President’s report

Proposed grant to the Union of the Comoros for the National Programme for Sustainable Human Development

For: Approval
Note to Executive Board Directors

This document is submitted for approval by the Executive Board.

To make the best use of time available at Executive Board sessions, Directors are invited to contact the following focal point with any technical questions about this document before the session:

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Contents

Recommendation for approval ii
Map of the programme area iii
Grant summary iv

I. The programme 1
   A. Main development opportunity addressed by the programme 1
   B. Proposed financing 1
   C. Target group and participation 2
   D. Development objectives 2
   E. Harmonization and alignment 3
   F. Components and expenditure categories 3
   G. Management, implementation responsibilities and partnerships 3
   H. Benefits and economic and financial justification 4
   I. Knowledge management, innovation and scaling up 4
   J. Main risks 5
   K. Sustainability 5

II. Legal instruments and authority 5

III. Recommendation 5

Annex
Important assurances included in the negotiated programme grant agreement 6

Appendices
I. Key reference documents
II. Logical framework
Recommendation for approval

The Executive Board is invited to approve the recommendation for the proposed grant to the Union of the Comoros for the National Programme for Sustainable Human Development, as contained in paragraph 42.
Union of the Comoros

National Programme for Sustainable Human Development Programme

Grant summary

Initiating institution: IFAD
Recipient: Union of the Comoros
Executing agency: IFAD
Total programme cost: US$7.166 million
Amount of IFAD grant: SDR 3.15 million (equivalent to approximately US$4.654 million)
Cofinancier(s): Global Environment Facility
Mutuelles d’épargne et de crédit ya komor (MECKs)
Amount of cofinancing: US$0.983 million
US$0.142 million
Contribution of recipient: US$0.345 million
Contribution of beneficiaries: US$1.042 million
Appraising institution: IFAD
Cooperating institution: Directly supervised by IFAD
Proposed grant to the Union of the Comoros for the National Programme for Sustainable Human Development

I. The programme

A. Main development opportunity addressed by the programme

1. The programme will build on IFAD’s efforts in supporting the national reconciliation process and the implementation of the recently approved Poverty Reduction Strategy Paper (PRSP). It will promote local governance, with an emphasis on improved agricultural production and environmental conservation. The programme will focus on promoting cash-earning opportunities for poor people in both agricultural and non-agricultural activities.

B. Proposed financing

Terms and conditions

2. It is proposed that IFAD provide a grant to the Union of the Comoros in the amount of SDR 3.15 million (equivalent to about US$4.654 million) to help finance the National Programme for Sustainable Human Development.

Relationship to the IFAD’s performance-based allocation system (PBAS)

3. The annual allocation defined for Comoros under the PBAS is US$1 million or US$6 million over two PBAS cycles. The programme will be implemented over five years.

Country debt burden and absorptive capacity of the State

4. IFAD has financed four loan operations in Comoros for a total commitment of US$11.8 million. All four operations are now closed: the two earlier projects with only 57 per cent of committed fund disbursed, the remaining two with over 90 per cent disbursed.

5. The net present value of the national debt (US$266 million) is equivalent to about 80 per cent of GDP and 300 per cent of export earnings. Export earnings therefore significantly exceeded the debt-to-export threshold of 150 per cent, which was established under the Debt Initiative for Heavily Indebted Poor Countries (HIPC). Comoros continues to service its repayment obligations to the International Development Association; however, with respect to IFAD, there have been delays (current arrears amount to US$400,000). Under IFAD’s debt sustainability framework, submitted to the current session of the Executive Board for approval, the Government of the Union of the Comoros is eligible for assistance on the basis of a 100 per cent grant, as the risk of future debt distress in the country is assessed as high.

6. In March 2006, the country’s authorities reached an understanding with the International Monetary Fund to extend the Staff Monitored Programme in order to establish the track record needed for entering a Poverty Reduction and Growth Facility arrangement. This should in turn open the door to debt relief under the enhanced HIPC initiative in 2008/2009.

Flow of funds

7. Further to a national agreement in 2005 for shared responsibilities among the four Governments of the Comoros islands, the IFAD grant will be channelled through the Ministry of Finance of the Government of the Union of the Comoros, as the recipient’s representative. It will then be used by the national programme coordination unit established within the Ministry of Agriculture. Each of the three islands will have a regional coordination and management unit within their respective Ministry of Production, and these units will receive funds according to their annual workplans and budgets.
Supervision arrangements

8. The grant for the National Programme for Sustainable Human Development has been selected by IFAD for direct supervision, following the recently approved IFAD Policy on Supervision and Implementation Support (EB 2006/89/R.4/Rev.1). In view of the small size of the country programme and the need to establish strong partnerships, it was considered preferable for IFAD to provide direct supervision.

