirely depends on donor funding in order to operate and provide the range of services it offers to the microfinance industry and the donor community. The rationale for the present TAG is therefore to renew IFAD membership of CGAP for the next four years. By doing so, this TAG will strengthen the IFAD/CGAP strategic partnership and will enable IFAD to reap the key strategic and operational benefits mentioned below.

Building Strategic Coalitions

5. The financial support to CGAP will qualify IFAD to continue as a member of the 28-member donor group and take advantage of the ‘shared learning’ activities. In addition, it will enable IFAD to validate the soundness of its approaches with other practitioners, sharing cutting-edge knowledge and incorporating lessons from experience in its rural finance initiatives. Increasingly, CGAP is actively promoting deeper coordination among donors in the field. As part of the follow-up to the 17 completed Donor Peer Reviews, CGAP has launched a series of country-level effectiveness reviews.

Promoting an Outreach and Visibility Initiative for IFAD Innovation

6. To a significant extent, CGAP serves as a gateway for IFAD to disseminate its successful project experiences to donors, including government representatives who frequently attend CGAP events. High visibility participation in such events will also provide a forum for identifying additional
‘business niches’, and finding partners (international financial institutions (IFI’s), development banks) to scale up IFAD interventions.

**Continuous Learning Opportunities**

7. CGAP’s products are of central interest to IFAD operations and its commitment to learn continuously in order to maintain its leadership in rural finance. Of particular relevance is CGAP’s focus on aid effectiveness, while continuing its action-oriented research in critical areas, including rural finance.

8. CGAP has also been actively involved in the peer review of IFAD’s research agenda and technical papers in rural finance such as “Rural Finance Decision Tools”, and in impact assessment, agriculture microfinance and the regional rural finance strategy for Western and Central Africa, and such active involvement should continue.

**IFAD’s participation in CGAP Governance**

9. Through the proposed TAG, IFAD will play an active role in the governance of CGAP, contributing to designing and updating CGAP’s overall strategy, and ensuring it reflects core priorities/challenges of importance to IFAD. As a member of CGAP, headquartered at the World Bank, IFAD’s participation in CGAP governance will primarily be exercised through holding a seat on CGAP’s Council of Governors (the equivalent to a board of directors). In addition, IFAD will volunteer to occupy the seat reserved for IFIs in the Executive Committee once it becomes available, in agreement with other donors.

**III. PROPOSED PROGRAMME**

10. The rationale of this TAG is to renew IFAD membership in CGAP by providing the group with the required financial support that determines donor membership. By doing so, IFAD will be able to benefit from CGAP services. Therefore, the goal of this TAG is to enhance IFAD’s operational effectiveness and impact in rural finance by tapping into the vast and expanding knowledge base, experience and technical expertise offered by CGAP, as a repository of knowledge in the area of micro and rural finance.

11. The specific objectives of the TAG are to: (i) leverage strategic partnerships to scale up IFAD’s impact on beneficiaries; and (ii) broaden IFAD’s knowledge base and learning opportunities as a means of ensuring high quality products for IFAD’s clients.

**Strengthening Strategic Partnerships with the Community of Donors**

12. An outcome of the Donor Peer Reviews has been the collective Plan of Action to improve aid effectiveness by translating recommendations into a programme of work over the next two years. Accordingly, it is crucial for IFAD to participate actively in the Donor Peer Review follow-up, so that IFAD can contribute to the ongoing dialogue on aid effectiveness and increase the impact and quality of its work in rural finance. CGAP will help IFAD implement the in-house action plan developed by IFAD to enhance the development impact of its rural finance programming.

13. Two outputs are expected under this first objective:

   **Support to the implementation of the IFAD Donor Peer Review recommendations**

14. The IFAD action plan to implement the Peer Review recommendations comprises several important initiatives that have shaped the agenda of the IFAD rural finance thematic group for 2004 and beyond.

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1 Base contribution for donor membership is determined as USD 300 000 per year.
15. The first is the progressive introduction of the microfinance information exchange as an effective instrument to help IFAD’s rural financial institution partners report on key outreach and performance information. CGAP will continue to support IFAD on this important theme.

16. CGAP has also provided opportunities for donor staff training in micro/rural finance and organized at IFAD’s request a donor training course in Italy, in April 2004. This is the first of a series of collaborated efforts that will be further expanded in the future, particularly in the field.

Support to four donor working groups on rural finance.

