President’s report

Proposed loan and grant to Burkina Faso for the

Small-scale Irrigation and Water Management Project
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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<td>Directorate for Irrigation Development</td>
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<td>DGFROP</td>
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<td>MAHRH</td>
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Recommendation for approval

The Executive Board is invited to approve the recommendation for the proposed loan and grant to Burkina Faso for the Small-scale Irrigation and Water Management Project, as contained in paragraph 35.
Map of the project area

Burkina Faso
Map of the Project Area

The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.

Map compiled by IFAD
Burkina Faso

Small-scale Irrigation and Water Management Project

Financing summary

Initiating institution: IFAD
Borrower: Burkina Faso
Executing agency: Ministry of Agriculture, Water and Fisheries
Total project cost: US$19.1 million
Amount of IFAD loan: SDR 6.95 million (equivalent to approximately US$11.0 million)
Amount of IFAD grant: SDR 0.26 million (equivalent to approximately US$0.4 million)
Terms of IFAD loan: 40 years, including a grace period of 10 years, with a service charge of three fourths of one per cent (0.75 per cent) per annum
Cofinancier(s): OPEC Fund for International Development (OFID)
Amount of cofinancing: US$5.0 million
Terms of cofinancing: Parallel
Contribution of borrower: US$2.6 million
Contribution of beneficiaries: US$50,000
Appraising institution: IFAD
Cooperating institution: Directly supervised by IFAD
Proposed loan and grant to Burkina Faso for the Small-scale Irrigation and Water Management Project

I. The project

A. Main development opportunity addressed by the project

1. There is a potential for lowering entry barriers to irrigated agriculture by making use of new affordable microirrigation technology and emerging marketing opportunities based on new road infrastructure in the south-west region. Recently initiated interventions aimed at developing strategic commodity chains and the political will to boost small-scale irrigated agriculture are contributing to a conducive policy environment.

B. Proposed financing

Terms and conditions

2. It is proposed that IFAD provide to Burkina Faso a loan in the amount of SDR 6.95 million (equivalent to approximately US$11.0 million), on highly concessional terms, and a grant in the amount of SDR 0.26 million (equivalent to approximately US$0.4 million) to help finance the Small-scale Irrigation and Water Management Project. The loan will have a term of 40 years, including a grace period of 10 years, with a service charge of three fourths of one per cent (0.75 per cent) per annum.

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

3. The allocation defined for Burkina Faso under the PBAS is US$22.3 million over the 2007-2009 allocation cycle. The total loan and grant amount for this project is US$11.4 million and falls well within the three-year allocation.

Country debt burden and absorptive capacity of the State

4. The capacity of Burkina Faso to service external debt is acceptable. In 2004, debt value stood at 23 per cent of gross national income (GNI). The total debt service ratio as a percentage of GNI increased slightly from 1.1 per cent in 1990 to 1.2 per cent in 2004, and is lower than in most other countries in the region. Burkina Faso has received 10 loans for a total of US$130.9 million since 1981. Annual disbursements under all projects in the country average SDR 0.99 million, with an average annual disbursement rate of 11.5 per cent. Burkina Faso receives about two loans every three years. Average loan size over the past 10 years has been US$12.7 million. The Government’s repayment record for IFAD loans is excellent.

Flow of funds

5. A special account will be set up in Ouagadougou to ensure the smooth flow of funds. Upon loan effectiveness and at the borrower’s request, IFAD will make an initial deposit into the special account and will thereafter replenish it in accordance with IFAD’s General Conditions for Agricultural Development Financing. A project account will be opened in CFA francs at a bank in Gaoua acceptable to IFAD and will be managed by the project management unit. The Government will deposit its contributions into the project account according to an agreed annual schedule.

Supervision arrangements

6. The project will be supervised directly by IFAD.

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

7. No exceptions are foreseen.
Governance
8. The following measures are planned to enhance the governance aspects of the IFAD financing: (i) IFAD’s anti-corruption policy will be strictly applied; (ii) the project’s executing agency will pre-select service providers and submit regular audit reports.

C. Target group and participation

Target group
9. The target groups are the rural poor, especially women and youths in the project area, who will be able to access land and water resources through new and newly refurbished small-scale irrigation infrastructure. They will include 17,800 households, consisting of 14,300 households accessing microirrigation equipment, 1,500 households accessing land in newly equipped inland valley bottoms, 200 households on new small-scale irrigation schemes, 1,200 households on rehabilitated existing small-scale irrigation schemes, and 600 households accessing small community-based irrigation schemes. If the direct beneficiaries subdivide their plots on the newly refurbished schemes, their number could increase further, up to about 20,000 households.

