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Enabling poor rural people  
to overcome poverty

## **President's memorandum**

### **Proposed supplementary financing to the Republic of Sierra Leone for the**

### **Rehabilitation and Community-Based Poverty Reduction Project**

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

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**For: Approval**

## **Recommendation for approval**

The Executive Board is invited to approve the recommendation for proposed supplementary financing in the form of a loan and grant to the Republic of Sierra Leone for the Rehabilitation and Community-Based Poverty Reduction Project, as contained in paragraph 18 and the modifications to the financing agreement as contained in paragraph 14.

## **President's memorandum**

### **Proposed supplementary financing to the Republic of Sierra Leone for the Rehabilitation and Community-Based Poverty Reduction Project**

#### **I. Background**

1. This memorandum seeks approval for supplementary financing of an amount equivalent to approximately SDR 8.43 million (US\$13 million), in the form of a loan on highly concessional terms (50 per cent) and a grant (50 per cent) to the Republic of Sierra Leone for the Rehabilitation and Community-Based Poverty Reduction Project (RCPRP), approved by the Executive Board in December 2003.
2. As indicated in the related President's report (EB 2003/80/R.26/Rev.1), the project is financed by an IFAD loan of SDR 5.9 million. Supplementary financing of SDR 14.1 million was subsequently approved by the Board in December 2010 to scale up the agricultural activities over a period of five years. The proposed supplementary financing to the RCPRP would be in an amount equivalent to SDR 8.43 (US\$13 million) from funds made available to the Republic of Sierra Leone under the 2010-2012 cycle of the performance-based allocation system (PBAS). These funds would be allotted to the Republic of Sierra Leone through the RCPRP to supplement the financing of two components of the ongoing project which relate to: (i) smallholder agriculture and commercialization; and (ii) decentralization.
3. The supplementary financing is in line with the ongoing country strategic opportunities programme (COSOP) 2010-2015 and its three strategic objectives: (i) support to agriculture – smallholder farmers' access to irrigation, technical skills and market is improved; (ii) support to rural finance – the rural poor have access to reliable and sustainable financial services (savings, credit, transfers, remittances); and (iii) support to local development – the rural poor increase their level of participation in the management of local decentralized institutions.

#### **II. Justification and rationale**

4. The supplementary financing will contribute to the achievement of the overall project goal of empowering rural poor people to increase their food security and improve their livelihoods, and extend coverage to the national level. The project has two main objectives: (i) support smallholder agriculture and commercialization by improving smallholder farmers' access to land, irrigation, technical skills and markets; and (ii) support community development and local development with the aim of increasing the participation of rural poor people in the management of local decentralized institutions.

5. Since IFAD began direct supervision in 2009, the project has been refocused on these objectives and implementation has accelerated significantly as a result of strong support and field supervision. The RCPRP is now performing well and has registered some commendable achievements: 80 per cent of the original financing and 36 per cent of the additional financing approved in December 2010 have been disbursed.
6. Since 2009, RCPRP achievements and interventions have become the reference point in the country for innovative and effective approaches to rehabilitating tree crop cultivation, inland valley swamps and feeder roads, and developing local road maintenance systems. Support has also been provided to local government, especially at the ward level. Notable achievements include 4,260 ha of land rehabilitated for the cultivation of cocoa, coffee and oil palm; 614 ha of inland valley swamps rehabilitated, allowing rice and counter-season agricultural production; and upgrading of 606 km of feeder roads, permitting mobility and circulation of traffic in rural areas, thereby facilitating access to markets. To ensure the sustainability of these investments (some 1,000 km of roads are planned under RCPRP), a road maintenance system has been established in two districts on a pilot basis, partially financed by the new national feeder road maintenance fund, which IFAD helped establish in 2011.
7. The RCPRP has also strengthened the effectiveness of local government and grass-roots institutions at the district and ward level (through infrastructure and equipment provision, capacity-building and related training, and support to local teams). This has helped create better mechanisms for effective participation by IFAD target groups in the community development planning process, decision-making, and monitoring and evaluation. In 2010, IFAD developed cost-effective infrastructure at the ward level that has facilitated decentralization at the grass-roots level. With IFAD support, 100 ward offices have been built, furnished and made operational and ward committees now conduct their activities from these locations. A further 41 ward offices are under construction and are planned for completion by end of 2012. IFAD makes a critical contribution to the decentralization process by working at the grass-roots level, facilitating conditions and facilities to allow ward-level operations to function effectively.
8. While the last supplementary financing was channelled directly to agricultural development, there is now a need to consolidate and scale up the successful approaches that have been developed for road rehabilitation and maintenance, and support for local government institutions. This will promote balanced development throughout the country, and greater ownership of the development process in preparation for the phasing out of donor support.
9. In view of the importance of feeder roads for smallholder farmers and the broader rural population, and given the well-established maintenance system, there is now significant scope to expand the rehabilitation activities to an additional 500 km of roads, thereby linking production areas with more commercial areas. This will make transportation less time-consuming and costly, help reduce post-harvest losses and facilitate marketing of agricultural products for the benefit of the farmers. Similarly, the scaling up at national level of the road maintenance system managed by local government will ensure the sustainability of IFAD's and other donors' investments in this key sector for agricultural development. The initial costs of providing equipment and training will be met by this supplementary financing, while the operating costs related to equipment and staff will be financed by national road maintenance funds and district budgets.

