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President's report

Proposed grant to the Republic of Djibouti for the

Programme for the Mobilization of Surface Water and Sustainable Land Management

Executive Board — Ninety-second Session Rome, 11-13 December 2007

For: Approval

Note to Executive Board Directors

This document is submitted for approval by the Executive Board.

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Abbreviations and acronyms

GEF

Global Environment Facility French Global Environment Facility **FFEM** PMU programme management unit

United Nations Development Programme UNDP

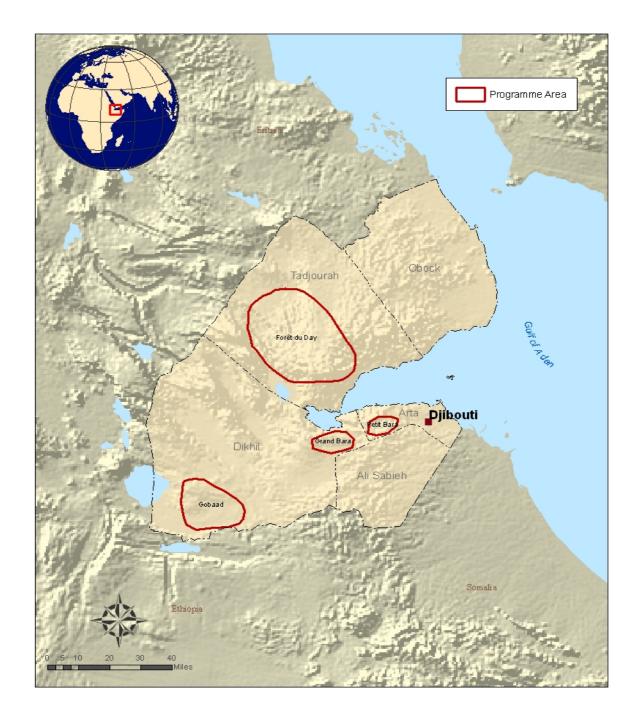
WFP World Food Programme

Recommendation for approval

The Executive Board is invited to approve the recommendation for the proposed grant to the Republic of Djibouti for the Programme for the Mobilization of Surface Water and Sustainable Land Management, as contained in paragraph 36.

Map of the programme area

DjiboutiProgramme for the Mobilization of Surface Water and Sustainable Land Management



Source: IFAD

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.

Republic of Djibouti

Programme for the Mobilization of Surface Water and Sustainable Land Management

Grant summary

Initiating institution: IFAD

Recipient: Republic of Djibouti

Executing agency: Ministry of Agriculture, Livestock and Marine

Resources, in charge of Water Resources

Total programme cost: US\$11.64 million

Amount of IFAD grant: SDR 1.95 million (equivalent to approximately

US\$3 million)

Cofinancier(s): World Food Programme (WFP), French Global

Environment Facility (FFÈM), Global Environment Facility (GEF)/United Nations Development Programme

(UNDP), African Water Facility

Amount of cofinancing: WFP: US\$US\$3.52 million equivalent in food for work

FFEM: US\$1.31 million

GEF/UNDP: US\$1.07 million

African Water Facility: US\$0.28 million (to be

confirmed)

Terms of cofinancing: Grants

Contribution of recipient: US\$2.15 million

Contribution of beneficiaries: US\$0.31 million

Appraising institution: IFAD

Cooperating institution: United Nations Office for Project Services

Proposed grant to the Republic of Djibouti for the Programme for the Mobilization of Surface Water and Sustainable Land Management