Targeting approach
10. In accordance with the IFAD Policy on Targeting, the project approach will be based on: (i) geographic targeting; (ii) positive discrimination for IFAD target groups and social self-targeting; and (iii) technical self-targeting. Geographic targeting – in addition to technical criteria such as the availability of water resources and the cost of accessing them – will ensure participation by remote communities, especially those that have not hitherto benefited from interventions of this nature. Facilitators will promote positive discrimination for IFAD target groups (including a minimum quota for women) and social self-targeting during participatory negotiations on enhanced land access, through the inclusion of target group members in irrigator committees and other community-based water management institutions. This will be done using agreed criteria for including the poorest households and individuals, and repeated every year in preparation for the dry season. Technical self-targeting will be done on the basis of proven pro-poor micro- and small-scale technologies. At least 40 per cent of project beneficiaries will be women’s groups.

Participation
11. The project will be demand-driven, following an in-depth information, education and communication campaign. The entry point will be formal and informal farmer groups and communities, with microirrigation activities including individuals as well. On sites up- and downstream from new and newly refurbished dams, well-established participatory methodologies for involving farmers will be applied, drawing on the implementation experience of similar projects in the region. Yearly stakeholder planning and evaluation workshops will be held to assess methodologies used and progress made, as well as project and service provider performance, and to provide input to planning for the following year. The farmer-relay system and close-up intensive facilitation will proactively promote broad participation as well.

D. Development objectives

Key project objectives
12. The project’s development objective is to contribute to rural poverty reduction and food security through improved access to, and management of, water resources for agricultural and pastoral use. Specific objectives are to: (i) strengthen target group capacities and facilitate their participation in project activities, including through access to irrigated land; (ii) assist target groups with investments to increase their access to irrigation water using technologies adapted to their technical skills and resource levels; (iii) intensify and diversify sustainable agricultural production under irrigation and in inland valley bottoms; and (iv) support marketing activities and enhance incomes, particularly of the most asset-poor households.
Policy and institutional objectives

13. Policy objectives include contributing to the body of best practices for sustainable, pro-poor interventions in irrigated smallholder agriculture in the framework of the recently approved national policy for the sustainable development of irrigated agriculture. Institutional objectives include strengthening technical capacity in the small-scale irrigation subsector at the grass-roots level and in central and deconcentrated line agencies. The former includes irrigator committees, water user associations, and similar grass-roots and farmer organizations; the latter, the Directorate for Irrigation Development (DDI) and the recently established Directorate for Rural Land Tenure Security and Farmer Organizations (DGFROP).

IFAD policy and strategy alignment

14. The project is in line with IFAD’s new Strategic Framework, the regional strategy, and the strategic objective set out in the country strategic opportunities programme (COSOP) to enhance decentralized governance of, and equitable access to, public goods, services and natural resources.

E. Harmonization and alignment

Alignment with national priorities

15. The Government of Burkina Faso aims eventually to extend interventions in the small-scale irrigation subsector to the entire national territory, as indicated in the national policy for the sustainable development of irrigated agriculture. Through the project, which would thus become a regional pillar of a national programme, IFAD will support the Government in this effort in six of the 45 provinces. The project is consistent with: (i) the poverty reduction strategy; (ii) the rural development strategy; (iii) the national policy for the sustainable development of irrigated agriculture and related action plan; (iv) the national policy for rural land tenure security; and (v) the institutional and legal framework under the decentralization process. The project will facilitate the preparation of regional policies on the sustainable development of irrigated agriculture for the three administrative regions it covers, thereby providing IFAD with a unique opportunity to influence policy in the small-scale irrigation subsector.

Harmonization with development partners

16. At the national level, the project will be the lead agency/project (chef de file) on microirrigation technologies and pro-poor water management, thus ensuring policy-level harmonization. Field-level harmonization of ongoing and future operations will be led by the Ministry of Agriculture, Water and Fisheries through the Regional Committees for the Coordination of Agricultural Sector Policies.

F. Components and expenditure categories

Main components

17. The project will have four components: (i) facilitation and capacity-building; (ii) water management for agricultural use; (iii) support for intensifying and adding value to irrigated crops; and (iv) project coordination and management.

