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Investing in rural people

President's report

Proposed grant to the Republic of Zimbabwe for the Smallholder Irrigation Revitalization Programme

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For: Approval

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Abbreviations and acronyms

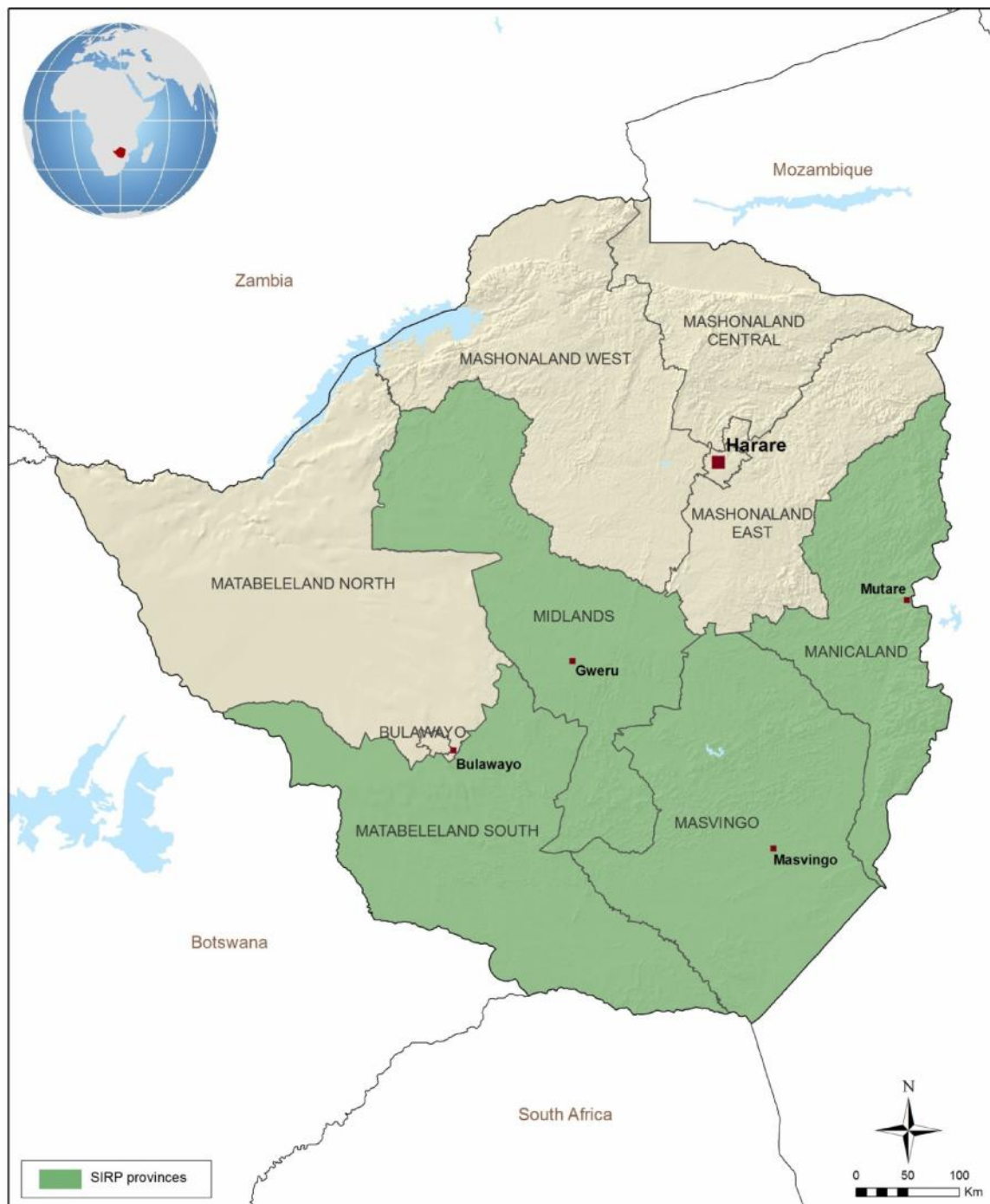
AWP/B	annual workplan and budget
DoI	Department of Irrigation
IMC	irrigation management committee
M&E	monitoring and evaluation
MAMID	Ministry of Agriculture, Mechanization and Irrigation Development
O&M	operation and maintenance
OFID	OPEC Fund for International Development
PCU	programme coordination unit
SIRP	Smallholder Irrigation Revitalization Programme
WUO	water users organization

Map of the programme area

Republic of Zimbabwe

Smallholder Irrigation Revitalization Programme (SIRP)

President's report



The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.

