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President's memorandum

Proposed grant under the Adaptation for Smallholder Agriculture Programme to the Republic of Cabo 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 proposed additional financing to the Republic of Cabo Verde under the Adaptation for Smallholder Agriculture Programme for the Rural Socio-economic Opportunities Programme, as contained in paragraph 35.

Proposed grant to the Republic of Cabo Verde under the Adaptation for Smallholder Agriculture Programme for the Rural Socio-economic Opportunities Programme

I. Strategic context and rationale

A. Country and rural development and poverty context

1. Cabo Verde, covering an area of 4,033 km², is an archipelago of 10 volcanic islands, nine of which are inhabited, situated along the western coast of Africa. In 2014 the resident population was estimated at 513,906 habitants and the diaspora at about 800,000. In 2010, 38.2 per cent of the population lived in rural areas.
 2. Despite the country's small size, isolation, lack of natural resources and aridity, GDP in 2014 stood at US\$3,641 thanks to good governance, impressive services-driven growth led by the tourism sector, and remittances from emigrants representing close to 10 per cent of GDP. The GDP share of services stands at 74.7 per cent; that of industry, led by construction, at 16.6 per cent; and that of agriculture, declining over the past 10 years, at 7.8 per cent.
 3. Poverty continues to be a structural problem caused mainly by limited natural resources, arid climate conditions and a narrow economic base. The average incidence of poverty is 26.6 per cent, rising to 44.3 per cent in rural areas. Cabo Verde is classified in 122nd place of 155 countries on the Human Development Index.
 4. Twenty per cent of households are food-insecure, 7.2 per cent seriously so. Some 14 per cent of children under five suffer from chronic malnutrition, 3.4 per cent from acute malnutrition and 3.4 per cent are underweight – relatively low rates according to World Health Organization. Rural areas post the highest rates. Limited access to irrigation water is the main cause of vulnerability among smallholder farmers.
- B. Rationale, programme performance and alignment with government priorities and RB-COSOP
5. The Rural Socio-economic Opportunities Programme (POSER) was approved by the Executive Board in September 2012 for a duration of six years, entered into effect on 11 February 2013 and is to conclude on 31 March 2019. The overall objective of the programme is to contribute to improving living conditions for the poorest rural people. More specifically, the aim is to contribute to raising incomes by creating sustainable and inclusive economic opportunities in rural areas to promote long-term employment for rural poor people, particularly women and young people.
 6. Cabo Verde has requested additional financing for POSER in the amount of US\$4 million under the Adaptation for Smallholder Agriculture Programme (ASAP), to build upon and complete programme interventions in efficient mobilization of water for agriculture and sustainable watershed management, and thus enhance POSER's impact on building climate change resilience in a context of increased climate vulnerability. POSER operates under a demand-driven approach based on

the implementation of individual microprojects, few of which are structuring. The ASAP-funded POSER-Climate (POSER-C) will be implemented on the basis of a watershed approach as an essential complement in order for POSER to achieve its objectives to improve food security both sustainably and broadly. Subject to Executive Board approval, the ASAP financing will have a duration of four years and a completion date in 2021, subsequent to the completion date of POSER.

7. The investments made by the Government thus far have addressed tapping groundwater and, more recently, building reservoirs to store surface waters and promoting more efficient irrigation techniques, including micro-irrigation techniques. Despite these initiatives, household access to water and water supply, particularly in rural areas, remains inadequate.
8. Groundwater aquifers that can be tapped in a sustainable and economically efficient way have in most cases reached their limits and do not allow for any significant expansion of cultivated areas. However, most rainwater is not captured and drains directly into the ocean, carrying away soil and fertilizers – hence the need to invest equally in rainwater catchment and management.
9. The performance of POSER is satisfactory overall. The programme has reached 10,270 people and provided funding for 327 microprojects, including 292 in agriculture, small-scale livestock farming, fishing and processing of agricultural products, and 35 in social areas such as water, sanitation, education and housing. About 50 per cent of the programme beneficiaries are women. Young people and women benefiting from economic microprojects represent 44 per cent and 33 per cent, respectively. The programme has improved living conditions and food security for people living in rural areas.
10. A larger number of structuring investments using resources provided under POSER-C, together with capacity-building for the coordination team and implementation partners, will improve the disbursement rate. In addition, to ensure a rapid start-up, international technical assistance will be mobilized to support the team already in place on matters such as planning, programming, and preparation of technical documentation on watershed management and agricultural water works.

