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Investing in rural people

President's Memorandum

Proposed Additional Loan to the Republic of Cabo Verde for the Rural Socio-economic Opportunities Programme

Note to Executive Board representatives

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For: Approval

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Abbreviations and acronyms

ACD	association for community development
ASAP	Adaptation for Smallholder Agriculture Programme
COSOP	country strategic opportunities programme
CRP	regional partner committee
MTR	midterm review
ORMS	Operational Results Management System
PBAS	performance-based allocation system
PCU	programme coordination unit
POSER	Rural Socio-Economic Opportunities Programme
RIDE	Report on IFAD's Development Effectiveness
RIMS	Results and Impact Management System
SECAP	Social, Environmental and Climate Assessment Procedures of IFAD
SO	strategic objective

Financing summary

Initiating institution:	IFAD
Borrower:	Republic of Cabo Verde
Executing agency:	Ministry of Agriculture and Environment
Total programme cost:	US\$36.9 million
Amount of original IFAD loan:	SDR 7.3 million (equivalent to approximately US\$11 million) SDR 2.9 million (equivalent to approximately US\$4 million) under the Adaptation for Smallholder Agriculture Programme
Terms of original IFAD loan:	Highly concessional
Amount of additional financing IFAD loan:	SDR 4.5 million (equivalent to approximately US\$6.3 million)
Terms of additional financing IFAD loan:	Blend
Cofinancier:	Spanish Food Security Cofinancing Facility Trust Fund (Spanish Trust Fund)
Amount of cofinancing:	US\$9.5 million
Contribution of borrower:	US\$5 million
Contribution of beneficiaries:	US\$1.1 million
Appraising institution:	IFAD
Cooperating institution:	IFAD

Recommendation for approval

The Executive Board is invited to approve the recommendation for the proposed additional financing to the Republic of Cabo Verde for the Rural Socio-economic Opportunities Programme as contained in paragraph 48.

Proposed Additional Loan to the Republic of Cabo Verde for the Rural Socio-economic Opportunities Programme

I. Background and programme description

A. Background

1. The Rural Socio-economic Opportunities Programme (POSER) was approved by IFAD's Executive Board in September 2012 for an initial US\$25.6 million, including an IFAD loan of US\$11 million over two performance-based allocation system (PBAS) cycles during the Eighth and Ninth Replenishments of IFAD's Resources. At the Government's request, an additional US\$4 million was approved by IFAD's Executive Board through the Adaptation for Smallholder Agriculture Programme (ASAP) grant in 2016 in order to address the country's increasing climate vulnerability, bringing IFAD's total financing to US\$15 million. The ASAP grant was designed to sustain smallholders' benefits by building their resilience to climate change.
2. Approval is being sought from IFAD's Executive Board for additional financing in the form of a loan totalling SDR 4.5 million (approximately US\$6.3 million) on blend terms, with a maturity period of 25 years including a grace period of five years, a fixed interest rate of 1.25 per annum on the principal and a service charge of 0.75 per cent per annum starting from the date of approval by the Executive Board. The proposed additional financing is in line with the country strategy note 2017-2018¹ and the results-based country strategic opportunities programme (COSOP) 2019-2024.² The additional financing responds to the Government's request for IFAD to support the consolidation and scaling up of results achieved thus far in the areas of water mobilization and management.
3. The consolidation and scaling up of programme results will require an extension of the implementation period by three years, bringing the programme completion date from 31 March 2019 to 31 March 2022, and the loan closing date from 30 September 2019 to 30 September 2022. The additional financing will be allocated within the Tenth Replenishment of IFAD's Resources funding cycle.

II. Justification for additional financing

A. Rationale and justification for additional financing

4. The programme's development objective – to improve smallholders' incomes through support to individual microprojects – has achieved good results in terms of: the number of microprojects funded; increased productivity and production; and increased incomes for smallholders. Since most of the investments in individual

¹ With the additional financing, the programme will strengthen its alignment with the country strategy note 2016-2018 through strategic objective (SO) 1: Natural resources are mobilized and managed sustainably and resilient to climate change; and SO 2: Productive and sustainable economic production systems and opportunities are widely adopted by rural households.