Map compiled by IFAD | 21-07-2016

Republic of Zimbabwe

Smallholder Irrigation Revitalization Programme

Financing summary

Initiating institution:	IFAD
Recipient:	Republic of Zimbabwe
Executing agency:	Ministry of Agriculture, Mechanization and Irrigation Development
Total programme cost:	US\$51.3 million
Amount of IFAD grant:	SDR ... million (equivalent to approximately US\$25.5 million)
Cofinancier(s):	OPEC Fund for International Development
Amount of cofinancing:	US\$15.0 million
Terms of cofinancing:	To be confirmed
Contribution of recipient:	US\$7.9 million
Contribution of beneficiaries:	US\$2.9 million
Appraising institution:	IFAD
Cooperating institution:	Directly supervised by IFAD

Recommendation for approval

The Executive Board is invited to approve the recommendation for the proposed grant to the Republic of Zimbabwe for the Smallholder Irrigation Revitalization Programme, as contained in paragraph 53.

Proposed grant to the Republic of Zimbabwe for the Smallholder Irrigation Revitalization Programme

I. Strategic context and rationale

A. Country and rural development and poverty context

1. Zimbabwe is a landlocked country with a total area of approximately 390,757 square kilometres. The country's population is estimated at 14.6 million people (2014) and projected to grow to 20.3 million people in 2020. With a Human Development Index of 0.509, Zimbabwe ranks 155th of 188 countries. Life expectancy stands at 57.8 years, and stunting prevalence in children is an estimated 27.6 per cent (2014). While still among the highest globally, the prevalence of HIV has declined from 25 per cent in 1997 to 15 per cent in 2014.
2. Economic growth slowed from 4.5 per cent in 2013 to an estimated 1 per cent in 2015 as a result of weak domestic demand, high public debt, tight liquidity conditions, drought, poor infrastructure and institutional weaknesses. Agriculture provides direct and indirect livelihoods for over 70 per cent of Zimbabwe's population and supports one third of the formal labour force. Agriculture generates between 15 and 18 per cent of gross domestic product, and contributes over 40 per cent of national export earnings.
3. The proportion of the population living below the national poverty line is estimated at 72 per cent (84 per cent in rural areas). Zimbabwe's recurrent droughts and food security issues have remained dire over the past decade, exposing millions of people to food insecurity and poverty. An estimated 1.5 million people – 16 per cent of the rural population – will be unable to meet their minimum food needs and will require humanitarian assistance in 2015/16. This is a 164 per cent increase over the 2013/14 season.
4. Zimbabwe's relations with the international community have been difficult for years, mainly due to land reforms and political conflicts. There are now positive signs of the international community re-engaging with the Government of Zimbabwe. The Government has made progress on negotiations with international financial institutions, notably the International Monetary Fund and the African Development Bank, to settle the country's arrears. In December 2015, IFAD's Executive Board approved Zimbabwe's debt rescheduling proposal in the amount of US\$23.1 million.

B. Rationale and alignment with government priorities and RB-COSOP

5. Zimbabwe has one of the highest levels of water development for irrigation in the region. Evidence suggests that households in smallholder irrigation schemes are better off in terms of food production, income, nutrition and general well-being than households relying on rainfed agriculture. In addition to achieving higher yields, irrigators are able to increase crop production and incomes during the dry winter season, when rainfed production is impossible.

6. More than 50 per cent of smallholder irrigation schemes in Zimbabwe are either not functional or only partly functional. These schemes have been caught in a vicious cycle of build/operate/rehabilitate, and are heavily dependent on government and donor funding.
7. A common feature is that rehabilitation has primarily focused on infrastructure development and repairs, often without the corresponding investments in farmers' organization and empowerment, water management, agricultural production activities and market linkages. Some schemes have been operating for many years, even decades, many of them at sub-optimal levels. There is a general lack of community ownership and participation in the management of irrigation assets. While irrigation management committees (IMCs) exist in all schemes, and are seen as a standard requirement, they do not have the formal status to enforce by-laws.
8. Decades of experience in irrigation development, both in Zimbabwe and elsewhere, have evidenced the need for an integrated approach to ensure commercial and environmental sustainability. This is the rationale behind the design of the Smallholder Irrigation Revitalization Programme (SIRP). Without an increased market orientation, improved access to inputs, and the adoption of good agricultural practices to boost productivity, farmers cannot create the revenue needed to increase their income and defray the operation and maintenance (O&M) of irrigation schemes. Similarly, unless wider socioeconomic and biophysical considerations are taken into account, equity issues will limit impact to a small number of people, and environmental issues will undermine the overall success of the programme.