I. The programme

A. Main development opportunity addressed by the programme

- 1. Djibouti ranked 148th out of 177 countries on the human development index in 2006. It is estimated that poverty in rural areas affects 83 per cent of the population. Rural poverty is manifested by an estimated rate of global acute malnutrition of 20.4 per cent in 2006. About 20 to 40 per cent of the rural population is either food-insecure or highly vulnerable to food insecurity. In a country with a limited resource base for crop cultivation, the main source of livelihood for the rural population is livestock production. Pastoralism constitutes the main livestock production system and is an adaptive response to the aridity of the environment and the alternation of the rainy season between the northern and southern parts of the country. The main limitations for livestock production are the lack of water and rangeland: about 50 per cent of the rural population has no access to water; and the livestock carrying capacity of the rangeland is exceeded by more than 60 per cent.
- 2. Access to water is the main priority for rural communities. Water access also represents the main response by the Government to low livestock productivity and high food insecurity. Rather than tapping groundwater resources, which are by now widely exploited, the Government is focusing on mobilizing surface water to improve the supply of water to pastoral communities. The Programme for the Mobilization of Surface Water and Sustainable Land Management supports this effort by adopting an integrated and participatory approach to water and rangeland management and by building the Government's technical capacity in this domain.

B. Proposed financing

Terms and conditions

3. It is proposed that IFAD provide a grant to the Republic of Djibouti in the amount of SDR 1.95 million (equivalent to approximately US\$3 million) to help finance the Programme for the Mobilization of Surface Water and Sustainable Land Management.

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

4. The allocation defined for Djibouti under the PBAS is US\$3.0 million over the 2007-2009 allocation cycle. No further projects are planned in the current PBAS cycle.

Country debt burden and absorptive capacity of the State

5. Under the IFAD Debt Sustainability Framework, approved by the Executive Board in April 2007, Djibouti's debt rating categorizes it as a "red light" country, making it eligible for 100 per cent grant financing over the period 2007-2009.

Flow of funds

6. IFAD funds will be disbursed to a special account denominated in United States dollars to be opened by the Ministry of Economy, Finance and Planning, in charge of Privatization in accordance with IFAD's General Conditions for Agricultural Development Financing. From this account, funds will be disbursed to the programme account to be opened in local currency by the ministry and operated by the coordinator of the programme management unit (PMU) and the Director of External Financing of the Ministry of Economy, Finance and Planning, in charge of Privatization, for all programme expenditure.

Supervision arrangements

7. The IFAD grant will be administered by the United Nations Office for Project Services (UNOPS) as IFAD's cooperating institution. A supervision mission will be undertaken during each year of programme implementation.

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

8. No exceptions are foreseen.

Governance

9. The following planned measures are intended to enhance the governance aspects of the IFAD grant: (i) a private audit company will be recruited by the PMU on a competitive basis; (ii) the supervision mission will verify, as part of its fiduciary role, the financial checks and controls put in place by the PMU and will assess the performance of the PMU; and (iii) the programme cofinanciers will participate in the programme steering committee and will carry out biannual reviews of programme progress.

C. Target group and participation Target group

10. The programme will benefit, either directly or indirectly, 6,000 pastoral households living in the regions of Tadjourah, Dikhil and Arta. The targeted communities are located in the Day Forest and its environs in Tadjourah, the Gobaad and As Eyla zones in Dikhil, and Petit Bara and Grand Bara in Arta. These mainly pastoral households rely on herding, non-agricultural income-generating activities (especially the sale of salt and charcoal) and remittances from relatives in urban areas. About a third of the households depend on food aid from the World Food Programme (WFP) in the form of general food distribution and food-for-work programmes.

Targeting approach

11. The programme adopts an inclusive approach for activities related to the management of water, forest and rangeland. Activities of an individual, family or group nature – such as the storing of potable water in cisterns, vocational training on the manufacture of forestry products, and food-for-work programmes – will involve poorer households. In accordance with IFAD targeting policy, the criteria for targeting these households are the size of the household, and the number of small ruminants the household owns. Priority will also be given to woman-headed households. These criteria will be further elaborated on and negotiated with local communities to inform beneficiary selection.