² The programme will be aligned with the COSOP 2019-2024, which was recently approved by IFAD's Operational Strategy and Policy Guidance Committee. It contributes to SO 1: Increase the resilience of rural populations to the effects of climate change, particularly with respect to water mobilization and management; and SO 2: Support the development of agricultural value chains and the local economy, based on the potential and unique characteristics of the target regions.

microprojects have been in agricultural development and have yielded results for a limited number of people, the long-term sustainability of these results depends on water availability. In the last three years, the programme has adopted a twin-focus strategy focused on supporting a relatively small number of individual microprojects with high economic and financial viability. It has also concentrated on collective enabling and large-scale investments in water mobilization and management in order to facilitate access to water and strengthen the sustainability of its management. This focus of implementation aims to assist beneficiaries in adapting to climate change and to foster progressive investments in promising inclusive and pro-poor agricultural value chains. Over time, this is expected to trigger a significant sustainable socio-economic impact. This twin-focus strategy has produced positive results: while small in scope, continued implementation of this strategy has significant potential for impact if activities are consolidated and scaled up.

5. The purpose of the additional financing is to consolidate and scale up good water mobilization and management technologies that have been successfully tested in the ASAP component of the programme and by the Ministry of Agriculture and Environment. These include: (i) mobilization of water utilizing renewable energy through solar pumps and other renewable sources; (ii) desalinization of water; (iii) wastewater recovery and recycling; and (iv) efficient irrigation. The availability of water for smallholder agricultural development all year round, and its efficient use, will accelerate the transformation of Cabo Verdean agriculture, horticulture and livestock subsectors. This will mitigate the extreme pressure climate change is placing on rural livelihoods and enhance their resilience to the effects of changing climates.
6. Since no allocation is foreseen for Cabo Verde during the Eleventh Replenishment of IFAD's Resources, this additional financing will provide a bridge between the programme, with an original completion date of 31 March 2019, and its follow-up programme, POSER II which will be designed in 2021 with resources from the Twelfth Replenishment of IFAD's Resources under the COSOP 2019-2024 (for presentation at the December 2018 session of the Executive Board).
7. Increasing the incomes of rural smallholders through investments in individual microprojects, improved technologies for water mobilization and management, development of inclusive and pro-poor value chains, and building rural communities' resilience is a high priority for the Government, to which the additional financing responds. This financing will also contribute to implementation of the Government's Sustainable Development Strategic Plan 2017-2021.
8. Finally, the additional financing will support the mainstreaming of issues that were not considered during programme design, consistent with national priorities and IFAD policies, including climate-smart agricultural practices and nutrition. By supporting the production of fresh vegetables and fruits in gardens, the programme will improve beneficiaries' diets. Near groups of gardens, farmer field schools will be developed to train women and young people in the production and processing of fruits and vegetables.

B. Original programme description

9. POSER was originally designed to support the Government's National Programme for Poverty Alleviation. It covers seven of the country's nine islands: Brava; Fogo; Maio; Santiago; Santo Antão; São Nicolau; and São Vicente.
10. The programme's development objective is to improve smallholders' incomes and create sustainable employment for rural poor people, particularly women and young people, in the context of climate change through support for the development of individual microprojects.

11. Its target group comprises: (i) poor people and households selected based on criteria established by communities; (ii) poor rural women and women heads of household; and (iii) poor young people who are seeking jobs and lack the skills to take opportunities offered in the job market or create opportunities for themselves through self-employment. The programme's ultimate objective is to reach 10,957 households (approximately 54,800 poor rural people) living in the target area who are members of associations for community development (ACDs).
12. Original components. To achieve these objectives, the programme is being implemented through two technical components: (i) a fund to finance regional plans for poverty reduction; and (ii) training, organization and networking. Following the approval of ASAP financing in 2016, a new technical component was added to support smallholders' adaptation to climate change.³

C. Description of activities and expected benefits

13. The activities to be supported by additional financing are the same as those in the original programme design, but have been adjusted during implementation in cooperation with the Government following the midterm review (MTR). They reflect current government priorities, including a stronger focus on inclusive and sustainable pro-poor value chain development and climate change resilience. The additional financing will help to consolidate results and scale up programme activities focused on water mobilization and management, including successful technologies tested through the programme and by the Ministry of Agriculture and Environment. The availability of water all year for smallholder agriculture development will accelerate the transformation of Cabo Verde's agriculture, horticulture and livestock subsectors in light of the extreme pressure exerted by climate change on rural livelihoods, therefore enhancing smallholders' resilience to climate change impacts.
14. The programme's three technical components will remain the same with the additional financing.