II. Programme description

A. Programme area and target group

9. Programme area: SIRP will revitalize 5,000 hectares (ha) in about 125 existing smallholder irrigation schemes, located mainly in communal and old resettlement areas in the semi-arid sections of natural regions III, IV and V in the provinces of Manicaland, Masvingo, Matabeleland South, and Midlands. The programme's target area contains about 40 per cent of the country's estimated total irrigation-equipped area of about 13,000 ha.
10. Target group: SIRP will target 25,000 smallholder poor rural households, equivalent to about 125,000 people. Women (heads of household, wives and young women) will account for at least 50 per cent of the target group, in line with their participation in irrigated agriculture and off-farm activities. SIRP beneficiaries will include: (i) 12,500 households (62,500 people) holding an average of 0.4 ha in irrigation schemes; (ii) 12,500 households (62,500 people) with no access to irrigation in the greater-scheme and subcatchment areas relying on rainfed agriculture and livestock; (iii) 2,000 youth, who will be involved in production, aggregation, marketing and service provision and will build small- and medium-scale businesses along value chains; and (iv) 500 extension service providers that will improve their capacity for more responsive and efficient service delivery.

B. Programme development objective

11. The overall goal of SIRP is that rural households achieve food and nutrition security and are resilient to climate change effects and economic shocks in the programme districts. The programme development objective is that rural households sustainably increase their income in SIRP-supported schemes and adjacent rainfed areas.
12. The programme goal will be achieved by revitalizing existing high potential irrigation schemes and their adjacent rainfed areas (subcatchment areas), which will result in: (i) an increase in production and productivity of selected

commodities; (ii) an increase in annual household incomes; (iii) increased market integration; and (iv) a smallholder agricultural production system that is better adapted to climate change.

C. Components/outcomes

13. SIRP's structure is articulated around two complementary components, the first focusing on sustainable development of smallholder irrigation, and the second on climate-smart agriculture and market access.
14. Component 1: Sustainable smallholder irrigation development will focus on revitalizing existing irrigation schemes and rendering them fully operational, thereby contributing to improving the incomes of targeted households. This will be achieved by rehabilitating 5,000 ha of existing irrigation schemes in the four target provinces, while financing further scheme feasibility and design studies nationwide. It will entail expanding the area of existing smallholder irrigation schemes under effective O&M by irrigators and their water users organizations (WUOs), by preparing and implementing revitalization plans at scheme level. This will be complemented by capacity-building for government departments to provide quality service to smallholder irrigators, and engaging in policy dialogue on issues affecting small-scale irrigators.
15. Component 2: Climate-smart agriculture and market access aims to improve productivity and sustainable crop production under both rainfed and irrigated conditions, through improved cropping intensity on selected schemes and increased adoption of improved varieties, fertilizers, good agricultural practices and climate-smart agriculture practices and technologies. This component will seek to improve village natural resources management planning, including soil and water conservation in adjacent rainfed areas, by preparing and implementing greater scheme agricultural plans. A natural resources management facility will be established to provide matching grants to farmers in rainfed areas to undertake income-generating projects that utilize natural resources in a sustainable manner and complement soil and water conservation technologies. This component will focus on improving farm profitability and household incomes by increasing market access and linkages between the different value chain actors for both irrigation and rainfed farmers. Moreover, this component will improve access to and use of financial services through enhanced financial literacy of farmers and their organizations and strengthening of community-based financial institutions. This component will promote good nutritional practices and gender mainstreaming as part of agricultural and market support. This will be complemented by capacity-building for government departments to enable them to provide quality services to smallholder farmers, and engage in policy dialogue on issues affecting smallholder farmers.

III. Programme implementation

A. Approach

16. The proposed principles of engagement for programme design are as follows:
 - (a) In line with IFAD's mandate, SIRP will target productive poor smallholders who are currently engaging in irrigation as well as poor and vulnerable smallholders engaged in rainfed farming in the adjacent rainfed areas;
 - (b) Without compromising on food security, the programme will support the move towards smallholder irrigated farming as a business in order to enable sufficient financial returns to targeted smallholders, long-term sustainability of investment and replicability/scalability of the smallholder irrigation development approach;
 - (c) SIRP will adopt a participatory approach. The programme will support farmers' own development efforts, based on the preparation of a revitalization plan and

a greater scheme agricultural plan by farmers/irrigators through their organizations;

- (d) Investment will be made on a cost-sharing basis, with capital expenditure financed mainly by the programme, and farmers fully covering the O&M of their scheme, including the cost of water and depreciation of movable equipment;
- (e) The programme will prioritize the rehabilitation of existing schemes while verifying adequate water availability at pre-feasibility stage, market proximity to sell produce at competitive prices and interest on the part of the private sector and financial institutions to work with the scheme or cluster, and institutional arrangements;
- (f) SIRP will engage with the private sector, such as off-takers, input suppliers and financial institutions, early on in the process of prioritizing schemes to be rehabilitated, in order to ensure viable linkages with input and output markets and support services during implementation; and
- (g) The Government's capacity to provide services to smallholders will be strengthened, while supporting the implementation of different business models and business relations between farmers and the private sector.

