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Enabling poor rural people  
to overcome poverty

## **President's memorandum**

### **Proposed supplementary loan to the Republic of Madagascar for the**

### **Project to Support Development in the Menabe and Melaky Regions**

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

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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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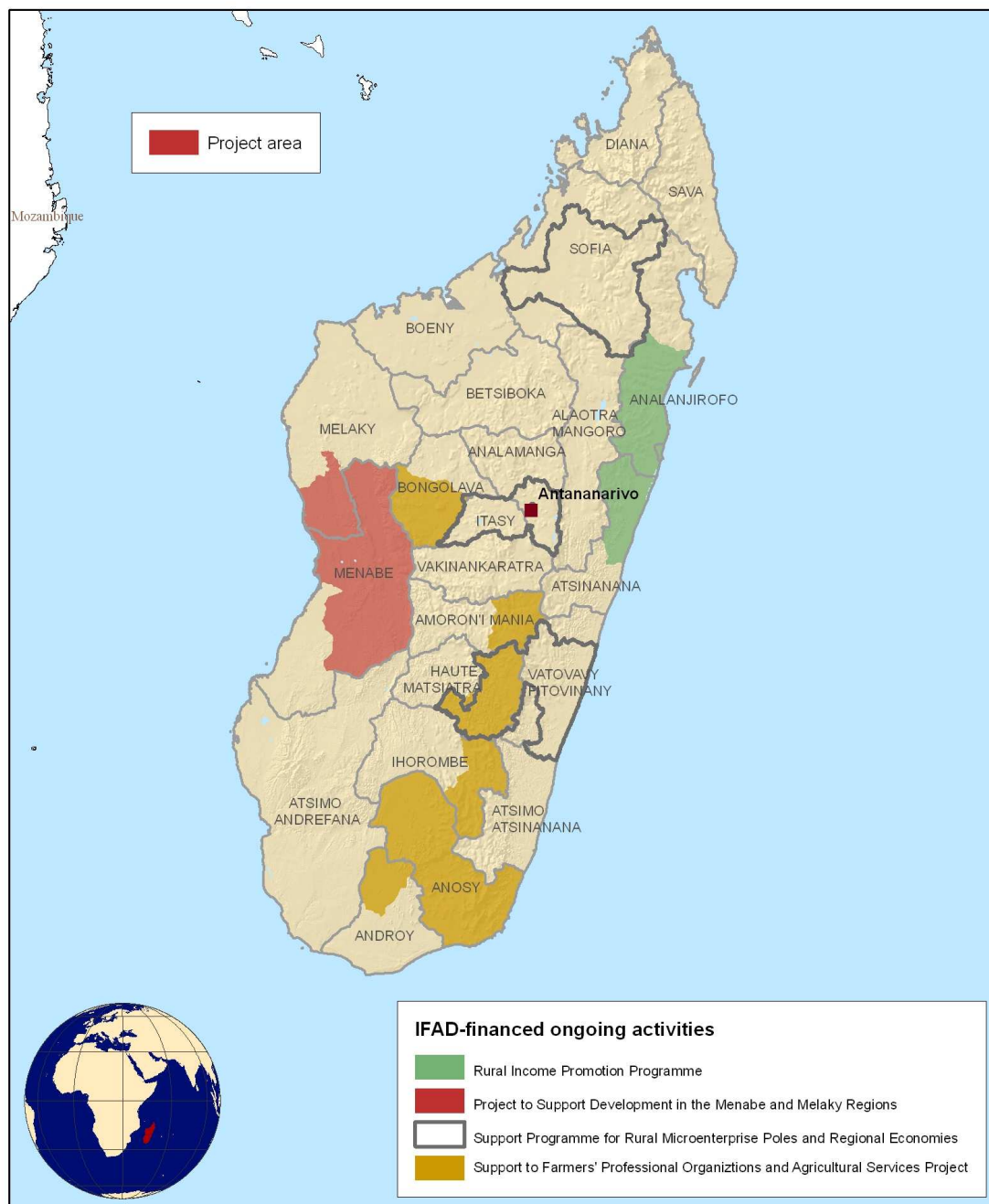
## **Recommendation for approval**

The Executive Board is invited to approve the recommendation for the proposed supplementary financing to the Republic of Madagascar as an amendment to the financing agreement for the Project to Support Development in the Menabe and Melaky Regions, as contained in paragraph 22.