17. Following the conference sponsored by the United States Agency for International Development (USAID) on rural finance (Washington D.C. 2003), CGAP helped organize three donor working groups on important themes related to rural finance in which IFAD is an active donor, namely: on training and capacity-building, documenting successes from the field and donor consensus guidelines on rural finance. CGAP is also actively supporting a donor working group on savings mobilization. Past experience of donor working groups has shown the critical role CGAP has played in supporting donor coordination in areas of common interest.

Enhance IFAD’s Knowledge and Learning Agenda

18. Given IFAD’s leadership role in rural finance, it is critical for us to access cutting-edge knowledge, experience, and technically sound solutions. The continuing partnership with CGAP will enable IFAD to benefit from the existing tools, tested models and training modules developed by CGAP.

19. Two sets of outputs are expected under this objective:

Development of new operational tools

20. The following four operational tools are expected to be finalized over the next two years.

- An operational tool on Governance in Rural Finance. With the finalization of this tool, IFAD will gain better insight into governance issues and design appropriate strategies to strengthen IFAD programmes.
- Testing the CGAP Poverty Assessment Tool in five to eight pilot countries.
- An operational tool on Impact Assessment in Rural Finance.
- An operational tool on how to engage commercial banks in rural and microfinance.

The partnership with CGAP will not only improve the technical quality of the tools but will validate their credibility against industry standards. CGAP will also help in sharing the final product experience with donors, creating an additional opportunity for feedback.

21. As noted above, CGAP’s technical expertise and involvement are considered key for IFAD in these specific projects.

Developing active knowledge and a learning agenda

22. IFAD has extensive experience in a number of innovative models and approaches related to rural finance. These include the promotion of Financial Service Associations (FSAs) in Western Africa and support to the development of the self-help group/bank linkage in South Asia, which has become the most prominent model in that region.

23. IFAD will be initiating an in-depth technical review of the FSA model, including field reviews of IFAD projects during 2004. IFAD expects this review to raise significant interest among donors and technical partners, contributing to the IFAD shared learning agenda. CGAP has been involved in the review of the FSA since 2001 and will serve as an effective platform to disseminate lessons on that model.
24. IFAD has started, in cooperation with CGAP, to document successful experience of sustainable funding of agriculture needs by rural financial institutions, and plans to expand this joint research/learning agenda.

25. IFAD has also started active cooperation with the Inter-American Development Bank in the area of remittances in Latin America. IFAD will develop a cooperation agenda with CGAP in the area of remittances, focusing on how to facilitate access to such services in rural areas for IFAD target groups and the impact of remittance services on the operations and financial structure of IFAD rural finance partners.

IV. IMPLEMENTATION ARRANGEMENTS

26. CGAP will have the overall implementation responsibility of the TAG. The tasks identified will be carried out with CGAP, in coordination with other strategic partners.

27. IFAD will invite a CGAP staff member once a year to discuss and finalize an annual work plan of joint activities. These annual work plans will be based on the overall list of activities highlighted in the key programme activities in the logical framework (this list is not limitative).

V. INDICATIVE PROGRAMME COSTS AND FINANCING

28. Total budget for the four-year period is USD 1,200,000. IFAD’s support is intended to contribute to covering the costs of enabling IFAD access to all the outputs and activities highlighted in the present TAG. In that respect, it is proposed that IFAD funding cover the cost of CGAP staff whose responsibilities will be linked to the pro-poor learning/innovation/technical support agenda outlined above.

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INTERNATIONAL DEVELOPMENT RESEARCH CENTRE (IDRC): REGIONAL WATER DEMAND INITIATIVE

I. BACKGROUND

1. Fresh water resources in the Near East and North Africa (NENA) region are the scarcest in the world. Although the region accounts for 4.5% of the world’s population, and 6.5% of the world’s total surface area, its share is less than 1% of the world’s annual internal renewable water resources. Fresh water is limited not only for the largest water consumer, the agricultural sector, but also for domestic, industrial and tourism uses, and the maintenance of ecological integrity. The region has been characterized as living in water stress, both in terms of quantity and quality of available water, and unless immediate action is taken to alleviate this problem, many countries will find themselves in an irreversible water crisis situation. IFAD’s regional strategy in NENA has identified better water resource management as one of its key strategic objectives in the region. More specifically, the regional strategy states that IFAD should “strive to address the closely linked issues of rural poverty, agricultural production and sustainable environmental management. The scarcity of water – the most critical issue – will need to be addressed as a matter of urgency”.