B. Organizational framework

17. The lead implementing agency will be the Ministry of Agriculture, Mechanization and Irrigation Development (MAMID). The Ministry will execute the programme and ensure that it is aligned with sector priorities and complements the programmes/projects and initiatives of other development partners supporting the sector. Implementation responsibilities rest with the Department of Irrigation (DoI) for component 1, while the Department of Agriculture Technical and Extension Services (AGRITEX) will lead component 2. At the provincial and district levels, programme coordination will be provided by provincial and district agricultural committees, respectively.
18. A multi-sector stakeholder programme steering committee, chaired by the Permanent Secretary of MAMID, will be established to provide overall programme oversight, direction and advice. A dedicated and competitively recruited programme coordination unit (PCU) will report to the Permanent Secretary, MAMID. The PCU will be responsible for day-to-day management and ensure effective coordination of DoI and AGRITEX activities under the programme. The PCU will be responsible for consolidating annual workplans and budgets (AWP/Bs), procurement plans, and progress and financial reports received from the districts and implementing entities, and will coordinate the procurement of goods, works and services. The PCU will also take charge of monitoring and evaluation (M&E) and provide support to implementation and supervision missions. The PCU will serve as programme steering committee secretariat.
19. A programme technical committee, comprising of staff drawn from government technical departments, will provide technical support and advice to the PCU on planning and progress issues.

C. Planning, monitoring and evaluation, and learning and knowledge management

20. The main planning tools for SIRP will comprise the updated logical framework/M&E framework, including indicators and targets, and the results-based AWP/B. The logical framework provides indicators and targets for the programme as a whole, whereas the RB-AWP/B will be used as the primary planning tool to set annual targets and allocate financial resources. The financial and physical execution of the RB-AWP/B will be regularly monitored and reported on.
21. The M&E system will be the key source of comprehensive and reliable data to inform improved planning and decision-making during implementation. It will be

relied upon to inform stakeholders on SIRP performance. Results generated by the results and impact management system indicators will be reported back to IFAD on an annual basis. The PCU will be responsible for ensuring a well-functioning M&E system.

22. A baseline study will be designed and carried out at programme start-up in pre-identified schemes. Baselines will be scheme specific as per outcome of the selection process. The baseline studies will form the basis for assessing programme effectiveness and results achievement. The household survey will be repeated at mid-term and upon programme completion.
23. SIRP learning systems will involve monthly, quarterly, bi-annual and annual review meetings/workshops, capturing information on progress, lessons and best practices and finding solutions to implementation constraints at different levels. These review platforms will serve as a learning event, as well as to monitor and influence the process through which results are supposed to be achieved.

D. Financial management, procurement and governance

24. Financial management. A financial management assessment carried out at design assessed the overall fiduciary control risk as high. Consequently, the proposed financial management arrangements for SIRP include appropriate risk mitigation measures, inter alia: (i) competitive recruitment of a dedicated programme accountant, and assignment of qualified accounting staff at the provincial level; (ii) mobilization of additional technical assistance during start-up to assist with the establishment of systems and financial procedures to be included in the programme implementation manual; (iii) use of accounting software; and (iv) the use of programme-specific designated accounts, to ensure that the residual programme implementation rating will be medium risk.
25. MAMID's Director of Finance and Administration will be responsible for ensuring adequate financial management arrangements throughout SIRP implementation. The operational day-to-day financial management functions, including budgeting, accounting, funds flow management, internal control, financial reporting and ensuring timely external audits, will be the responsibility of the PCU's programme accountant overseen by the Chief Accountant, DoI.
26. Programme audits. To provide assurances of strong internal controls, MAMID will include regular internal auditing of the programme in its audit plans. During the initial years an independent audit firm acceptable to the Fund will perform the external audit, until such time as the Office of the Auditor General has been appropriately assessed.
27. Funds flow and disbursement arrangements. Two separate designated accounts operated and maintained by the Ministry of Finance and Economic Development will be opened to receive programme funds from IFAD and the OPEC Fund for International Development (OFID), respectively. Only one operational account will be opened for settlements of advances to implementing agencies and programme expenditures incurred. The PCU will manage and operate the operational account.
28. Start-up costs. An advance may be requested to cover start-up costs for eligible expenditure to be incurred between the date of entry into force of the financing agreement and fulfilment of the conditions precedent to withdrawal.
29. Procurement. All procurement under SIRP will be carried out in accordance with national procurement procedures, to the extent that they are consistent with IFAD's project procurement guidelines. A procurement assessment of MAMID undertaken during SIRP design showed several inconsistencies between national and IFAD regulations, concerning bid registers, bidding documents, contract administration, procurement planning and selection of procurement methods. To address procurement risks, a procurement specialist in the PCU will be responsible for

ensuring full compliance with IFAD requirements. The latter will be duly spelled out in the financing agreement, letter to the recipient and programme implementation manual.

