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Investing in rural people

President's memorandum

Proposed Adaptation for Smallholder Agriculture Programme (ASAP) grant to the Republic of The Gambia for the Strengthening Climate Resilience of the National Agricultural Land and Water Management Development Project

Note to Executive Board representatives

Focal points:

Technical questions:

Moses Abukari
Country Programme Manager
West and Central Africa Division
Tel.: +39 06 5459 2526
e-mail: m.abukari@ifad.org

Naoufel Telahigue
Lead Technical Specialist
Environment and Climate Division
Tel.: +39 06 5459 2572
e-mail: n.telahigue@ifad.org

Dispatch of documentation:

Alessandra Zusi Bergés
Officer-in-Charge
Governing Bodies Office
Tel.: +39 06 5459 2092
e-mail: gb_office@ifad.org

For: Approval

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Abbreviations and acronyms

ASAP	Adaptation for Smallholder Agriculture Programme
Chosso	Strengthening Climate Resilience of the National Agricultural Land and Water Management Development Project
DSF	Debt Sustainability Framework
M&E	monitoring and evaluation
NAPA	National Adaptation Programme of Action
Nema	National Agricultural Land and Water Management Development Project
PSU	project support unit

Recommendation for approval

The Executive Board is invited to approve the recommendation for the proposed Adaptation for Smallholder Agriculture Programme (ASAP) grant to the Republic of The Gambia for the Strengthening Climate Resilience of the National Agricultural Land and Water Management Development Project, as contained in paragraph 37, and the modifications to the financing agreement, as contained in paragraph 33.

Proposed Adaptation for Smallholder Agriculture Programme (ASAP) grant to the Republic of The Gambia for the Strengthening Climate Resilience of the National Agricultural Land and Water Management Development Project

I. Context and justification

1. The National Agricultural Land and Water Management Development Project (known as Nema)¹ was approved by the Executive Board in December 2012 (EB 2012/LOT/P.12) at a total estimated cost of US\$64.9 million over seven years.
2. Nema funding sources are: (i) IFAD, with total financing of US\$34.4 million, comprising a Debt Sustainability Framework (DSF) grant in the amount of US\$20.28 million (SDR 13.15 million), approved in 2012, and a second financing tranche in the amount of US\$14.13 million (SDR 10.05 million) in the form of a loan on highly concessional terms of approximately US\$7.06 million (SDR 5.025 million) and a grant of approximately US\$7.06 million (SDR 5.025 million), approved in April 2015; (ii) the Islamic Development Bank (IsDB) with US\$15 million in financing; and (iii) the African Development Bank (AfDB)² with a grant of approximately US\$17.7 million.³
3. A financing agreement was signed on 20 December 2012 between the Republic of The Gambia and IFAD, through which the first part of the IFAD financing was allocated. An amendment to the financing agreement is being prepared for the allocation of the recently approved second tranche of IFAD financing.
4. The purpose of this memorandum is to seek approval for additional financing in the form of a grant in the amount of SDR 3.57 million (equivalent to US\$5.0 million) from the Adaptation for Smallholder Agriculture Programme (ASAP) Trust Fund.
5. The main agricultural activities practised along the River Gambia are cultivation of rainfed field crops (rice, other cereals and groundnuts) supplemented by very limited irrigation, semi-intensive vegetable production and some livestock farming. Most households also depend on fruit trees, forest and non-forest products, and fishing, including oyster harvesting in mangrove areas, for their livelihoods. However, the recurrence of increasingly extreme climate events is exacerbating the depletion of the natural resource base, thereby increasing communities' vulnerability to food insecurity, hunger and poverty. In particular, salinity is encroaching on cropland and soil is being washed away from denuded slopes. Women and young people are the most vulnerable to climate change impacts due

¹ A local Mandinka word meaning prosperity.

² Generically identified as "other cofinanciers" in EB 2012/LOT/P.12.

³ Equivalent to 11.5 million units of account. The African Development Bank financing was initially estimated at US\$11.75 million but later increased to US\$17.7 million.

to their limited livelihood diversification options. Global climate models agree that climate change will lead to higher temperatures but disagree on the direction of change in rainfall, though the trend observed to date would suggest a reduction. Extremes in temperature will become the norm, with substantial increases in the number of hot days and nights by the 2090s projected in the east of the country. The proportion of annual rainfall arriving in heavy precipitation events will vary widely compared to the current rainfall pattern. Sea-level rise is considered a threat mainly to coastal areas, with adverse effects observed on beaches and infrastructure. Adverse impact on agriculture, particularly in tidal irrigation areas, is less evident at present as salt-water intrusion has not been observed in the perennially freshwater areas considered suitable for tidal irrigation. Nonetheless, a recent study on the impact of salt intrusion covering 25 communities in the worst-affected areas of the country demonstrated that close to 1,400 hectares had been affected by salt, adversely impacting a large proportion of rice fields and reducing yields.

