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## **President's report on a proposed private sector grant to PEBCo-BETHESDA – Inclusive Microfinance for Resilient Improved Livelihoods**

Project ID: 2000004948

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Document: EB 2026/147/R.2

Agenda: 3(a)(i)(a)

Date: 25 March 2026

Distribution: Public

Original: English

**FOR: APPROVAL**

**Action:** The Executive Board is invited to approve the recommendation contained in paragraph 17.

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### **Technical questions:**

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# President's report on a proposed private sector grant to PEBCo-BETHESDA – Inclusive Microfinance for Resilient Improved Livelihoods

## I. Background

1. In August 2024, the Executive Board approved a non-sovereign operation (NSO) in the form of a EUR 3.0 million senior loan to Promotion de l'Épargne-crédit à Base Communautaire–BETHESDA (PEBCo-BETHESDA) to expand inclusive rural and peri-urban lending to small-scale producers, producers' organizations and agricultural micro, small and medium-sized enterprises (agri-MSMEs) in the Republic of Benin (EB 2024/LOT/NS.1). The NSO targets IFAD priority groups, including women (72 per cent), youth (30 per cent) and rural poor people living below the poverty line (40 per cent),<sup>1</sup> with an expected direct outreach of 20,600 clients and indirect outreach of 123,600 household members by 2030.
2. To support the effective implementation of the NSO and enhance PEBCo-BETHESDA's capacity to deliver and track development results, IFAD is proposing a complementary technical assistance (TA) grant. The proposed TA is part of the NSO's risk mitigation and theory of change and will be implemented alongside the loan.
3. The proposed grant will be financed by the Investing in Livelihood Resilience and Soil Health in African, Caribbean and Pacific Countries (ILSA) programme, which is managed by IFAD and financed by the European Union. The grant was approved by the European Union in February 2025.
4. The NSO design envisages complementary TA to: (i) strengthen environmental, social and governance (ESG) standards and systems, including formalization of the environmental and social management system (ESMS) and exclusion list; (ii) support digitalization of credit products and processes, and improvements to monitoring and evaluation (M&E) to track outreach and development results more effectively; and (iii) strengthen internal management and operational capacity to expand outreach and improve service quality for rural clients and agricultural value chain actors. The proposed TA is an integral part of the NSO theory of change and risk mitigation package, and supports compliance with IFAD's Social, Environmental and Climate Assessment Procedures (SECAP) requirements, and M&E and supervision expectations.
5. The proposed grant is consistent with the European Commission's action document for food production and resilience of food systems in African, Caribbean and Pacific countries<sup>2</sup> and the IFAD Regular Grants Policy (2021), as it supports IFAD's mandate to improve inclusive financial services and strengthen institutional capacity for rural transformation, while enabling stronger development results and safeguard compliance under the associated NSO. The grant contributes to Sustainable Development Goals (SDGs) 1 (no poverty), 2 (zero hunger), and 5 (gender equality) through increased average household income (particularly for women); and SDG 8 (decent work and economic growth) through job creation in the borrower MSMEs.
6. The direct recipient will be PEBCo-BETHESDA, a regulated Tier 2 financial institution and one of the leading microfinance institutions in Benin, with a strong rural footprint (60 branches across 9 regions) and a large agriculture portfolio. The recipient was identified through direct selection, as the TA is specifically designed to strengthen the capacity and systems of the same private sector entity implementing the Executive Board-approved NSO and receiving the associated loan

<sup>1</sup> As per the 2024 World Bank definition (people earning less than US\$2.15 or XOF 1,294 per day). The remaining 60 per cent of those targeted do not fall within this parameter but still struggle to meet basic needs.

<sup>2</sup> [https://ec.europa.eu/echo/files/funding/hip2022/c\\_2022\\_6535\\_f1\\_annex\\_en\\_v2\\_p1\\_2191411.pdf](https://ec.europa.eu/echo/files/funding/hip2022/c_2022_6535_f1_annex_en_v2_p1_2191411.pdf).

financing. IFAD has conducted the required due diligence of the private sector grant recipient, in accordance with its policies and procedures for non-sovereign operations and private sector engagement.

