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Enabling poor rural people  
to overcome poverty

## **President's report**

### **Proposed loan and grant to the Republic of Botswana for the**

### **Agricultural Services Support Project**

#### **Note to Executive Board representatives**

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**For: Approval**

## Contents

<b>Abbreviations and acronyms</b>	<b>i</b>
<b>Map of the project area</b>	<b>ii</b>
<b>Financing summary</b>	<b>iii</b>
<b>Recommendation for approval</b>	<b>1</b>
<b>I. The project</b>	<b>1</b>
A. Main development opportunity addressed by the project	1
B. Proposed financing	1
C. Target group and participation	2
D. Development objectives	2
E. Harmonization and alignment	3
F. Components and expenditure categories	3
G. Management, implementation responsibilities and partnerships	4
H. Benefits and economic and financial justification	4
I. Knowledge management, innovation and scaling up	5
J. Main risks	6
K. Sustainability	6
<b>II. Legal instruments and authority</b>	<b>6</b>
<b>III. Recommendation</b>	<b>7</b>
<b>Annex</b>	
Negotiated financing agreement	8
<b>Appendices</b>	
<b>I.</b> Key reference documents	
<b>II.</b> Logical framework	

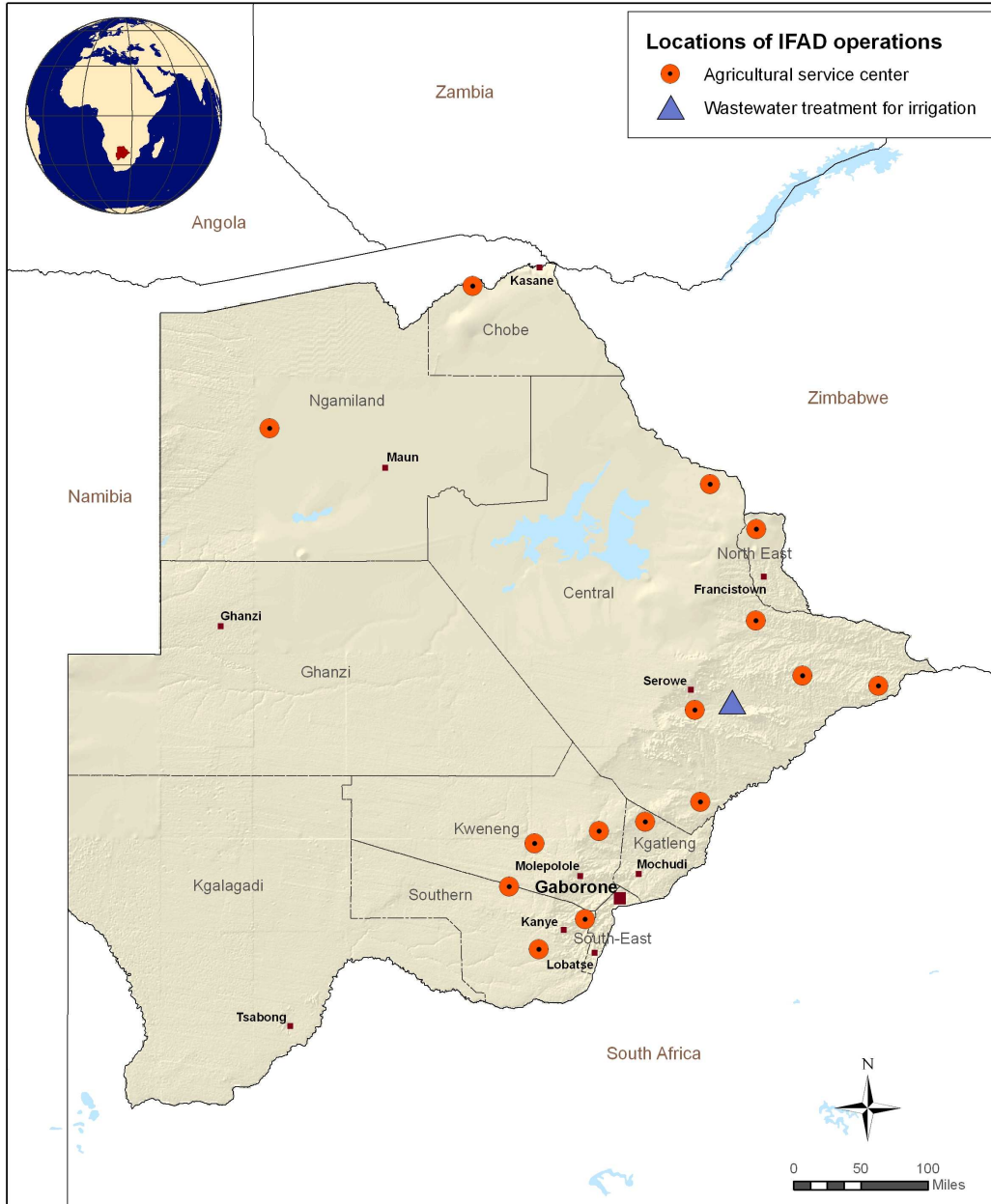
## Abbreviations and acronyms

ASC	agricultural service centre
DCP	Department of Crop Production
ISPAAD	Integrated Support Programme for Arable Agricultural Development
M&E	monitoring and evaluation
NAMPAADD	National Master Plan for Arable Agriculture and Dairy Development

# Map of the project area

## Botswana

### Agricultural Services Support Project



24-11-2010



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 Botswana

## Agricultural Services Support Project

### Financing summary

<b>Initiating institution:</b>	IFAD
<b>Borrower:</b>	Republic of Botswana
<b>Executing agency:</b>	Ministry of Agriculture
<b>Total project cost:</b>	US\$25.02 million
<b>Amount of IFAD loan:</b>	SDR 2.6 million (equivalent to approximately US\$4.04 million)
<b>Amount of IFAD grant:</b>	SDR 1.025 million (equivalent to approximately US\$1.61 million)
<b>Terms of IFAD loan:</b>	18 years, including a grace period of 3 years, with an interest rate equal to the reference interest rate per annum as determined by the Fund semi-annually
<b>Cofinancier(s):</b>	To be determined
<b>Amount of cofinancing:</b>	US\$5.70 million
<b>Contribution of borrower:</b>	US\$13.38 million
<b>Contribution of beneficiaries:</b>	US\$0.29 million
<b>Appraising institution:</b>	IFAD
<b>Cooperating institution:</b>	Directly supervised by IFAD

## **Recommendation for approval**

The Executive Board is invited to approve the recommendation for the proposed financing to the Republic of Botswana for the Agricultural Services Support Project as contained in paragraph 42.