E. Supervision

30. The SIRP will be directly supervised by IFAD. Direct supervision will encompass loan and grant administration, procurement reviews, audit reviews, and supervision and implementation support missions. Joint supervision missions with the Government will be carried out bi-annually and will focus primarily on fiduciary aspects, physical progress and the quality of programme implementation. In conjunction with supervision, implementation support will be provided by IFAD to help ensure the efficient achievement of programme objectives. Additional implementation support and backstopping will be provided during the programme start-up phase to enhance technical capacities, assist with the establishment of implementation arrangements and assist in the setting up of required systems (e.g. M&E and financial management). The proposed OFID cofinancing will be administered by IFAD.

IV. Programme costs, financing and benefits

A. Programme costs

31. Total programme costs to be incurred during the seven-year implementation period, including price and physical contingencies, duties and taxes, are estimated at US\$51.3 million. This includes base costs amounting to US\$47.7 million and estimated physical and price contingencies in the amount of US\$3.6 million (7 per cent of the base costs). Estimated foreign exchange expenditure is about US\$12.3 million (24 per cent of total programme costs), whereas duties and taxes amount to US\$8.3 million (16 per cent). Investment costs represent 86 per cent of the base costs, with recurrent costs accounting for the remaining 14 per cent. Programme management costs are 9 per cent of total programme costs.
32. Local inflation rates were estimated at 1.3 per cent per annum in 2017 and 2 per cent per annum thereafter until 2023. Foreign inflation has been set at 2 per cent for seven years, based on the World Bank Manufactures Unit Value Index. Taxes and duties were estimated using information provided by the Zimbabwe Revenue Authority. The Government of Zimbabwe will either waive duties, excises and taxes or directly finance their cost.

Table 1

Programme costs by component and financier

(Thousands of United States dollars)

<i>Component</i>	<i>IFAD grant</i>		<i>OFID</i>		<i>Beneficiaries</i>		<i>Government</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>
1. Sustainable smallholder irrigation development	7 522	27	14 194	51	1 831	7	4 228	15	27 774
2. Climate-smart agriculture and market access	14 489	76	806	4	1 038	5	2 721	14	19 054
3. Programme coordination	3 489	78	-	-	-	-	960	22	4 449
Total	25 500	50	15 000	29	2 869	6	7 909	15	51 277

B. Programme financing

33. SIRP will be financed by the Government of Zimbabwe, programme beneficiaries, IFAD and, pending official confirmation, OFID. IFAD will finance 50 per cent (US\$25.5 million) of overall programme costs on grant terms, under the Debt Sustainability Framework. The Government will finance taxes and duties

(US\$7.9 million), representing 15 per cent of total costs.¹ Beneficiaries will contribute 6 per cent of total programme costs, US\$2.9 million, in the form of financial contributions to O&M for rehabilitated infrastructure, cost sharing of post-harvest technologies, and in-kind contribution to soil and water conservation activities. It is anticipated that OFID will finance 29 per cent² (US\$15.0 million) of programme costs, covering primarily civil works related to irrigation rehabilitation and road improvement.

Table 2

Programme costs by expenditure category and financier

(Thousands of United States dollars)

<i>Expenditure category</i>	<i>IFAD</i>		<i>OFID</i>		<i>Beneficiaries</i>		<i>Government</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>
1.Consultancies	5 617	82	613	8	-	-	692	13.5	6 923
2. Equipment and materials	1 892	85	-	-	-	-	56	3.8	1 948
3. Goods, equipment and inputs	2 122	77	-	-	515	19	127	4.3	2 939
4. Workshops	742	85	-	-	-	-	131	15	873
5. Training	6 719	85	-	-	-	-	1 186	15	7 905
6. Vehicles	1 091	45	-	-	-	-	1 336	55	2 427
7. Works	3 329	15	14 387	66	523	3	3 065	14.5	21 128
8. Salaries and allowances	1 842	75	-	-	-	-	614	25	2 456
9. Operating costs	2 145	46	-	-	1 831	39	702	15	4 678
Total	25 500	50	15 000	29	2 869	6	7 909	15	51 277

