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Enabling poor rural people
to overcome poverty

Republic of Chad

President's memorandum

Pastoral Water and Resource Project in Sahelian Areas

Amendment to the financing agreement

Note to Executive Board representatives

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For: Approval

Recommendation for approval

The Executive Board is invited to approve the recommendation regarding the proposal to amend the financing agreement for the Pastoral Water and Resource Project in Sahelian Areas, as contained in paragraph 12.

President's memorandum

Pastoral Water and Resource Project in Sahelian Areas

Amendment to the financing agreement

I. Background

1. At its ninety-seventh session held on 14 and 15 September 2009 in Rome, the IFAD Executive Board fully supported the country strategic opportunities programme (COSOP) for the period 2010-2015, and approved provision of a grant totalling SDR 12.595 million (twelve million and five hundred and ninety-five thousand special drawing rights) (equivalent to approximately US\$19.5 million) to finance the Pastoral Water and Resource Project in Sahelian Areas (PROHYPA).
2. The 2010-2015 COSOP for Chad has two strategic objectives: (i) improve access to and sustainable management of water by the rural poor; and (ii) improve access to input and produce markets within value chains where the rural poor have a comparative advantage. PROHYPA is fully aligned with first objective and supports the achievement of the second. The project also supports various national strategies, specifically for (i) economic growth and poverty reduction; (ii) development of the agropastoral sector; (iii) promotion of water resources and sanitation; (iv) livestock development; and (v) adaptation to climate change at the national level.
3. **Key development objectives.** The overall development goal is to reduce vulnerability and poverty in both pastoral and agropastoral areas. The specific objectives are to: (i) strengthen stakeholders' capacity to plan and manage pastoral resources; (ii) improve the infrastructure for pastoral water in order to strengthen nomadic pastoral systems; and (iii) disseminate the experience acquired under the project to contribute to policy dialogue on pastoral issues.
4. **Components.** The project has three technical components: (a) support to pastoral resource management; (b) establishment of pastoral water infrastructure; and (c) basic services for transhumant communities.
5. **Financing costs.** The total project cost is US\$39.5 million over four years. The sources of financing are IFAD (49 per cent), the Government (6 per cent), Agence française de développement (AFD) (36 per cent), the Swiss Agency for Development and Cooperation (SDC) (7 per cent) and beneficiaries (2 per cent).

II. Amendment to the financing agreement

6. The Government of Chad and IFAD signed a financing agreement on 26 January 2010. Introductory paragraphs B) and C) set forth that AFD and SDC will provide a grant to the beneficiary to fund subcomponents A1, A2, B, C1 and C2. However, subsequent to the signing of the financing agreement, the AFD and the SDC did not sign subsidiary agreements to confirm their cofinancing and neither of the cofinancing contributions materialized, thereby necessitating the readjustments set out below.
7. **AFD cofinancing.** In particular, the financing from the AFD was intended to address, through a single project (PROHYPA), pastoral issues across the entire

country. The two donors were to divide up the project area as follows: (i) IFAD, the entire western transhumant corridor (Kanem, Bahr El Gazal, Hadjer Lamis and part of Chari Baguirmi); and (ii) the two donors jointly, the central livestock corridor (Batha and Guéra), with IFAD responsible for the construction of small-scale pastoral water schemes, and AFD funding a bridge over the Batha River and some other pastoral works in specific targeted areas.

8. The activities initially foreseen for AFD financing under the PROHYPA financing plan, for subcomponents A1 and A2 and component B are financed by AFD, but within the framework of its own Central Chad Project II and not under PROHYPA. The financing is undertaken through two separate projects (PROHYPA and the AFD project), and not through cofinancing of a single operation (PROHYPA). With regard to subcomponents A1 and A2 and component B, PROHYPA resources are used to fund only the activities planned for the western transhumant corridor. In order to maximize synergies, the two projects – in the absence of a single cofinanced operation – will harmonize their approach and ensure complementarity in their work plans.
9. **SDC cofinancing.** In relation to component C, IFAD works with autonomous NGOs that have collaborated in SDC programmes in the past, financed in part by their own resources and in part by SDC resources. It was foreseen that SDC cofinancing for PROHYPA would be in the form of a contribution of additional resources to these NGOs to enable them to respond to the needs of the PROHYPA target group, across the entire project area, in the areas of mobile training (C1), basic healthcare (C2) and livelihood support activities for women transhumant and nomadic herders (particularly for handicrafts).
10. As the SDC did not provide the NGOs with these additional resources, the Government requested that IFAD participate, through PROHYPA, in the financing of subcomponents C1 and C2 (in addition to the financing planned for subcomponents C3 [animal healthcare] and C4 [processing of livestock products]), as well as specific livelihood support activities. The additional financing – estimated at US\$1.2 million – related to expenditure category IV (training) will be derived from: (i) savings achieved under components C3 and C4, resulting from the restructuring undertaken following the midterm review mission; and (ii) savings achieved through contracting arrangements with the operator of components A and B.
11. To consolidate all amendments to be made to the financing agreement in a single proposal, after the PROHYPA midterm review, the Government of the Republic of Chad presented IFAD with a request for amendments that included: (i) modification of introductory paragraphs B) and C) of the financing agreement to reflect the fact that AFD and SDC were no longer, *sensu stricto*, PROHYPA cofinanciers; instead they would finance programmes similar to those with which the project collaborates; and (ii) the reallocation of resources according to expenditure categories. In addition, it would be necessary to modify the text of annex 1.I (project description) to include the activities planned for subcomponents C1 and C2.

III. Recommendation

12. I recommend that the Executive Board approve the proposed amendment to the financing agreement in terms of the following resolution:

RESOLVED: that paragraphs B) and C) of the preamble of the financing agreement be modified in line with the terms and conditions presented in document EB 2013/LOT/P.3/Rev.1.

FURTHER RESOLVED: that the activities set forth in annex 1 and in the resource allocation table provided in annex 2 of the financing agreement be amended to include subcomponents C1 and C2.

FURTHER RESOLVED: that the amendment take effect retroactively from 4 May 2012, the date on which IFAD assumed responsibility for subcomponents C1 and C2.

Kanayo F. Nwanze
President