## **Proposed loan and grant to the Republic of Botswana for the Agricultural Services Support Project**

### **I. The project**

#### **A. Main development opportunity addressed by the project**

1. At current low levels of productivity, agricultural production in Botswana can only continue with high government subsidies. Should its fiscal capacity diminish, the Government of Botswana would be compelled to wean farmers off subsidies, which could prove difficult. The Government is therefore taking advantage of the opportunity afforded by the Agricultural Services Support Project to address the twin challenges of low productivity and high subsidy levels. The project will help unleash the productive potential of rainfed crop production, which underpins the move towards a more sustainable future for the crop subsector. The Government is also optimizing the use of its water resources, including the use of wastewater for irrigation. Before making large-scale irrigation investments, the project will pilot a wastewater scheme to develop a viable irrigation model for small-scale producers. The project also provides an opportunity for Botswana to re-establish knowledge-sharing linkages with other countries in similar semi-arid regions.

#### **B. Proposed financing**

##### **Terms and conditions**

2. It is proposed that IFAD provide to the Republic of Botswana a loan in the amount of SDR 2.6 million (equivalent to approximately US\$4.04 million), on ordinary terms, and a grant in the amount of SDR 1.025 million (equivalent to approximately US\$1.61 million) to help finance the Agricultural Services Support Project. The loan will have a term of 18 years, including a grace period of 3 years, with an interest rate equal to the reference interest rate per annum determined by the Fund semi-annually.

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

3. The allocation defined for Botswana under the PBAS is US\$5.7 million over the 2010-2012 allocation cycle.

##### **Relationship to national medium-term expenditure framework criteria**

4. The activities to be financed under the project are fully in line with Botswana's medium-term national development plan, which sets broad fiscal objectives and specifies actions consistent with the country's medium-term fiscal strategy.

##### **Country debt burden and absorptive capacity of the State**

5. Botswana is considered to have high debt sustainability under the Debt Sustainability Framework. Although external debt increased during 2009-2010, it is unlikely to exceed 15 per cent of GDP. Debt servicing is expected to account for a maximum of 6 per cent of goods exports during that period. The Government will finance more than half of the total project costs from funds already allocated to its Integrated Support Programme for Arable Agricultural Development (ISPAAD), and it has the capacity to absorb and service a loan of the amount indicated.

