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Enabling poor rural people
to overcome poverty

President's memorandum

Proposed supplementary grant to Eritrea and modifications to the financing agreement

Post-crisis Rural Recovery and Development Programme

Executive Board — Ninety-eighth Session
Rome, 15-17 December 2009

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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Abbreviations and acronyms

GEF Global Environment Facility

Recommendation for approval

The Executive Board is invited to approve the recommendation for the proposed supplementary grant to Eritrea for the Post-crisis Rural Recovery and Development Programme, and to approve modifications to the existing programme financing agreement as outlined in paragraph 18.

Eritrea Post-crisis Rural Recovery and Development Programme



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

Eritrea

Supplementary grant for the Post-crisis Rural Recovery and Development Programme

Financing summary

Initiating institution:	IFAD
Recipient:	Eritrea
Executing agency:	Ministry of Agriculture
Total programme cost:	US\$43.31 million
Amount of IFAD supplementary grant:	SDR 5.11 million (equivalent to approximately US\$8.00 million)
Cofinancier(s):	European Commission Delegation in Asmara (EC/Asmara) Global Environment Facility (GEF)
Amount of cofinancing:	EC/Asmara: EUR 4.39 million (equivalent to approximately US\$5.40 million) GEF: ¹ US\$4.35 million
Terms of cofinancing:	Grants
Original IFAD loan:	SDR 8.30 million (equivalent to approximately US\$12.24 million)
Original IFAD grant:	SDR 230,000 (equivalent to approximately US\$343,000)
Contribution of recipient:	US\$5.31 million
Contribution of beneficiaries:	US\$7.63 million
Appraising institution:	IFAD
Cooperating institution:	Directly supervision by IFAD

¹ GEF cofinancing has been approved and has been reduced from US\$7.28 million as per original design to US\$4.35 million.

Proposed supplementary grant to Eritrea for the Post-crisis Rural Recovery and Development Programme and modifications to the financing agreement

I. The programme

A. Main development opportunity addressed by the programme

1. The Post-crisis Rural Recovery and Development Programme, approved in December 2006, is implemented in Debub and Gash Barka, two border regions that were severely affected during the conflicts between Eritrea and Ethiopia. Of the 250,000 households living in the regions, over 90 per cent are poor and food-insecure. In the light of the global food crisis and soaring food prices, the Government of Eritrea has requested IFAD to expand the programme, noting the regions' good implementation capacity and agricultural potential, and the poverty and food insecurity in the regions and nationally.
2. The original programme became effective in October 2007 and has been operational since January 2008. It builds on the experiences and institutional framework of the IFAD-funded Gash Barka Livestock and Agricultural Development Project, but is the first country experience of implementing a multi-region agricultural programme under a decentralized administration. Some difficulties were experienced at the start of implementation. Corrective measures were introduced by the Government, and the last supervision mission of IFAD, in July 2009, confirmed the effective implementation of the programme. Actual disbursement at 30 September 2009 stood at about US\$3.33 million, or over 25.6 per cent of the loan/grant, which is better than the average expected. The policy and institutional framework for multi-region implementation has been firmly established and is functioning; the institutional framework for the production of basic food crops and forage seeds, including production by smallholder producers, has been put in place; the small-scale dairy programme has supported 700 dairy cows and 300 calves, which is more than 60 per cent of the target; 800 hectares (ha) of land is under spate and small-scale irrigation development, about 30 per cent of the target; and over 600 ha of improved range have been developed by smallholders. To date, the programme has benefited more than 25,000 households. Given these results, it is likely that the programme will be fully implemented and disbursed ahead of the scheduled closing date. The proposed supplementary financing will go towards accelerating national food production, enhancing household and national food security, and mitigating the adverse effects of the global food crisis and soaring food prices.

B. Proposed financing

Terms and conditions

3. It is proposed that IFAD provide a supplementary grant to Eritrea in the amount of SDR 5.11 million (equivalent to approximately US\$8.00 million) to help finance an extension of the Post-crisis Rural Recovery and Development Programme.

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

4. The allocation defined for Eritrea under the PBAS is US\$8.00 million over the 2007-2009 allocation cycle.

Country debt burden and absorptive capacity of the State

5. Under IFAD's Debt Sustainability Framework, Eritrea is eligible for 100 per cent grant financing.

Flow of funds

6. The supplementary grant will be channelled through the existing special account operated by the Ministry of Agriculture at the Bank of Eritrea. Funds will be disbursed from this account to designated programme accounts of implementing

agencies based on agreed annual workplans and budgets. Direct payment procedures will apply for contracts awarded under international and national competitive bidding.

