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Investing in rural people

President's memorandum

Proposed additional grant to the Islamic Republic of Mauritania for the Inclusive Value Chain Development Project

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 Islamic Republic of Mauritania as contained in paragraph 14 and the modifications to the financing agreement as contained in paragraph 10.

Proposed additional grant to the Islamic Republic of Mauritania for the Inclusive Value Chain Development Project

I. Context and justification

1. The Inclusive Value Chain Development Project (PRODEFI) was approved by the Executive Board in December 2016 (EB 2016/LOT/P.14) for a total financing of US$ 45.2 million. It comprised contributions: (i) from IFAD, in the amount of US$21 million (46.5 per cent of total cost), in the form of a grant for US$15 million under the Debt Sustainability Framework for the 2016-2018 cycle of the performance-based allocation system (PBAS) and a grant for US$6 million under the Adaptation for Smallholder Agriculture Programme; (ii) from private partners, in the amount of US$2 million (4.5 per cent); (iii) from the Government of Mauritania, in the amount of US$5 million (11 per cent); and (iv) from the beneficiaries, in the amount of US$2.2 million (4.8 per cent). The financing gap is of approximately US$15 million, to be met either by other sources of financing or by an additional allocation under the subsequent PBAS cycle, once available, and subject to the Board's approval.

2. Following the satisfactory performance of the Mauritania portfolio, an amount of approximately US$7.1 million has been allocated to PRODEFI under the present PBAS cycle in order to meet part of the financing gap. The programme concepts, components, subcomponents, cost items, cost-benefit analysis, results matrix, monitoring and evaluation, and institutional arrangements all remain unchanged.

3. This memorandum seeks the Board's approval for the use of additional financing from the 2016-2018 PBAS cycle, in the amount of approximately SDR 5.03 million (equivalent to approximately US$7.1 million).

II. Status of programme implementation

4. The financing agreement for PRODEFI was signed on 12 January 2017. The start-up workshop took place in May 2017 and the first annual workplan and budget were adopted on a "no objection" basis in May 2017. All institutional arrangements for project implementation are in place in the capital and at regional level. The project is now in full implementation. The two operational management units of Kaédi and Kiffa have been in place since February 2018, and the recruitment of project staff in the above-mentioned units is almost complete. In addition, the mapping of production basins and investments has been undertaken, the evaluation of partnership initiatives carried out, and the potential public-private-producer partnerships or contracts identified. The first supervision mission took place in March 2018.

III. Programme costs and financing

5. The additional financing of SDR 5.03 million in the form of a grant under the Debt Sustainability Framework will be allocated across all project activities and categories.

6. Table 1 shows the distribution of costs by component.

Table 1
Project costs by component
(Thousands of United States dollars)

Component	*IFAD*		*IFAD additional financing*		*IFAD ASAP*		*Financing gap*		*Private partners*		*Beneficiaries*		*Government*		*Total*	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*
A. Value chain revitalization and 4P development																
1. Increasing the professionalism of producers and value chain steering	1.1	43.1	0.6	21.6	-	-	0.6	21.6	-	-	-	-	0.4	13.8	2.6	5.8
2. Contracting of initiatives and partnerships between value chain actors	2.5	25.4	1.0	10.7	1.0	10.6	1.4	14.8	2.0	21.0	1.4	13.9	0.4	3.6	9.7	21.5
3. Structural improvements for market access	3.3	41.5	1.5	19.6	-	-	1.7	21.9	-	-	0.4	4.6	1.0	12.5	7.9	17.5
Subtotal	6.9	34.0	3.1	15.5	1.0	5.1	3.7	18.4	2.0	10.1	1.7	8.5	1.7	8.4	20.2	44.7
B. Production model development and promotion																
1. Production and processing models	4.2	26.3	2.0	12.2	4.8	30.0	2.2	13.9	0.0	-	0.5	2.8	2.3	14.6	15.9	35.3
2. Advisory assistance and supply of services	1.2	43.0	0.6	21.5	-	-	0.6	21.5	-	-	-	-	0.4	14.0	2.8	6.1
Subtotal	5.4	28.8	2.5	13.6	4.8	25.6	2.8	15.1	0.0	-	0.5	2.4	2.7	14.6	18.7	41.4
C. Coordination, monitoring and evaluation, and knowledge management																
1. Coordination and management	2.3	46.2	1.1	23.1	-	-	1.1	23.1	-	-	-	-	0.4	7.6	4.9	10.8
2. M&E, KM, and communication	0.5	36.4	0.3	18.2	0.2	13.6	0.3	18.2	-	-	-	-	0.2	13.7	1.4	3.1
Subtotal	2.8	44.0	1.4	22.0	0.2	3.0	1.4	22.0	-	-	-	-	0.6	9.0	6.3	13.9
Total	**15.0**	**33.2**	**7.1**	**15.6**	**6.0**	**13.3**	**7.9**	**17.5**	**2.0**	**4.5**	**2.2**	**4.8**	**5.0**	**11.0**	**45.2**	**100.0**

7. In accordance with the programme design, the funds will be allocated to the categories of expenditure indicated in table 2.