6. Both the rural economy and rural communities are highly vulnerable to external shocks and climate change given the interrelated natural resource system dynamics coupled with the low adaptive capacity of smallholder farmers. In the face of increasingly extreme climate conditions, it is imperative to ensure that Nema's investments work effectively and that target communities can protect their livelihoods.
7. The proposed Strengthening Climate Resilience of the National Agricultural Land and Water Management Development Project (Chosso)⁴ supported by the ASAP grant financing is expected to add considerable value to Nema, despite costing less than 10 per cent of the parent project, with strategic investments for the public good in natural resource restitution and protection to counter negative climate change impacts and promote the resilience of the rural economy. The objective is to optimize the project's effectiveness in addressing climate-related threats to smallholder agriculture and to ensure the systematic mainstreaming of climate risk management in decision-making and planning processes at all levels. Specifically, the grant will support activities to strengthen the climate resilience of households already targeted and additional households.
8. The ASAP grant is fully blended into Nema's framework and aligned with the priorities of the country's National Adaptation Programme of Action (NAPA) and national programmes and policies on agriculture and climate change.

II. Status of project implementation

9. The Nema financing agreement entered into force on 20 December 2012 and the seven-year implementation period began in February 2013, with project completion and financing closing dates of 31 December 2019 and 30 June 2016, respectively. Nema seeks to reduce poverty among rural women and young people by increasing their incomes through improved productivity based on sustainable land and water management practices, to be achieved through two substantive project components: watershed development (86.7 per cent) and agricultural commercialization (13.3 per cent). The project concentrates investments on securing and properly managing the dominant physical factors in agricultural production: usable water and fertile soil in watersheds. The project is national in scope and operates at a scale that should enable a significant proportion of rural households to increase their incomes from natural resource-based activities and thereby achieve food security.

⁴ A local word in in Mandika meaning change.

10. Nema is the flagship agriculture sector support project in The Gambia. The Nema project support unit (PSU) is the trusted entry point for providing technical and advisory support to the Government for dialogue with other interested donors in the agriculture sector. For example, Nema has: (i) supported, in collaboration with the Coalition for African Rice Development, the development, validation and approval of a National Rice Development Strategy; (ii) adopted a home-grown financing management system – FinEx – which the Ministry of Agriculture is rolling out to all projects in the agriculture sector; (iii) created a tripartite financing arrangement to cofinance agribusinesses along rice and vegetable value chains by mobilizing private financing institutions – an innovation being replicated in other projects under way; and (iv) supported the development and operationalization – within the Ministry of Agriculture’s monitoring and evaluation (M&E) framework – of the first agriculture sector M&E system, which has anchored all projects in the sector to one central system. The results and impact management system baseline study of Nema has been completed and IFAD’s partnership with the European Space Agency and Synthetic Aperture Radar (Sarmap) has produced high-resolution national land-use and land cover baseline maps. The European Union is providing further funding to scale this initiative up through Sarmap.
11. Overall, project implementation is on track. The first two project audits were delivered unqualified and on time. Nema was classified “not at risk” in the 2014 annual portfolio performance review. As of August 2015, the disbursement rate was 26 per cent, and is projected to increase swiftly through: newly signed contracts and ongoing procurement of additional civil works; the scaling-up of both the functional literacy and the farmer field school programmes; and agribusiness start-up activities along rice and vegetable value chains leveraging cofinancing from domestic financial institutions. IFAD provides regular implementation support and supervision missions will take place biannually.
12. Nema has incorporated experiences from previous and ongoing projects, and is building on the lessons learned from the IFAD country programme approach in The Gambia. The sensitization and awareness-raising activities are having an impact on rural communities, where increasing numbers of farmers are requesting access to the project’s services. Initial project impact includes rapid adoption of improved agricultural practices offered by farmer field schools, and increased functional literacy among trained farmers, the majority of whom are women. Other projects in the agriculture sector are also capitalizing on Nema’s innovative approaches and best practices.
13. Major investments in civil works are being initiated with the construction of 160 hectares (ha) of tidal irrigation infrastructure, 1,000 ha of lowland development, 408 ha of upland conservation (including the construction of causeways, footbridges, dikes, spillways, contour bunds and gully plugs) and 5 km of inter-village and access roads.
14. Major project achievements to date include: (i) 130 farmers trained in business and entrepreneurship, 52 per cent of them women; (ii) 600 people trained in community management and bantaba (communal) watershed planning, 50 per cent of them women; (iii) 827 people trained in functional literacy, 83 per cent of them women; (iv) 25 farmer field schools formed with 651 trainees, 82 per cent of them women, with each farmer mentoring other farmers; (v) 9 tons of assorted rice foundation seeds produced and multiplied by contracted seed growers, yielding almost 800 tons of high-quality paddy rice seeds for dissemination to targeted farmers (the average yield reported was 5.3 tons per hectare for one irrigation season); (vi) facilitation of the establishment and/or expansion of five agribusinesses through the tripartite financing arrangements; and (vii) a key strategy developed for knowledge management and communication.