## II. The proposed programme

7. The overall goal of the TA grant is to strengthen PEBCo-BETHESDA's institutional systems and capacity to deliver inclusive rural finance in Benin in a manner that is more sustainable, digitally enabled, and aligned with IFAD's ESG and results requirements, thereby enhancing the development impact of the associated NSO loan. The objectives are to:
  - (i) Strengthen ESG and operational systems (ESMS, policies, procedures, exclusion list, grievance mechanism and reporting);
  - (ii) Improve digitalization of selected credit products and processes, and strengthen data systems for client-level tracking; and
  - (iii) Strengthen management systems, operational capacity and M&E to support outreach expansion to IFAD priority groups and improve reporting on results.
8. The grant directly targets PEBCo-BETHESDA, and will indirectly benefit PEBCo-BETHESDA's rural and peri-urban clients, who are financed under the NSO, namely small-scale producers, agri-MSMEs and producers' organizations, with a particular focus on women, youth and rural poor people.
9. **Duration and components.** The grant will be implemented over 15 months (see appendix III for details) and will have the following components:
  - **Component 1 – ESG and safeguard strengthening:** formalization and strengthening of ESMS; ESG policy and action plan implementation; revised exclusion list; staff training and operational integration; improved reporting and oversight.
  - **Component 2 – Management information system (MIS) strengthening and data systems:** digitalization of selected credit processes and products; a strengthened MIS and client-level tracking for IFAD-financed sub-loans; improvements to data capture on gender and youth and to poverty outreach; and foundational tools to support efficiency and transparency.
  - **Component 3 – Digitalization, institutional capacity and M&E strengthening:** Digitalization of selected processes and products, combined with institutional and monitoring capacity strengthening, including credit process digitalization, stronger internal procedures and roles, staff training, improved M&E framework and reporting tools aligned with the NSO results framework; and implementation support for change management.

## III. Expected outcomes/outputs

10. The programme is expected to generate the following outcomes/outputs:
  - (i) **ESG/ESMS strengthened** and operationalized, including updated policies/tools and increased staff capacity, supporting SECAP-aligned risk management and supervision;
  - (ii) **Improved digital processes and MIS capabilities** enabling better portfolio monitoring, reduced transaction costs over time, and more reliable tracking of IFAD-supported borrowers;
  - (iii) **Strengthened M&E and reporting** for outreach and development results (including data disaggregated by sex and age), aligned with the NSO results framework and supervision requirements; and

- (iv) **Improved institutional readiness** to scale rural/agricultural finance responsibly, supporting the resilience and sustainability of client livelihoods under the NSO.
11. The main expected outcomes to be achieved cumulatively through IFAD’s funding by 2030 are: (i) 20,600 direct IFAD-supported clients, including 15,450 rural borrowers (75 per cent), 14,830 women (72 per cent), 6,180 youth (30 per cent) and 8,240 rural poor living below poverty line (40 per cent); (ii) 123,600 indirect household members (assuming six people per household); (iii) 10,300 formal jobs sustained by PEBCo-BETHESDA’s lending activities, including 7,416 for women (72 per cent) and 3,090 for youth (30 per cent); and (iv) EUR 5 million in additional funding catalysed during the loan tenor through ongoing discussions for potential cofinancing with partners (see logical framework, appendix I).

#### IV. Implementation arrangements

12. PEBCo-BETHESDA will implement the TA grant through its management structures, with dedicated focal points for ESG and programme coordination, and hiring of specialized service providers/consultants as required. To ensure the effective use of TA funding to support PEBCo-BETHESDA’s lending operations, IFAD is exploring the possibility of hiring a local consultant, as needed, to support implementation checks and verify progress on TA deliverables and compliance with the grant agreement requirements.
13. The progress and results of the TA grant will be reviewed through IFAD supervision arrangements under the NSO, including annual supervision missions and regular reporting, ensuring alignment between TA implementation, covenant compliance and NSO development results.
14. Consistent with the Investment Review Committee (IRC) decision on the PEBCo-BETHESDA waiver request, execution of the grant agreement will be required prior to disbursement of the second loan tranche under the NSO loan. PEBCo-BETHESDA has prepared a detailed TA workplan and budget by component, including its contribution of 10 per cent of the total grant amount (see table 1 for details).

#### V. Indicative programme costs and financing

15. There are no deviations from standard procedures for financial reporting and audits, except as specifically detailed in the appendix on financial governance applicable to grants to private sector entities, including dedicated reporting and external audit provisions.
16. The TA grant is financed through the ILSA programme, which is funded by the European Union. The total grant amount is capped at EUR 250,000 and is complemented by a 10 per cent in-kind contribution from PEBCo-BETHESDA, primarily in the form of staff time and related support. As the grant is financed by the European Union, the applicable European Union rules and eligibility criteria for expenditures will prevail, in line with the provisions of the grant agreement. The final detailed budget, procurement arrangements and implementation schedule will be reflected in the grant agreement, and workplan and budget (as applicable).