Participation

12. Both the practical and management aspects of the programme interventions related to water, forest and rangeland require the ownership and direct involvement of the local communities. This will be achieved through the adoption of a participatory approach to diagnose problems regarding access to water, forests and rangelands and to discuss optimal solutions. The participatory diagnosis will result in a development plan that has been negotiated with and approved by the participating communities, traditional leaders and the local administration. User groups will be formed for the management and maintenance of the infrastructure associated with the out water and rangeland development activities. These groups will include both women and men.

D. Development objectives

Key programme objectives

13. The programme's overall goal is to improve the living conditions of pastoral communities by promoting integrated management of natural resources. The two specific objectives are: (i) to implement a programme for the mobilization of surface water to improve access to water for the pastoral communities and their livestock

and to increase agricultural production; and (ii) to strengthen organization and management capacity at the institutional, technical and community levels.

Policy and institutional objectives

14. The Government has reaffirmed access to water and combating water shortage as critical elements for improving livelihoods and reducing poverty in rural areas, in its poverty reduction strategy paper, the national initiative for social development and the three-year action plan of the Ministry of Agriculture, Livestock and Marine Resources, in charge of Water Resources. The programme will serve as an instrument to implement this strategic orientation, will develop the capacity of the Ministry of Agriculture and of local communities for integrated management of natural resources and will make available tested technical guidelines to replicate investments in the mobilization of surface water and sustainable land management in other geographical areas.

IFAD policy and strategy alignment

15. The programme addresses three of the strategic objectives of the IFAD Strategic Framework 2007-2010: (i) efficient and sustainable management of natural resources; (ii) use of improved agricultural technologies (namely techniques for soil and water conservation and for rangeland management) and effective production services (through building the capacity of decentralized public agricultural services and expanding outreach of veterinary services to the programme areas); (iii) effective participation in local policy and programming processes through the organization of user groups for water and rangeland management.

E. Harmonization and alignment

Alignment with national priorities

16. As mentioned above, the programme is an important instrument for the Ministry of Agriculture to operationalize the Government's strategy to improve the access of the rural population to water for potable and livestock uses.

Harmonization with development partners

17. The programme was designed and implemented in collaboration with the French Global Environment Facility (FFEM), the United Nations Development Programme (UNDP) and WFP. The three United Nations agencies (IFAD, UNDP and WFP) involved are working within the context of the United Nations Development Assistance Framework for Djibouti.

F. Components and expenditure categories

Main components

18. The programme has three components: (i) mobilization of surface water and sustainable land management (70 per cent of total costs); (ii) building national capacity (11 per cent); and (iii) programme coordination and management (19 per cent).

Expenditure categories

19. The IFAD grant will have six expenditure categories: (i) natural resource works (46 per cent of base costs); (ii) equipment and vehicles (10 per cent); (iii) studies, training and technical assistance (18 per cent); (iv) service contracts (4 per cent); (v) salaries (12 per cent); and (vi) operations and maintenance (10 per cent).

G. Management, implementation responsibilities and partnerships Key implementing partners

20. The Ministry of Agriculture will be the lead implementing agency. The PMU will contract the services of NGOs, local associations and private sector firms to implement project activities. The food-for-work programme will be administered and monitored by WFP.

Implementation responsibilities

21. The PMU will be set up within the Ministry of Agriculture. It will be staffed by qualified civil servants from the directorates of water, agriculture and forestry, and animal resources who have been redeployed to work full time on the programme. The decentralized units of the Ministry of Agriculture at the regional level will reach out to rural communities and will be responsible for (i) community mobilization and organization, (ii) problem identification, and (iii) monitoring of programme activities. The programme steering committee will be led by the Minister for Agriculture or his representative and composed of relevant donors and Government stakeholders. The committee will provide strategic orientation to the programme.