Supervision arrangements

7. The programme will continue to be directly supervised by IFAD.

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

8. None.

Governance

9. The following measures are intended to enhance the governance aspects of the programme: competitive bidding for contracts; transparent administrative and financial procedures; and independent annual audits. The three IFAD supervision missions conducted thus far confirm that the Government is complying with agreed formats and processes, and that its audit reports are submitted on time and are unqualified.

C. Development objectives

Key programme objectives

10. The programme's goal and objectives will remain essentially the same, but, in view of the threat posed by the global food crisis, one complimentary objective has been added: to accelerate agricultural and livestock production through improved access by stakeholders to yield-enhancing inputs, including certified seeds, fertilizers, agrochemicals and water.

D. Harmonization and alignment

Harmonization with development partners

11. The programme has been designed in close collaboration with development partners involved in agriculture and rural development including: (i) the European Commission, which is also a cofinancier; (ii) the Global Environment Facility (GEF), which has assisted IFAD in developing catchment and land management activities; and (iii) Australia, which has supported research in fodder development and agricultural staff training. It will complement the United Nations joint programme supporting internally displaced people and expellees, which is supported by, among others, Italy, the Netherlands, Norway and the United States Agency for International Development.

E. Components and expenditure categories

Main components

12. The proposed supplementary financing will (i) expand support to the programme's agriculture development component – with main activities being the provision of 2,993 tonnes of certified seed, irrigation development on 1,250 ha of existing small-scale irrigation, development of 450 ha of new small-scale irrigation, provision of agricultural inputs on a revolving basis to 11,000 ha of rainfed crops, expansion of communal range development (11,300 ha of permanent closure, 35,000 ha of voluntary exclusion areas), small dairy development including supply of 228 dairy units, backyard poultry for about 6,000 woman-headed households, and strengthened animal health services; and (ii) enhance the programme's capacity-building and institution-strengthening component, with particular focus on the development of an information and communication technology system for effective coordination of agriculture-sector development initiatives, knowledge management and dissemination, and collection and sharing of market information.

Expenditure categories

13. The expenditure categories are: (i) civil works (61 per cent); (ii) vehicles, equipment and materials (25 per cent); (iii) livestock inputs (about 1 per cent); (iv) agricultural

inputs (3 per cent); (v) technical assistance and training (10 per cent); and (vi) recurrent costs (0.1 per cent). Over 90 per cent of the funds will directly reach the beneficiaries in cash or kind.

F. Management, implementation responsibilities and partnerships

Key financing partners and amounts committed

14. The European Commission Delegation in Asmara will provide a grant of about US\$5.4 million (12.6 per cent of the total programme cost) for financing the capacity-building and institutional-strengthening component and the agriculture development component. GEF will provide US\$4.35 million (10.0 per cent) for financing the natural resource management component. The Government will contribute US\$5.31 million (12.3 per cent); and the beneficiaries will contribute US\$7.63 million (17.6 per cent) in kind and in cash. IFAD will provide financing (inclusive of the supplementary grant) of about US\$20.58 million (47.5 per cent of total cost).

II. Legal instruments and authority

15. An amended programme financing agreement between Eritrea and IFAD will constitute the legal instrument for extending the proposed supplementary financing to the recipient.
16. Eritrea is empowered under its laws to receive financing from IFAD.
17. I am satisfied that the proposed supplementary financing will comply with the Agreement Establishing IFAD.

III. Recommendation

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

RESOLVED: that the Fund shall provide a supplementary grant under the Debt Sustainability Framework to Eritrea in an amount equivalent to five million one hundred and ten thousand special drawing rights (SDR 5,110,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

RESOLVED FURTHER: that the existing programme financing agreement for the Post-crisis Rural Recovery and Development Programme be amended to reflect the modifications contained in this report.

