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Investing in rural people

President's Memorandum

Proposed additional financing to the Republic of Cameroon for the Youth Agropastoral Entrepreneurship Promotion Programme

Note to Executive Board representatives

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For: Approval

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Abbreviations and acronyms

PBAS	performance-based allocation system
PEA-Jeunes	Youth Agropastoral Entrepreneurship Promotion Programme

Recommendation for approval

The Executive Board is invited to approve the recommendation for the proposed additional financing to the Republic of Cameroon for the Youth Agropastoral Entrepreneurship Promotion Programme, as contained in paragraph 18.

Proposed additional financing to the Republic of Cameroon for the Youth Agropastoral Entrepreneurship Promotion Programme

I. Background

1. The Youth Agropastoral Entrepreneurship Programme (PEA-Jeunes) was approved by the Executive Board in September 2014 with a funding gap that was expected to be financed in a subsequent performance-based allocation system (PBAS) cycle (EB 2014/LOT/P.15/Rev.1). The financing package approved by the Executive Board for PEA-Jeunes comprised: (i) an IFAD loan of US\$22.5 million and a financing gap of US\$23 million to be provided by IFAD from an additional PBAS allocation, once available, subject to Executive Board approval; (ii) a government contribution of US\$9.9 million; (iii) a contribution from microfinance institutions of US\$9.4 million; and (iv) a beneficiary contribution of US\$2.1 million. The financing gap resulted from the saturation of the 2013-2015 PBAS cycle for Cameroon at that time.

II. Justification for additional financing

2. An amount of US\$23 million has been allocated from the current PBAS cycle for PEA-Jeunes, which will enable the financing gap to be filled. As noted above, the Executive Board approved the full financing package of US\$45.5 million from IFAD, which included the financing gap. At this time, there are no changes in the objectives, approach, components, subcomponents, cost items, cost-benefit analysis, result matrix, monitoring and evaluation or institutional arrangements of the programme. In consultation with senior management and the Government, it was decided to commit an additional country allocation of US\$5 million, which will be used to increase the number of young entrepreneurs and support capacity development in the vocational training centres. It will also allow for further policy engagement by supporting the agricultural census.
3. The proposed additional financing therefore increased from US\$23 million to US\$28 million. The proposed US\$28 million in additional financing is submitted to the Executive Board to formally reconfirm the decision of 2014.

III. Programme costs and financing

A. Programme costs

4. The total cost of the programme (including taxes and contingencies) is US\$72 million. The base cost amounts to US\$67.7 million. Taxes represent 7.9 per cent of the total cost. The amount allocated for contingencies is US\$4.3 million or 6 per cent of the total costs. The investment cost is US\$60.3 million, which is 89 per cent of the base cost. Recurrent costs account for 11 per cent of the base cost, or US\$7.4 million.

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

Component	IFAD loan		Funding gap		Additional financing US\$5 million		Rural financial institutions		Beneficiaries		Government		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
A. Developing agropastoral businesses	14 961.89	43.8	13 162.45	38.5	1 000	2.9	-	-	-	-	5 027.44	14.7	34 151.78	47.4
B. Access to financial services	3 234.40	12.4	6 726.22	25.8	1 500	5.8	9 446.92	36.3	2 136.06	8.2	3 009.67	11.5	26 053.27	36.1
C. Improving the organization, policy, institutional and legal framework	1 189.83	23.9	1 008.33	20.3	2 500	50.3	-	-	-	-	268.97	5.4	4 967.13	6.9
D. Programme coordination and management	3 113.88	45.5	2 103.04	30.7	-	-	-	-	-	-	1 633.32	10.2	6 850.24	9.5
Total	22 500.00	31.2	23 000.04	31.9	5 000.0	6.9	9 446.92	13.1	2 136.06	3.0	9 939.40	13.8	72 022.42	100.0

B. Programme financing

5. IFAD has contributed with a first loan of US\$22.5 million, or 31.2 per cent of the total programme cost of US\$72 million. It will also contribute additional financing of US\$28 million, or 38 per cent of the total programme cost. In order to facilitate programme management and taking into account economic considerations and cost-effectiveness, IFAD funding will only cover taxes on recurrent costs of the programme, specifically those on programme operating costs, which are estimated at US\$270,000 or 0.38 per cent of the total programme cost. Businesses will contribute approximately US\$2.1 million or 2.9 per cent of the total cost; these resources constitute their share of investment costs and operating expenses.
6. Rural financial institutions will contribute US\$9.4 million or 13.1 per cent of the total cost. This contribution will be in the form of loans to the founders of businesses supported by PEA-Jeunes.
7. The Government's contribution in terms of taxes and investments is estimated at US\$9.9 million or 13.8 per cent of total costs. This contribution will take the form of exemptions from taxes on goods and services imported by the programme and in accordance with national policies.