**Flow of funds**

6. IFAD financing will flow to the project via disbursement into United States dollar and local currency accounts as designated by the Government. These funds will be made available to the project by the Ministry of Finance and Development Planning in accordance with the Government's financial management procedures using the Government Accounting and Budgeting System. IFAD disbursement procedures will be detailed in a letter to the borrower upon entry into force of the financing agreement.

**Supervision arrangements**

7. The project will be supervised directly by IFAD.

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

8. No exceptions are foreseen.

**Governance**

9. Botswana has an impressive track record of good governance and is regarded as an example of a well-governed state. The following measures are intended to enhance the governance aspects of IFAD financing: (i) regular progress reports; (ii) annual independent audits in accordance with IFAD's audit guidelines; and (iii) application of the IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations.

**C. Target group and participation****Target group**

10. The project will target approximately 20,000 farming households. In addition, selected smallholders will participate in the pilot small-scale irrigation scheme. Four principal groups will be targeted: (i) smallholder households hiring tractors for land preparation and planting; (ii) households cultivating part of their land using draught animals; (iii) smallholder women farmers, and married women; and (iv) young farmers and potential new entrants. The primary target group will comprise smallholders who are experiencing household food and income insecurity, but have the potential to benefit from improved access to agricultural services.

**Targeting approach**

11. The targeting approach is in line with the core principles of the IFAD Policy on Targeting. The target groups will be clearly identified, guided by IFAD's general principles of identifying and reaching the target group. Thus the approach will be: (i) participatory, consultative, flexible, and gender- and youth-sensitive; (ii) livelihoods-based; and (iii) demand-driven. It will involve two steps: geographic targeting followed by social targeting.

**Participation**

12. In accordance with the IFAD Policy on Targeting, a high level of target group participation is critical. Focused capacity- and confidence-building measures and techniques will be applied to empower and encourage the active participation and inclusion of smallholder producers in planning and decision-making. Such techniques include farmer field schools and trials, where farmers will be involved in the transfer of improved agronomic practices to fellow farmers. To ensure greater participation of women and young people, the project will work with groups. Moreover, a number of measures have been incorporated in the project design to encourage greater private-sector participation in the supply of inputs and services.

**D. Development objectives****Key Project objectives**

13. The project will contribute to economic diversification, rural poverty reduction, food security and improved livelihoods in rural communities. Its specific development objective is to achieve a viable and sustainable smallholder agricultural sector, one that is not reliant on subsidies or welfare but based on farming as a business.

### **Policy and institutional objectives**

14. The Revised National Policy for Rural Development provides a framework for the development of agriculture, rural infrastructure and poverty reduction. The framework concentrates on: (i) small-scale horticulture; (ii) rainfed crop production; (iii) sustainable management of natural resources; and (iv) strengthening of local-level institutional frameworks. The key instruments include the National Master Plan for Arable Agriculture and Dairy Development (NAMPAADD) and ISPAAD, which recommend the establishment of agricultural service centres (ASCs) and irrigation development using wastewater. Against this background, the Government approached IFAD in March 2009 for support to establish ASCs and wastewater irrigation schemes.

### **IFAD policy and strategy alignment**

15. The project is aligned with five of the six key pillars of the IFAD Strategic Framework 2007-2010, which aims to ensure that poor rural people have better access to, and the skills and organization they need to take advantage of, among others: (i) natural resources and improved management and conservation practices; (ii) improved agricultural technologies; and (iii) opportunities for rural off-farm employment – all of which are intended to raise productivity, rural incomes and food security; strengthen institutions; and stimulate private-sector participation.

## **E. Harmonization and alignment**

### **Alignment with national priorities**

16. Food security, rural development, sustainable management of natural resources, wastewater treatment and re-use, and gender equity are stated government priorities, as indicated in Vision 2016 and in other key government policies and strategies including its tenth National Development Plan, National Policy on Agricultural Development, National Strategy for Poverty Reduction, agricultural strategy, Agricultural Sector Gender Policy, National Master Plan for Wastewater and Sanitation, and various environmental policies and regulations.

### **Harmonization with development partners**

17. The project will complement related projects financed by other partners. These include: a comprehensive monitoring and evaluation (M&E)/management information system in the Ministry of Agriculture, and a private farm machinery contractors' business enterprises initiative funded by the Food and Agriculture Organization of the United Nations; and a comprehensive agricultural sector review and the Agricultural Infrastructure Development Project financed by the African Development Bank. The project's design is also consistent with the priorities of the second United Nations Development Assistance Framework (2010-2016), which in turn is aligned with the tenth National Development Plan.

## **F. Components and expenditure categories**

### **Main components**

18. The project has three components: (i) sustainable agricultural production; (ii) enabling environment for smallholder agriculture; and (iii) project management.