## Map of the project area

### Madagascar

Project to Support Development in the Menabe and Melaky Regions,  
Supplementary Funding



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

## Republic of Madagascar

### Supplementary loan for the Project to Support Development in the Menabe and Melaky Regions

#### Financing summary

<b>Initiating institution:</b>	IFAD
<b>Borrower:</b>	Republic of Madagascar
<b>Executing agency:</b>	Ministry of Agriculture, Livestock and Fisheries
<b>Total project cost:</b>	US\$23.93 million
<b>Amount of IFAD supplementary loan:</b>	SDR ... million (equivalent to approximately US\$5.17 million) in additional resources resulting from an increased allocation under the performance-based allocation system
<b>Terms of IFAD loan:</b>	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
<b>Original IFAD loan:</b>	US\$13.12 million
<b>Original IFAD grant:</b>	US\$365,000
<b>Cofinanciers:</b>	European Union NGOs (including the Swiss Foundation for Development and International Cooperation [Intercooperation])
<b>Amount of cofinancing</b>	European Union: US\$1.62 million NGOs: US\$442,000
<b>Contribution of borrower:</b>	US\$2.68 million
<b>Contribution of beneficiaries:</b>	US\$527,000
<b>Appraising institution:</b>	IFAD
<b>Cooperating institution:</b>	Directly supervised by IFAD

# Proposed supplementary loan to the Republic of Madagascar for the Project to Support Development in the Menabe and Melaky Regions

## I. Background

1. At its eighty-seventh session in April 2006, the Executive Board approved a loan and a grant to the Republic of Madagascar to finance the Project to Support Development in the Menabe and Melaky Regions (AD2M).<sup>1</sup> The IFAD loan of SDR 9.1 million (approximately US\$13.12 million) was extended on highly concessional terms and was complemented by a grant of SDR 255,000 (approximately US\$365,000). The total project cost was US\$23.43 million, including expected parallel funding from the Millennium Challenge Account.
2. The primary goal of the project is to establish a sound legal, regulatory and market-responsive environment within the agricultural sector on the west coast of Madagascar, particularly with respect to land tenure and agricultural services.
3. The activities to be financed under the proposed supplementary financing are fully aligned with Madagascar's national strategies. A budget increase for AD2M is justified by the need to strengthen the capacity and production base of the poor population in the project areas (irrigation schemes and feeder roads) and improve their market prospects which were underestimated at project design. In addition, it will further develop investments to improve local governance and land tenure security.
4. The flow of funds will follow the same channels and procedures as those established through the existing project. IFAD will administer the loan and directly supervise the project. There are no exceptions to the IFAD General Conditions for Agricultural Development Financing and operational policies.

## A. Objectives, targeting and harmonization

5. Target group and participation, development objectives, and harmonization and alignment under the project remain unchanged with respect to President's report EB 2006/87/R.14/Rev.1, as summarized below.
6. The project covers several districts, including 21 rural communes located in two regions, Menabe and Melaky. The project is expected to benefit 40,000 households directly (approximately 200,000 people), equivalent to 40 per cent of those living in the project area. By project-end, half the total target population will have improved their land tenure security. The production of food crops is expected to increase from 68,000 tons to 165,000 tons as a result of both the expansion and the intensification of production. The economic rate of return of the project is estimated at 26.6 per cent.
7. The objective of the project is to improve access by the rural poor to land and water resources in order to optimize agricultural production and ensure a sustainable increase in their incomes. The project supports land security, productive development and the management of watershed areas. It also focuses on strengthening support for the value chain approach and creation of linkages between producers and markets.
8. The project is fully consistent with the Government's decentralization policy, the Madagascar Action Plan and the sector-wide approach developed for agriculture (*Programme sectoriel agricole*). Project support for rural organizations and local communities is identified and outlined in the development plans of communes where the project is operational. The project is part of the national land reform programme (*Programme national foncier* [PNF]). All cofinanciers have signed a