Component 1: Fund to finance regional poverty reduction programme. ACD members have identified 26 enabling investment projects in collaboration with regional directorates of the Ministry of Agriculture and Environment on the islands of Brava, Fogo, Maio, Santiago Centro, Santiago Norte, Santiago Sul, Santo Antão, São Nicolau and São Vicente. The projects are expected to benefit approximately 5,000 smallholders and cost US\$4.8 million. This component supports: (i) the cofinancing of project investments; (ii) regional technical teams to ensure planning and implementation of project activities; and (iii) capacity-building of beneficiaries to manage and sustain IFAD's investments. Selection criteria include: (i) complementarities with ongoing initiatives and their ability to be scaled up; (ii) potential for the work to be completed within the scheduled time frame; and (iii) relevance to the IFAD target group. These investment projects focus on: improved water mobilization and management for agriculture including livestock; and support to the development of inclusive and pro-poor value chains.

Investments in this component will be in two areas. The first – improved water mobilization and management for agricultural use including livestock – entails: (i) mobilization of water for agriculture using renewable energy (solar pumps, etc.); (ii) expansion of drip irrigation to improve water use efficiency; and (iii) support to

³ The objectives of component 1 are to: (i) support regional partner committees (CRPs) and ACDs; (ii) cofinance microprojects identified by the ACDs and validated by CRPs; and (iii) set up a revolving fund to be reinvested in communities through individual microprojects to ensure the sustainability of the financing mechanism. The objective of component 2 is to establish a network of ACDs and CRPs, and build members' capacity. Component 2 supports component 1 by strengthening and consolidating ACDs and CRPs. The objective of component 3 is to enhance rural households' resilience to the effects of climate change, especially through the promotion of improved water mobilization and management technologies, and watershed development to improve water infiltration in soils and fight erosion.

two pilots of seawater desalinization initiatives in partnership with the Food and Agriculture Organization of the United Nations. The second – support to inclusive and pro-poor agricultural value chain development – entails: (i) transport, processing and marketing, focusing on key inclusive and pro-poor agricultural value chains selected by regional stakeholders; and (ii) cooperative infrastructure and equipment for fishing, processing and conservation of fish, powered from renewable energy sources.

Component 2: Training, facilitation and networking. To facilitate the accelerated uptake and use of technologies from component 1, the second component focuses on building local capacity. Its main activities include capacity-building of farmers and community associations in technical and financial management. The aim is to ensure that producers master improved crop cultivation techniques in order to significantly increase productivity and improve the efficiency of their farms and agribusinesses to ensure profitability. It also builds the capacity of agricultural advisory service providers so that they can provide high-quality services to farmers in a professional manner. Finally, this component facilitates support to nine CRPs in order to consolidate their network and facilitate exchanges among them.

Component 3: Support for smallholders' adaptation to climate change. To enhance the country's resilience to climate change and smallholders' resilience to the effect of climate change in the programme intervention areas, the additional financing will enhance activities that aim to: improve the mobilization and management of water for agricultural use; protect watersheds; and enhance soil-water infiltration. To this end, the programme will install and improve the network of water distribution from boreholes and water tanks in the farmers' fields. In collaboration with the National Institute of Meteorology and Geophysics, the programme will support the establishment of agricultural water stations to monitor meteorological information, particularly in the islands of Brava, Fogo and São Nicolau.

15. The additional financing will support follow-up on the MTR recommendation to improve youth targeting to derive more benefits from programme activities through individual economic microprojects, especially in hydroponic agricultural production, marketing and value chain enhancement, and the establishment of a commercialization and processing network for agricultural and livestock products. It will also strengthen the establishment of a revolving fund for reinvestment in individual microprojects and reinforce the links between component 1 – the core of the programme – and component 2.
16. Geographic area: Activities supported through the additional financing will be implemented in the same seven islands covered by the programme thus far. It will support the consolidation and scaling up of good water mobilization and management technologies, which were successfully tested by POSER's ASAP component and by the Ministry of Agriculture and Environment. These include: (i) mobilization of water through solar pumps and renewable energy; (ii) desalinization of water; (iii) wastewater recovery and recycling; and (iv) efficient irrigation.
17. The target groups will remain unchanged: the additional financing will directly benefit approximately 5,000 smallholders through activities costing US\$4.8 million.
18. Policy support. With the additional financing, POSER will support the Government in dialogue on local development, renewable energy, resilience and the pricing of water for agriculture use.