C. Alignment with government priorities and country strategy note

11. The programme is fully aligned with the national strategic framework: (i) the Growth and Poverty Reduction Strategy Paper (GPRSP-III); (ii) the National Agricultural Investment Programme (PNIA); (iii) the National Adaptation Programme of Action Climate Change (NAPA); (iv) the Intended Nationally Determined Contribution (INDC); and the National Action Plan for Integrated Management of Water Resources (PAGIRA). It responds to the Government's priorities of adapting agrosylvopastoral systems to the effects of climate change and improving the management of the country's water resources.
12. POSER-C is also in line with the IFAD country programme as set forth in the country strategy note 2016-2018, which has the overall objective of sustainably improving food security and living conditions for poor rural households. This objective is structured in two complementary strategic objectives:
 - Strategic objective 1: Natural resources are mobilized and managed in a sustainable and climate-smart way.
 - Strategic objective 2: High-performing, sustainable production systems and economic opportunities are adopted on a large scale by poor rural households.

II. Programme description

A. Programme area and target group

13. Activities under POSER C will focus mainly on the four islands targeted by POSER, which are the most affected by climate change: Brava, Fogo, Santiago and São Nicolau. More specifically, POSER-C will operate in 10 localities/watersheds: one in Brava, two in Fogo, four in Santiago and three in São Nicolau.
14. The programme beneficiaries are smallholder family farmers in these areas. A special effort will be made to include the most vulnerable households, particularly young people and women, based on the POSER targeting strategy. The programme will directly reach 1,215 households, or about 6,075 people, who will benefit from the improvements in agricultural water and watershed protection.

B. Components

15. POSER-C will be fully integrated with POSER and will be structured in three components that correspond to those of POSER: (i) a regional poverty reduction programme (PRLP) fund; (ii) institutional support for adaptation of smallholder farming to climate change; and (iii) coordination and monitoring and evaluation (M&E).
16. Programme management will be based on the same model and structures set up in the framework of POSER. It will be done by: the POSER coordination unit (PCU), the regional partners' commissions (CRP) and community development associations (ACD). The PCU will be strengthened by recruiting additional staff to facilitate the management of additional and complementary activities: (i) a soil management and conservation specialist; (ii) a geographic information systems (GIS) specialist; M&E and knowledge management; and (iii) an accountant. As for POSER, the programme will be placed under the oversight of the Ministry of the Family and Social Inclusion, with substantial involvement by the Ministry of Agriculture, Livestock and Environment.
17. Component 1. Fund to finance regional poverty reduction programmes (RPRPs).
 - Subcomponent 1.1: Integrating climate change adaptation into RPRPs. Activities planned under this subcomponent call for: (i) organizing participatory workshops to review RPRPs, with a target of nine climate-smart RPRPs accompanied by needed training for CRP/ACD; and (ii) setting up a GIS and digital mapping of watersheds, closely linked to RPRPs.
 - Subcomponent 1.2: Development and efficient use of water for agricultural use. Based on the priorities set in the RPRPs, the project will fund: (i) the installation of a secondary water distribution system for the 30-hectare irrigation area downstream from the Figuera Gorda dam; (ii) equipment for eight new boreholes using a solar-powered pumping system; (iii) construction of seven new reservoirs with a capacity of 500 m;³ (iv) construction of eight water distribution systems downstream from the boreholes to provide drip irrigation for a total area of 48 hectares; (v) construction of a rainwater catchment reservoir of 1,000 m³ in an upland area in Fogo (Santa Catarina) for watering goats; and (vi) holding of 12 training sessions for 20 people each.
 - Subcomponent 1.3: Improvement of water infiltration and watershed protection. To protect the watersheds against erosion, facilitate water infiltration and improve forage productivity, the project will support: (i) preparation of studies and 10 plans to install soil and water conservation (SWC) works in the targeted watersheds; (ii) improvements on 850 hectares of watersheds to combat erosion and improve water infiltration; (iii) installation of four check dams to capture runoff; and (iv) 48 training

sessions on managing the improvements, managing on-farm erosion using climate-smart techniques and improving forage management, bringing together 840 beneficiaries.

18. Component 2. Institutional support for adaptation of smallholder farming to climate change.
 - Subcomponent 2.1: Strengthening agro-meteorological information. The programme, in partnership with the National Meteorology and Geophysics Institute (INMG), will support the acquisition and installation of four automatic agro-climate stations to strengthen the very weak national system, prioritizing the islands of Brava, Fogo and São Nicolau.
 - Subcomponent 2.2: Policy dialogue on managing agricultural water. In collaboration with the National Water and Sanitation Agency (ANAS) and key actors, the following activities will take place under the programme: (i) an institutional analysis on agricultural water management; (ii) a study on the economic incidence of water on agriculture, including the cost of water supply and ways of setting prices for an effective water service; (iii) support to ANAS in the area of policy dialogue on agricultural water management and pricing in Cabo Verde; and (iv) monitoring water levels and quality of aquifers.
19. Component 3. Programme coordination and M&E.
This component will cover: (i) administrative, technical and financial management and coordination; (ii) M&E of activities and results; (iii) relations with the authorities concerned, IFAD and other participants; and (iv) knowledge management and communication.