### **Expenditure categories**

19. There are four types of expenditure categories: (i) vehicles, equipment and materials; (ii) civil works; (iii) technical support, on-farm research and studies; and (iv) improvement of outreach of extension services.

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

### **Key implementing partners**

20. The Department of Crop Production (DCP) of the Ministry of Agriculture will be the project's institutional focal point. The project's institutional strategy is to work through the main actors in rainfed farming and irrigation at various levels, including government agencies, parastatals, NGOs, agribusiness enterprises, farmers' organizations, and other projects and programmes.

### **Implementation responsibilities**

21. A project steering committee will provide general oversight and guidance for effective implementation. It will be chaired by the Permanent Secretary of the Ministry of Agriculture and will include representatives of relevant departments of the Ministry. Also represented on the committee will be ISPAAD; NAMPAADD; the Ministry of Finance and Development Planning; the Ministry of Environment, Wildlife and Tourism; the Ministry of Local Government; and the private sector.
22. DCP, headed by a director and reporting to the project steering committee, will be the lead agency with overall responsibility for project implementation. The director will be supported by a project management team located in DCP and working in close partnership with the ISPAAD secretariat and coordinator. A number of key ministries and organizations will have cross-cutting responsibilities, namely: the Ministry of Finance and Development Planning; the Ministry of Agriculture (DCP, the Department of Agricultural Research, the Department of Extension Services and the Department of Corporate Services); rural training centres; parastatals; ISPAAD secretariat; the Ministry of Environment, Wildlife and Tourism; private-sector service providers; NGOs and community-based organizations.

### **Role of technical assistance**

23. Technical assistance is foreseen to facilitate the development and installation of the M&E and management information systems, and to foster knowledge management. Technical assistance will also be required for other capacity-building support – at local institutional level and for service providers and farmers – in the promotion of improved agronomic practices and farm management.

### **Status of key implementation agreements**

24. Several service providers, particularly government agencies, participated in the design of the project and are aware of their roles in implementing project activities, which fall under their existing mandates. The project management team will engage implementing agencies, under various contractual and partnership agreements to be formalized upon start-up. Activities undertaken within other Ministry of Agriculture departments and other ministries or parastatals will be governed by memorandums of understanding between DCP and the various implementing agencies.

### **Key financing partners and amounts committed**

25. The total project cost is US\$25.02 million over five years. The sources of financing are IFAD (22.5 per cent), the Government (53.5 per cent), farmers (1.2 per cent) and other cofinanciers (to be determined) (22.8 per cent).

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

### **Main categories of benefits generated**

26. The project is expected to benefit at least 20,000 farming households directly by increasing their food security and improving their livelihoods. At national level, the project will have three major categories of benefits: (i) reduced cost of subsidies to farmers as farmers increasingly operate profitably in a market environment; (ii) reduced need for subsidies as more of the unemployed become active participants in the workforce; and (iii) reduced amount of food imports as a result of higher domestic production. Capacity-building will help make these benefits more sustainable.



27. At household level, major benefits will come from enhanced ISPAAD impacts, while reducing costs. Cereal yields will increase from an average of 0.25 tons to 1.0 tons per hectare. The minimization and/or elimination of deep ploughing on the generally fragile soils will have an added environmental benefit.
28. Use of wastewater for irrigation will increase the country's ability to supply more of its food requirements. This will also boost the incomes and improve the livelihoods of the participating smallholder farm households.

#### **Economic and financial viability**

29. The project's economic rationale hinges on replacement of expensive, unproductive and wasteful agricultural practices with lower-cost and more productive technologies that have been tested and proven in comparable semi-arid environments. The project has the potential to generate a high economic rate of return, even with modest adoption rates, as farming methods that currently produce negative economic returns are replaced by those that generate moderately to highly profitable returns even without subsidies. The economic analysis for the project generates an internal rate of return of 26 per cent with conservative estimates of adoption rates.

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

#### **Knowledge management arrangements**

30. The project incorporates a number of measures to facilitate technology development and adoption. The knowledge management processes within the project will ensure that lessons learned and good practices are broadly disseminated within Botswana, and that the knowledge generated within the project is systematically identified, analysed, documented and shared. The project will employ a "value chain" approach to knowledge management, which does not end with the capture of information, but adds value through interpretation and analysis, drawing on information from other sources, and adapting it for use by a range of partners. The project's M&E system will be a primary instrument of information capture and storage, based on the indicators detailed in the logical framework.