2. Most of the countries in the NENA region, like other developing nations, have traditionally been concerned with identifying means to augment water supply rather than to promote water savings. In fact, the region exploits its water resources more heavily than any other region in the world, and not necessarily in the most economically efficient way. Large infrastructure projects such as dams and reservoirs, desalination plants and wastewater treatment have dominated water policy in the past decades. In order to mitigate a serious crisis, the traditional supply-driven method is being challenged with a necessary paradigm shift. Alternative and complementary approaches to managing water resources that balance the supply and demand for water as efficiently, sustainably and equitably as possible given the water constraints are now being used. Unfortunately, the concept of water demand management is not yet fully appreciated within the NENA region. However, champion efforts by the International Development Research Centre and other partners have addressed the fundamental first step of supporting research to increase awareness and enhance knowledge among water users and the policy community.

3. Water demand management (WDM) may be defined as any measure that aims to: improve the efficiency of water used to achieve a specific task; adjust the nature of the task or the way it is accomplished so that less water or less quality water is used; reduce losses in quantity and/or quality of water flows from source through use to disposal; and/or shift the timing of use from peak to off-peak periods. WDM also includes measures to increase the effectiveness of the water system to serve society during times when water is in short supply (drought, for example). WDM provides a framework to support improvements in equity, wider participation in decision-making and reduced environmental impact.

II. RELEVANCE TO IFAD

4. The main target groups of the Regional Water Demand Initiative (WaDIMENA) include water users in ongoing and future IFAD-financed projects, and the policy and research communities of NENA countries. The direct beneficiaries include organized water users and civil-society organizations, or their representatives. Other beneficiaries include ministries of water and irrigation, water authorities, universities, research centres and others specific to the national context. WaDIMENA addresses one of IFAD’s strategic objectives: improving sustainable access to water. It does this through capacity-building of local organizations and national institutions; fostering dialogue, awareness, networking and knowledge sharing; and supporting research and pilot activities with practical applications at the country level.
5. The countries targeted by WaDIMENA include most IFAD Member States in the NENA region. The active countries include: Algeria, Egypt, Jordan, Lebanon, Morocco, the Palestinian Authority, Syria, Tunisia and Yemen. Steps are also to be taken throughout the implementation period to include the other NENA countries of Iraq, Turkey and The Sudan. The Gulf countries will also benefit from participation in workshops and from public awareness campaigns. It was established that all countries should have the opportunity to benefit from any activity of WaDIMENA, through information dissemination and exchange, networking and participation in regional workshops/seminars/fora. With sufficient financial and human resources, the scope of WaDIMENA will be enlarged during the course of the implementation period.

III. THE PROPOSED PROGRAMME

6. Development Objective. The programme aims to promote effective water governance by enhancing water-use efficiency, equity and sustainability in the countries of the NENA region.

7. The programme goal is to facilitate the adoption and implementation of water demand management strategies, policies and tools in NENA countries.

8. Specific Objectives.
   • To deepen knowledge of the benefits, opportunities, challenges and incentives of WDM from a multisectoral and multidisciplinary perspective.
   • To improve the capacities of the policy and research communities, institutions, water users and civil society.
   • To provide an inclusive forum to foster dialogue, strengthen partnerships, share experiences and enhance networking.
   • To strengthen and complement national, regional and global initiatives.

9. Project Scope. WaDIMENA will be implemented over the five-year period, September 2004 to April 2009. The launch is expected in September 2004.

Programme Components and Key Activities

10. Action Research. Action research aims to narrow knowledge gaps. It is targeted at solving specific technical or management/policy problems by providing a practical and realistic solution within a specific context. It promotes innovation, experimentation, adaptive learning and the scaling up of results. One significant issue would be to encourage those countries that have found ‘successful’ remedies to their water resource problems to assist other nations in the region by helping them experiment and learn from the process and the results. WaDIMENA will initiate a call for proposals for competitive action research grants at the regional, national or local level. These could amount to up to USD 20,000 and should demonstrate innovation and a multidisciplinary approach to water demand management at the technical, institutional, economic and behavioural levels. Priority will be given to proposals that: (i) target poor water-related community-based organizations; and (ii) focus on issues facing small farmers and women.

11. Field-Level Pilot Activities. Pilot activities are small-scale, working examples of a given technology or WDM tool. They are designed to demonstrate working solutions, some of which may result from previous action research. Pilot projects also include ongoing, follow-up research studies to promote innovation and build on lessons learned. The purpose of the field-level pilots is to gain an understanding of what works and what does not, and to demonstrate successful application of technologies, tools and approaches within a particular contextual situation. At the design stage, pilot activities should highlight the potential for replicability, promote local ownership, equity of access and identify means for sustainability, while also providing for the scaling up of impact and options for
dissemination and exchange. It is likely that pilot activities will have a strong technical focus. However, to promote the multisectoral and multidisciplinary approach guiding WaDIMENA, pilots will also have to address institutional, political, economic, social, cultural and behavioural impact (including gender-related impact). Where appropriate and feasible, field-level pilot activities would be implemented with the participation of the communities benefiting from ongoing IFAD financed projects.