Exceptions to IFAD General Conditions for Agricultural Development Financing and operational policies

9. No exceptions are foreseen.

Governance

10. The need for an appropriate balance between the role of local communities and that of the public sector is recognized. The programme will therefore undertake its own benchmark assessment and most of the activities will be implemented by grass-roots organizations.

C. Target group and participation

Target group

11. The target group will comprise the rural population of the poorest areas in the three islands. These areas have been selected on the basis of: the incidence of rural poverty; the fragility of the natural resources; the extent of current land and marine degradation; and the willingness of the population to undertake community activities. About 90,000 poor inhabitants of the selected areas (i.e. 55 villages in Anjouan, 17 in Grande Comore and 7 in Mohéli), or about one sixth of the total population, will benefit from the programme.

Targeting approach

12. Detailed socio-economic studies were carried out in 2002, and these were updated during the post-appraisal mission (held from 28 October to 18 November 2006). The studies clearly identified that the criteria to be used for targeting should be: (i) high incidence of poverty among the rural population; (ii) an accelerating process of degradation in the area; and (iii) demonstration by the community of some capacity to organize itself to support its own needs. This targeting process conforms with the IFAD Targeting Policy.

Participation

13. Beneficiaries will participate through group-managed activities, farmers’ organizations and land management associations. Apex development associations will be responsible for preparing and implementing the development and environmental plans. The beneficiaries will be in charge of the operation and maintenance of their investments and will be involved in consultations when the annual workplans and budgets are being drafted.

D. Development objectives

Key programme objectives

14. The overall goal of the programme is to reduce poverty by promoting better natural resource management in order to raise agricultural production. This will in turn increase household income and food security.

15. The specific objectives are to support: (i) farmer organizations and local governance, including village development associations, producer groups and private sector intermediary organizations; (ii) land rehabilitation and sustainable local land management, including environmental conservation and crop production, livestock development, and promotion of artisanal fisheries; and (iii) local initiatives in close partnership with migrants’ associations.

Policy and institutional objectives

16. Priority will be given to local-level empowerment and the promotion of inclusive local governance structures. An integrated multisectoral approach will be adopted at the
local level, which will respond to the needs of poor rural groups, in terms of both infrastructure and support for economic activities.

**IFAD policy and strategy alignment**

17. IFAD’s strategy for the Comoros has been laid out in the 2002 country strategic opportunities paper (COSOP) and is in line with the PRSP and the IFAD strategic framework. The COSOP focuses on protecting natural resources and promoting cash-earning opportunities for poor people in both agricultural and non-agricultural activities, and seeks to integrate the two sets of activities. Given IFAD’s new budgetary structure, future interventions must be selective, limiting the focus to the most important of these thrusts, i.e. the integration of environmental conservation into all activities (in watershed and costal areas) and diaspora participation in socio-economic development.

**E. Harmonization and alignment**

**Alignment with national priorities**

18. Priority will be given to developing activities that support the national decentralization effort and the autonomy of the islands. Operational procedures have been defined in accordance with the provisions of the Constitution of the Union of the Comoros, ratified in 2001.

**Harmonization with development partners**

19. There are few donors currently operating in Comoros. France is the most active, followed by the European Union, the World Bank and the United Nations system. IFAD is currently working with the French Development Agency to support a network of savings and credit associations – initiated by IFAD several years ago – known by their French acronym, MECKs (mutuelles d’épargne et de crédit ya komor). The World Bank intervenes only in the social sectors (of health and education); however IFAD will continue to work with other donors in areas of rural development, where possible. In 2006, IFAD participated in the development of the United Nations Development Assistance Framework, under the leadership of the United Nations Development Programme (UNDP).

**F. Components and expenditure categories**

**Main components**

20. The programme components are: (i) strengthening institutional and community-based structures; (ii) sustainable natural resource management; (iii) support to diaspora economic initiatives; and (iv) programme management.

**Expenditure categories**

21. There are seven expenditure categories: civil works and equipment (30 per cent); studies, training and technical assistance (15 per cent); local service providers (31 per cent); economic development fund (13 per cent); salaries and incentives (4 per cent); operating costs (3 per cent); and contingencies (4 per cent).