III. Project description, project area and target group

15. Development objective. Chosso retains the overall goal of Nema: to reduce poverty among rural women and young people. The development objective is to increase incomes through improved productivity based on sustainable land and water management practices. The objective of the additional climate financing is to enhance Nema activities in the light of the increasingly extreme climate conditions affecting smallholder agriculture, and thereby increase the capacity of smallholder farmers to expand their options in a rapidly changing environment, contribute directly to the realization of the NAPA and complement other climate change adaptation initiatives.
16. Targeting. The project will continue to target women and young people. Nema was designed for women as the core rice and vegetable producers in the country, for poor young rural men and women, and for market-oriented vegetable production and agricultural businesses. Community members, including vulnerable households, will be targeted for climate change adaptation sensitization activities and water-harvesting and forest-restitution interventions.
17. Project components and outcomes. The grant-supported activities under Chosso are fully integrated into Nema's components and specified as either modifications or enhancements to climate-proof the original design. The additional project outcomes for smallholders will be reduced vulnerability from climate-induced hazards and increased adaptive capacity in a changing environment. As a result, Chosso activities will benefit approximately 52,300 poor smallholders, 90 per cent of whom are new beneficiaries and the remaining 10 per cent are Nema beneficiaries.
18. Component 1: Watershed development. The intended outcome is the improved productivity of scarce agricultural lands through the enhancement of watersheds with complementary water-harvesting interventions; community forest restitution (community agroforestry, woodlots and mangrove restoration); adjustments to the Nema tidal, lowland and upland infrastructure designs; and improved irrigation-water efficiency in the village vegetable gardens.
19. Component 2: Agricultural commercialization. The outcome is strengthened resilient capacities of public and private sector partners in order to provide timely and reliable climate risk information to improve the decision-making processes of target households.
20. Component 3: Project facilitation. Nema's PSU management capacity will be strengthened with additional staff. Technical assistance will be provided on request to ensure effective M&E and the generation and dissemination of best practices to inform climate change adaptation planning, budgeting and management at all levels in the country.
21. Project area and duration. Chosso will prioritize geographic coverage based on the climate vulnerability of the communities covered by Nema across all six agricultural regions. It will be implemented over four years in alignment with Nema's remaining implementation period.
22. The added value of Chosso lies in the multiple incremental benefits realized through the recovery of the threatened natural resource base, the increased resilience of the beneficiaries and their direct empowerment through access to reliable climate adaptation strategies and information for timely decision-making processes. Chosso adaptation activities will enhance the resilience capacities of women rice farmers targeted by Nema's tidal irrigation, lowland and upland interventions, and the women and young people in the village vegetable schemes. Many of these farmers, in addition to newly targeted farmers, will benefit directly from communal water-harvesting and forest restitution investments.

IV. Project costs and financing

23. The ASAP grant amounts to US\$5.0 million, accounting for 87.8 per cent of total project costs.
24. ASAP grant funds will be complemented by a contribution from the Government of The Gambia in the amount of approximately US\$224,453 in the form of waived taxes (90.4 per cent) and to cover incremental staff salaries and operating expenses associated with the expanded Nema-Chosso PSU (9.6 per cent).
25. Overall contributions from beneficiaries are estimated at 8.3 per cent of the total project costs. Specifically, farmers' and producers' organizations and water users' groups will mobilize resources for drainage networks, tidal irrigation schemes, pilot trench and earth-dam water-harvesting and run-off catchment structures, community agroforestry and mangrove restoration, and community woodlots.

Table 1
Chosso (and Nema) costs by component and financier
(Thousands of United States dollars)

Component	Original IFAD grant	Second tranche IFAD loan	Second tranche IFAD grant	ASAP grant	IsDB & AfDB	Government	Lenders	Beneficiaries	Total
1. Watershed development	12 446.20	5 513.30	5 513.30	3 780.50	26 810.58	1 505.20		472.00	56 041.08
2. Agricultural commercialization	4 823.45	823.40	823.40	404.80		318.00	954.29	212.10	8 359.44
3. Project facilitation	3 010.35	729.06	729.06	814.70		1 014.40			6 297.58
Total project cost	20 280.00	7 065.77	7 065.77	5 000.00	26 810.58	2 837.60	954.29	684.10	70 698.11

Table 2
Chosso (and Nema) costs by expenditure category and financier
(Thousands of United States dollars)