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<sup>1</sup> EB 2006/87/R.14/Rev.1.

project partnership agreement. Activities implemented at the regional level are documented by PNF and will eventually be scaled up throughout the country. Specific partnerships have been forged under the project, for instance with the Swiss Foundation for Development and International Cooperation (Intercooperation) and with local organizations under the local governance component.

## **B. Project implementation**

9. Components and expenditure categories; management, implementation responsibilities and partnerships; benefits and economic and financial justification; and knowledge management, innovation and scaling up remain unchanged with respect to President's report EB 2006/87/R.14/Rev.1 as summarized below.
10. The project has two technical components: (i) support to local governance and land tenure security; and (ii) sustainable development of the productive base. There are eight categories of expenditure: (i) rural infrastructure; (ii) agricultural production investment; (iii) land tenure security investment; (iv) training; (v) technical assistance; (vi) vehicles and equipment; (vii) salaries and allowances; and (viii) operating costs.
11. The Ministry of Agriculture, Livestock and Fisheries – acting as the lead project agency – is responsible for coordinating project implementation through a coordination unit based in Morondava. The successful start-up in 2006 was followed by a slippage in activities in 2007. Steps were taken to restructure the project team between June and October 2008. These measures were successful in strengthening the delivery of project activities and substantially improving disbursements.
12. As of 30 June 2009, after two and a half years of implementation, the project is performing well with loan expenditure totalling SDR 2.26 million (approximately US\$3.5 million), which represents 25 per cent of the project loan. Currently, the project management unit, its decentralized branches and partner NGOs are in place, fully operational and engaged in implementing all project activities.
13. The project is included under the Madagascar country programme unit (CAPFIDA, see [www.capfida.mg](http://www.capfida.mg)) and participates in the monitoring and evaluation, and knowledge management initiative known by the French acronym SEGS ([www.segs-mada.net](http://www.segs-mada.net)). IFAD is well-recognized and well-positioned in the country to innovate in the area of rural development.

## **C. Main risks and sustainability**

14. The project design document highlights as a major risk the remoteness and size of the project area (covering 45,000 square kilometres). Among the risks cited in President's report EB 2006/87/R.14/Rev.1 is the possibility of not all financial partners making their contribution as originally planned.
15. Thus far, the current political crisis has not affected implementation of the country programme; all projects are ongoing and continue to serve the local population, as the de facto government is servicing the debt to IFAD and providing all counterpart resources. In addition, under the guidance of the country programme manager, the country programme unit and AD2M project management unit have already prepared contingency plans to mitigate these risks and taken steps to avoid any serious disruption in activities.
16. Programme sustainability is built into the project: its objective is to support farmers' organizations, rural finance institutions and decentralized bodies (communes, districts) that already exist and will pursue activities after the project ends.



## **II. Justification and rationale**

17. The allocation defined for Madagascar under the PBAS is US\$45.7 million over the 2007-2009 allocation cycle. In December 2008, IFAD provided for the inclusion in the portfolio of supplementary financing for AD2M, in order to address weaknesses in the initial financing plan and the scale of some activities in the two regions concerned.
18. The project started in 2006 and performance is satisfactory despite the political turmoil. However, the cost of activities (especially those related to agricultural infrastructure), the shift towards value chains and the withdrawal of the cofinancier for land security and agriculture have created the need for further financing. The process for a proper handover of land tenure activities between the Millennium Challenge Account and IFAD was discussed in Madagascar with PNF in June 2009.