C. Summary benefit and economic analysis

34. SIRP will generate substantial economic and social benefits. The main quantifiable benefit is the increase in production and productivity to be achieved with higher yields following investments in the revitalization of irrigation schemes and in farm-level training on both irrigated and rainfed plots. Cropping patterns on irrigated plots will favour market-led production of higher value crops, leading to increased farm incomes. The introduction of post-harvest technology and infrastructure, as well as training in post-harvest handling, is expected to result in reduced post-harvest losses. Investments in the rehabilitation of approximately 100 kilometres of access roads will reduce transport costs and enhance market access for targeted smallholders.
35. Moreover, the programme is likely to generate a range of indirect benefits, such as the creation of off-farm jobs in the service and marketing sectors, increased market participation and food availability, institutional strengthening and policy changes.
36. The proposed investment shows robust financial results at both crop and farm level, demonstrating clear incentives for farmers to participate and financial sustainability for the irrigation scheme. The base case economic internal rate of return (EIRR) is estimated at 22 per cent. The benefit/cost ratio is estimated at 2.05, and the payback period at 7.6 years. The economic net present value is estimated at US\$30.77 million. The EIRR is robust to changes in the expected benefits or costs. Switching values were calculated for incremental benefits and incremental costs. Benefits would have to be reduced by 51 per cent or costs increased by 113 per cent for SIRP to become economically unviable. Such variations in costs and benefits are unlikely to occur. Adoption rates ranging from 65 per cent to 85 per cent have been assumed in the cost benefit analysis.

¹ The estimate of taxes and duties was based on the rates in effect at the time of the design. In conformity with the principle that no taxes or duties would be financed out of the proceeds of the IFAD and OFID financing, any future changes in the rates and/or structures of taxes and duties would apply to the programme.

² If OFID funding does not materialize, alternative sources of funding will be sought by the Government of Zimbabwe.

D. Sustainability

37. The long-term sustainability of investments in irrigated infrastructure will be ensured as follows: first, prior to investment a diagnostic study of the key issues affecting scheme performance needs to be carried out with a high degree of participation by the targeted farmers. This study will identify the root causes of system failure and allow SIRP to adequately target investments. Second, interventions will take into account larger natural resource management issues to ensure environmental sustainability. By investing in community-based natural resources management in adjacent rainfed areas and linking them with income generating activities, SIRP proactively deals with potential environmental issues whilst also ensuring a longer life time for the scheme itself. Third, the programme will invest in building adequate capacity at all levels as required to sustainably operate and maintain schemes, manage finances and effectively prevent or resolve any social conflicts related to access to land or water.
38. Zimbabwe's rural population is exposed to the effects of climate change, as the recent drought showed. The proposed programme interventions are designed to minimize those impacts. Revitalized irrigated agriculture becomes a key adaptation pathway to respond to increasing intra-seasonal variability in the water supply. Water-use efficiency will be improved by reducing conveyance losses and by training farmers on irrigation water management. When designing extensions to existing schemes, the increased crop water requirements due to increased evapotranspiration will be assessed to determine potential irrigable area. The selection of new schemes to be studied will be informed by the National Adaptation Plan, currently under development, in order to select those areas most crucially affected by climate change. Interventions in the adjacent rainfed lands aim to restore the natural resource base and use it in a more sustainable way, thereby increasing resilience to shocks. These interventions will help protect the irrigation schemes from silting up and restore water bodies.

E. Risk identification and mitigation

39. The programme design prioritized risk identification and management to ensure a successful re-engagement of IFAD in Zimbabwe and the sustainability of the proposed interventions. The main approach has been simplified design and implementation arrangements to limit the programme's exposure. Measures in financial management and procurement are proposed to manage remaining risks deemed acceptable or inevitable.
40. Macro-economic and political instabilities, however, remain beyond programme control. Other key risks to programme success have been identified as follows: (i) non-fulfilment of IFAD arrears settlement; (ii) non-availability of cofinancing from OFID; (iii) programme implementation delays; (iv) limited responsiveness of service providers; (v) inability of farmers to contribute to initial commitment and operational costs; (vi) effects of climate change; and (vii) market constraints.
41. The respective mitigation measures for the above risks include: (i) commitment by the Reserve Bank of Zimbabwe and the Ministry of Finance and Economic Development to ensure liquidity to settle arrears as they fall due; (ii) close follow-up by the Government of Zimbabwe with OFID; (iii) engagement of technical assistance during programme start-up to help set up financial management systems and address pre-disbursement conditions; (iv) capacity-building for public sector service providers, and engagement of private-sector service providers under performance-based contracts; (v) targeting schemes where farmers have demonstrated willingness and ability to commit to operational costs; (vi) integration of climate change effects into the planning and design of irrigation investments; and (vii) improving farmers' access to information and promoting value addition at scheme level while establishing linkages to markets.

42. Based on the 2015 Transparency International Global Corruption Perceptions Index score of 21, the country has been rated as high risk. A 2015 follow-on World Bank financial management assessment indicated that improvements have taken place in recent years but recommended a number of reforms. As provided in paragraph 24 above, the programme's design arrangements include key financial management safeguards to be adopted during implementation.