#### **Development innovations that the project will promote**

31. Despite Government attempts over more than 20 years to establish a viable rainfed farming sector by providing subsidized inputs, crop yields have failed to increase to a level where farmers become self-reliant. ISPAAD does not represent a significant departure from these failed attempts. The project instead focuses on raising the productivity of rainfed agriculture through a combination of low-cost farming methods and yield-enhancing technologies. Such technologies have been widely accepted globally, but are largely unknown and untried in Botswana. The project will enable ISPAAD support measures to wind down as crop yields improve and costs are reduced.
32. Other innovative features of the project are its close engagement with the private sector in the supply of agricultural services and in the operation of ASCs; and its wastewater irrigation scheme for smallholder farmers, which is one of the few such projects funded by IFAD and which will potentially generate many lessons for other semi-arid countries.

#### **Scaling-up approach**

33. The project brings an innovative focus on small-scale producers through the replication of practices already existing in other countries in the region and to a lesser extent in Botswana, with more likelihood of achieving higher and more sustained productivity. A wastewater treatment facility for irrigation is being established in Palapye on a pilot basis as a model for eventual scaling up, once the scheme is completed and the experience documented.

## **J. Main risks**

### **Main risks and mitigation measures**

34. The project faces three main risks: (i) impacts of drought; (ii) challenge of weaning farmers off the high levels of support; and (iii) potential failure of ASCs to be commercially viable because of a low demand for services.
35. The agronomic innovations proposed will help address risk (i) by introducing techniques that make better use of the limited moisture available. Also, the use of wastewater for irrigation will contribute to addressing the challenge of limited rainfall. To counter risk (ii), the project will develop an enabling environment for smallholder agriculture and promote proven agronomic practices and the efficient use of services to farm profitably. Risk (iii) will be mitigated through the high degree of farmer and stakeholder participation in the design and process of establishing the ASCs, complemented by close monitoring of performance of private enterprises during implementation.

### **Environmental classification**

36. Pursuant to IFAD's environmental assessment procedures, the project has been classified as a Category B operation in that it is not likely to have any significant negative environmental impact. The project's emphasis on rainfed agriculture is in fact expected to generate significant environmental and social benefits. However, use of agrochemicals will require careful monitoring to avoid build-up of residues in the soil or contamination of surface or groundwater resources. Moreover, although on a limited scale, the wastewater irrigation part of the project has the potential to create significant environmental and public health impacts if not properly conducted.

## **K. Sustainability**

37. Agricultural support measures in Botswana are unsustainable. At current low levels of productivity, agricultural production can only be sustained with high levels of subsidies. The project is expected to help resolve this dilemma by improving the productivity of rainfed crops so that crops can be produced profitably without subsidization.
38. The project will address these issues, which underpin the move towards a more sustainable future for the sector. Key elements to ensure sustainability include: (i) promotion of improved rainfed agricultural technologies; (ii) promotion of profitable private-sector enterprises; (iii) participatory and demand-driven service provision at the ASCs; and (iv) selection of "real" smallholder irrigation farmers for the wastewater irrigation scheme.

## **II. Legal instruments and authority**

39. A financing agreement between the Republic of Botswana and IFAD will constitute the legal instrument for extending the proposed financing to the borrower/recipient. A copy of the negotiated financing agreement is attached as an annex.
40. The Republic of Botswana is empowered under its laws to receive financing from IFAD.
41. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the Lending Policies and Criteria..

### **III. Recommendation**

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

RESOLVED: that the Fund shall make a loan on ordinary terms to the Republic of Botswana in an amount equivalent to two million six hundred thousand special drawing rights (SDR 2,600,000), and 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 the Republic of Botswana in an amount equivalent to one million twenty-five thousand special drawing rights (SDR 1,025,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Kanayo F. Nwanze  
President

## **Negotiated financing agreement: "Agricultural Services Support Programme"**

(Negotiations concluded on 12 November 2010)

Loan Number: \_\_\_\_\_

Grant Number: \_\_\_\_\_

Project Title: Agricultural Services Support Project (ASSP) (the "Project")

The International Fund for Agricultural Development (the "Fund" or "IFAD")

and

the Government of the Republic of Botswana (the "Borrower/Recipient")

(each a "Party" and both of them collectively the "Parties")

hereby agree as follows:

### **Section A**

1. The following documents collectively form this Agreement: this document, the Project Description and Implementation Arrangements (Schedule 1) and the Allocation Table (Schedule 2).
2. The Fund's General Conditions for Agricultural Development Financing dated 29 April 2009, as may be amended from time to time (the "General Conditions") are annexed to this Agreement, and all provisions thereof shall apply to this Agreement. For the purposes of this Agreement the terms defined in the General Conditions shall have the meanings set forth therein.
3. The Fund shall provide a Loan and a Grant to the Borrower/Recipient (the "Financing"), which the Borrower/Recipient shall use to implement the Project in accordance with the terms and conditions of this Agreement.