## **III. Proposed modifications to the financing agreement**

19. IFAD will provide a supplementary loan to the Republic of Madagascar in the amount of SDR ... million (equivalent to approximately US\$5.17 million) on highly concessional terms to help finance the Project to Support Development in the Menabe and Melaky Regions. 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. This loan will finance the project jointly with the remaining proceeds of the loan approved in April 2006 (EB 2006/87/R.14/Rev.1).
20. No new objective or component will be created with this supplementary loan. Both the last project supervision mission (February 2008), and the portfolio review conducted in December 2008 recommended strengthening and accelerating activities in support of sustainable production development, using an approach focused on developing value chains. The supplementary funds will be used to reinforce or reorient certain activities in land tenure and agriculture to achieve a definitive shift in the approach used under the sustainable development of the productive base component to an approach based on value chains and market access.

## **IV. Project costs**

21. The total cost of the project with the new financing is approximately US\$23.93 million. The sources of financing are: (i) an IFAD supplementary loan of the SDR equivalent of US\$5.17 million; (ii) the original IFAD loan of SDR 9.1 million (approximately US\$13.12 million); (iii) the original IFAD grant of SDR 255,000 (approximately US\$355,000); (iv) US\$1.62 million from the European Union; (v) US\$442,000 from NGOs (including Intercooperation); (vi) US\$2.68 million from the Government; and (vii) US\$527,000 from the beneficiaries.

## **V. Recommendation**

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

RESOLVED: that the Fund shall make a supplementary loan on highly concessional terms to the Republic of Madagascar in an amount equivalent to ... special drawing rights (SDR...), and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Kanayo F. Nwanze  
President



## **Key reference documents**

### **Country reference documents**

FAO/FIDA/PAM, Initiative sur la flambée des prix alimentaires, Plan d'action à impact rapide, Madagascar, août 2008

FIDA, Initiative SEGS (Suivi-Evaluation et Gestion des Savoirs) du Programme FIDA Madagascar, Manuel de référence, août 2007

Poverty Reduction Strategy Paper (PRSP) adopted in 2003

Madagascar Action Plan (2006)

The National Rural Development Programme (2006)

Ministère de l'Economie, du Commerce et de l'Industrie, Rapport annuel de mise en œuvre du MAP 2007, novembre 2008

UNDP, Human Development Indices, November 2008,  
[http://hdr.undp.org/en/media/HDI\\_2008\\_EN\\_Tables.pdf](http://hdr.undp.org/en/media/HDI_2008_EN_Tables.pdf)

### **IFAD reference documents**

Projet d'appui à la gouvernance locale, à la sécurisation foncière et à la mise en valeur durable dans le menabe et melaky - Appraisal Report (November 2005)