V. Corporate considerations

A. Compliance with IFAD policies

43. SIRP design is fully aligned with all IFAD strategic objectives set for the 2016-2025 period.³ Strategies for gender mainstreaming and targeting have been incorporated in programme design in accordance with the IFAD Policy on Targeting and the Policy on Gender Equality and Women's Empowerment. All activities under SIRP will comply with the IFAD Policy on Improving Access to Land and Tenure Security. Proposed activities in rural finance are consistent with IFAD's Rural Finance Policy.
44. For environmental and social purposes, SIRP is classified as a category B operation, as the focus of the investment is primarily on rehabilitating existing irrigation schemes. The programme is expected to have limited adverse social impacts on human populations or environmentally significant areas. These risks will be minimized through a solid scheme selection and design process complemented by investments in the greater scheme area. In line with IFAD's Social, Environmental and Climate Assessment Procedures, residual risks will be identified in the environmental and social impact assessment and managed via scheme-specific mitigation measures agreed upon in the environmental and social management plan to be prepared for each SIRP-supported scheme.

B. Alignment and harmonization

45. The smallholder irrigation subsector is identified among priority areas for investment in all relevant country strategy and policy documents.⁴ The Zimbabwe Agenda for Sustainable Socio-Economic Transformation, the country's poverty eradication strategy, targets a 50 per cent increase in the country's area equipped with irrigation by 2018. Both the Comprehensive Agricultural Policy Framework and Zimbabwe Agriculture Investment Plan share SIRP's value chain approach to increasing farm productivity, improving extension services and promoting the commercialization of smallholder agriculture. All relevant country strategies emphasize the importance of building the resilience of communities to food and nutrition insecurity and the effects of climate change.
46. Furthermore, SIRP implementation responsibilities will be largely mainstreamed within the Government's existing systems and decentralized structures. This will facilitate the creation of synergies with other development partners and ensure complementarities between SIRP and other interventions in the sector.

C. Innovations and scaling up

47. The programme will adopt a holistic approach to smallholder irrigation revitalization in Zimbabwe that encompasses infrastructure development, farmers' organization capacity-building and empowerment, natural resource management, agricultural production, market linkages and access to finance. This is an innovative approach, as it constitutes a departure from the usual focus on "hardware" investments. The selection of irrigation schemes for revitalization will occur during programme

³ IFAD Strategic Framework 2016-2025.

⁴ Government priorities for the development of the agricultural sector are outlined in the: (i) Zimbabwe Agenda for Sustainable Socio-Economic Transformation 2013-2018; (iii) Zimbabwe Agriculture Investment Plan 2013-17; (iv) draft Comprehensive Agricultural Policy Framework 2012-2032; and (v) Zimbabwe 10-Point Plan for Economic Growth.

implementation, and will be based on predefined criteria that prioritize areas that optimize a combination of biophysical, socioeconomic and institutional aspects, in order to achieve economies of scale and scope, and maximize efficiency, effectiveness and large-scale impacts. The participatory planning approach and the requirement of having farmers contribute to O&M costs are innovative features, intended to promote sustainability.

48. The programme will pilot and promote low cost technologies for storage and processing of perishable products at irrigation scheme level and cluster level. Innovative approaches to include youth in programme activities call for providing vocational training and starter kits to promote off-farm employment along the value chain.

D. Policy engagement

49. The programme will enhance national capacity through evidence-based policy dialogue among stakeholders such as the Government, farmer representations, WUOs and the private sector to engage in policy dialogue on issues related to smallholder irrigation, natural resources management and market access. Several priority issues have been identified during programme design, including: (i) formalization of the status of IMCs to become legally recognized WUOs with certified rights to water and lands; (ii) revision of water pricing for smallholder irrigation; (iii) effective and cost-efficient implementation of environmental and social management plans; and (iv) incentives for private companies to engage with smallholder farmers.

VI. Legal instruments and authority

50. A programme financing agreement between the Republic of Zimbabwe and IFAD will constitute the legal instrument for extending the proposed financing to the recipient. A copy of the negotiated financing agreement will be tabled at the session.
51. The Republic of Zimbabwe is empowered under its laws to receive financing from IFAD.
52. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the Policies and Criteria for IFAD Financing.

VII. Recommendation

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

RESOLVED: that the Fund shall provide a Debt Sustainability Framework grant to the Republic of Zimbabwe in an amount equivalent to ... special drawing rights (SDR ...) (approximately US\$25.5 million) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Kanayo F. Nwanze
President

Negotiated financing agreement

(To be tabled at the session)