Table 1  
**Costs by component and financier**  
(Thousands of euros)

<i>Components</i>	<i>Grant funded through ILSA</i>	<i>In-kind cofinancing PEBCo-BETHESDA</i>	<i>Total</i>
1. ESG and safeguard strengthening	119	15	134
2. MIS strengthening and data systems	15	4	19
3. Digitalization, institutional capacity and M&E strengthening	116	6	122
<b>Total</b>	<b>250</b>	<b>25</b>	<b>275</b>

Table 2  
**Costs by expenditure category and financier**  
 (Thousands of euros)

<i>Expenditure category</i>	<i>Grant funded through ILSA</i>	<i>In-kind cofinancing PEBCo-BETHESDA</i>	<i>Total</i>
1. Consultancy/technical assistance services	90	5	95
2. Equipment, software and IT materials	70	5	75
3. Training, workshops and capacity-building	60	10	70
4. Travel, meetings and operating costs	30	5	35
<b>Total</b>	<b>250</b>	<b>25</b>	<b>275</b>

## VI. Recommendation

17. I recommend that the Executive Board approve the proposed grant in terms of the following resolution:

RESOLVED: that the Fund, acting through the resources of the IFAD-managed and European Union-financed programme, Investing in Livelihood Resilience and Soil Health in African, Caribbean and Pacific Countries, shall provide a supplementary fund grant in an amount not exceeding two hundred and fifty thousand euros (EUR 250,000) to Promotion de l'Épargne-crédit à Base Communautaire–BETHESDA to finance technical assistance, upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented to the Executive Board herein.

Alvaro Lario  
 President

## Results-based logical framework

Outreach	Disaggregation	Target	Means of verification	Assumptions
Number of direct clients reached (borrowers)	<b>Total</b>	<b>20 600</b>	Annual supervision missions/ monitoring and evaluation (M&E) report	Rural finance demand remains strong; PEBCo maintains outreach strategy and branch/agent functionality; no major political/economic/health/security shock disrupts operations; targeting methodology and client profiling remain reliable to track women/youth/poverty disaggregation.
	Women (72%)	14 830		
	Youth (30%)	6 180		
	People living below the poverty line (40%) <sup>3</sup>	8 240		
Number of indirect clients reached <sup>4</sup>	<b>Total</b>	<b>123 600</b>	Annual supervision missions/ M&E report	Indirect beneficiary estimation method assumes household size of 6 persons per family, assuming no major displacement/crisis significantly changes household composition or livelihoods during reporting period.
	% below the poverty line (40%) <sup>5</sup>	49 440		
<b>Outcome 1: More rural employment opportunities, notably for women and youth</b>				
Number of formal jobs created by PEBCo	<b>Total</b>	<b>50</b>	M&E report	This outcome assumes a broadly stable operating environment in rural areas, with no major political, security, economic, health or climate shocks that significantly disrupt

<sup>3</sup> 2024 World Bank's definition (people earning less than US\$2.15 or XOF 1,294 per day).

<sup>4</sup> Assuming six people per household.

<sup>5</sup> 2024 World Bank's definition (people earning less than US\$2.15 or XOF 1,294 per day).

				MSME activity or labor markets. It also assumes PEBCo and its borrower enterprises remain operational and financially viable, can maintain or expand their workforce, and are able to consistently track and report employment data (including women/youth disaggregation) using an agreed definition of “formal jobs created/sustained.”
Number of formal jobs sustained by the project’s private sector recipients	<b>Total</b>	<b>10 300<sup>6</sup></b>	Annual supervision missions/ M&E report	
	Women (72%)	7 416		
	Youth (30%)	3 090		
<b>Outcome 2: Improved access to finance for small-scale producers, rural poor people and agri-MSMEs involved in food systems</b>				
Clients in rural areas accessing IFAD’s loans (75% of total directclients)	<b>Total</b>	<b>15 450</b>	Annual supervision missions/ M&E report	This outcome assumes IFAD loan proceeds and the supporting TA are available as planned and that PEBCo maintains sufficient liquidity/capital, risk appetite, and operational capacity to on-lend to rural/agri clients without undue delays. It further assumes the regulatory and macroeconomic context remains supportive (no sudden credit tightening driven by inflation/interest-rate spikes or other shocks), agricultural value chains remain functional with adequate borrower demand and repayment capacity, and PEBCo’s targeting, KYC/onboarding and data systems can reliably reach and monitor women, youth and people living below the poverty line.