**G. Management, implementation responsibilities and partnerships**

**Key implementing partners**

22. The key implementing partners will be the Ministry of Agriculture, the Ministry of Production, agricultural training centres formerly known as regional centres for rural development (CADERS), NGOs and farmer organizations.

**Implementation responsibilities**

23. The Ministry of Agriculture of the Union of the Comoros will be responsible for the overall supervision and coordination of the programme, while the Ministry of Production in each of the islands will be responsible for day-to-day implementation through their regional offices.

**Role of technical assistance**

24. Technical assistance – both national and international – will play a key role in capacity-building. The programme will benefit from ongoing IFAD grant-financed operations in the country, which are being run by MECKs and Agronomes et Vétérinaires sans
frontières (which provides technical support to farmer organizations) and from the support of the United Nations Volunteer Programme, subject to further discussion with UNDP.

**Status of key implementation agreements**

25. Memorandums of understanding and contracts will be concluded with contractors and service providers in each area targeted by the programme.

**Key financing partners and amounts committed**

26. The total programme cost is estimated at US$7.166 million. The sources of financing are IFAD, US$4.654 million (64.9 per cent); the Global Environment Facility (GEF), US$0.983 million (13.7 per cent); beneficiary contributions (including diaspora), US$1.042 million (14.5 per cent); the Government, US$0.345 million (4.8 per cent); and MECKs, US$0.142 million (2.0 per cent).

27. Given the extent of environmental degradation in the country (population density now exceeds 350 people/per km²), the Fund has reactivated its preliminary activities with GEF in order to launch a medium-sized project amounting to US$1.0 million. Parallel financing is expected from a new project by the Food and Agriculture Organization of the United Nations for the rehabilitation of agricultural training centres.

**H. Benefits and economic and financial justification**

**Main categories of benefits generated**

28. Better natural resource management by the community is expected to halt the accelerating land and marine degradation and rehabilitate currently degraded lands and coastal areas. Fishers and farmers will benefit from a variety of agricultural technologies (related to hedging, crop-raising associations and milk production), which should lead to improved yields and production diversification.

**Economic and financial viability**

29. In a climate of economic, social and political stability, family incomes are projected to increase by between 17 and 60 per cent. The economic rate of return for the programme is estimated at 19.5 per cent, and is robust when subjected to changes in costs and benefits.

**I. Knowledge management, innovation and scaling up**

**Knowledge management arrangements**

30. The channelling of diaspora remittances towards economic investment and the linkages of agriculture and coastal protection with environmental concerns will be capitalized upon through specific knowledge management activities.

31. A strategy has been specifically designed to promote information on development communication and external communication. This will facilitate the mainstreaming of the programme’s innovations in the three islands and will also spread these experiences more broadly, within IFAD and worldwide.

**Development innovations that the programme will promote**

32. The programme aims to structure and strengthen recently established local organizations and to promote the following innovative techniques:

- **Environment protection in watershed and coastal areas.** Land degradation in these areas takes the form of erosion and silt run-off from steep slopes into fragile marine lagoons, which threatens the islands’ unique biodiversity. By protecting the watershed through the terracing and hedging system, the programme will not only improve soil fertility and the productivity of local agriculture but also stop the degradation of the coastal area and enhance marine resources.

- **Diaspora participation.** The originality of the programme lies in the involvement of migrants and their organizations in local development processes. An estimated one third of the people of Comorian origin live abroad, mainly in France, Reunion and Mayotte. In 2003, remittances were estimated
to amount to US$36.4 million, in addition to a further US$15.0 million to US$20.0 million in the form of transfers of goods. Some 350 Comorian “hometown associations” are raising funds for community projects.

**Scaling-up approach**

33. The programme will be implemented in one to two pilot areas per island. Once activities are well established, they will be replicated and extended into new regions through exchanges among farmers’ organizations and through field visits.

34. The activities will also be scaled up through three well-established networks that will collaborate with the programme: (i) the MECK network; (ii) the network of agricultural training centres; and (iii) the diaspora network. Each network covers the three islands.

**J. Main risks**

**Main risks and mitigation measures**

35. Weak national implementation capacity is a risk for the programme. In response, programme management arrangements have been designed to transfer as much responsibility as possible to local associations.

36. A risk is also associated with the Union- and island-level institutional set-up, for which a legal framework is still being formulated. This risk will be addressed by ensuring adequate capacity in the national programme coordination unit and the regional programme coordination and management units to contract and supervise the implementation of activities.