Role of technical assistance

22. Two long-term technical advisors in pastoralism and rural engineering will be recruited. These advisors will equip national staff with competencies in integrated and participatory natural resource management and in technical matters related to surface water mobilization and pasture. Technical assistance will be provided for a three-year period. As of the fourth year, the PMU will be in a position to manage the programme fully and replicate it in other geographical areas.

Status of key implementation agreements

23. The grant agreement will be negotiated in November 2007. The programme is being submitted to the Global Environment Facility (GEF) and the FFEM for approval in September 2007 and January 2008 respectively. WFP has confirmed that the programme will be integrated into its food-for-work programme in 2008. The African Water Facility will confirm its cofinancing in October 2007.

Key financing partners and amounts committed

24. The total programme cost is US\$11.64 million over a six-year period. The sources of financing are (i) an IFAD grant of US\$3 million; (ii) a grant of US\$1.31 million from the FFEM; (iii) a grant of US\$1.07 million through the GEF, with UNDP as the executing agency; (iv) the equivalent of US\$3.52 million in food for work from WFP; (v) an estimated beneficiary contribution of US\$0.31 million; and (vi) approximately US\$2.15 million from the Government. The African Water Facility has yet to confirm an amount of US\$0.28 million in cofinancing.

H. Benefits and economic and financial justification Main categories of benefits generated

25. Target households will derive the following benefits from the programme:
(i) coverage of potable and livestock water needs, particularly during the dry season; (ii) access to improved rangeland; (iii) increased livestock productivity; and (iv) better nutrition thanks to increased milk consumption. The burden on women to fetch water will be greatly alleviated. Environmental benefits relate to the conservation of the Day Forest and its unique vegetative cover.

Economic and financial viability

26. It is estimated that wider access to water and improved rangeland will lead to a 20 per cent increase in the income derived from livestock. The increase will allow households and communities to meet a larger share of their consumption needs, improve their diets and meet the periodic requirements of water works maintenance.

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

27. The programme's monitoring and evaluation (M&E) activities and the technical manuals that the programme will produce on surface water mobilization and sustainable land management will be the main vehicles for knowledge management. The capacity strengthening of the staff of the Ministry of Agriculture will ensure the acquisition of technical and methodological skills and allow the ministry to replicate

the programme approach through funding from budgetary allocations or external assistance. Knowledge-sharing among donors will be enhanced through biannual reviews of programme progress.

Development innovations that the programme will promote

28. Innovation under the programme will consist in: (i) adapting the integrated and participatory natural resource management approach tested with pastoral communities in the Near East and North Africa region to the context in Djibouti; (ii) piloting new techniques for surface water mobilization in the form of small dams with a capacity ranging from 10,000 to 30,000 cubic metres.

Scaling-up approach

29. The programme will demonstrate the processes, results and impacts of an integrated and participatory approach to natural resource management. As the programme is managed and implemented by the staff of the Ministry of Agriculture, the approach is likely to be scaled up given the necessary budgetary allocation and availability of external funds. Mobilization of additional funds for replication has been included as part of the terms of reference of the programme coordinator.

J. Main risks

Main risks and mitigation measures

30. There are four main risks. First, the economic and monetary situation may deteriorate. The outlook for Djibouti however is that inflation will be kept under control and the macroeconomic situation will remain stable. Second, an extended drought may occur, which would increase food insecurity and lead to livestock losses. The programme has made provisions to compensate herders in the form of feed distribution in the case of severe drought. Third, the implementation capacity of the Ministry of Agriculture is limited. The programme envisages technical assistance provision over three years to build the competencies of national staff, vehicles to facilitate their mobility, and procurement of specialized earthworks equipment for the construction of water facilities on force account. Last, cofinancing may be delayed or discontinued. This risk is mitigated by the fact that most of the programme's cofinancing has already been agreed upon.

Environmental classification

31. Pursuant to IFAD's environmental assessment procedures, the programme has been classified as a Category B operation in that it is not likely to have any significant negative environmental impact.