### **Section B**

1.
  - A. The amount of the Loan is SDR 2 600 000.
  - B. The amount of the Grant is SDR 1 025 000.
2. The Loan is granted on Ordinary Terms with a maturity period of eighteen years.
3. The Loan Service Payment Currency shall be the US Dollar.
4. The first day of the applicable Fiscal Year shall be 1 April.
5. Payments of principal and interest shall be payable on each 1 April and 1 October.
6. The Borrower/Recipient shall contribute to the Project the amount of USD 13 382 000.

### **Section C**

1. The Lead Project Agency shall be the Department of Crop Production of the Borrower/Recipient's Ministry of Agriculture.
2. The following are designated as additional Project Parties: The Ministry of Finance and Development Planning (MFDP); the Ministry of Environment, Wildlife and Tourism (MEWT); and the Ministry of Local Government (MLG).
3. The Project Completion Date shall be the fifth anniversary of the date of entry into force of this Agreement.

### **Section D**

The Fund shall administer the financing and supervise the Project.

### **Section E**

1. The following is designated as an additional general condition precedent to withdrawal: the Lead Project Agency shall have nominated qualified persons acceptable to the Fund for the following positions in the Project Management Team: (i) the Project Manager; (ii) the Financial Controller; (iii) the Procurement Officer; (iv) the Monitoring and Evaluation Officer; (v) the Knowledge Management Officer; and (vi) two support staff.
2. The following are the designated representatives and addresses to be used for any communication related to this Agreement:

#### **For the Fund:**

The President  
International Fund for  
Agricultural Development  
Via Paolo di Dono 44  
00142 Rome, ITALY

#### **For the Recipient:**

The Minister of Finance  
Ministry of Finance and  
Development Planning  
Private Bag 008  
Gaborone, BOTSWANA

This agreement, dated \_\_\_\_\_, has been prepared in the (English) language in six (6) original copies, three (3) for the Fund and three (3) for the Borrower.

\_\_\_\_\_  
For the Fund

\_\_\_\_\_  
For the Borrower

## Schedule 1

### *Project Description and Implementation Arrangements*

#### **I. Project Description**

1. *Project Overview.* In July 2008 the Government of Botswana launched the Integrated Support Programme for Arable Agricultural Development (ISPAAD), which is the main development initiative in the arable agriculture sub-sector. The objective of ISPAAD is to increase agricultural productivity and production from rainfed agriculture by providing a range of input subsidies on seeds, fertiliser, fencing, land preparation and planting, as well as the purchase of tractors and the establishment of Agricultural Service Centres (ASCs). The Project is closely aligned with ISPAAD and aims to improve the effectiveness of this major initiative.

2. The Project shall be directed towards helping ISPAAD become a more effective instrument of rural poverty reduction and food security. The **four main thrusts** of the Project shall be:

- (i) a shift in emphasis from horizontal expansion of rainfed agriculture to improvement in agricultural productivity through lower-cost mechanisation options combined with improved rainfed crop agronomy;
- (ii) more effective service delivery to farmers through the ASCs and the extension system generally;
- (iii) a pilot scheme to develop and demonstrate a viable model for small-scale irrigation using treated wastewater; and
- (iv) institutional strengthening aimed at improving the effectiveness of ISPAAD and enhance the capacity of the Ministry of Agriculture to undertake monitoring and evaluation and information management.

3. *Project Goal and Objective.* The **goal** of the Project is to contribute to economic diversification, reduction of rural poverty and food insecurity, and improved livelihoods of rural communities. The specific **development objective** is to achieve a viable and sustainable smallholder agricultural sector based on farming as a business, and not reliant on subsidies or welfare measures.

4. *Project Area.* The Project shall be implemented in all districts, sub-districts and Extension Areas supported by ISPAAD. Whilst some activities will be anchored to the 15 ASCs that will be established, others will be undertaken in Extension Areas that are not within the operating radius of the ASCs, generally regarded as being about 20-30 km.

