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INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT
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REPORT AND RECOMMENDATION OF THE PRESIDENT

TO THE EXECUTIVE BOARD ON A PROPOSED LOAN TO

THE REPUBLIC OF BENIN

FOR

THE MICROFINANCE AND MARKETING PROJECT



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CURRENCY EQUIVALENTS

Currency Unit	=	CFA Franc (XOF)
USD 1.00	=	XOF 580
XOF 1.00	=	USD 0.00172

WEIGHTS AND MEASURES

1 kilogram (kg)	=	2.204 pounds (lb)
1 000 kg	=	1 metric tonne (t)
1 kilometre (km)	=	0.62 miles (mi)
1 metre (m)	=	1.09 yards (yd)
1 square metre (m ²)	=	10.76 square feet (ft ²)
1 acre (ac)	=	0.405 ha
1 hectare (ha)	=	2.47 acres

ABBREVIATIONS AND ACRONYMS

AWP/B	Annual Programme of Work and Budget
CFD	Caisse française de développement
DANIDA	Danish International Development Assistance
ERR	Economic Rate of Return
FECECAM	Fédération des caisses d'épargne et de crédit mutuel
FSA	Financial Services Association
MIS	Management Information System
MRD	Ministry of Rural Development
MOF	Ministry of Finance
MTBDP	Medium-Term Benin Development Plan
NGO	Non-Governmental Organization
PAGER	Project d'activités génératrices de revenus (Income-Generating Activities Project)
PCU	Project Coordination Unit
SOE	Statement of Expenditure
UEMOA	Union économique et monétaire ouest-africain (West African Economic and Monetary Union)

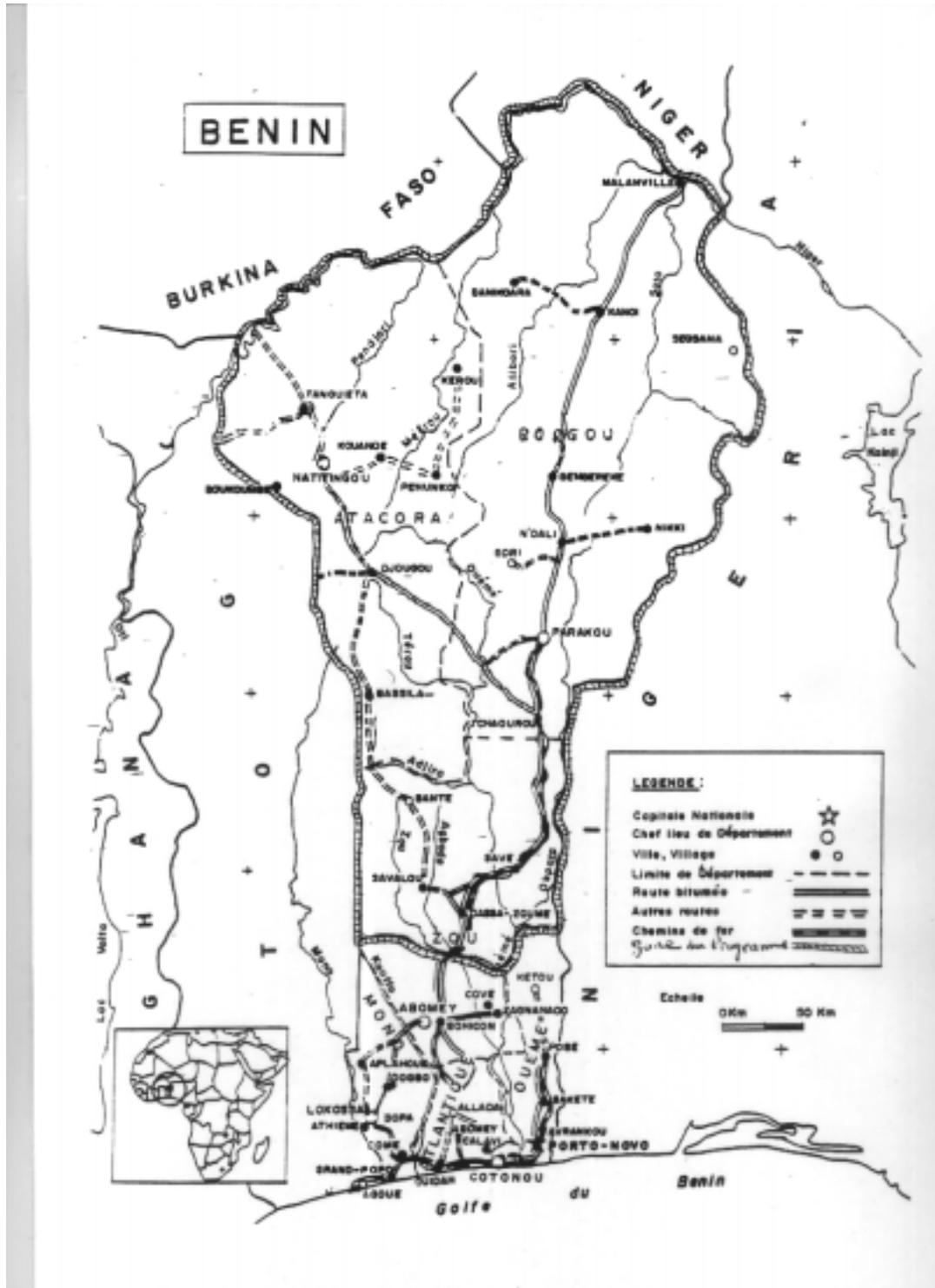
GOVERNMENT OF THE REPUBLIC OF BENIN

Fiscal Year

1 January - 31 December



MAP OF THE PROJECT AREA



Source: IFAD

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.