K. Sustainability

32. Programme sustainability rests on the ability of the communities to maintain the water facilities and the ability of the Ministry of Agriculture to carry out major maintenance works and to replicate the programme's integrated and participatory approach in other geographical areas of Djibouti. The following design factors reinforce sustainability: (i) the programme's function as an instrument of the Government's strategy for the mobilization of surface water; (ii) programme implementation will be undertaken entirely by staff from the Ministry of Agriculture, which has jurisdiction over the rural water sector; (iii) periodic donor and Government reviews will take place to assess progress, results, impact and sustainability; and (iv) the ability of communities to meet the maintenance costs of the water works has been verified.

II. Legal instruments and authority

33. A programme grant agreement between the Republic of Djibouti and IFAD will constitute the legal instrument for extending the proposed grant to the recipient. Important assurances included in the negotiated programme grant agreement are attached as an annex.

- 34. The Republic of Djibouti is empowered under its laws to receive financing from IFAD.
- 35. I am satisfied that the proposed grant will comply with the Agreement Establishing IFAD.

III. Recommendation

36. 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 Republic of Djibouti in various currencies in an amount equivalent to one million nine hundred and fifty thousand special drawing rights (SDR 1,950,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Lennart Båge President Annex EB 2007/92/R.36/Rev.1

Important assurances included in the negotiated programme grant agreement

(Negotiations concluded on 15 November 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.

Manuals

2. The Ministry of Agriculture, Livestock and Marine Resources, in charge of Water Resources (the lead programme agency) will submit the implementation manual and the programme administrative and financial procedures manual for IFAD's approval within six months of the effective date of the grant agreement.

Monitoring and Evaluation

The coordinator of the programme management unit will be responsible for monitoring and evaluation (M&E) and the establishment of an M&E system, data analysis and the finalization of programme status reports. The collection, verification and initial analysis of data will be entrusted to regional subdepartments for rural development and to regional coordinators. The officers in charge of water resources and pastoral resources will undertake studies on the outcome of the construction works, cross-checking of the monitoring data gathered and in-depth data review. Moreover, it is proposed that the monitoring of water works operations be entrusted to the Centre d'études de recherche pour le développement. Water quality monitoring will be assigned to specialized services under the lead programme agency, which at present carry out this type of monitoring with the support of technical assistance from the United Nations Children's Fund. Baseline surveys, midterm reviews and completion report preparation will be undertaken by a specialized national company, under the supervision of the PMU coordinator. Programme M&E will benefit from both regular monitoring and nutritional surveys carried out each year by the World Food Programme.

Insurance of programme personnel

4. All programme staff will be covered by the social welfare system (for illness, old age and accident) according to the Government's regulations.

Use of project vehicles and other equipment

- 5. 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

- 6. Staff will be seconded to the programme by the lead programme agency following a strict selection process for the proposed candidates and a "no-objection" opinion from IFAD. The administration and finance officer and the secretary will be recruited through national calls for applications published in the national press, on the basis of two-year contracts that are renewable but in no case may exceed the duration of the programme and that exclude all forms of discrimination. Any recruitment, termination of contracts or amendments to duties will be undertaken in agreement with IFAD.
- 7. Programme staff will be subject to annual performance evaluations in line with the modalities defined in the administrative and financial procedures manual and their

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contracts or assignments may be terminated on the basis of said evaluations. Management of staff will observe the applicable procedures of the country. The lead programme agency will encourage women to apply for the technical positions to be filled under the programme and, all skills being equal, will give preference to women in the programme's various positions of responsibility.

Fraud and corruption

8. 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

- 9. IFAD may suspend, in whole or in part, the right of the Government to request withdrawals from the grant account if:
 - (a) The counterpart funds are not available under conditions satisfactory to IFAD;
 - (b) 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;
 - (c) 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;
 - (d) The right of the Government to withdraw funds from the grants of the FFEM, GEF and the African Water Facility 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;
 - (e) 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 Government

10. 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

11. No withdrawal will be made until a draft for the first annual workplan and budget, including a procurement plan for the first 18 months, has been submitted to IFAD.