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

Component	IFAD loan		Funding gap		Additional financing US\$5 million		Rural financial institutions		Beneficiaries		Government		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
1. Civil rural engineering	76.99	6.7	-	-	-	-	-	-	-	-	1 071.33	93.3	1 148.32	1.6
2. Credit and guarantee funds	5 412.04	17.3	11 454.23	36.6	1 500	4.8	9 446.92	30.2	2 136.06	6.8	1 342.08	4.3	31 291.33	43.4
3. Equipment and material	2 706.36	54.7	884.69	17.9	500	10.1	-	-	-	-	856.07	17.3	4 947.12	6.9
4. Training	3 150.06	53.9	2 144.11	36.7	500	8.6	-	-	-	-	51.26	0.9	5 845.43	8.1
5. Consultant services	9 033.30	38.5	6 735.16	28.7	2 500	10.7	-	-	-	-	5 169.64	22.1	23 438.10	32.5
6. Operating costs	818.71	26.8	780.73	25.6	-	-	-	-	-	-	1 449.01	47.5	3 048.45	4.2
7. Salaries and allowances	1 302.54	56.5	1 001.12	43.4	-	-	-	-	-	-	-	-	2 303.66	3.2
Total	22 500.00	31.2	23 000.04	31.9	5 000.00	6.9	9 446.92	13.1	2 136.06	3.0	9 939.39	13.8	72 022.41	100.0

IV. Financial management, procurement and governance

8. Based on an assessment of existing financial management arrangements in IFAD projects in Cameroon, an evaluation of the PEA-Jeunes financial management system was undertaken to verify compliance with IFAD's fiduciary risk requirements. The programme's financial management risk at the design stage is deemed high when mitigation measures are not taken into account and moderate when they are.
9. The foundation for programme management is the effective organization of administrative, financial and accounting procedures by the national programme management unit, which is staffed by experts with experience in managing development projects. Programme funds are managed in accordance with national procedures in Cameroon and IFAD's procedures for administrative and financial management of projects. IFAD funds are made available through channels already in place for other IFAD projects.
10. Internal controls, in line with best practices, are detailed in the manual of administrative and financial procedures. In-depth training for programme staff during the start-up phase has been carried out.
11. The programme's financial statements are audited annually as required by IFAD. Audits are conducted in accordance with international auditing standards.
12. Procurement is carried out in accordance with IFAD guidelines and the national public procurement code. Application of the principles of good governance and transparency in programme implementation is ensured through: (i) regular internal auditing by programme management staff; (ii) training of programme staff on IFAD's anticorruption policy and procedures during the start-up workshop; (iii) local supervision by the IFAD country office; and (iv) support to the management unit for programme implementation, especially with regard to procurement. On an exceptional basis, the programme may use direct contracting to engage the technical operator already selected to implement the facilitation fund provided under the IFAD-cofinanced rural microfinance development project.
13. The financial management assessment concludes that the current arrangements are adequate. The same programme management unit will be 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 Government of Cameroon under the terms and conditions of the existing financing agreement. Consolidated financial statements and audit reports will be submitted to IFAD within six months of the end of each relevant fiscal year. Details on financial management and procurement presented in the President's Report (EB 2014/LOT/P.15/Rev.1) will remain unchanged.

V. Proposed modifications to the financing agreement

14. Annex 2 of the financing agreement will be amended to include the US\$28 million for this proposed financing. No other changes are required.

VI. Legal instruments and authority

15. Subject to Executive Board approval, the current financing agreement between Republic of Cameroon and IFAD will be amended to reflect the additional financing and the changes required as described above.
16. The Republic of Cameroon is empowered under its laws to receive financing from IFAD.
17. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the Policies and Criteria for IFAD Financing.

VII. Recommendation

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

RESOLVED: that the Fund shall provide additional financing through a loan on highly concessional terms to the Republic of Cameroon of an amount of US\$28 million, equivalent to twenty million and sixty thousand special drawing rights (SDR 20,060,000), and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Gilbert F. Hougbo
President