Logical framework

Narrative summary	Performance indicators (all data will be disaggregated by gender, as applicable)	Baseline	Targets		Means of verification	MoV Frequency	MoV responsibility	Assumptions (A)/ Risks (R)
			Midterm (Y3)	End Project				
GOAL								
Rural households achieve food and nutrition security and are resilient to climate change effects and economic shocks in the programme districts	Reduction in the prevalence of chronic malnutrition in children under five (weight for age) (RIMS)	TBD	-1%	-3%	PCU survey of 4 provinces ZIMVAC reports	Annual	Food and Nutrition Council	Macro-economic stability (A)
	Improved household assets ownership index (RIMS)	Baseline data	+5%	+20%	PCR reports			
	Smallholder households cope with effects of climate change (RIMS 1.8.5) ⁵	baseline data	10,000	20,000	PCR reports	Annual	MAMID PCU Survey?	
OBJECTIVE								
Rural households sustainably increase their income in SIRP-supported schemes and adjacent rainfed areas.	Diet diversity score	5	9	12	ZIMVAC; DDF; HDDS	Seasonal, Annual	MAMID PCU	Macroeconomic stability maintained
	Annual household income on irrigation schemes	\$129	\$1,000	\$3,490	PCR Progress reports; surveys			
		Number of people benefiting from project services, by gender	0	100,000 50,000	120,000 60,000	Progress reports	Annual	MAMID PCU
OUTCOMES								
Component 1: Sustainable smallholder irrigation development								
Outcome 1a: Irrigation schemes fully operational	Effectiveness (RIMS 2.1.2): Incremental hectares of crop grown throughout seasons	4200ha 100% intensity	2950 ha 175% int	5000ha 175% int	Progress reports	Annual	MAMID; PCU	Target group shoulders O&M

⁵ Resilience to the effects of climate change will be measured by the number of households that have access to irrigated land, cultivate at least three different crops (diversification) and apply GAPs including soil improvement techniques

Component 2: Climate-smart agriculture and market access								
<i>Outcome 2a:</i> Increased adoption of improved technologies and practices	Improved agricultural production: avg. yield increase (kg/ha) of main crops: - Maize - Beans - Tomato - Maize rainfed - Sorghum rainfed - Groundnut rainfed	2 MT/ha 1 MT/ha 10 MT/ha 0.5 MT/ha 0.7 MT/ha 0.5 MT/ha	5 MT 1.75 MT 30 MT 1 MT 1.4 MT 1 MT	5 MT 1.75 MT 30 MT 1 MT 1.4 MT 1 MT	Progress reports; PCR; IMC ⁶ records;	Seasonal, Annual	MAMID PCU	Target group increases market share of production (A)
Narrative summary	Performance Indicators	Baseline	Midterm (Y3)	End project	Means of verification	MoV frequency	MoV responsibility	Assumptions (A)/ Risks (R)
<i>Outcome 2b:</i> Farmers benefiting from improved access to markets and financial services	Gross total value of marketed commodities per year	\$800,000	\$7.5 m	\$15 m	IMC records; Farmer records Market survey	Seasonal	MAMID, PCU	Farmers understand market functions (A)
Subcomponent 1.1: Development and management of irrigation scheme assets								
<i>Output 1.1:</i> Small-scale irrigation schemes revitalized.	Area of irrigation schemes rehabilitated	0 ha	2,000ha	5,000ha	Progress reports	Annual	PCU	Expertise to carry out the study is available (A) Prices for material and works remain within assumed margins (A)
Subcomponent 1.2: Improved smallholder irrigation management								
<i>Output 1.2 a:</i> Irrigators and their WUOs obtain knowledge in efficient irrigation management	Number of irrigators trained in irrigation management	0	7,000	10,625 12,500	Progress reports	Annual	PCU	Training is demand-driven (A)
Subcomponent 1.3: Enhanced institutional capacity for irrigation development								
<i>Output 1.3 b:</i> Enhanced capacity among government. staff on irrigation service delivery	Number of government staff trained in irrigation and O&M selected topics ⁷	0	250	250	Progress reports	Annual	PCU	Staffing levels are maintained or increased at all levels (A)
Subcomponent 2.1: Enhanced agricultural practices and farmers' organizational capacity								
<i>Output 2.1a:</i> Strengthened capacity of farmers and their organizations	Number of people trained in GAP, soil and water conservation, nutrition education and organization	0	11,250	20,000 25,000	Progress reports	Annual	PCU	VC actors are willing to cooperate (A) Training is demand-driven (A)
Subcomponent 2.2: Market access and rural financial services								
<i>Output 2.2a:</i> Strengthened business capacity of farmers and value chain actors	Number of people trained in agri-business, post-harvest and marketing skills, ⁷ and financial literacy	0	7,500	20,000 25,000	Progress reports	Annual	PCU	VC actors are willing to cooperate (A)

⁶ Irrigation management committee

⁷ An individual is likely to be trained in more than one topic.

<i>Output 2.2b Value addition technology promoted at scheme and adjacent rainfed area</i>	Number of schemes and adjacent rainfed areas with demonstrated post-harvest technology	0	50	125				
Subcomponent 2.3: Enhanced institutional capacity for market-led production								
<i>Output 2.3 c: Enhanced capacity among government staff on service delivery</i>	Number of government staff trained in production, and market access	0	500	500	Progress reports	Annual	PCU	Staffing levels are maintained or increased at all levels (A)