**Environmental classification**

37. Pursuant to IFAD’s environmental assessment procedures, the programme has been classified as a Category B+ operation, which requires, in addition to the initial socio-economic surveys, an in-depth environmental impact assessment. This assessment will be facilitated by a GEF medium-sized project.

**K. Sustainability**

38. Most of the programme activities will be implemented by existing local organizations, which will continue to operate after programme completion. Similarly, three sustainable networks will ensure continuity of programme activities by maintaining sustainable linkages among the relevant associations.

**II. Legal instruments and authority**

39. A programme grant agreement between the Union of the Comoros and IFAD constitutes the legal instrument for extending the proposed grant to the recipient. The important assurances included in the negotiated agreement are attached as an annex.

40. The Union of the Comoros is empowered under its laws to receive financing from IFAD.

41. I am satisfied that the proposed grant will comply with the Agreement Establishing IFAD.

**III. Recommendation**

42. I recommend that the Executive Board approve the proposed grant in terms of the following resolution:

   RESOLVED: that the Fund shall provide a grant to the Union of the Comoros in various currencies in an amount equivalent to three million one hundred and fifty thousand special drawing rights (SDR 3,150,000), and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

   Lennart Båge  
   President
Important assurances included in the negotiated programme grant agreement
(Negotiations concluded on 1 March 2007)

**Pest management practices**
1. The Government will comply with the International Code of Conduct on the Distribution and Use of Pesticides and ensure that pesticides procured under the programme do not include any pesticides classified as extremely hazardous or highly hazardous by the World Health Organization.

**Monitoring and evaluation**
2. The monitoring and evaluation (M&E) system implemented under the programme will make it possible to track and measure programme impact in accordance with the basic principles of IFAD’s Results and Impact Management System (RIMS). In this regard, several tools and indicators will be developed and monitored throughout the programme implementation period:
   (a) An integrated information and management system will be set up at the level of the national programme coordination unit (NPCU) and the regional programme coordination units (RPCUs). The system will be managed by the M&E officer and officers from the RPCUs. This database will take advantage of all existing statistical information, and will gradually be built up as the programme expands. The baseline, against which results and impact will be measured, will be established using data gathered during the participatory diagnostic and planning exercise.
   (b) Annual work plans and budgets will be accompanied by a simplified logical framework that provides, inter alia, RIMS indicators for each component on the basis of objectives to be achieved during the respective year.
   (c) Internal monitoring of activities will be undertaken by means of monthly dashboards prepared by NPCU staff, RPCU staff and service providers.
   (d) Programme self-evaluation workshops and participatory M&E workshops will be organized, and an external evaluation system will be set up to assess the performance of service providers.

**Insurance of programme personnel**
3. The Government will insure programme personnel against health and accident risks to the extent consistent with customary practice in the country.

**Use of programme vehicles and other equipment**
4. The Government will ensure that:
   (a) all vehicles and other equipment transferred or procured under the programme are dedicated solely to the programme use and its implementation;
   (b) the types of vehicles and other equipment transferred or procured under the programme are appropriate to the needs of the programme.

**Recruitment**
5. Programme staff will be recruited through a specialized human resources firm under national calls for offers published in the national press. Staff will be recruited on the basis of two-year, renewable contracts that may in no case exceed the programme duration. The recruitment of key programme staff – namely, the national coordinator, the administrative and financial officer, the M&E officer and the regional coordinators – and any decision to terminate their contracts will be undertaken in agreement with IFAD. Programme staff will be subject to performance evaluations under modalities to be defined in the administrative, accounting and financial procedures manual, and their contracts may be terminated on the basis of the findings of those evaluations. Management of staff will be subject to procedures in force within the Government’s territory. The Government will encourage women to apply for technical positions under
the programme and will give preference to women in the programme’s various positions of responsibility.

**Fraud and corruption**

6. The Government will promptly bring to the attention of IFAD any allegations or concerns of fraud and/or corruption in relation to the implementation of the programme of which it has knowledge or becomes aware.