Conditions precedent to effectiveness

- 12. The grant agreement will become effective upon the fulfilment of the following conditions precedent:
 - (a) The grant agreement has been signed by a duly empowered representative of each of the parties;
 - (b) The special account, the programme account and a counterpart account have been duly opened by the Government and the amount of US\$10,000 has been deposited on the counterpart account;
 - (c) The national steering committee and the PMU have been established;
 - (d) The administration and finance officer and the secretary of the PMU have been selected, the coordinator of the PMU, the water resources officer, the pastoral resources officer and the forestry and agriculture officer and the two regional coordinators have been seconded by the lead programme agency to the PMU.

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Key reference documents

Document Stratégique de la Réduction de la Pauvreté (DSRP) Sous-secteur de l'Eau, Domaines "hydraulique Urbaine" et Hydraulique rurale", République de Djibouti Secrétariat Technique de l'Eau, 2003

IFAD reference documents

Project design document (PDD) and key files
COSOP of the Republic of Djibouti, November 2001
IFAD Learning Notes
Administrative Procedures on Environmental Assessment
Micro-finance and Micro-enterprise Development Programme, Appraisal Report, October 2002
Agro-pastoral Development Project in Gobaad, Appraisal Report, 1989

Other miscellaneous reference documents

Renforcement des Capacités pour la Gestion Durable des Sols dans la Zone Côtière de Djibouti (PIMS 3216) Rapport PDF A, PNUD/FEM, 2004

International Development Association Country Assistance Strategy for the Republic of Djibouti, Report N°3/6/3_DJ, World Bank, 2005

Logical framework

Narrative Summary	Verifiable	Indicators	Means of Ve	rification	Assumptions/Risks
GOAL To improve the living conditions of the agro-pastoral communities by promoting a sustainable management of the natural resources. Specific Objectives a) Implement a programme of surface water mobilization to improve the access of pastoral communities to water and rangelands.	house addition Reduce malnu Numb secure Numb (RIMS)	er of pastoral communities with a ed access to water resources (RIMS) er of HHs served by water points	nutrition study rep WFP Sur- impleme Programi	ntation Reports me Supervision Reports rogress reports and hydrological	 Economic and monetary conditions evolves favourably Absence of extended drought period. Integrated approach to natural resources management adopted by Ministry of Agriculture.
b) Strengthen the organization and management capacities at the institutional, technical and social levels	NumberimplerNumberNumber	er of communities development plans mented (RIMS) er of operational user groups (RIMS) er of women members in the user s management committees (RIMS)		nent plans available, ng of user groups	 FEM/UNDP and FFEM financing are granted WFP Food for Work programme continues.
3. Outputs - 234 000 m3 of surface water mobilized - Supply of fodder increases by more that 1 million of fodder units Forestry areas sustainably developed User groups established and functional - Capacities of MAEM-RH and its partners strengthened	 Total capacity of surface water retained Quality of the water retained Ha of lands improved through SWC Biomass of the improved rangeland Increase of flora and fauna in forest areas. Number of user groups established (RIMS) Replication of Programme approach by Ministry in non Programme areas 		 Base line survey Pastoral and hydrological monitoring Monitoring of user groups Assessment of performance of PMU and technical assistance 		The implementation capacity of the MAEM-RH is satisfactory.
Activities Component 1: Surface Water Mobilization Water infrastructures Works Sustainable Land Management (soil and water conservation and range development) Improved Animal Production Conservation and Safeguard of the Forestry Areas in particular in the Day Forest		Component 2 Activities: Capacity Building - Training on participatory management methods and community management plan development. - Training for the MAEM-RH on participatory and management plan development.		Programme Manager - Staffing of the PMU	nd structured training of staff monitoring