

Document: EB 2013/LOT/P.1
Date: 4 March 2013
Distribution: Public
Original: English

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Enabling poor rural people
to overcome poverty

President's memorandum

Proposed supplementary financing to the Republic of Cape Verde for the

Rural Socio-economic Opportunities Programme

Note to Executive Board representatives

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For: Approval

Recommendation for approval

The Executive Board is invited to approve the recommendation for the proposed supplementary financing to the Republic of Cape Verde for the Rural Socio-economic Opportunities Programme, as contained in paragraph 14 and the modifications to the financing agreement as contained in paragraph 10.

President's memorandum

Proposed supplementary financing to the Republic of Cape Verde for the Rural Socio-economic Opportunities Programme

I. Background

1. This memorandum seeks approval for supplementary financing to the Republic of Cape Verde in the form of a loan on highly concessional terms in the amount of SDR 3.05 million (equivalent to approximately US\$4.70 million) for the Rural Socio-economic Opportunities Programme, which was approved by the Executive Board in September 2012 (EB 2012/106/R.13/Rev.1). This amount is available under the performance-based allocation system (PBAS) for the period 2013-2015.
2. The programme is currently financed by: (i) IFAD, with a loan on highly concessional terms of SDR 4.2 million (equivalent to approximately US\$6.3 million) mobilized from the PBAS for the period 2010-2012; (ii) the Spanish Food Security Cofinancing Facility Trust Fund, with a loan on highly concessional terms of EUR 7.1 million (equivalent to approximately US\$9.5 million); (iii) the Government, with counterpart funding of 320 million escudos (equivalent to US\$4 million); and (iv) the beneficiaries, with a contribution of US\$1 million.

II. Justification and rationale

3. The supplementary financing will allow the programme to achieve its overall objective, which is to contribute, within six years, to improving living conditions for poor rural people. The specific objective of the programme is to contribute to raising incomes among rural people by promoting the creation of sustainable and inclusive rural economic opportunities through a community-driven development approach. The goal is to promote long-term employment for the rural poor – particularly women and young people – by:
 - Supporting the selection by beneficiaries of microprojects relating to permanent income-generating activities (continuing along the lines of the IFAD-supported Rural Poverty Alleviation Programme, phase 3);
 - Ensuring that economic activities in the area of agriculture (crops and livestock) undertaken by beneficiaries contribute to their food security, specifically by reducing their dependence on imports of food products; and
 - Guaranteeing that the income generated by these economic activities is used to improve living conditions among the beneficiaries (in terms of nutrition as well as access to essential goods and services).
4. This will be achieved through the consolidation and capacity strengthening of organizations – community development associations (ACDs) and regional partners'

committees (CRPs) – so that they become permanent and sustainably promote the creation of inclusive economic opportunities as indicated above.

5. The programme has three components: (i) a fund to finance regional poverty reduction programmes (PRLPs), which provides rural people support for starting up microprojects of their own choosing; (ii) training, organization and networking, which consolidates the organizational structures (ACDs, CRPs) set up under the Rural Poverty Alleviation Programme and ensures their long-term viability; (iii) coordination and management, which supports the programme management and coordination unit in carrying out its functions.
6. By the programme completion date, the improvements should translate into a lower rate of chronic malnutrition among children, a higher rate of asset accumulation, and a decrease in the incidence of poverty (particularly among woman-headed households) in the programme area.
7. The supplementary financing will be of critical importance for strengthening the financing plan initially agreed at design. It does not imply any change to the programme's objectives, duration, area, components or target groups as approved by the IFAD Executive Board in September 2012.

III. Programme costs and financing

A. Programme costs

8. With this supplementary financing of US\$4.7 million, the amount of the IFAD loan will increase from US\$6.3 million to US\$11 million. The supplementary financing will be allocated to existing categories and in the same proportions as originally established. The total programme cost is US\$25.6 million. Expenses break down as follows: PRLP financing component – 69 per cent of base costs; training, organization and networking component – 20 per cent; coordination and programme management – 11 per cent.

B. Programme financing

9. The programme will be financed by: (i) IFAD, with a loan of US\$11 million comprising funding under the PBAS for the periods 2010-2012 and 2013-2015 (43 per cent of the total programme cost); (ii) the Spanish Trust Fund, with a loan of EUR 7.1 million equivalent to approximately US\$9.5 million (37 per cent of the total cost); (iii) the Government, with counterpart funding of 320 million escudos estimated at US\$4 million (16 per cent); and (iv) the beneficiaries, with a contribution estimated at US\$1 million (4 per cent) (see table).

Project financing: Components by financiers

(in United States dollars)

	Government		IFAD		Spanish Trust Fund		Beneficiaries		Total		Foreign currency	Local currency (after taxes)	Duties and taxes
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%			
PRLP	2 324 307.2	13.3	7 325 041.3	41.9	6 825 493.8	39.0	1 005 092.4	5.7	17 479 934.7	68.3	1 175 467.9	15 202 879.9	1 101 586.8
Organization, training, communication and networking	1 039 930.0	19.7	2 172 381.4	41.1	2 073 614.0	39.2	-	-	5 285 925.4	20.7	913 366.9	3 475 162.4	897 396.1
Coordination and programme management	718 329.3	25.4	1 503 106.5	53.2	604 798.9	21.4	-	-	2 826 234.7	11.0	45 493.2	2 693 004.8	87 736.8
Total	4 082 566.5	16.0	11 000 529.1	43.0	9 503 906.7	37.1	1 005 092.4	3.9	25 592 094.7	100.0	2 134 327.9	21 371 047.1	2 086 719.7

IV. Proposed modifications to the financing agreement

10. Upon approval of the Executive Board, the financing agreement will be amended to reflect IFAD supplementary financing. This financing complements the financing plan initially agreed at design.

V. Legal instruments and authority

11. An amendment to the current financing agreement between the Republic of Cape Verde and IFAD will constitute the legal instrument for extending the proposed supplementary financing to the borrower.
12. The Republic of Cape Verde is empowered under its laws to receive financing from IFAD.
13. I am satisfied that the proposed supplementary financing will comply with the Agreement Establishing IFAD and the Lending Policies and Criteria.

VI. Recommendation

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

RESOLVED: that the Fund shall provide to the Republic of Cape Verde a supplementary loan on highly concessional terms in an amount equivalent to three million fifty thousand special drawing rights (SDR 3 050 000), and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Kanayo F. Nwanze
President