

Document: EB 2017/LOT/P.21
Date: 17 November 2017
Distribution: Public
Original: English

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Investing in rural people

President's memorandum

Proposal for additional financing to the Republic of Madagascar for the Vocational Training and Agricultural Productivity Improvement 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 financing to the Republic of Madagascar for the Vocational Training and Agricultural Productivity Improvement Programme as contained in paragraph 28.

Proposed loan and grant to the Republic of Madagascar for the Vocational Training and Agricultural Productivity Improvement Programme

I. Background

1. The approval of the Executive Board is sought for additional financing equivalent to US\$11.29 million for the Vocational Training and Agricultural Productivity Improvement Programme (FORMAPROD), which was approved by the Executive Board in April 2012 for 10 years. The total cost of the programme is US\$86.1 million, including: an IFAD loan totalling US\$33 million; an IFAD grant totalling US\$2 million; a US\$18.8 million loan from the Spanish Food Security Cofinancing Facility Trust Fund; a US\$14.7 million loan from the OPEC Fund for International Development (OFID); contributions totalling US\$5.7 from partners including the Agence Française de Développement (AFD), United Nations Educational, Scientific and Cultural Organization (UNESCO), and European Union; US\$7.9 million from the Government of Madagascar; and US\$3.9 million from beneficiaries. This additional financing will be used to partially cover the shortfall resulting from the lack of mobilization of cofinancing originally foreseen from OFID, AFD and the European Union. Since Madagascar is currently categorized as “yellow” within the Debt Sustainability Framework, 50 per cent of the financing will be provided in the form of a loan on highly concessional terms and 50 per cent will be provided as a grant.
2. Following a request for additional financing from the Government, the funds will be allocated under the 2016-2018 performance-based allocation system (PBAS) cycle. The additional financing will be used to: (i) increase the number of youth trained by improving the capacity of vocational training centres; (ii) support the professional integration of youth and their increased access to land in newly constructed irrigation schemes; and (iii) improve producers’ incomes by building and rehabilitating post-harvest infrastructure that enhances product quality and provides access to more remunerative markets.

II. Justification for the additional financing

3. FORMAPROD is an innovative investment programme that seeks to strengthen Madagascar’s agricultural training system by operationalizing the National Agricultural and Rural Training Strategy (SNFAR). FORMAPROD was one of the first IFAD programmes to focus on rural youth empowerment and employment. An inter-phase review of FORMAPROD carried out in 2016 concluded that despite initial start-up constraints resulting from the socio-political crisis that affected Madagascar until 2014, important progress has been made in programme implementation.
4. The National Council of Agricultural and Rural Training (CNFAR - Conseil National de la Formation Agricole et Rurale) and 10 regional councils for agricultural and rural training have been established. To date, 22 guidelines on vocational training have been established and validated by CNFAR. FORMAPROD is also achieving significant success with targeted beneficiaries, especially in terms of higher revenue and knowledge. The September 2017 implementation mission concluded that after having been slowed down by high staff turnover, FORMAPROD’s performance and the pace of implementation have substantially improved. The number of young

people trained by FORMAPROD will reach 25,000 (25 per cent of the target) by the end of 2017 – an increase of 73 per cent compared to May 2017.

5. Yet progress on FORMAPROD has been hampered by the unavailability of planned cofinancing. After four years of implementation, the US\$20.4 million in expected cofinancing (representing 23 per cent of the total programme cost) from OFID, AFD, the European Union and UNESCO has not yet materialized. This has adversely affected progress towards its development objectives, particularly the target related to training and integrating 100,000 rural young people into professional activities. This lack of resources has slowed down much-needed investments in: (i) training facilities; (ii) strengthening the professional capacity of young farmers and agricultural technicians; (iii) irrigation and water-management infrastructure; and (iv) improved post-harvest technologies. These investments in facilitating access to new productivity-enhancing technologies, technical skills, land and markets are the focus areas for the requested additional financing. Owing to the long periods needed to finalize investments in physical infrastructure, the prospect of attaining FORMAPROD's development objectives will be enhanced by early implementation of these investments.