<sup>6</sup> Estimation of 50 per cent of the direct clients..

	Women (72%)	11 125		
	Youth (30%)	4 635		
	People living below the poverty line (40%) <sup>7</sup>	6 180		
% increase in agri-portfolio (from end-2024)		25%	Financial reporting	Agricultural seasons are broadly normal (no extreme multi-season shock); input/produce markets remain functional; portfolio growth not constrained by regulatory changes, interest rate spikes, or liquidity shortages.
# new or developed financial products or services offered to clients.		3	M&E report	PEBCo has internal capacity and approvals to design/roll out products; required digital/MIS functionality is delivered on time; market conditions allow uptake; consumer protection and responsible lending requirements are maintained.

<sup>7</sup> 2024 World Bank's definition (people earning less than US\$2.15 or XOF 1,294 per day).

## Financial governance

### Introduction

1. Given the selection of a private sector entity as the recipient, an integrity due diligence was conducted and strict financial management and governance frameworks will be established to ensure transparent and efficient use of IFAD resources and achievement of programme objectives. This appendix outlines the outcome of the integrity due diligence and the financial management system, procurement procedures and audit arrangements that will be reflected in the TA Grant Agreement.
2. IFAD's integrity due diligence of the recipient did not reveal any cause to believe that IFAD funds would be used for money laundering, terrorism financing, or violations of applicable sanctions.

### Financial management system, including accounting specifications

3. PEBCo uses the OHADA accounting framework and maintains established budgeting, accounting, internal control and reporting arrangements as a regulated financial institution. For this TA grant, PEBCo will:
  - track TA-related transactions under dedicated budget lines and accounting codes;
  - establish a **dedicated bank account** (or an equivalent ring-fenced arrangement acceptable to IFAD) for grant funds, in the currency specified in the TA Grant Agreement;
  - submit withdrawal applications and supporting documentation in line with the TA Grant Agreement; and
  - assign clear internal oversight responsibilities (programme coordination, finance function, authorization controls, segregation of duties).
4. PEBCo will submit **periodic financial reports/Statements of Expenditure** in form and substance acceptable to IFAD and EU-ILSA, including a breakdown by component and expenditure category, and reflecting in-kind contributions as applicable.

### Procurement procedures

5. Globally, the assessment of the procurement aspect of PEBCo-BETHESDA Benin shows that this is in line with the National and IFAD framework. The procurement plan remains a strategic document used to acquire the goods, services and works necessary for the implementation of activities. PEBCo-BETHESDA has undertaken different reforms to ensure that the procurement plan is aligned to the Annual Work Plan and Budget (AWPB) and to ensure this abides to national and international standards. As a result, the 2026 Procurement Plan has been prepared according to the manual and is aligned with the Annual Plan for the 2026 financial year.
6. The procurement activities are the responsibilities of the Procurement Unit which is led by an experienced Procurement Officer and some Assistants and is responsible for procurement planning and process and procedures in accordance with established rules. In addition to that, the Procurement Unit monitors the management and execution of contracts, ensuring that agreed deadlines and conditions are met.
7. To ensure compliance in the procurement process, the institution also has an internal control mechanism led by the Procurement Control unit, and its role is to ensure transparency, efficiency, and compliance in the procurement procedure and to ensure verifies that contracts and deliveries comply with specifications and are executed according to the contractual arrangement.

8. Procurement under the TA will be conducted in accordance with the **General Provisions Applicable to IFAD Grant Agreements** and any specific procurement arrangements set out in the TA Grant Agreement. The TA will finance consultancy services, training and limited goods/services (as applicable). Competitive selection methods and documentation requirements will be specified in the TA Grant Agreement and aligned with IFAD's internal review and clearance.

### **Audit arrangements**

9. External audit arrangements will comply with the TA Grant Agreement. The audit scope and reporting will be agreed between IFAD and PEBCo, including submission timelines, and any specific audit opinion requirements for grant-funded expenditures. Given the short implementation period of the TA, IFAD and PEBCo may agree to conduct a single external audit covering the full implementation period, in lieu of annual audits.

## Implementation procedures and project management

Implementation will be overseen by PEBCo under the Grant Agreement, with clear internal coordination, procurement, verification and supervision arrangements to ensure timely delivery and compliance.