Expenditure categories

18. There are 11 expenditure categories, accounting for the following percentages of IFAD financing: (i) civil and rural works (2 per cent); (ii) vehicles (3 per cent); (iii) equipment and material (8 per cent); (iv) studies (1 per cent); (v) technical assistance (4 per cent); (vi) competitive research (3 per cent); (vii) microprojects (12 per cent); (viii) training and information, education and communication (17 per cent); (ix) service provision (25 per cent); (x) salaries and allowances (15 per cent); and (xi) maintenance and operating costs (10 per cent).
G. Management, implementation responsibilities and partnerships

Key implementing partners

19. These include the Ministry of Agriculture, Water and Fisheries, rural municipalities, private service providers, farmer organizations and their federations, NGOs and the National Environmental and Agricultural Research Institute.

Implementation responsibilities

20. Overall responsibility for project implementation and the use of project funds will fall to a project management unit with administrative and financial autonomy. The project will sub-contract service providers from the private, public and NGO sectors.

Role of technical assistance

21. IFAD will provide national and international technical assistance for transferring the funding of microprojects to a fund such as the Small-scale Irrigation Promotion Fund, based on harmonized approaches and international best practices.

Status of key implementation agreements

22. No other agreement will be required to enable project implementation other than the IFAD financing agreement.

Key financing partners and amounts committed

23. The total project cost is US$19.1 million over six years. Key financing partners are IFAD (60 per cent), the OPEC Fund for International Development (OFID) (26.2 per cent), the Government (13.5 per cent) and project beneficiaries (0.3 per cent).

H. Benefits and economic and financial justification

Main categories of benefits generated

24. Economic and food security benefits will accrue from: (i) constructing 250 hectares (ha) of vegetable gardens equipped with low pressure microirrigation technology; (ii) refurbishing 200 ha of gravity-based small-scale irrigation sites downstream of dams; (iii) constructing 100 ha of small community-based irrigation sites; (iv) equipping 300 ha of inland valley bottoms; and (v) constructing dams for irrigating 40 ha of land. By year five, this is estimated to lead to yearly production increases of 4,700 t of rice, 1,800 t of vegetables, 314 t of maize, and 1,700 t of bananas.

Economic and financial viability

25. The economic internal rate of return is about 13 per cent, which can be considered robust and satisfactory, especially in light of many non-quantifiable benefits.

I. Knowledge management, innovation and scaling up

Knowledge management arrangements

26. Through its grant-funded action research subcomponent, the project will be the lead agency/project (chef de file) in charge of knowledge management and annual planning and evaluation sessions for joint learning in the small-scale irrigation subsector. The action research subcomponent will also serve other ongoing IFAD-supported interventions in the country programme: the Community Investment Programme for Agricultural Fertility, the Sustainable Rural Development Programme and the Agricultural Commodity Chain Support Project.

Development innovations that the project will promote

27. In addition to technological innovations in the form of low-cost, modular microirrigation technologies, the major development innovation consists in applying a process-oriented methodology by deploying an iterative, facilitated approach aimed at ensuring increased access to land and water for IFAD target groups, based on local institutional development and action-research activities fostered by continuous multi-stakeholder dialogue. This approach will include working in
communities affected by land-related conflicts (other than major protracted conflicts). By supporting negotiation processes around land and water access before undertaking physical investments, the project will give precedence to "software" over "hardware". This will promote local empowerment, ownership and sustainability while increasing the labour productivity of labour-constrained households, including the formerly landless and/or near-landless.

Scaling-up approach
28. The project will scale up its activities through irrigator committees and water users’ associations, farmer organizations and their federations, rural municipalities, regional and national authorities and technical line agencies, as well as the Regional Committees for the Coordination of Agricultural Sector Policies.

J. Main risks
Main risks and mitigation measures
29. (i) Weak service provider capacities, to be mitigated by screening service providers in partnership with other similar ongoing projects and training them; (ii) élite capture, to be mitigated through a comprehensive communication campaign and local land tenure baseline studies that allow for monitoring target group access to, and control of, irrigated land; and (iii) rural land tenure insecurity, to be mitigated by training implementing partners in promoting increased land tenure security for the rural poor, making this an integrated, cross-cutting project thrust and a precondition for interventions.

Environmental classification
30. Pursuant to IFAD’s environmental assessment procedures, the project has been classified as a Category B in that it is not likely to have any significant negative environmental impact.