D. Summary of benefits and economic analysis: Original and additional

19. The main expected benefits from the original programme were an increase in the agricultural incomes of rural households, especially young beneficiaries through microproject development. The economic and financial analysis undertaken during the MTR indicated that: (i) for crop-based programmes, drip irrigation, shaded drip irrigation (greenhouses) and hydroponic farming have internal rates of return from 37 per cent to 44 per cent; (ii) the cost-benefit ratios range from 1.19 (drip irrigation) to 1.37 (shared drip irrigation); (iii) the internal rates of return were slightly lower for livestock programmes than for crop-based programmes; (iv) the internal rate of return ranged from 12 per cent for chicken and pork fattening to 31 per cent for piglets; (v) egg production and dairy cattle had a cost-benefit ratio of 1.07 and 1.38, respectively; and (vi) for fisheries programmes, the internal rate of return for 8-metre embarkation was 203 per cent, with a cost-benefit ratio of 2.013.
20. The main benefits expected from the additional financing will also include an increase in the agricultural incomes of the rural households, especially young beneficiaries of microprojects. Furthermore, smallholders' year-round access to water resulting from large investments in water mobilization and management using improved technologies that have been climate tested and validated will increase smallholders' incomes in a sustainable manner. Enhanced value addition and improved market opportunities will further improve smallholders' incomes. The overall economic and financial analysis indicates that additional financing of this programme is profitable, generating a net present value of US\$1.5 million and an economic internal rate of return of 14.1 per cent. It is also worth noting that the overall analysis has been built on conservative assumptions and that several other benefits could not be quantified, such as improved food and nutrition security (and subsequently human health), and spillover effects to other rural populations. However, the overall analysis does not account for the increasingly frequent damage induced by climate-related disasters on agricultural livelihoods.

E. Programme implementation performance

21. POSER's MTR assessment and supervision missions have indicated that the programme has achieved a number of good results in different areas:
22. Improved food security and increased incomes. POSER has reached out to 9,908⁴ rural poor vulnerable households, the majority of them young people, representing 90 per cent of the target of 10,957 through support and financing of 505 individual microprojects. Of these microprojects, 43 were for basic services and 462 were economic microprojects. Thanks to the programme's support, households' food and nutrition security, and incomes have significantly improved. In addition, household assets in terms of improved housing and increased numbers of livestock (chickens, goats, sheep, pork and cattle) have increased significantly, thereby enhancing smallholders' resilience.
23. Improved social capital. The programme has trained 3,400 farmers in improved agricultural and agronomic good practices and technologies, and 600 livestock raisers in good animal husbandry practices. Approximately 27,000 people have received services provided by the programme in various areas. POSER has significantly strengthened the capacity of CRPs and ACDs, enabling CRPs to play a key role in the fight against rural poverty. ACDs' strengthened capacity has enabled them to become key players in the mobilization of local communities.

⁴ As per the programme progress report dated 30 September 2018.

24. Increased value addition. POSER's support has improved market access for smallholders with the construction and rehabilitation of 54 markets facilities, 51 processing facilities and 10 water wells.
25. Improved resilience. With the Government's increasing focus on resilience in agriculture, POSER has supported the Government's work on irrigation and improved water management for agriculture. Approximately 215 ha of farmland have been irrigated or rehabilitated for water-related infrastructure with the programme's support.
26. Improved access to basic services. POSER has supported the construction of 43 education and health facilities, which have improved school enrolment, especially for girls. It has also improved health conditions for the rural population in the areas of implementation.
27. Latest supervision, MTR and Operational Results Management System (ORMS) status reporting. The programme is performing fairly well based on IFAD's performance indicators. The average rating on its effectiveness and development focus, sustainability and scaling up, programme management and financial management and execution is 4 – moderately satisfactory. It has recorded a 5 – commendable performance – on a number of indicators including adaptation to climate change, environment and natural resource management, institutions and policy. As of 30 September 2018, the programme's overall disbursement rates were 69.3 per cent (for loan L-I-876 and loan L-I-876-A), and 73.5 per cent (for loan LE-13). According to the programme's procurement plan, the disbursement rate will be 85 per cent by the end of 2018. Disbursement of the recently approved ASAP grant stands at 16.7 per cent, but disbursement is expected to speed up in light of heavy investments related to water mobilization during 2019. All POSER audits have been received in a timely manner and have been unqualified. Overall, the performance of POSER is rated as moderately satisfactory.