**Suspension by IFAD**

7. IFAD may suspend, in whole or in part, the right of the Government to request withdrawals from the grant account upon the occurrence of any of the following events:

   (a) the grant agreement has not become effective by the stipulated date or such other date as may be set for such purpose;

   (b) the counterpart funds are not available under conditions satisfactory to IFAD;

   (c) the manuals, or any provision thereof, or the annual workplans and budgets or the respective procurement plan has been suspended, rescinded in whole or in part, waived or otherwise modified without the prior consent of IFAD, and IFAD has determined that such event has had, or is likely to have, a material adverse effect on the programme;

   (d) IFAD has given notice to the Government that credible allegations of corrupt or fraudulent practices in connection with the programme have come to the attention of IFAD, and the Government has failed to take timely and appropriate action to address the matters to the satisfaction of IFAD;

   (e) the Government’s right to withdraw funds from the Global Environment Facility grant has been suspended, cancelled or revoked, in whole or in part, or upon the occurrence of any event that, with notice or with the passage of time, could result in the same;

   (f) procurement has not been or is not being carried out in accordance with IFAD’s procurement guidelines.

**Suspension in the event of non-compliance of audit requirement by the recipient**

8. IFAD will suspend the right of the Government to request withdrawals from the grant account if it has not received the audit reports within the six months following the six-month period set forth in the grant agreement.

**Conditions precedent to withdrawal**

9. No withdrawal will be made in respect of any expenses under the expenditure categories of civil works; materials, equipment and vehicles; service delivery contracts; and the economic development fund until such time as the draft manuals have been submitted to IFAD.

**Conditions precedent to effectiveness**

10. The grant agreement will become effective upon the fulfilment of the following conditions precedent:

   (a) the grant agreement has been duly signed;

   (b) the NPCU has been duly established by decree of the Ministry of Agriculture (the lead programme agency), the national coordinator, the administrative and financial officer, and the M&E officer have been duly recruited by the lead programme agency and approved by IFAD, in conformity with the conditions set forth in paragraph 5, above;

   (c) the grant advance account and the programme account have been opened; and

   (d) the local currency equivalent of US$30,000, corresponding to the Government’s counterpart contribution, has been deposited in the programme account.
Key reference documents

Country reference documents

- Poverty Reduction Strategy Paper (PRSP), Ministère du Plan de l’Union des Comores, 2005
- National Agricultural Strategy (NAS), FAO Ministère du Développement Rural de l’Union des Comores, 2006

IFAD reference documents

- Comoros COSOP January 2002

Other miscellaneous reference documents

- Rural poverty portal – updated December 2006
## Logical framework

<table>
<thead>
<tr>
<th>Hiérarchie des objectifs</th>
<th>Indicateurs-clés de performances et cibles</th>
<th>Mécanismes de suivi / sources d’infos</th>
<th>Hypothèses et risques</th>
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</thead>
</table>

**L'objectif global du projet est de contribuer aux objectifs de développement rural de la Stratégie de Croissance et de Réduction de la Pauvreté (CSRP),**

- **Au niveau national:** Evolution des indicateurs d’impact socio économique SYGRI (Augmentation des biens, malnutrition: ODM 1)
- **Au niveau des zones de projet:** Taux de réduction prévalence extrême pauvreté et augmentation des biens et ha aménagés (ODM 3)

**Composante 1: Renforcement des capacités institutionnelles.**

1. Nombre de CCA fonctionnels (RIMS/SYGRI)
2. Nombre sessions formation organisées par OI, CCA (SYGRI)
3. Nombre de personnes formées par les CCA, par genre (SYGRI)
4. Nombre d’AGT et de GE constitués et renforcés
5. Nombre de plans d’AGT formulés
6. Nombre de projets villageois mis en œuvre par type
7. Nombre d’associations ou de groupements dirigés par une femme

**Composante 2: Gestion durable des terroirs.**

1. Actions d’embocagement dans les 55 SDI
2. Amélioration des systèmes agricoles
3. Développement de l’élevage
4. Ecosystèmes marins protégés et exploités.

**Composante 3: Appui aux initiatives locales et à la Diaspora.**

1. Existence d’un dispositif de transferts de fonds sécurisé et peu coûteux entre les MECK (Mutuelle d’épargne et de crédit ya Komor) et la Caisse d’Epargne de Marseille
2. Conventions de partenariat signées
3. Nombre d’avenants à ces conventions
4. Rapports de projets
5. Comptes de la Caisse d’Epargne - Comptes Banque Centrale des Comores
6. Coût des transferts élevé - Emergence dispositif de transfert avantageux

**Composante 4: Coordination et gestion du projet.**

1. % de déboursement du don du FIDA et suivi activités du projet
2. Prestataires de services sélectionnés et suivi participatif