5. *Target Population.* The Project shall target approximately 20,000 farming households, some of which may have more than one active farmer (e.g. husband, wife, and adult children). The primary target group shall be smallholders experiencing household food and income insecurity, but with the potential to benefit from improved agricultural services and technologies. Within this population there are four principal groups to be targeted:

- (i) smallholder households hiring tractors for land preparation and planting;
- (ii) households who continue to cultivate at least part of their land using draught animals (and may hire out their draught power to others);
- (iii) women as smallholder farmers in their own right, as well as women in married households; and

- (iv) youth who are currently engaged, or potential new entrants into smallholder agriculture.
6. In addition, selected smallholders will participate in the small-scale irrigation scheme to be established at Palapye. Deliberate efforts shall be made to reach smallholders affected by HIV/AIDS and develop livelihood skills, including food production, among orphans.
7. Emerging commercial smallholders, tractor owners, tractor drivers, machinery dealers, mechanics, agro-dealers, agricultural extension and crop production staff, permanent farm workers and casual labourers working on larger farms will also benefit indirectly from the Project.
8. The Project shall have **three components**:
- (i) **Sustainable Agricultural Production:** This component will aim to achieve a sustainable increase in smallholder agricultural productivity by bridging the gap between current and potential rainfed crop yields, and to demonstrate a viable model for use of wastewater for smallholder irrigation, under three sub-components, namely, (i) Agricultural Mechanisation; (ii) Improved Rainfed Agricultural Practices; and (iii) Pilot Scheme for Smallholder Wastewater Irrigation.
  - (ii) **Enabling Environment for Smallholder Agriculture:** This component will align the relevant local institutional framework and development interventions to ensure better penetration of services to targeted beneficiaries. It will also aim to ensure that farmers and farmer organisations have the capacity to benefit from improved service delivery, including a range of services to be provided through the ASCs and the extension system in general, which will complement and improve the effectiveness of the ISPAAD programme. There shall be three sub-components, (i) Improved Extension Services; (ii) Agricultural Service Centres; and (iii) Institutional Strengthening.
  - (iii) **Project Management:** This component shall ensure that the Project is efficiently and effectively implemented.

## II. Implementation Arrangements

9. The Project shall be implemented over five years beginning in 2011, coinciding with the completion of the current three-year ISPAAD funding cycle (2008/9-2010/1) and run through to the end of the NDP10 period in March 2016. There shall be a mid-term review at the end of Project Year 2.
10. Overall responsibility for Project implementation shall rest with the Department of Crop Production of the Ministry of Agriculture, which is also responsible for the implementation of ISPAAD. Implementation at field level shall take place through the decentralised administration framework at district, sub-district, Extension Area levels, and the network of ASCs to be established. The Ministry of Agriculture Departments of Extension Services and Agricultural Research shall have specific implementation responsibilities as will be defined in the Project Implementation Manual. A Project Management Team shall be established within the Department of Crop Production, and oversight of Project implementation will take place through a Project Steering Committee.

11. *Programme Implementation Manual*. The Project Management Team, within the Crop Production Department of the Ministry of Agriculture will finalise the Programme Implementation Manual (PIM), which will include a Financial Management Manual. The Crop Production Department shall submit the PIM to the Project Steering Committee for approval. When so approved, the Crop Production Department shall forward the PIM to the Fund for comments and no objection.



## Schedule 2

### Allocation Table

1. *Allocation of Loan and Grant Proceeds.* The Table below sets forth the Categories of Eligible Expenditures to be financed by the Loan and the Grant and the allocation of the amounts of the Loan and the Grant to each Category and the percentages of expenditures for items to be financed in each Category:

Category	Loan Amount Allocated (SDR)	Grant Amount Allocated (SDR)	Overall Percentage of financing
I. Vehicles, Equipment and Materials	950 000	145 000	17% of total expenditures net of tax
II. Civil Works for the Irrigation Pilot Scheme		210 000	100% net of tax, excl. farmers' participation
III. Technical Support, On-Farm Research and Studies: (a) Pilot Scheme for Smallholder Wastewater Irrigation (b) All other subcomponents	560 000	365 000	100% net of tax and cofinancing
IV. Improvement of Extension Outreach	970 000	230 000	100% net of tax and cofinancing
Unallocated	150 000	75 000	
<b>TOTAL</b>	<b>2 600 000</b>	<b>1 025 000</b>	

2. *Apportionment of Expenditures.* Each eligible expenditure in categories I and IV shall be apportioned pro rata between the Loan and the Grant amounts allocated above.

3. *Definition.* "Unallocated" means proceeds retained to cover physical and price contingencies.