III. Description of the programme

A. Programme development objective

6. The overall programme objective is to improve agricultural productivity and increase smallholder farmers' incomes through vocational training for rural youth. It specifically aims to: (i) ensure a national agricultural and rural training system supporting the development of the agricultural sector; (ii) create a regional agricultural and rural training (FAR) system adapted to the needs of rural people; and (iii) increase the productivity of small farms through agricultural development poles.
7. With the additional financing, FORMAPROD will maintain its original objectives, components, activities, lead implementing agency and implementation arrangements. The investments will continue to target the 13 regions identified at design and its primary target groups remain rural youth, including out-of-school young people. The duration of FORMAPROD will also remain the same, with completion and closing dates on 30 June 2023 and 31 December 2023 respectively.

B. Components

8. FORMAPROD is structured around the following three components: (i) supporting the development and the implementation of the SNFAR; (ii) regional operationalization of the agricultural and rural training and vocational training of rural youth; and (iii) increasing agricultural productivity in the development poles.
9. Key results under component 1 include: (i) piloting of the newly reformed national agricultural and rural training system on the part of the Government and the main stakeholders is successful; (ii) the quality of training is enhanced and monitored; (iii) resource use under the SNFAR is optimized; and (iv) partnerships for the production and dissemination of knowledge products are operational.
10. Key results under component 2 include: (i) the national agricultural and rural training system is operational at the regional and local levels in the 13 regions concerned; (ii) the human and social capital of smallholder family farms is increased through training and allows these farms to perform better; (iii) 100,000 rural young people receive formal professional training; and (iv) young people undergo complete training, are prepared for insertion into a subsector of their choice and are supported in setting up their activities.
11. Key results under component 3 include: (i) the technical knowledge base of smallholder family farms is improved and their productivity increased; (ii) young people and smallholder family farms have access to financial and marketing

services that are well adapted to their needs and expectations; and (iii) smallholder family farms have access to collective infrastructures that are fully used and maintained.

C. Expected results

12. The proposed additional financing will mainly comprise investments in components 2 and 3. The main expected results of the additional financing will include: (i) 41,000 young people trained in 38 newly built or rehabilitated agricultural vocational training centres; (ii) support to the professional insertion of 5,000 youth; (iii) 6,000 ha of newly built and rehabilitated irrigated land; (iv) four warehouses built or rehabilitated; and (v) 80 km of rural roads rehabilitated. None of these results is additional to the targets envisaged at design.

IV. Programme implementation

13. The Ministry of Agriculture will remain the programme implementing agency. CNFAR will continue to provide oversight and strategic guidance. Close synergies with ongoing IFAD-funded projects will continue in order to identify young farmers, agricultural technicians and extension agents who will receive training services funded by FORMAPROD.
14. The design document envisages a ten-year implementation period divided into four phases and targeting 13 regions. The first inter-phase review of the programme took place in April 2016, after which the number of intervention sites was extended from six to 10 regions. The extension of FORMAPROD investments into the remaining three regions will be considered at the midterm review planned in September 2018.
15. Support for farmers in agricultural development poles was initially expected to end in year 5 of FORMAPROD implementation. However, to allow adequate time for building users' capacity in infrastructure management and maintenance, FORMAPROD will extend its investments in agricultural development poles until year 8 of implementation.
16. Programme implementation will be monitored through the administrative, financial and accounting procedures already in place for FORMAPROD and its rigorous management controls.
17. As is the case for all other IFAD-financed operations in the country, consolidated financial statements will be audited by an independent auditor and by the Office of the Auditor-General in accordance with International Standards on Auditing and IFAD guidelines.

V. Financial management and governance

18. Country context and risk rating: Transparency International continues to rate Madagascar as a high-risk country for corruption issues: with a score of 26, Madagascar ranks 145 out of 176 countries. The country has been affected by recurrent political crises and natural disasters, resulting in overall instability. IFAD's inherent country risk assessment is high. The 2015 World Bank Country Policy and Institutional Assessment index rated Madagascar at 3.1, classifying it as a fragile country where – despite some improvements in the regulatory framework for budgeting, transparency and accountability – programme execution has remained weak. The implementation of IFAD-funded projects has nevertheless been satisfactory in recent years, despite the introduction of a Ministry of Finance decree in 2015 that had a negative impact on project disbursements and the opening of designated accounts. Mitigation measures for this risk have been developed and the financial management risk for FORMAPROD is medium.
19. Financial management: The financial management arrangements for the proposed additional financing will be aligned with those of the ongoing programme,

which are satisfactory. The responsibility for financial management of the additional financing will rest with the existing programme implementation unit. Financial statements are prepared following national accounting standards, which are aligned with International Financial Reporting Standards and acceptable to IFAD. The implementation of FORMAPROD complies with the provisions of its financing agreement and its implementation manual covers all aspects of project management.