Strategic Framework 2007-2010

Strategy for Knowledge Management

Innovation Strategy

Anti-Corruption Policy

# Logical Framework

Ranking of Objectives	Performance Indicators	Means of Verification	Critical Assumptions and Risks
<p><b>Overall project objective:</b> Improve good governance and land security for the rural poor living in the western part of the country, to promote the sustainable development of their agricultural productive base</p> <p><b>Specific objectives:</b></p> <p><b>1- Support implementation of the decentralized land use management policy</b>(under the framework of National Land Use Management Plan (PNF) and the Land and Property Rights Directorate (DDSF) nationally, and carry out community land use planning actions regionally (Menabe and Melaky) to ensure sustainable land tenure security and rights to the rural poor</p> <p><b>2- Improve the productive base of the target sustainably,</b> through: optimization of production and improved management of small watersheds and application of erosion control and agroecological techniques for environmental conservation; intensification of farming operations and diversification of income earning opportunities through financing micro-projects and capacity-building for farmers’ organizations.</p> <p><b>Outputs/Components</b></p> <p><b>Component 1 – Support to local governance and land tenure security</b> (Local governance, capacity building and empowerment of farmers organisations, Regional and local support for land titling in the project areas, Strengthening of national plan, institutions and services).</p> <p><b>Result 1:</b> Establishment of farmers’ organizations and capacity-building within the project areas</p> <p><b>Result 2:</b> PNF is prepared at the national level and implemented in the rural communes within the project intervention area</p> <p><b>Result 3:</b> Access to land and titling of property rights are assured for poor populations in small watersheds and on hillside slopes in the communes within the project area</p> <p><b>Result 4:</b> regulatory framework for watershed management is defined nationally and implemented in the project area</p> <p><b>Component 2 – Sustainable development of the productive base</b> (Strengthening farming systems of agricultural production, Development of productive infrastructures)</p> <p><b>Result 1:</b> Inland valleys, small watersheds and hillside slopes in the project areas are optimized, taking into account environmental protection issues,</p> <p><b>Result 2:</b> Intensification of farming operations and diversification (microprojects) in the project areas</p> <p><b>Result 3:</b> Construction of 650 km of feeder roads</p>	<p>- Rate of reduction in prevalence of extreme poverty, + malnutrition (children under five)</p> <p>-Progress achieved on regulations relating to land tenure and agricultural development.</p> <p><b>National level</b></p> <p>- Actual use of public expenditure incurred for implementation of this project;</p> <p>- Changes in socio-economic impact indicators [RIMS]</p> <p>- Funds mobilized to support the National Land Use Plan (PNF) and Land and Property Rights Directorate (DDSF) approach</p> <p><b>Project areas</b></p> <p>- Number of households benefiting from project activities ( target 40,000 households)</p> <p>- Literacy rate among women and men</p> <p>- training sessions in PNF and DDSF services</p> <p>- communal land kiosks set up and operational</p> <p>- households and women having gained access to land titles (RIMS)</p> <p>- Number of awareness-raising meetings held at the <i>fokontany</i> (FKT) and commune level</p> <p><b>Targets: 21 communes titled; 10 communal offices set up; and 2 100 more families with access to land.</b></p> <p>- households benefiting project activities and with improved food security (RIMS)</p> <p>- farmers by gender having adopted the technologies recommended (RIMS)</p> <p>- Increase in hectares under rice, soybeans, maize, cassava and vegetables (RIMS) and holdings of zebu cattle</p> <p>- cases and areas where agroecological techniques have been adopted</p> <p>- improvement in soil upgrading and protection</p> <p>- farmers’ organizations operational, and number of members , FO chaired by women</p> <p><b>-Target: Capacity building of 40,000 poor farm households.</b></p> <p><b>- 5 600 new producers with access to irrigated plots</b></p> <p><b>- 10 000 hectares of additional cultivated area</b></p> <p><b>- 90 000 tonnes of additional produce</b></p> <p><b>- 580 diversification microprojects carried out (2 000 beneficiaries)</b></p>	<p>-Poverty surveys and reports;</p> <p>-RIMS data collected by the project</p> <p>- Govt. statistical reports.</p> <p>-Project Regional poverty surveys</p> <p>- Project impact surveys (start-up, midterm, completion)</p> <p>- Monitoring and evaluation surveys</p> <p>- Food Security and Nutrition Programme (SEECALINE) statistics</p> <p>- Annual impact assessment reports</p> <p>- DDSF studies and consultations</p> <p>- Land inventory records</p> <p>- Monitoring and evaluation reports of land services.</p>	<p>-Govt’s and donor commitments;</p> <p>-Rapid approval, legislation and enactment of proposed policies and regulations</p> <p>-- Political stability</p> <p>- Debt management and donor support</p> <p>- National policy favouring agricultural development</p> <p>- Absence of natural catastrophes or exceptional climatic events</p> <p>- Producers’ capacity to adopt a medium-term strategy</p> <p>- Government support for operational implementation of the PNF</p> <p>- Capacity of national and regional land offices to evolve</p> <p>- Effectiveness of decentralization and coordination among donors (Millennium Challenge Account [MCA], European Union [EU])</p> <p>- Motivation of populations to develop</p> <p>- Mobilization of populations to organize themselves</p> <p>- Degree of acceptance of new techniques</p> <p>- Availability of quality service providers</p>