F. Social, Environmental and Climate Assessment Procedures

28. An assessment using the Social, Environmental and Climate Assessment Procedures of IFAD (SECAP), conducted in preparation for the additional financing, highlighted the increasing sensitivity of groundwater resources to salinization. In relation to climate change, the SECAP study noted the increased frequency of unprecedented heatwaves, droughts and heavy rainfall in the country, and rated the programme risk as high. With respect to the potential effects of the programme on the environment and society, POSER received a classification of B.
29. Due to the increasing sensitivity of groundwater resources to salinization, a salinity monitoring system will be set up in collaboration with the National Water and Sanitation Agency to monitor the situation and take appropriate measures to avoid soil contamination. A robust monitoring and evaluation system will be established along with the recruitment of competent staff with experience in monitoring and evaluation. Furthermore, the programme's support to improved agricultural advisory services will optimize the use of agrochemicals, ensuring a limited increase in greenhouse gas emissions and pollution, particularly of groundwater resources. Positive impacts on beneficiaries will include smallholders' increased access to water year round as a result of the programme's support to water mobilization and management, limiting the negative impact of erratic rainfall in the country on programme beneficiaries.

III. Monitoring and evaluation

30. The programme's results matrix was updated after the MTR to include both the POSER and ASAP indicators, and quantitative updated targets (the outreach target for household beneficiaries was revised from 41,000 to 10,957). In addition, the Report on IFAD's Development Effectiveness (RIDE) indicators were integrated into

the programme's logical framework. A further revision of the logical framework (see table below) was carried out in September 2017 to reflect IFAD's ORMS and new core indicators for measuring and presenting the results and impact of all projects it finances.

31. The following were introduced to replace programme-specific and Results and Impact Management System (RIMS) indicators.

	<i>IFAD core indicator</i>	<i>POSER</i>
1.1.2	Farmland under water-related infrastructure constructed/rehabilitated	Hectares of land (ha): 78
1.1.4	Persons trained in production practices and/or technologies disaggregated by men & women	Total number of people trained in crop: 22,442 Total number of people in livestock: 2,442
2.1.6	Market, processing or storage facilities constructed or rehabilitated	Market facilities constructed/rehabilitated: 100 Processing facilities constructed/rehabilitated: 40
2.2.1	New jobs created, disaggregated by men, women and young people	Number of job created: 2,213

32. A geographical information system is now connected to the monitoring and evaluation system to facilitate clustering of interventions. The system will be adapted to include the additional financing and its specific indicators, taking into consideration lessons learned during implementation of the original loan- and ASAP-funded activities. It will also integrate additional RIMS indicators (see the updated logical framework).

IV. Programme costs and financing

33. The current cost of the programme is US\$30.6 million. The total cost of the additional financing is estimated at US\$6.3 million, covering 17 per cent of the total programme cost, which amounts to US\$36.9 million including physical and financial contingencies (see table 1).
34. The detailed allocation of costs by component and financier, and expenditure category is shown in the tables below.

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

<i>Components</i>	<i>IFAD original loan*</i>		<i>ASAP</i>		<i>Spanish Trust Fund</i>		<i>Government original contribution*</i>		<i>Beneficiaries original contribution*</i>		<i>IFAD additional loan</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>	<i>%</i>	<i>Amount</i>	<i>%</i>
1. Rural poverty reduction programme	5 500	23.9	3 220	14.0	4 805	20.9	4 493	19.5	1 105	4.8	3 912	17.0	23 035	62.4
2. Training, facilitation and networking	2 970	42.7	-	-	2 544	36.5	206	3.0	-	-	1 242	17.8	6 961	18.9
3. Support for smallholders' adaptation to climate change	-	-	281	85.7	-	-	47	14.3	-	-	-	-	328	0.9
4. Programme coordination, monitoring and evaluation	2 530	38.4	499	7.6	2 155	32.7	283	4.3	-	-	1 117	17.0	6 585	17.8
Total	11 000	29.8	4 000	10.8	9 504	25.8	5 028	13.6	1 105	3.0	6 271	17.0	36 908	100.0