## Key reference documents

### Country reference documents

- Botswana Demographic Survey Report, 2006.
- Population Projections for Botswana, 2001-2031.
- National Development Plan-10 (NDP-10), Volumes 1 & 2.
- Ten Year Implementation Program for the National Master Plan for Arable Agriculture and Dairy Development (NAMPAADD).
- The Integrated Support Program for Arable Agricultural Development (ISPAAD) – Annual Report for the Cropping Season 2008-09.
- Guidelines for the Allocation of Land for Agricultural Purposes – Environmental Criteria.
- Botswana: United Nations Development Assistance Framework (UNDAF), 2010-2016.
- Revised 2004 Botswana Agricultural Census Report.
- Consumer Price Statistics – July 2009.
- Prices Stats Brief, 2008.
- June 2008 Formal Employment Statistics.
- The 2005-06 Labour Force Report.
- Poverty Datum Line for Botswana, 2003.
- Household Income and Expenditure Survey, 2002/03. Main Report –Volume 1.
- National Accounts Statistics – Quarterly Gross Domestic Product, First Quarter 2009.
- National Accounts Statistics – Quarterly Gross Domestic Product, Fourth Quarter 2008.
- Trade between Botswana and other Countries (in Pula) from 2003-2008.

### IFAD reference documents

- Project design document (PDD) and key files
- Project design documents (PDD) Working Papers, namely:
  1. Policy and Institutional Framework
  2. Poverty, Gender and Targeting
  3. Wastewater Reuse for Agriculture
  4. Rainfed Agricultural Development
  5. Knowledge Management and Communication
  6. Land Tenure Security and Equitable Access
  7. Project Implementation
  8. Environmental and Social Review Note
  9. Project Costs
  10. Financial and Economic Analysis
- Preliminary Environmental Impact Assessment (PEIA) Guidelines.

## Logical framework

Results Hierarchy	Indicators a/	Means of Verification	Assumptions
<b>Goal:</b> Contribute to economic diversification, reduction of rural poverty and food insecurity, and improved livelihoods of rural communities.	<ul style="list-style-type: none"> <li>Level 3 RIMS indicators on child malnutrition and household assets.</li> <li>Level of national food self-sufficiency.</li> </ul>	<ul style="list-style-type: none"> <li>Baseline and project completion surveys using standard RIMS questionnaires.</li> <li>Trade statistics.</li> </ul>	
<b>Development Objective:</b> A viable and sustainable smallholder agricultural sector based on farming as a business, and not reliant on subsidies or welfare measures.	<ul style="list-style-type: none"> <li>65% of targeted 20,000 rural HH increase crop income from \$580 to at least \$1,800 per year.</li> <li>50% drop in No of rural households within 20 km of ASCs receiving subsidised agricultural inputs.</li> </ul>	<ul style="list-style-type: none"> <li>Household income and expenditure surveys in Project area.</li> <li>Statistics on payment of agricultural subsidies.</li> </ul>	<ul style="list-style-type: none"> <li>GOB phases out the use agricultural support measures as instruments of increasing crop production.</li> <li>Significant number of rural youth take advantage of opportunity to take up farming as a business.</li> </ul>
<b>Outcome 1:</b> Sustainable increase in smallholder agricultural productivity.	<ul style="list-style-type: none"> <li>Average rainfed crop yields (maize, sorghum) of target households increased from 0.25 to 1.0 t/ha by 2016.</li> <li>Viable model for smallholder wastewater irrigation demonstrated and operational.</li> </ul>	<ul style="list-style-type: none"> <li>Surveys undertaken by ADs and field assistants in Project areas.</li> <li>Crop census in project area.</li> <li>Documented results of pilot Project for smallholder irrigation development.</li> </ul>	<ul style="list-style-type: none"> <li>Absence of prolonged (multi-year) drought periods in next 10 years.</li> <li>Palapye municipality continue to provide sufficient treated wastewater for irrigation scheme.</li> </ul>
<b>Outcome 2:</b> Favourable enabling environment for smallholder agricultural development.	<ul style="list-style-type: none"> <li>A sustainable system of local level institutions for the smallholder sub-sector.</li> </ul>	<ul style="list-style-type: none"> <li>Mid-term review and final evaluation of NDP-10.</li> </ul>	<ul style="list-style-type: none"> <li>GOB adopts more efficient, cost-effective agricultural support system.</li> </ul>
<b>Outcome 3:</b> Project efficiently and effectively managed.	<ul style="list-style-type: none"> <li>Measures of Project performance.</li> </ul>	<ul style="list-style-type: none"> <li>Quarterly and annual progress reports.</li> <li>IFAD supervision reports.</li> </ul>	<ul style="list-style-type: none"> <li>Project remains closely linked and complementary to ISPAAD.</li> </ul>

a/ All indicators to be gender disaggregated