Kanayo F. Nwanze
President

Key reference documents

Country reference documents

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- IFAD (2006). Eritrea. Post-Crisis Rural Recovery and Development Programme: Appraisal Report and Key Files, International Fund for Agricultural Development, Rome.
- IFAD (2005). Learning Notes for Investment:
- (i) Gender, International Fund for Agricultural Development, Rome.
 - (ii) Community Development Funds, International Fund for Agricultural Development, Rome
 - (iii) Project Targeting, International Fund for Agricultural Development, Rome.
 - (iv) Monitoring and Evaluation, International Fund for Agricultural Development, Rome
- IFAD (2005). Eritrea. Gash Barka Livestock and Agricultural Development Project: Mid-Term Review Report, International Fund for Agricultural Development, Rome.
- IFAD (2003). Eritrea. Eastern Lowlands Wadi Development Project: Completion Evaluation, Office of Evaluation, International Fund for Agricultural Development, Rome.
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Logical framework

Narrative Summary	Performance Indicators	Means of Verification	Assumptions/Risks
<p>Goal Improvement in income, food security and the general livelihood of 207 500 poor households of which 80 000 will be woman-headed households.</p>	<ul style="list-style-type: none"> Percentage reduction in the poor rural households living below the poverty line and are food insecure. Increase in asset (land and livestock) holding by poor households disaggregated by gender. Reduction in the prevalence of malnutrition for children under 5. 	<ul style="list-style-type: none"> Gender disaggregated national/ regional income and poverty study. Programme baseline, mid-term, and completion studies. 	<ul style="list-style-type: none"> Border conflict is resolved. Internal political stability. Enabling macro-economic policy in place.
<p>Objective Raising agriculture and livestock productivity while conserving the natural resource base.</p>	<ul style="list-style-type: none"> Increase in the output of agriculture and livestock per unit of land area. No. of ha of catchment/watershed rehabilitated and area of rangeland improved. No. of households engaged in intensive livestock. 	<ul style="list-style-type: none"> Programme progress, monitoring, mid-term review, and completion reports. Village review workshops reports and recommendations. 	<ul style="list-style-type: none"> Technology and extension delivery systems improved. Improved genetic fodder/pasture materials introduced and incorporated in the farming system. Political stability.
Programme Outputs			
<p>Output 1: Capacity Building and Institution Strengthening (i) Capacity of communities and producer organizations developed to plan execute and monitor their own development. (ii) Government institutions strengthened for technology generation and dissemination. (iii) District administration develop capacity for development.</p>	<ul style="list-style-type: none"> No. of village communities and producer organizations trained and able to plan, execute and monitor agriculture and natural resource management; A participatory extension/research system developed and implemented nationally. No. of technologies generated and adopted. Percentage increase in crop and livestock yield. IFAD and other development partners assisted government to establish monitoring and evaluation system. A seed production and distribution system established. 	<ul style="list-style-type: none"> Programme progress, monitoring, mid-term, and completion reports. Village evaluation meeting reports. Village extension group reports. MOA, MLWE, MND and NARI annual reports. Annual programme implementation workshop reports. Supervision reports. 	<ul style="list-style-type: none"> Policy of decentralised governance and administration is maintained. Additional budget available for community development efforts. Power of village council to raise revenues from local taxes, retained and strengthened. Internal political stability is maintained.
<p>Output 2: Livestock and Agricultural Development Promotion of sustainable livestock and agricultural development through better resource management, improved but affordable technologies, low cost irrigation development.</p>	<ul style="list-style-type: none"> No. of livestock watering points developed. No. of farmers involved in forage production programme. No. of rangeland reseeded; and area coverage. No. of Users Associations formed and operational. No. of smallholder farmers practicing improved livestock management. Increase in the volume and value meat, mild and honey marketed by producers. Area of small-scale irrigation rehabilitated or developed and beneficiaries by gender. Sustainable input supply and financing system established. Intensity of cropping in irrigation increased and reached 100-200% Crop production weight (tons) by crop small-scale/spate irrigation/rainfed; and incremental yields by crop. No. of households food secured. 	<ul style="list-style-type: none"> Programme progress, supervision, monitoring and evaluation, mid-term review, and completion reports. Policy dialogue workshop reports. Participatory user monitoring and evaluation reports. MOA, NARI, District Administration annual reports. 	<ul style="list-style-type: none"> No government restriction of importation of new genetic materials. Good collaboration between MOA/NARI. No border conflict. Internal political stability is maintained. No prolonged droughts.
<p>Output 3: Natural Resource Management Encompassing agricultural land, rangeland, catchment and watershed protection.</p>	<ul style="list-style-type: none"> Policies, strategy and guidelines reviewed, processed for approval and published. No. of <i>Kebabi</i> and <i>Sub-zoba</i> level land-use plans developed and executed. Total area covered by conservation practices. 	<ul style="list-style-type: none"> MLWE annual reports. Programme progress, mid-term review, completion, and supervision reports. Annual policy review workshop reports. 	<ul style="list-style-type: none"> Close working relationship established between MOA/MLWE. Government committed to a sustainable long-term environmental development.