20. Accounts: The additional financing will be transferred by IFAD to a designated account at the Banque Centrale de Madagascar managed by the project management unit and in accordance with IFAD's disbursement procedures.
21. Procurement: Procurement arrangements will remain unchanged. Procurement of goods, works and services to be financed from the proceeds of the additional financing will be in accordance with the procurement policies and procedures of the Government and IFAD.
22. Audit arrangements: The additional financing will also benefit from a regular internal audit of the IFAD Programme Support Unit (CAPFIDA), a dedicated unit within the Ministry of Agriculture. External auditing is to be carried out by private firms in accordance with International Standards on Auditing. In the last few years, audit reports have been submitted on time with unqualified audit opinions.

VI. Programme costs and financing

23. The total amount of IFAD additional financing is estimated at US\$11.29 million through the 2016-2018 PBAS cycle to be distributed as: (i) an IFAD contribution of US\$5,645,000 (50 per cent of the total) in the form of a loan on highly concessional terms; and (ii) an IFAD contribution of US\$5,645,000 (50 per cent of the total) in the form of a Debt Sustainability Framework grant.
24. Tables indicating costs by component and by expenditure category are provided below.

Table 1

Programme costs by component and financier

(Thousands of United States dollars)

Component	IFAD loan		IFAD grant		Other cofinanciers		Beneficiaries		Borrower/ counterpart		Total
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount
A. Supporting the development and implementation of the SNFAR	-	-	-	-	-	-	-	-	-	-	-
B. Regional operationalization of rural and agricultural training, and vocational training for youth	-	-	5 628	82.2	-	-	231	3.4	984	14.4	6 843
C. Increasing agricultural productivity in the development poles	5 645	70.8	17	0.2	-	-	564	7.1	1 750	21.9	7 976
Total	5 645	38.3	5 645	38.1			795	5.4	2 733	18.4	14 819

Table 2
Programme/project costs by expenditure category and financier
 (Thousands of United States dollars)

<i>Expenditure category</i>	<i>IFAD loan</i>		<i>IFAD grant</i>		<i>Other cofinanciers</i>		<i>Beneficiaries</i>		<i>Borrower/ counterpart</i>		<i>Total</i>
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>
1. Civil works	5 450	43.1	3 721	29.4	-	-	795	6.3	2 685	21.2	12 651
2. Equipment and materials	-	-	1 924	100	-	-	-	-	-	-	1 924
3. Infrastructure maintenance and rehabilitation (rural roads)	195	80.0	-	-	-	-	-	-	49	20.0	244
Total	5 645	38.1	5 645	38.1			795	5.4	2 733	18.4	14 819

VII. Legal instruments and authority

25. Subject to approval by the Executive Board, the current financing agreement will be amended to reflect the additional financing. The proposed changes to the agreement will require revisions to the allocation of IFAD financing to include the additional resources.
26. The Republic of Madagascar is empowered under its laws to borrow from IFAD.
27. I am satisfied that the proposed additional financing will comply with the Agreement Establishing IFAD and the Policies and Criteria for IFAD Financing.

VIII. Recommendation

28. I recommend that the Executive Board approve the proposed financing in terms of the following resolutions:

RESOLVED: that the Fund shall provide a loan on highly concessional terms to the Republic of Madagascar in an amount equivalent to approximately four million and ten thousand special drawing rights (SDR 4,010,000), 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 Debt Sustainability Framework grant to the Republic of Madagascar in an amount equivalent to approximately four million and ten thousand special drawing rights (SDR 4,010,000), and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Gilbert F. Hougbo
 President