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

Category	IFAD original loan*		ASAP		Spanish Trust Fund		Government original contribution*		Beneficiaries original contribution*		IFAD additional loan		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
I. Investment costs														
A. Funding of regional plans for poverty reduction	5 500	34.9	-	-	4 805	30.5	1 767	11.2	1 105	7.0	2 572	16.3	15 750	42.7
B. Equipment and material	-	-	994	29.8	-	-	2 126	63.8	-	-	213	6.4	3 333	9.0
C. Service provision:														
<i>Services</i>	2 970	43.1	552	8.0	2 544	36.9	197	2.9	-	-	630	9.1	6 892	18.7
<i>National technical assistance</i>	-	-	21	1.1	-	-	325	18.1	-	-	1 446	80.7	1 792	4.9
<i>International technical assistance</i>	-	-	38	15.2	-	-	41	16.7	-	-	168	68.1	246	0.7
<i>Training</i>	-	-	80	16.4	-	-	70	14.3	-	-	337	69.3	487	1.3
Subtotal of C	2 970	31.5	690	7.3	2 544	27.0	633	6.7	-	-	2 581	27.4	9 418	25.5
D. Works	-	-	1 884	85.7	-	-	315	14.3	-	-	-	-	2 198	6.0
Total investment costs	8 470	27.6	3 568	11.6	7 349	23.9	4 841	15.8	1 105	3.6	5 366	17.5	30 699	83.2
II. Recurrent costs														
A. Operating and maintenance	1 424	46.9	70	2.3	1 205	39.6	59	1.9	-	-	282	9.3	3 040	8.2
B. Staff	1 106	34.9	362	11.4	950	30.0	129	4.1	-	-	622	19.6	3 170	8.6
Total recurrent costs	2 530	40.7	432	7.0	2 155	34.7	188	3.0	-	-	904	14.6	6 210	16.8
Total programme cost	11 000	29.8	4 000	10.8	9 504	25.8	5 028	13.6	1 105	3.0	6 271	17.0	36 908	100.0

* As adjusted for exchange rate movements since the time of original approval.

35. The Spanish Trust Fund has expressed an interest in maintaining its remaining cofinancing resources during the implementation of activities covered by the additional financing until the programme's extended completion date.

V. Financial management, procurement and governance

36. Financial Management. POSER has adequate financial management arrangements in place to ensure that the funds are used for their intended purposes. Financial management arrangements for the proposed additional financing will be aligned with those of the ongoing programme, which have been found to be adequate by supervision missions and audits. The additional financing will therefore be managed using the programme's existing financial management arrangements. Following a 2017 audit, the programme's financial management risk, assessed in accordance with IFAD guidelines, was assessed as medium.
37. The programme coordination unit (PCU) will be accountable to the Government and IFAD regarding the use of resources in accordance with the financing agreement. The PCU's administrative and financial unit is responsible for administrative and financial management of the programme. In the field, managers and accountants reporting to each CRP manage the funds made available to POSER.
38. The PCU is also responsible for preparing the annual workplan and budget, and procurement plan for the programme. The POSER administrative and financial procedures manual was updated to include specific provisions related to ASAP; it will also be updated to reflect the additional financing.
39. The responsibility for financial management of the additional financing will remain with the PCU under the supervision of the Ministry of Finance. A full set of accounts will be maintained in line with IFAD requirements and internationally recognized accounting standards. Interim financial reports and annual financial statements prepared by the PCU will specifically identify the additional financing.

40. Accounts. The PCU is responsible for aspects of financial management including budgeting, accounting, preparation of withdrawal applications, monitoring of implementing partners, preparation of consolidated financial reports and internal and external audit arrangements. The PCU records all programme transactions in a customized accounting software package in accordance with the International Public Sector Accounting Standards cash-basis accounting, and prepares periodic financial reports in formats agreeable to IFAD.
41. The additional financing will be transferred by IFAD to a designated account managed by the Ministry of Finance at a bank in Praia in accordance with IFAD's disbursement procedures. Funds will be transferred to POSER's operational account for programme implementation.
42. External audit. Annual external audits of programme accounts are conducted by an external audit firm in accordance with international standards and in line with IFAD requirements. The audit reports are transmitted to IFAD not later than six months after the end of the fiscal year.
43. Procurement. Ordering and provision of works, goods and services will be conducted in accordance with IFAD procurement guidelines and the programme's administrative, financial and accounting procedures.