Categories of expenditure	Original IFAD grant	Second tranche IFAD loan	Second tranche IFAD grant	ASAP grant	IsDB & AfDB	Government	Lenders	Beneficiaries	Total
I. Civil works, vehicles, equipment and goods	13 191.58	5 527.80	5 527.80	3 613.40	26 810.58	2 088.30		472.00	57 231.51
II. Technical assistance	959.59	89.10	89.10	333.70		11.90			1 483.35
III. Training, M&E	3 218.93	703.90	703.90	999.60		25.60			5 651.84
IV. Capital Investment Stimulation Fund	543.99	221.10	221.10	0.00	0.00	0.00	954.29	212.10	2 152.50
V. Staff salaries	1 052.97	457.40	457.40	44.90		603.30			2 616.02
VI. Operating costs	1 312.92	66.50	66.50	8.50		108.50			1 563.01
Total	20 280.00	7 065.77	7 065.77	5 000.00	26 810.58	2 837.60	954.29	684.10	70 698.11

V. Risk identification and mitigation

26. Nema interventions were classified as Category B for environmental and social risks as they aim to rehabilitate already fragile and damaged ecosystems. Based on the Social, Environmental and Climate Assessment Procedures guidelines applied during design, Chosso investments will receive the same categorization as Nema, since they channel additional resources to Nema activities and will also pilot water-harvesting infrastructure. The Environmental and Social Management Plan developed for Nema will be revised to incorporate additional elements from Chosso.
27. The climate risk is classified as "moderate" since project outputs and outcomes will be impacted by climate. However, the project includes measures to specifically address these risks and build the resilience of the beneficiaries.
28. Other risks include the limited capacity of local service providers to provide high-quality services relating to the implementation of specific outputs, and issues of land access and tenure that could limit the performance of the project with regard to planting mangroves and reforestation. Measures to address these risks include performance-based contracting and capacity-building for service providers,

community empowerment and the formalization of land use rights based on local norms.

VI. Financial management, procurement and governance

29. Country context and risk rating. The inherent risk is rated high. The Corruption Perceptions Index for The Gambia, published by Transparency International, decreased from 3.4 in 2012 to 2.9 in 2014. The Public Expenditure and Financial Accountability assessment, published in 2015, showed some improvement in the state of public financial management systems compared to the previous assessment but also noted weak performance in several key areas, including external scrutiny and audit, and effectiveness of internal audit.
30. Consequently, the financial management arrangements of the ASAP grant will be aligned with those already in place in the PSU, which have been deemed mostly adequate in accordance with IFAD guidelines. Accordingly, the PSU will maintain a full set of accounts in accordance with IFAD's requirements and internationally accepted accounting standards. The PSU will prepare periodic interim financial reports and annual project financial statements in accordance with accounting standards acceptable to IFAD. A number of adjustments will be required, including the updating of the financial procedures manual, financial reporting templates and the accounting software.
31. The flow of funds will follow the practice already in place for Nema. Accordingly, the Government will open and maintain a designated account denominated in United States dollars at the Central Bank of The Gambia for the ASAP grant. The withdrawal of funds will follow IFAD's disbursement procedures and the transfers will reflect the requirements of project implementation.
32. The ASAP grant will be included in Nema's annual audit exercise. As a result, the grant proceeds will be annually audited by independent auditors acceptable to IFAD, under terms of reference cleared by IFAD and in line with the IFAD Guidelines for Project Audits. A consolidated audit report for the entire project, together with a management letter on audit observations on internal controls, shall be submitted to the Fund within six months following the end of the fiscal year.

VII. Proposed amendments to the financing agreement

33. Upon the approval of the Executive Board, the financing agreement will be amended to take into account the additional financing granted under the ASAP Trust Fund, acting through IFAD as administrator. This financing strengthens the financing plan initially approved at the time of design and will involve several changes to the project description. However, the project area, target group and project objectives will not change. No new expenditure categories will be created since all funds from the proposed ASAP grant will be used to strengthen IFAD-funded Nema activities already under implementation. Expenditures eligible for ASAP financing will be clearly defined in the financing agreement.

VIII. Legal instruments and authority

34. An amendment to the current financing agreement between the Republic of The Gambia and IFAD will constitute the legal instrument for extending the proposed additional financing to the recipient.
35. The Republic of The Gambia is empowered under its laws to receive financing from IFAD and from the IFAD ASAP Trust Fund, acting through IFAD in its capacity of Trustee of the ASAP Trust Fund.
36. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the Policies and Criteria for IFAD Financing.

IX. Recommendation

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

RESOLVED: that the Fund shall provide an Adaptation for Smallholder Agriculture Programme grant to the Republic of The Gambia in an amount equivalent to approximately three million five hundred and seventy thousand special drawing rights (SDR 3,570,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Kanayo F. Nwanze
President