- **Oversight and coordination:** PEBCo implements TA under the Grant Agreement with dedicated focal points (ESG focal point(s) and programme coordination), and internal finance/authorization controls.
- **Service providers:** PEBCo will procure specialized consultants/service providers for targeted assignments as required.
- **Implementation verification:** IFAD may hire a local consultant (as needed) to support implementation checks, verify progress on TA deliverables, and confirm compliance with grant requirements, proportionate to risk and implementation needs.
- **Integration with NSO supervision:** Progress reviewed through NSO supervision arrangements (annual supervision missions and regular reporting), ensuring alignment between TA deliverables, covenant compliance and development results.

## Implementation period and workplan

Duration: up to 15 months, with a detailed workplan and deliverable schedule annexed to the Grant Agreement (including sequencing across components and procurement milestones).

## Planning, Monitoring and evaluation, and reporting

PEBCo will be responsible for regular narrative and financial reporting to IFAD, in accordance with IFAD reporting requirements and formats, while applying the European Union's rules and eligibility criteria for expenditures as set out in the relevant contribution agreement. Reporting will be based on an agreed set of indicators and will cover:

- Narrative progress reports (against deliverables and outcomes by component)
- Financial reports/Statements of Expenditure (by component and category, including in-kind contribution reporting as applicable)
- Updated procurement plan and contract status reporting (as required)
- Results reporting aligned with NSO results framework, including progressive improvements in disaggregation (gender/youth, poverty where feasible)

## Supervision arrangements

IFAD supervision through NSO arrangements, supplemented by targeted TA implementation follow-up (remote check-ins, document review, and missions as needed).

Coordination among PEBCo, IFAD (PSD/PDT), and relevant IFAD units for SECAP/ESG, financial governance and clearance process (as applicable).

## Risks and mitigation measures

1. Implementation delays (procurement, vendor performance, internal capacity constraints).
  - **Mitigation:** realistic workplan; clear terms of reference (TORs); competitive procurement; milestone-based payments; IFAD clearance; implementation support.
2. Weak adoption of new systems (ESMS/MIS/digital tools) due to change management constraints.
  - **Mitigation:** staff training; phased rollout; management endorsement; clear roles and Standard Operating Procedure (SOPs); implementation coaching.
3. Data quality limitations for results reporting (gender/youth/potential poverty proxies).
  - **Mitigation:** progressive data protocol; MIS configuration; periodic data quality checks; simplified initial reporting with a plan to increase granularity.

#### 4. Fiduciary and governance risks (private sector grant).

- **Mitigation:** dedicated/ring-fenced arrangements; clear authorization controls; periodic financial reporting; external audit; IFAD verification checks as needed.

## **Knowledge management, innovation, scaling up and sustainability**

### **Innovation**

The TA supports practical institutional innovation: formal ESMS integration into credit processes; digitalization of selected workflows; improved MIS and analytics for targeted outreach and results tracking.

### **Knowledge management**

Document lessons learned on ESG system strengthening and digitalization in a rural-finance MFI context.

Capture good practices for tracking and reporting on priority groups and NSO development results.

### **Scaling up and sustainability**

The TA is designed to embed durable systems (ESMS, MIS, reporting tools) that remain in place beyond the TA period, enabling PEBCo to scale inclusive rural finance responsibly and sustain improved compliance and reporting.

### **Communication and visibility**

To be in line with EU-ILSA visibility requirements (as applicable) and IFAD guidance, focusing on proportionate visibility actions and learning dissemination.

## **Costs and financing**

### **A. Financing plan**

**IFAD/EU-ILSA grant:** EUR 250,000 (cap)

**PEBCo in-kind contribution:** ~EUR 25,000

**Total:** ~EUR 275,000

### **B. Project costs**

Costs are organized by the three components, as reflected in PEBCo's detailed workplan and budget (annexed to the Grant Agreement). Expenditure categories typically include consultancy services, training/workshops, limited goods/services (as applicable), and operational costs necessary to deliver the TA outputs.

## **Disbursement arrangements**

Disbursements will be made to PEBCo on a schedule agreed in the Grant Agreement, typically in tranches linked to deliverables/workplan and satisfactory reporting.

The TA disbursement will be made in two tranches, according to the following proposed structure:

- 1st tranche: 90% of the amount (EUR 225,000).
- 2nd tranche: 10% of the amount (EUR 25,000), provided that 75% of the disbursed amount has been used and an expenditure report (with supporting documents) is submitted, which will be verified by a consultant under the supervision of the PSD Investment Officer.