10. In the same vein, by responding to the request of the Government of Sierra Leone to render operational, at the national level, the grass-roots local government structures under the Local Government Act of 2004, IFAD will enable small and vulnerable farmers and households to participate meaningfully in the decision-making and implementation process for local development. In this way, the target group will be better placed to influence public decisions in favour of agricultural and rural sector investments, which will lead to improved agricultural development, rural production and incomes. Therefore, the project beneficiaries will be the national rural community.
11. Three important results are expected from this additional financing: (i) expanded coverage of rehabilitated feeder roads from 1,000 km to 1,500 km; (ii) this expansion will be complemented by the scaling up, at the national level, of the feeder road maintenance system. These results will lead to improved mobility in rural areas and, consequently, better agricultural incomes and livelihood conditions for Sierra Leone's smallholder farmers; and (iii) scaling up, at national level, ward infrastructure development to establish grass-roots local government structures through which IFAD target groups can express their needs and priorities.

### III. Project costs

12. The total revised project cost is approximately US\$51.04 million. The sources of financing are: (i) IFAD, with an initial loan of approximately SDR 5.9 million (US\$8.51 million), a supplementary loan and grant approved in 2010 amounting to approximately SDR 14.1 million (US\$21.45 million), and the proposed supplementary loan and grant amounting to approximately SDR 8.43 million (US\$13 million); (ii) the Government, with counterpart funds amounting to US\$3.6 million; and (iii) beneficiaries, with a contribution of US\$3.7 million. It is proposed that the additional IFAD funds of approximately SDR 8.43 million (US\$13 million), in the form of a supplementary loan of approximately SDR 4.215 million (US\$ 6.5 million) and a supplementary grant under the Debt Sustainability Framework (DSF) of approximately SDR 4.215 million (US\$6.5 million) be allocated to existing expenditure categories as per the table below.

<i>Expenditure category</i>	<i>Loan amount allocated (expressed in approximate SDR terms)</i>	<i>DSF grant amount allocated (expressed in approximate SDR terms)</i>	<i>Percentage of eligible expenditures to be financed, net of tax</i>
I. Civil works	3 503 000	3 503 000	100
II. Vehicles and equipment	399 000	399 000	100
III. Farm inputs	0	0	
IV. Studies and training	88 000	88 000	100
V. Technical assistance	89 000	89 000	100
VI. Community development fund	0	0	
VII. Salaries and allowances	0	0	
VIII. Operating costs	136 000	136 000	100
Total	4 215 000	4 215 000	100

13. The IFAD loan, representing 50 per cent of the supplementary financing, will be extended to the Republic of Sierra Leone on highly concessional terms. Changes in the amounts allocated to the current loan and grant expenditure categories will be reflected in schedule II of the amended financing agreement.

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

14. Upon approval of the Executive Board, the financing agreement will be amended to reflect the supplementary IFAD financing, of which 50 per cent will be in grant form and 50 per cent in loan form. This financing strengthens the financing plan initially agreed at design and does not imply any modification to the project description. The supplementary financing will supplement the financing under components 1 and 2 of the project. The geographic coverage of the RCPRP will be extended to the national level.

#### **V. Legal instruments and authority**

15. An amendment to the current financing agreement between the Republic of Sierra Leone and IFAD will constitute the legal instrument for extending the proposed supplementary financing to the recipient.
16. The Republic of Sierra Leone 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.

#### **VI. 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 loan on highly concessional terms to the Republic of Sierra Leone in an amount equivalent to four million two hundred thousand and fifteen special drawing rights (SDR 4.215 million), 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 supplementary grant to the Republic of Sierra Leone in an amount equivalent to four million two hundred thousand and fifteen special drawing rights (SDR 4.215 million), and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Kanayo F. Nwanze  
President