12. **Regional and Interregional Exchange.** A Regional Exchange Facility (REF) will be developed to encourage transfer of good practices, knowledge exchange and capacity development. WaDIMENA will implement the REF throughout the duration of the programme and ensure that all active NENA countries have the ability to participate. Topics for the regional and interregional exchanges will be based on the needs of one country and the ‘good practices/comparative experiences’ of other countries in the region. The results of pilots and action research may also be the subject of the REF.

13. **Capacity Development.** Capacity development is an ongoing and iterative process and is to be incorporated in all actions of WaDIMENA. At each stage within this framework, capacity development at the societal, institutional and individual levels is an objective and an output; particularly in action-research, field-level pilot activities and regional exchanges. The WaDIMENA initiative will focus on alleviating capacity gaps at the individual and institutional levels, and build on existing expertise and facilities to influence positively water demand management implementation. The capacity development activities financed by the grant will all be demand-driven (by individuals, communities or institutions). They will include activities such as training of trainers, workshops and conferences, and grant support for researchers.

14. **Knowledge Networking.** Networking is a key process of WaDIMENA. The ‘WDM Community’ is composed of the individuals and institutions involved in WDM within the region. WaDIMENA will build on this social network developed during this period, and extend its sphere of influence to researchers, national and local level authorities, non-governmental organizations (NGOs) and others involved in water resource management for a broader outreach. In particular, links to relevant ongoing activities under the United Nations World Water initiative, the Global Water Partnership and other regional initiatives supported by the Economic and Social Commission for West Africa and the United Nations Environment Programme, the United Nations Development Programme and the World Bank have already been forged, and will be strengthened throughout WaDIMENA. These relationships are supported via participation in international conferences, with ongoing communication and information sharing for a common approach to WDM in the NENA region. For the Gulf countries, specific activities will aim at public awareness campaigns to be implemented by the Arab Organization for Agricultural Development (AOAD).

15. **Outputs Expected.** WaDIMENA intends to result in the following:

- A greater understanding of the use and application of WDM methods, tools and approaches specific to local conditions, based on an identified set of indicators to be developed.
- Enhanced skills development, and strengthening of individual and institutional capacities to influence positively WDM at the national and regional levels.
- Contribution of well documented, maintained and promoted research at the policy level, with embedded relationships between researchers and policy-makers established.
- Strengthened relationships and collaborative arrangements with national, regional and international water governance programmes to facilitate the WDM agenda.
- Options identified and developed for implementing the WDM initiative within the NENA region.
IV. IMPLEMENTATION ARRANGEMENTS

16. WaDIMENA will be coordinated by the IDRC Middle East Regional Office based in Cairo. The IDRC will also subcontract AOAD to act as the liaison and service provider for activities related to the Gulf countries. This will be financed solely by IFAD for the amount of USD 200,000, with IDRC providing technical and administrative assistance.

17. Several committees will be created to implement the proposal: (i) an Action Research/Scientific Committee for scientific and technical advice to WaDIMENA; (ii) National Teams that will act as the primary liaison with the WDM team and assist in mobilizing human resources and channelling the activities and results of the WaDIMENA activities to the country and local level; (iii) a Project Management Committee to discuss progress at the national level, agree on activities and programme components, enhance regional networking and disseminate results; and (iv) a Project Steering Committee to govern the strategic direction of WaDIMENA.

V. INDICATIVE PROGRAMME COSTS AND FINANCING

18. There are three sources of partnerships within WaDIMENA: (i) cofinancing with cash, either as core donors or parallel donors; (ii) provision of services and indirect/in-kind contribution; and (iii) information sharing and collaboration among regional initiatives. Current cofinancing arrangements include: IFAD with a USD 1,000,000 contribution over five years, the Canadian International Development Agency (CIDA) with approximately USD 1,500,000, and the IDRC approximately USD 850,000 for a total budget of about USD 3,500,000. In addition, IFAD will provide parallel financing of USD 200,000 for activities related to public awareness campaigns in the Gulf countries to be coordinated with AOAD. The Japanese International Cooperation Agency/Japanese Embassy in Jordan and the German Agency for Technical Cooperation’s Jordan programme have pledged indirect and in-kind contributions. Detailed estimates and financing arrangements are provided in the table below.

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