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

Categories of expenditures	*IFAD*		*IFAD additional financing*		*IFAD ASAP*		*Financing gap*		*Private*		*Beneficiaries*		*Government*		*Total*	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*
I. Investment costs																
A. Works	4.9	36.8	2.2	16.6	1.2	8.9	2.7	20.1	0.0	-	0.7	5.6	1.6	12.0	13.3	29.3
B. Vehicles	0.1	30.2	0.0	14.4	-	-	0.0	14.4	0.0	0.6	0.0	0.3	0.1	40.0	0.3	0.7
C. Equipment & supplies	0.3	19.1	0.1	9.4	0.3	21.9	0.1	9.4	0.0	0.1	0.0	0.1	0.6	40.0	1.4	3.2
D. Training and workshops	2.4	37.7	1.2	18.9	0.7	10.5	1.2	18.9	-	-	-	-	0.9	14.0	6.4	14.1
E. Consultations	1.4	40.6	0.7	20.3	0.2	7.0	0.7	20.3	-	-	-	-	0.4	11.9	3.5	7.7
F. Goods, services & inputs	2.7	27.6	1.3	13.6	2.6	25.8	1.4	14.1	0.1	1.0	0.5	4.7	1.3	13.2	9.9	22.0
G. Grants and subsidies	1.5	21.4	0.6	8.2	1.0	15.0	0.9	13.3	1.9	28.3	1.0	13.9	0.0	-	6.9	15.2
Total investment costs	13.3	31.9	6.2	14.9	6.0	14.4	7.1	16.9	2.0	4.9	2.2	5.2	4.9	11.8	41.7	92.1
II. Operating expenses																
A. Salaries and allowances	1.6	50.0	0.8	25.0	-	-	0.8	25.0	-	-	-	-	-	-	3.3	7.3
B. Operations	0.1	35.0	0.0	17.5	-	-	0.0	17.5	-	-	-	-	0.1	30.0	0.3	0.6
Total operating expenses	1.7	48.9	0.9	24.5	-	-	0.9	24.5	-	-	-	-	0.1	2.2	3.6	7.9
Total	**15.0**	**33.2**	**7.1**	**15.6**	**6.0**	**13.3**	**7.9**	**17.5**	**2.0**	**4.5**	**2.2**	**4.8**	**5.0**	**11.0**	**45.2**	**100.0**

* The final disbursement categories will be determined based on IFAD's procedures. For reasons of efficiency, a maximum of five cost categories will be included.

IV. Financial management, procurement and governance

8. The financial management assessment (undertaken by the last supervision mission in March 2018) showed that the arrangements at project level are adequate. The same project management unit is responsible and accountable for the proper use of funds, including the additional financing, in line with the provisions of the financing agreement. IFAD will make the additional financing available to the Government of Mauritania under the terms and conditions of the financing agreement.

9. The flow of funds, internal and external audit requirements and procurement methods remain unchanged.

V. Proposed amendments to the financing agreement

10. Once approved by the Executive Board, the financing agreement will be amended to take into account the additional grant. This financing partially completes the financing gap initially approved at project design, leaving an amount of US$7.9 million still to be financed. As noted, there will be no changes to the project description, intervention area or target groups. No new expenditure category will be created.

VI. Legal instruments and authority

11. An amendment to the current financing agreement between the Islamic Republic of Mauritania and IFAD will constitute the legal instrument for extending the proposed financing to the borrower.

12. The Islamic Republic of Mauritania is empowered under its laws to receive financing from IFAD.

13. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the Policies and Criteria for IFAD Financing.

VII. Recommendation

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

> RESOLVED: that the Fund shall provide additional financing in the form of a grant under the Debt Sustainability Framework to the Islamic Republic of Mauritania, in an amount equivalent to five million thirty thousand special drawing rights (SDR 5.03 million) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Gilbert F. Houngbo
President