VI. Proposed amendments and modifications to the programme financing agreement

44. Subject to the approval of the additional financing by the Executive Board, the POSER financing agreement will be amended to take into account the additional IFAD funds. No new expenditure category will be created. This financing completes the financing plan initially approved during programme design and will not involve changes to the programme description, objectives, target area or target group. The completion and closing dates will be amended to cover the additional 36 months.

VII. Legal instruments and authority

45. An amendment to the current financing agreement between the Republic of Cabo Verde and IFAD will constitute the legal instrument for extending the proposed additional financing to the borrower.
46. The Republic of Cabo Verde is empowered under its laws to receive financing from IFAD.
47. I am satisfied that the proposed IFAD additional financing will comply with the Agreement Establishing IFAD and with the Policies and Criteria for IFAD Financing.

VIII. Recommendation

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

RESOLVED: that IFAD shall provide a loan on blend terms to the Republic of Cabo Verde in an amount equivalent to four million five hundred thousand special drawing rights (SDR 4,500,000) upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Gilbert F. Hougbo
President

Updated Logical Framework Incorporating Additional Financing

Hierarchy of results	Key indicators of performance (* RIMS ** ASAP *** new C.I.)					Means of verification			Risks/ assumptions
	Indicator	Baseline	Midterm	original target	End target	Source	Frequency	Responsible unit	
Outreach	1. Number of households receiving services promoted or supported by the project ¹	0	5272	10957 ⁵	16000 ¹	Baseline survey and evaluation	Completion of POSER and its ASAP comp	UCP	
	2. Estimated corresponding total number of households members ^{6,***}	0	26380	54785 ²⁶	75000 ¹⁷				
	3. Persons receiving services promoted or supported by the project ^{6,***}	0	5272	10957 ⁸	16000 ¹				
	4. Poor smallholder household members supported in coping ^{9,**}	0	4000	6075	8250				
Project Goal Contribute to improving livelihood of rural populations	5. Number of persons provided with targeted support to improve their nutrition ^{***}			2000	2000			UCP	
	6. Index of increase of goods				2.3			UCP	
Development objective: Increased incomes of the rural poor in a resilient manner and sustainable jobs created for the rural poor in the project area	7. Number of households reporting an increase of their revenues ³			0%	80%	Baseline survey and evaluation	Completion of POSER and POSER-C	UCP	Developing solid partnerships with the local private sector
	8. Number of households that have strengthened their resilience to CC	0	800	1215	1650				
Effect 1: PDES are developed in a participatory manner incorporating CC adaptation strategies and used as planning and resource /financing mobilization tool	9. Number of policy dialogues on CC supported ^{**}	0		2	2	Progress reports and evaluation	Twice yearly	UCP/CRP	
Product 1.1: Climate-smart PDES are validated and implemented	10. Individuals engaged in NRM and climate risk management activities [@]	0		1082	1082				
Effect 2: Socio-economic investments supported by the Project improve the resilience to CC of economic activities and the living conditions of poor households	11. Number of new jobs created ^{@,***}	0	916	2213 ¹	3213 ¹	Progress report	Quarterly	UCP/UT CRP	Microprojects <i>projets structurants</i> are well prepared and their design incorporates predictable climate risks
Product 2.1: Poor households benefit from structuring projects	12. Farmland under water-related infrastructure constructed/rehabilitated ^{**@,***}	0	58	78	200	Progress report	Quarterly	UCP/CRP	

1 For AF 25% young men and 50% women out of which 25% are young women

⁵ 50% women and 30% young people

⁶ The average number of household members is calculated in 5 persons (INE, 2010)