Logical framework

Résumé descriptif	Indicateurs objectivement vérifiables	Moyens de vérification	Hypothèses
But Améliorer durablement les conditions de vie et les revenus des jeunes entrepreneurs agro pastoraux du Cameroun	<ul style="list-style-type: none"> L'indice d'accumulation de biens a augmenté d'au moins 30% pour au moins 50% des jeunes entrepreneurs ciblés, d'ici à 2021. La prévalence de la malnutrition chronique des enfants de moins de 5 ans est réduite de 5%, passant de X%⁴ à Y% chez les filles et de X% à Y% chez les garçons d'ici à 2021. Réduction de Z% du nombre de ménages confrontés aux périodes de disettes 	Etudes d'impact, Etudes Sygri Statistiques nationales Enquêtes PAM et UNICEF sur la malnutrition	Stabilité nationale Disponibilité du gouvernement à porter le programme
Objectif de développement Promouvoir des entreprises agropastorales jeunes, rentables, intégrées dans les chaînes de valeurs, et créatrices d'emplois	<ul style="list-style-type: none"> 5040 entreprises dont 30% gérées par les femmes sont établies et créent au moins 20 160 emplois directs d'ici à 2021 Au moins 65% des entreprises sont fonctionnelles 3 ans après leur création 3276 entreprises rapportent une augmentation d'au moins 50% de la marge brute. 	Plan de Travail et Budget Enquête sur les ménages Rapports	Disponibilité des jeunes à participer au programme
Composante 1: Développement d'entreprises agropastorales			
Effet escompté I. L'accès des jeunes à des services non financiers pour le développement d'entreprises est amélioré	<ul style="list-style-type: none"> Au moins 10 structures d'incubations intègrent la formation entrepreneuriale dans leur curriculum et assurent la formation des jeunes dans les chaînes de valeurs d'intérêt 80% des jeunes ciblés adoptent les technologies enseignées 80% des jeunes promoteurs formés bénéficient des services d'appui conseil à l'entrepreneuriat 	Evaluation d'effets Etudes de cas	Les centres de formation sont disposés à engager une démarche centrée sur l'entrepreneuriat agricole Les parcours des jeunes promoteurs au sein des incubateurs sont personnalisés
Produit 1.1. Les capacités techniques, et entrepreneuriales des jeunes promoteurs sont renforcées dans les domaines d'intérêt	<ul style="list-style-type: none"> 04 cohortes de jeunes promoteurs graduent annuellement des incubateurs avec un plan d'affaire bancable Au moins 5040 jeunes dont au moins 30% de femmes sont formés et accompagnés d'ici à 2021 	Mission de suivi et supervision Audit technique et opérationnel Rapports Base de données	
Produit 1.2. Un système d'accompagnement est mis en place pour garantir l'installation, la viabilité et la rentabilité des entreprises	<ul style="list-style-type: none"> Au moins 10 structures incubation sont renforcées et contractées pour assurer en extra muros l'appui accompagnement des jeunes dans leurs entreprises 01 structure d'incubation de référence est promue 	Mission de suivi Arrêtés du ministère Contrats de performance	
Composante 2. Accès aux services financiers			
Effet escompté II. L'accès des jeunes à des services financiers pour la création et le	<ul style="list-style-type: none"> 6 réseaux d'EMF partenaires s'approprient les segments de marchés ruraux où exercent les entreprises des jeunes 	Evaluation d'effets Base de données	Les EMF disposent de produits spécifiques et de

⁴ Les valeurs de référence seront définies lors de l'enquête Sygri de référence

Résumé descriptif	Indicateurs objectivement vérifiables	Moyens de vérification	Hypothèses
développement d'entreprises est amélioré	<ul style="list-style-type: none"> Evolution du taux de pénétration rural d'au moins 15% 70% des projets appuyés obtiennent un crédit auprès des EMF 		compétences pour financer l'entreprenariat rural
Produit 2.1. Un mécanisme financier pérenne adapté aux besoins des jeunes promoteurs est mis en place.	<ul style="list-style-type: none"> 04 (quatre) nouveaux produits sont développés Le fonds de facilitation du PADMIR pour l'octroi de crédits à moyen terme est renforcé et opérationnel 	Registre des contrats Rapports Enquêtes Mission de suivi et supervision	Les jeunes promoteurs disposés à recourir aux crédits
Composante 3: Amélioration de l'environnement entrepreneurial			
Effet escompté III. Le cadre politique, législatif et institutionnel est favorable au développement d'entreprises agropastorales	<ul style="list-style-type: none"> Au moins 50% des bénéficiaires enquêtés tous les 2 ans, sont satisfaits de l'environnement des affaires 	Enquêtes de satisfaction Client survey	Appropriation et intérêt des ministères de tutelle
Produit 3.1. Le cadre organisationnel pour la promotion de l'entreprenariat agropastoral est établi	<ul style="list-style-type: none"> 1 réseau national des jeunes entrepreneurs agro pastoraux est créé et répond aux besoins des jeunes Au moins 80% des entreprises promues sont membres du réseau et participent à ses activités 	Agrément du réseau Evaluation des adhésions	Professionnalisme des entreprises promues Absence d'inertie administrative et institutionnelle
Produit 3.2. Le dialogue sur les politiques, et stratégies est mené entre le gouvernement et les jeunes entrepreneurs et l'environnement des affaires amélioré	<ul style="list-style-type: none"> la politique sur le développement des entreprises agropastorale est formulée et adoptée L'accès à la terre et la sécurisation foncière est effective pour au moins 30% des jeunes promotrices 	Délibération des sessions parlementaires	
Composante 4: Coordination, gestion, Suivi évaluation, gestion des connaissances			
La coordination et le suivi des activités est effective	<ul style="list-style-type: none"> 1 unité nationale d'appui conseil et 4 unités régionales établies et opérationnelles Le système de suivi évaluation est mis en place et opérationnel 	PTBA SSE Rapports des URAC et de l'UNAC	
La capitalisation des effets du programme est assurée	<ul style="list-style-type: none"> Une stratégie de communication et gestion des savoirs est élaborée et opérationnelle 	Stratégie de communication Supports de communication	