K. Sustainability
31. Sustainability will be sought through the strengthening of irrigator committees, water user associations and other such grass-roots institutions in irrigation infrastructure management, operation and maintenance. Rural municipalities, regional chambers of agriculture, farmer (apex) organizations and central (DDI, DGFROP) and deconcentrated line agencies will be trained and closely associated with implementation, backstopping and fine-tuning the project exit strategy. Based on a typology of infrastructures and in line with decentralization policy, rural municipalities will contribute to maintaining dams and inland valley bottoms, while all other small-scale infrastructure will be maintained by users themselves. Activities aimed at enhancing land tenure security, farmer-to-farmer extension embedded in local organizations and farmer field schools, and environmental protection measures will also contribute to sustainability.

II. Legal instruments and authority
32. A project financing agreement between Burkina Faso and IFAD will constitute the legal instrument for extending the proposed financing to the borrower. Important assurances included in the negotiated agreement are attached as an annex.

33. Burkina Faso is empowered under its laws to borrow from IFAD.

34. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD.
III. Recommendation

35. I recommend that the Executive Board approve the proposed financing in terms of the following resolution:

RESOLVED: that the Fund shall make a loan to Burkina Faso in various currencies in an amount equivalent to six million nine hundred and fifty thousand special drawing rights (SDR 6,950,000) to mature on or prior to 15 November 2047 and to bear a service charge of three fourths of one per cent (0.75 per cent) per annum, and to be upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

RESOLVED FURTHER: that the Fund shall provide a grant to Burkina Faso in various currencies in an amount equivalent to two hundred and sixty thousand special drawing rights (SDR 260,000) 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 project financing agreement

(Negotiations concluded on 6 December 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 project do not include any pesticides classified as extremely hazardous or highly hazardous by the World Health Organization.

Monitoring and evaluation
2. The project will set up a monitoring and evaluation (M&E) system in line with IFAD’s Results and Impact Management System (RIMS). The M&E system used will be participatory and will function as a management tool. M&E reporting will serve as a key element in certifying work by service providers and the project team, evaluating their performance and deciding whether or not to renew their contracts. The M&E system will collect and analyse the necessary data regarding: (a) the level of progress and implementation performance of the activities under the annual workplan and budget; (b) the relevance of implementation approaches and strategies and of the coordination and monitoring mechanisms of the various components and activities; (c) effectiveness of beneficiary involvement at the various stages of implementation, including in the M&E activities; and (d) the impact of project activities on beneficiaries, in particular the vulnerable groups targeted by the project.

Insurance of project personnel
3. The Government will insure project staff against health and accident risks in accordance with the regulations in effect in its territory.

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

Recruitment
5. Recruitment of project staff will be undertaken through national calls for applications published in the national press, according to the Government’s current procedures excluding all forms of discrimination, and will be on the basis of renewable fixed-term contracts. Recruitment of key project staff – namely the coordinator; the administrative and financial officer; the officer for programming, M&E and targeting; the communications and capacity-building officer; the officer for land tenure and land issues; the officer for irrigation schemes and his/her assistant; the microirrigation officer and his/her assistant; the officer in charge of marketing and production enhancement; and the accountant – and any decision to terminate their contracts will be undertaken in agreement with IFAD. Project staff will be subject to annual performance evaluations, and their contracts may be terminated on the basis of those evaluations. The management of staff will observe the applicable procedures in place for Burkina Faso. Moreover, all other qualifications being equal, the Government undertakes to give preference to women candidates, especially for technical positions to be filled under the project.
Fraud and corruption
6. The Government will promptly bring to the attention of IFAD any allegations or concerns of fraud or corruption in relation to the implementation of the project.

Suspension by IFAD
7. IFAD may suspend, in whole or in part, the right of the Government to request withdrawals from the loan account or the grant account upon occurrence of any of the following events:
   (a) The counterpart funds are not available under conditions satisfactory to IFAD.
   (b) The manuals, or any provision thereof, have been suspended, rescinded in whole or in part, waived or otherwise modified without the prior consent of IFAD and IFAD has determined that any such event has had, or is likely to have, a material adverse effect on the project.
   (c) IFAD has given notice to the Government that credible allegations of corrupt or fraudulent practices in connection with the project 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.

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 loan account and the grant account if it has not received the audit reports within the six months following the six-month period set forth in the financing agreement.

Conditions precedent to withdrawal
9. No withdrawal will be made until:
   (a) Drafts of the operations manual and the administrative, financial and accounting procedures manual have been prepared and submitted to IFAD.
   (b) The first annual workplan and budget – including a procurement plan – has been approved by the Ministry of Agriculture, Water and Fisheries (the lead project agency), the steering committee and IFAD.
   (c) A special account, grant advance account and project account have been opened by the Government and the amount of CFAF 17,700,000 corresponding to the first deposit of the Government’s counterpart contribution has been deposited in the project account.