III. Financial management, procurement and governance

20. Financial management procedures. POSER-C will be integrated with POSER and managed by the POSER PCU, which will be responsible and accountable to the Government and IFAD on the use of resources in accordance with the financing agreement. Administrative and financial management will be provided by the PCU administrative and financial unit, consisting of: (i) an administrative and financial officer; (ii) a procurement assistant; and (iii) two accountants. In the field, managers and accountants reporting to each CRP will manage the funds made available to POSER-C.
21. The process of preparing the annual workplan and budget (AWP/B) and procurement plan for the programme will be integrated with the POSER process. The POSER administrative and financial procedures manual will need to be updated to include specific provisions on the additional financing provided under ASAP.
22. Monitoring financial commitments and execution, and preparing withdrawal requests and financial statements, will take place using the accounting and financial management software already in use by POSER.
23. External audit. An annual external audit of the programme accounts will be done at the same time as POSER, by the same external audit firm and in accordance with the relevant international standards. The audit reports will be transmitted to IFAD not later than six months after the end of the fiscal year.
24. Procurement. Ordering and provision of works, goods and services will be done in accordance with IFAD procurement guidelines and the provisions of the programme administrative, financial and accounting procedures manual.

IV. Programme cost, financing, benefits

25. The total cost of POSER is US\$25.5 million, distributed as follows: US\$11 million from IFAD, US\$9.5 million from the Spanish Food Security Cofinancing Facility

Trust Fund (Spanish Trust Fund), US\$4 million from the Government and US\$1 million from the beneficiaries.

26. The total cost of the additional financing (POSER-C), including physical and financial contingencies, is estimated at US\$4.95 million. The ASAP Trust Fund, acting through IFAD in its capacity as administrator, will provide an ASAP grant of about US\$4 million (equivalent to approximately SDR 2.9 million), covering 80.90 per cent of the total programme cost. The contribution of the Government is estimated at US\$946,855.
27. Cost by component. The total cost of POSER-C by component is as follows:
 - Component 1: RPRP Fund – US\$3.22 million (80.48 per cent);
 - Component 2: Institutional support for climate change adaptation of smallholder farming – US\$281,178 (7.03 per cent); and
 - Component 3: Management and M&E – US\$499,503 (12.49 per cent).

Table 1
Cost of additional financing by component and source of financing
 (In United States dollars)

<i>Component</i>	<i>IFAD/ASAP grant</i>		<i>Borrower/ counterpart</i>		<i>Total</i>
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	
1. RPRP Fund	3 219 319	80.9	759 583	19.1	3 978 902
2. Institutional support for climate change adaptation of smallholder agriculture	281 178	79.0	74 761	21.0	355 939
3. Management and M&E	499 503	81.6	112 511	18.4	612 014
Total	4 000 000	80.9	946 855	19.1	4 946 855

28. In accordance with the programme design, the funding will be allocated to the categories of expenditure listed in table 2.

Table 2
Cost of the programme by category of expenditure and source of financing
 (In United States dollars)

<i>Category of expenditure</i>	<i>IFAD/ASAP grant</i>		<i>Borrower/counterpart</i>		<i>Total</i>
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	
Investment expenses					
1. Equipment	994 428	72.9	369 664	27.1	1 364 092
2. Consultations	441 420	86.5	68 929	13.5	510 349
4. Works	1 884 939	82.4	402 234	17.6	2 287 173
5. Training and workshops	247 715	100	-	-	247 715
Operating expenses					
6. Salaries and benefits	361 750	80.0	90 438	20.0	452 188
7. Operating and maintenance	69 748	81.7	15 590	18.3	85 338
Total	4 000 000	80.9	946 855	19.1	4 946 855