⁷ From socio-economic data sheets of households

@ RIDE-Indicators 2018

	13. Number of people trained in practices and technology of production@***			4884	6400	Progress report	Quarterly	UCP	The process of developing and financing collective projects is effective and truly participatory. The beneficiaries provide their contribution and the technical support is of high quality
	14. Market, processing or storage facilities constructed or rehabilitated*@	0		Market facilities 100 Processing facilities 40	Market facilities 100 Processing facilities 40	Progress report	Quarterly	UCP	
Product 2.2: Agricultural water is used more efficiently	15. Plots newly connected to a primary water irrigation system**	160			320	Progress report	Quarterly	UCP/CRP	
Product 2.3: Water infiltration and watershed protection are improved	16. Hectares of land (PLOTS) cultivated under resilient practices **@***	0	600	850	850	Progress Report	Quarterly	UCP/CRP	The MAE delegations provide good technical supervision and the ACDs provide an effective follow-up
Effect 3: Institutional structures and capacity of local actors are strengthened to effectively support rural development initiatives	17. Average Reimbursement Rate of the Community Reinvestment Funds (CRF)⁹	5% ¹⁰			50%	Progress report	Annual	UCP/CRP	Beneficiaries of microproject regularly repay upfront payments received. The level of adherence and confidence of rural populations towards the ACD is upholding
Product 3.1: Operational ACDs are strengthened	18. Number of groups engaged in NRM and CC**	0	350	508	508	Progress report	Quarterly	UCP/CRP	
Product 3.2: The national agro-meteorological network is strengthened	19. Number of newly functional weather stations **	0	4	4	4	Progress report	Twice yearly	UCP/INMG	The INMG ability to monitor station operations and produce regular agro-weather surveys.
	20. Number of farmers using a pluviometer to optimize the agricultural calendar**	0	80	160	160	Progress report and evaluation	Annual	UCP	ANAS competence over the entire water sector.

⁹ Calculation based on available reimbursement plans at the date of the Formulation mission of the Additional Financing

Risks of implementing the additional financed activities and mitigation measures

Risk-Category ^a	Risk ^a	Mitigation-measures ^a	Rating ^a	Original- & Additional ^a
Political- & governance ^a	[Additional] Delay in defining strategic plans for sustainable development at regional levels ^a	Support to the Government in establishing regional plans. [†] Showcase of IFAD experience in local development. [†] Participation in regional consultations. ^a	Low ^a	New ^a
Macroeconomic ^a	High debt levels could limit the Government in engaging with IFAD for co-funding. ^a	IFAD's interventions more focussed on social and economic aspects in order to contribute to the growth objectives of the PEDS ^a	High ^a	New-risk ^a
Technical design of project or programme ^a	[Original] Difficulty in setting up an M&E system capable of assessing programme results and impact quantitatively and qualitatively. [†] [Additional] Lack of capacity to put into place instruments that contribute to the sustainability of the activities promoted. ^a	The development of a partnership with the National Statistics Institute and the Planning Directorate. [†] [†] [†] Strengthening of an enabling environment to promote income-generating activities through strong government support, partnerships with training centres ^a	High [†] [†] [†] High ^a	Still-relevant, the M&E system has not sufficiently improved. [†] Still-relevant in the AF period. ^a
Institutional capacity for implementation and sustainability ^a	[Original] Non-compliance by beneficiaries with the reimbursement of the Community Reinvestment Contract (FRC). [†] [Additional] Lack of human resources / technical and managerial capacity ^a	Support from a service provider, DID support through IFAD grant to integrate MFIs into the recovery of the FRC. [†] [†] [†] Capacity building of project teams and stakeholders involved. [†] [†] International technical assistance. ^a	Medium [†] [†] [†] [†] [†] Medium ^a	Still-relevant. [†] [†] [†] [†] [†] New-risk ^a
Environmental- & social ^a	[Original] Frequent climatic shocks (prolonged droughts). [†] [†] [†] [†] [†] [†] Risk of soil and groundwater salinization ^a	Mobilization of groundwater, wastewater and desalination of seawater for agricultural purposes; Enhancement of hydraulic infrastructure investments; intensive support for efficient management of agricultural water. [†] [†] Alternative to groundwater mobilisation, improve salinity monitoring system ^a	High [†] [†] [†] [†] [†] [†] [†] High ^a	Still-relevant. [†] [†] [†] [†] [†] [†] [†] Still-relevant ^a
Fiduciary ^a	[Original] The historical disbursement trend analysis of Cabo Verde's project shows moderately unsatisfactory levels of disbursement. ^a	Close follow up by IFAD/CO in liaison with the Government's technical assistance by delegating additional staff to POSER. [†] Stronger support by the PCU in the monitoring and review of CRPs/AWPs implementation ^a	Medium ^a	Still-relevant ^a
Fiduciary ^a	[Additional] Delay in the implementation, and procurement process. ^a	Establishment of an action plan for measures to be taken by POSER, 3 months before the start of the AF. [†] Mobilize technical assistance in procurement for regular support to PCU. ^a	High ^a	Still-relevant, especially considering the number of different activities in the AF ^a