Conditions precedent to effectiveness
10. The financing agreement will become effective upon fulfilment of the following conditions precedent:
    (a) The financing agreement has been signed by a duly empowered representative of each of the parties.
    (b) A favourable legal opinion, issued by the Constitutional Council or other competent authority of Burkina Faso, in form and substance acceptable to IFAD, has been delivered to IFAD by the Government.
    (c) The project management unit and the steering committee have been set up by ministerial decree.
    (d) The project is part of the public investment programme 2008/2009.
    (e) The coordinator; the administrative and financial officer; and the officer for programming, M&E and targeting have been recruited.
Key reference documents

Country reference documents

Poverty Reduction Strategy (CSLP), January 2004
Regional PRSPs for the South-west, Centre-west and Centre-south regions, June 2005
Rural Development Strategy (SDR), January 2004
National Policy for the Sustainable Development of Irrigated Agriculture, 2005

IFAD reference documents

Project appraisal report and key files, October 2007
Country strategic opportunities programme (COSOP), September 2007

Other miscellaneous reference documents


Acquisitions ciblées sur les acquis du Projet de Développement Rural du Sud Ouest (PDRSO) [Lessons learned: South-west Rural Development Project], IFAD, July 2006
## Logical framework

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<th>Sources d’information</th>
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<td><strong>1. OBJECTIF GLOBAL</strong></td>
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| Contribution à la lutte contre la pauvreté rurale et à la sécurité alimentaire des ruraux pauvres, à travers un meilleur accès à l’eau et une meilleure maîtrise de son utilisation agricole | - Index des biens des ménages (SYGRI)  
- Indice de pauvreté au niveau régional | - Études et enquêtes de référence  
- Enquête prioritaire sur les niveaux de vie (EPNV)  
- Rapport d’achèvement du projet  
- Rapport d’évaluation finale | |
| **2. OBJECTIFS SPÉCIFIQUES** | | | |
| 1. Les groupes cibles sont informés des possibilités et des modalités de partenariat avec le Projet, leurs capacités techniques et organisationnelles sont renforcées et leur accès aux appuis du Projet est facilité y compris leur accès à la terre irriguée | - Nombre de demandes d’intervention émanant des cibles  
- Nombre de producteurs individuels et de groupements ayant rempli les conditions préalables à l’intervention du projet  
- Nombre de groupes participants aux sessions de formations, notamment à l’alphabétisation fonctionnelle | - Rapports d’activités des structures d’appuis conseils  
- Rapport du S-E du Projet  
- Revue à mi-parcours  
- Enquêtes d’impact  
- Rapports de la DGFROP  
- Rapports recherche action | - Volonté des GIE et des organisations  
- Volonté d’insérer les vulnérables dans les groupements |
| 2. Les groupes cibles accèdent aux ressources en eau agricole grâce à des investissements d’appui à l’irrigation tels que les technologies appropriées | - Nombre de bénéficiaires par types d’aménagement et par catégories sociales  
- Nombre de bénéficiaires des kits de micro-irrigation  
- Degré d’accès des femmes et des plus vulnérables aux équipements d’irrigation et aux terres aménagées | - Rapport du S-E du Projet  
- Rapports de la DDI  
- Rapports mission de supervision  
- Revue à mi-parcours  
- Enquêtes d’impact | - Prestataires de service ont les capacités requises  
- Fournisseurs de kits de micro-irrigation présents et engagés dans le processus |
| 3. La production agricole irriguée et de bas-fonds est intensifiée et diversifiée de façon durable | - Evolution de la production agricole sur sites aménagés | - Rapports du S-E du Projet  
- Rapports recherche action  
- Revue à mi-parcours  
- Enquêtes d’impact  
- Rapports du MAHRH | - Prestataires de service ont les capacités requises  
- Le marché national et régional absorbe le surplus |
| 4. Les activités de commercialisation sont appuyées et les revenus, en particulier des ménages les plus démunis, sont améliorés | - Evolution des revenus des exploitants des sites aménagés et des bénéficiaires de MI  
- Revenus sites aménagés / revenus totaux exploitant | - Rapports du S-E du Projet  
- Rapports du MAHRH  
- Revue à mi-parcours  
- Enquêtes d’impact | - Les produits sont compétitifs sur le marché régional  
- Les produits importés sont plus compétitifs |