29. Current financing from IFAD and the Spanish Trust Fund breaks down as follows:

<i>Category</i>	<i>IFAD loan L-I-876</i>	<i>Spanish Trust Fund loan L-E--13</i>	<i>IFAD loan L-I--876-A</i>
	<i>Amount in SDR</i>	<i>Amount in EUR</i>	<i>Amount in SDR</i>
1. RPRP Fund	1 680 000	2 880 000	1 220 000
2. Provision of services	1 140 000	1 900 000	820 000
3. Staff	420 000	710 000	310 000
4. Operating	550 000	900 000	390 000
5. Unallocated	420 000	710 000	310 000
Total	4 210 000	7 100 000	3 050 000

V. Proposed amendment to the financing agreement

30. Once approved by the Executive Board, the financing agreement will be amended to take into account the additional financing granted by the ASAP Trust Fund acting through IFAD in its capacity as administrator.
31. POSER-C will be implemented over four years. A midterm review will be conducted jointly with the Government to evaluate results achieved. The review will also cover the programme's relevance and implementation approach and will enable any necessary adjustments to be made to improve programme performance.

VI. Legal instruments and authority

32. An amendment to the current financing agreement between the Republic of Cabo Verde and IFAD will constitute the legal instrument for extending the proposed financing to the borrower.
33. The Republic of Cabo Verde is empowered under its laws to receive financing from the Adaptation for Smallholder Agriculture Programme.
34. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the Lending Policies and Criteria.

VII. Recommendation

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

RESOLVED: that the Fund shall provide a grant to the Republic of Cabo Verde under the Adaptation for Smallholder Agriculture Programme (ASAP) in an amount equivalent to two million nine hundred thousand special drawing rights (SDR 2,900,000), and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Kanayo F. Nwanze
President

Cadre logique^{1, 2}

Hiérarchie des résultats	Indicateurs clés de performance (*: SYGRI **: ASAP)					Moyens de vérification			Hypothèses
	Libellé	Réf.	mi-parcours	cible finale	Source	Fréquence	Responsabilité		
Objectif global: Contribuer à l'amélioration des conditions de vie des populations rurales	1. Prévalence de la malnutrition chronique des enfants de moins de 5 ans (par sexe)*	7 %	n.a.	6%	Enquêtes SYGRI (études de référence et évaluation d'impact)	Démarrage et fin POSER et POSER-C	UCP Bureau d'études indépendant	La croissance économique du pays et les moyens de lutte contre la pauvreté sont efficaces	
	2. Indice d'accumulation des biens*	n.d.	n.d.	2,3					
Objectif de développement: Augmenter de manière résiliente au changement climatique (CC) les revenus locaux, les emplois et les conditions de bien-être des populations pauvres dans la zone du programme	3. Nombre de ménages pauvres bénéficiaires des actions du POSER*	0	1 919	10 957	Enquête de référence et évaluation RMP	Démarrage, mi-parcours et fin POSER et POSER-C	UCP	Les prix des matières premières et des intrants, restent abordables pour les populations rurales Développement de liens privilégiés avec le secteur privé local	
	4. Nombre de ménages renforçant leur résilience au CC**	0	800	1 215					
Effet 1: Les PRLP sont élaborés de manière participative en intégrant l'adaptation au CC et utilisés comme outil de planification et de mobilisation de financement local	5. Taux de réalisation des PRLP	0	50%	85%	Enquêtes spécifiques	Annuelle	UCP/UT CRP	Le niveau de confiance des autres acteurs du développement économique local vis-à-vis des CRP se maintient	
<u>Produit 1.1:</u> Des PRLP sont élaborés participativement pour orienter l'investissement régional	6. Nombre de PRLP élaborés	0	9	9	PRLP validés Rapports CRP	Au démarrage Semestriellement	UCP/CRP/ ACD	Participation active des ACD/qualité de suivi technique Niveau de confiance des acteurs du développement vis-à-vis des CRP	
	7. % cofinancement mobilisé	0	n.d.	85%					
<u>Produit 1.2:</u> DES PRLP climato-intelligents sont validés et mis en œuvre	8. Nombre de PRLP climato-intelligents **	0	6	9	CRP	Annuelle	UCP	Capacité des CRP à mobiliser des ressources	
Effet 2: Les investissements socioéconomiques appuyés par le programme améliorent la résilience climatique des activités économiques et les conditions d'existence des ménages pauvres	9. Taux d'accroissement des revenus moyens des bénéficiaires	0	n.a.	40%	Rapport d'avancement et enquêtes spécifiques	À partir de l'année 3	UCP/UT CRP	Les prix des biens et services sont stables Les microprojets bien préparés et la conception intègre les risques climatiques prévisibles	

¹ Ce cadre logique concerne l'ensemble du POSER et du POSER-C. Les indicateurs signalés par *** concernent le POSER-C. La notion de mi-parcours pour le POSER correspond à décembre 2016 et estimativement à janvier 2018 concernant le POSER-C.