Logical framework

Synthèse	Indicateurs clé de performance	Valeur cible	Valeur Actuelle 15 octobre 2017	Moyens de vérification	Hypothèses (H) / Risques (R)
Objectif global: Contribuer à l'amélioration de la productivité agricole et l'augmentation des revenus des exploitations familiales, par la formation professionnelle des jeunes ruraux.	▪ Nombre de personnes ayant directement bénéficié des appuis du programme (H/F)	640 000	186 361	Rapport d'activité	<ul style="list-style-type: none"> ▪ H. Contexte sociopolitique et économique stable ▪ H. Synergie avec les autres programmes
	▪ Indice des biens des ménages (évolution selon les quintiles)	-	-	Enquêtes de référence et évaluations d'impact	
	▪ Taux d'augmentation des revenus des ménages bénéficiaires	50 %	-		
	▪ Taux de prévalence de la malnutrition chronique chez les enfants de moins de 5 ans	35,5 %	-		
Effet 1: Un système national de formation agricole et rurale (FAR) soutenant le développement agricole.	▪ % de CEFAR conformes aux dispositions de la rénovation	80 %	-	Rapports d'évaluation CEFAR	<ul style="list-style-type: none"> ▪ H. Engagement, participation des acteurs de la FAR
Produits: 1.1. Le système national de FAR rénové est piloté par l'État et les acteurs de la FAR.	▪ Nombre de membres du dispositif institutionnel renforcés en capacité (H/F)	300	190	Rapports de formation	
1.2. La qualité des formations dans les dispositifs de FAR est rehaussée et contrôlée.	▪ Nombre de responsables et enseignants de la FAR formés dans le cadre de la rénovation (H/F)	330	62	Rapports de formation	
1.3. Le dispositif de financement durable de la FAR est opérationnel.	▪ Nombre de bénéficiaires du fonds de soutien aux initiatives de FAR (H/F)	N.D.	-	Rapports technique et financier sur le fonds	
1.4. Les partenariats de production et de diffusion des savoirs sont fonctionnels.	▪ Nombre de produits de capitalisation élaborés et diffusés	20	6	Rapports d'activité	
Effet 2: Un dispositif régional de FAR adapté aux besoins des ruraux.	▪ Taux d'insertion professionnelle globale des jeunes formés après formation	70 %	-	Enquêtes de suivi post-formation	<ul style="list-style-type: none"> ▪ H. Soutien des OP dans la formation des jeunes

Synthèse	Indicateurs clé de performance	Valeur cible	Valeur Actuelle 15 octobre 2017	Moyens de vérification	Hypothèses (H) / Risques (R)
Produits: 2.1. Le dispositif FAR est opérationnel au niveau régional et local dans les treize régions concernées.	<ul style="list-style-type: none"> Nombre de CEFAR labélisés 	41	-	Rapports d'évaluation CMR et CEFAR	
2.2. Les jeunes ruraux des régions d'interventions ont accès à une formation qualifiante professionnelle.	<ul style="list-style-type: none"> Nombre de jeunes formés au niveau des CEFAR, CMR et autres dispositifs 	100 000	21 633	Rapports CEFAR, CMR et autres	
2.3. Le nombre et le niveau de qualification des techniciens agricoles et animateurs ruraux sont accrus.	<ul style="list-style-type: none"> Nombre d'enseignants, techniciens supérieurs et leaders paysans formés (H/F) 	11 560	1 121	Rapports de formation	
2.4. Les jeunes formés sont préparés pour leur insertion et accompagnés dans leur installation.	<ul style="list-style-type: none"> Nombre de projets professionnels réalisés 	100 000	4 891	Cahier de suivi – Jeunes	<ul style="list-style-type: none"> H. Adhésion des IMF et autres partenaires pour le financement des PP
Effet 3: Augmentation de la productivité des EAR par la valorisation des formations.	<ul style="list-style-type: none"> Production additionnelle dans les pôles de développement agricole [tonnes] 	86 700	1 885	Rapport d'évaluation de campagne	<ul style="list-style-type: none"> R. Insécurité rurale R. Catastrophes naturelles
Produits: 3.1. Les connaissances techniques des EAF sont améliorées et leur productivité est accrue.	<ul style="list-style-type: none"> Nombre d'EAF formés via les Champs écoles Paysans ou CEP (H/F) 	30 000	20 268	Rapports d'activité	
3.2. Les jeunes et petites EAF accèdent à des services financiers et commerciaux adaptés à leur besoin.	<ul style="list-style-type: none"> Nombre de producteurs bénéficiaires de crédit (H/F) 	20 000	1 491	Rapports IMF et autres mécanismes	<ul style="list-style-type: none"> H. Adhésion des IMF et autres partenaires
3.3. Les EAF accèdent à des infrastructures collectives de production exploitées et entretenues.	<ul style="list-style-type: none"> Superficies aménagées/réhabilitées [ha] 	6 000	209	Rapports de réception travaux	<ul style="list-style-type: none"> R. Non mobilisation des cofinancements prévus

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