² Le terme producteur, employé dans ce document, englobe les hommes et les femmes impliqués dans des activités de production agricole (produits vivriers et maraîchers, petit élevage). Les indicateurs de personnes sont à désagréger par sexe et par âge quand cela est possible.

Un ménage est considéré plus résilient s'il répond au moins à deux des critères ci-après: i) un accès à l'eau d'irrigation pendant au moins 2/3 de l'année; ii) la mise en œuvre sur sa parcelle des activités climato-intelligentes (brise vent, CES/DRS à la parcelle, gestion de la matière organique, etc.); iii) l'exploitation d'une parcelle protégée en amont contre l'érosion (CES /DRS).

(**) GDT: CES/DRS et reboisement.

<u>Produit 2.1:</u> Les ménages pauvres bénéficient de microprojets	10.Nombre de microprojets réalisés	0	630	905	Rapports d'avancement	Trimestrielle	UCP/CR P	Le processus d'élaboration et de financement des microprojets est pertinent, efficace et réellement participatif L'appui technique est efficace
	11.Nombre d'emplois créés	0	916	7 531	Rapports d'avancement	Trimestrielle	UCP/CR P	
	12.Superficies (ha) pour l'irrigation réhabilitées/ aménagées en systèmes efficients**	0	58	78	Rapports d'avancement	Trimestrielle	UCP/CR P	
<u>Produit 2.2:</u> L'eau agricole est valorisée et utilisée de manière plus efficiente	13.Exploitants nouvellement raccordés à un réseau de distribution d'eau d'irrigation primaire**	0	90	160	Rapports d'avancement/ Supervisions	Trimestrielle	UCP/CR P	Les bénéficiaires fournissent leur contribution et l'appui technique est de qualité
<u>Produit 2.3:</u> L'infiltration des eaux et la protection des bassins versants sont améliorés	14.Superficies des bassins versants aménagées contre l'érosion**	0	600	850	Rapports d'avancement/ Supervisions Télédétection	Trimestrielle	UCP/CR P	Les Délégations du MAE assurent un bon encadrement technique et les ACD un suivi efficace
	15.Valeur des équipements avails protégés contre les risques d'érosion (MUSD)**	0	0,5	1	Rapports d'avancement/ Supervisions	Annuelle	UCP/CR P	
Effet 3: Les structures institutionnelles et les compétences des acteurs locaux sont renforcées pour accompagner efficacement les initiatives de développement des populations rurales	16.Niveau de reconstitution des Fonds de réinvestissement communautaire (FRC)	0	40%	100%	Rapport d'avancement et enquêtes spécifiques	Annuelle	UCP/Unité technique CRP	Les bénéficiaires de microprojets remboursent régulièrement les avances reçues
<u>Produit 3.1:</u> Les ACD opérationnelles sont renforcées	17.Nombre d'ACD opérationnelles renforçées* **	0	350	508	Rapports d'avancement/ évaluation	Trimestrielle	UCP/CR P	Le niveau d'adhésion et de confiance des populations rurales vis-à-vis des ACD se maintient
<u>Produit 3.2:</u> Les CRP sont fonctionnelles et durables	18.Nombre de réunions de CRP par an	0	4	4	Rapports d'avancement/ évaluation	Trimestrielle	UCP/CR P	Les CPR sont dynamiques, disposent d'une bonne capacité d'organisation et de planification
	19.Nombre de CRP couvrant une partie de leur frais de fonctionnement sans le POSER	0	2	7	Rapports d'avancement/ évaluation	Trimestrielle	UCP/CR P	
<u>Produit 3.3:</u> Le réseau agrométéorologique national est renforcé	20.Nombre de nouvelles stations météorologiques fonctionnelles **	0	4	4	Rapports d'avancement/ évaluation	Semestrielle	UCP/IN MG	Capacités de l'INMG à suivre le bon fonctionnement des stations et à produire des relevés agrométéo réguliers
	21.Nombre de paysans utilisant un pluviomètre pour l'optimisation du calendrier agricole **	0	80	160	Rapports d'avancement/ évaluation	Semestrielle	UCP/IN MG	
<u>Produit 3.4:</u> Le dialogue politique autour de l'eau agricole est engagé	22.Nombre de recommandations appliquées pour la gestion et la tarification de l'eau agricole **	0	2	2	Rapports d'avancement/ évaluation	Semestrielle	UCP/CR P	Maintien de l'engagement du gouvernement et compétence de l'ANAS sur l'ensemble du secteur eau Qualité des études techniques