REPUBLIC OF BENIN

MICROFINANCE AND MARKETING PROJECT

LOAN SUMMARY

INITIATING INSTITUTION:	IFAD
BORROWER:	Republic of Benin
EXECUTING AGENCY:	Ministry of Rural Development (MRD)
TOTAL PROJECT COST:	USD 15.1 million
AMOUNT OF IFAD LOAN:	SDR 9.15 million (equivalent to approximately USD 12.2 million)
TERMS OF IFAD LOAN:	40 years, including a grace period of ten years, with a service charge of three fourths of one per cent (0.75%) per annum
COFINANCIERS:	None
CONTRIBUTION OF BORROWER:	USD 1.4 million
CONTRIBUTION OF BENEFICIARIES:	USD 1.5 million
APPRAISING INSTITUTION:	IFAD
COOPERATING INSTITUTION:	IFAD



PROJECT BRIEF

Who are the beneficiaries? The project is expected to benefit directly 90 000 members of the 180 Financial Services Associations (FSAs) to be created, while an estimated 8 000 women will benefit from the income-generating activities and 300 000 persons from improved feeder roads.

Why are they poor? They are poor because they are facing a high cost of market transactions for selling their produce and for purchasing consumer goods, production inputs, and basic services. Women farmers are particularly marginalized and have difficult access to financial services, land, training and other production means. The high market transactions arise from: (i) weakness of financial services in rural areas; (ii) poor integration of women in decision-making at local level; (iii) isolation/dispersion of the producers and predominance of small-scale operators in supply chains with limited negotiation power and information; (iv) poor rural roads limiting access to production basins and markets; and (v) poor market information and linkage between grass-roots producers and traders and unfamiliarity with distant markets. High transaction costs result in poor market opportunities, prevent investments in expanding agricultural production, and limit bulk trading activities. Small-scale trading remains the rule. In many areas poor infrastructure and remoteness lead to poor access to essential social services (primary education and health) with negative impact on the workforce and on investment capacity.

What will the project do for them? The project will contribute to poverty alleviation by filling critical gaps for a sustainable development process based on women's, small traders' and villagers' initiatives. The project aims at developing self-managed and self-financed grass-roots institutions which could last beyond the project period. The goal is to increase the income and well-being of poor rural households and particularly women. Specific objectives are to: (i) strengthen self-promotion and self-reliance capabilities of women and their participation in decision-making and in local development; (ii) facilitate access to financial services to the rural poor on a sustainable basis; (iii) improve marketing of existing production reducing transaction costs; and (iv) improve transparency, professionalism, efficiency and focus of grass-roots organizations and especially women's groups and women's microenterprises. The project will have three main components: (i) support to decentralized financial services; (ii) support to FSAs; and (iii) rural road rehabilitation and maintenance.

How will the beneficiaries participate in the project? Villagers, men and women will fully participate in creating local institutions (financial and commercial associations) owned and governed by themselves on a shareholding basis. Villagers and participating women's groups will be actively involved in rural road maintenance. The project will have regular meetings with regional coordination committees where beneficiaries will be represented. The Annual Programme of Work and Budget will be elaborated with the support of those committees and partner non-governmental organizations, and will reflect the demand and participation capacity of the target group.



**REPORT AND RECOMMENDATION OF THE PRESIDENT OF IFAD
TO THE EXECUTIVE BOARD ON A PROPOSED LOAN TO
THE REPUBLIC OF BENIN
FOR
THE MICROFINANCE AND MARKETING PROJECT**

I submit the following Report and Recommendation on a proposed loan to the Republic of Benin for SDR 9.15 million (equivalent to approximately USD 12.2 million) on highly concessional terms to help finance the Microfinance and Marketing Project. The loan will have a term of 40 years, including a grace period of ten years, with a service charge of three fourths of one per cent (0.75%) per annum. It is proposed that this IFAD-initiated project be directly supervised by the Fund in view of its innovative elements with respect to implementation by non-governmental organizations and the private sector. The main focus is on microfinance, for which IFAD has developed a strategic focus in the creation of Financial Services Associations through an innovative approach that needs close monitoring and supervision.

PART I - THE ECONOMY, SECTORAL CONTEXT AND IFAD STRATEGY¹

A. The Economy and Agricultural Sector

1. Benin has an area of 112 622 km². It is located in western Africa bordering Togo to the west, Nigeria to the east, and Burkina Faso and Niger to the north. It has a narrow maritime border with the Atlantic Ocean, and the port of Cotonou plays an important role in supplying the countries within the sub-region. The population of Benin, estimated at 5.1 million, is increasing at an average annual rate of 2.9%. An estimated 65% of the population live in the rural areas, with very high concentration in the southern regions. Benin's Gross National Product (GNP) per capita amounted in 1995 to the equivalent of USD 370, putting Benin among the least developed countries. About one third of households live below the poverty line, and almost two thirds of rural households are vulnerable to poverty. The macroeconomic situation is largely influenced by the country's membership in the West African Economic and Monetary Union (UEMOA) and by its formal and informal trade relations with Nigeria, with which it has a long and largely uncontrolled border.

2. Since the early 1990s, Benin has successfully undertaken economic and policy reform under the support of three successive Structural Adjustment Programmes which led to restoring economic growth (4% per year between 1990 and 1995). Public debt has been reduced, inflation is kept low, and all macro indicators are quite satisfactory. It has created an incentive framework which is conducive to private investment and growth. Benin has also undergone an important democratization process which is exemplary in the African context. This political process has strengthened the civil society, the local organizations and producer groups which play an increasingly stronger role in the economic and political life of the country. Most local organizations, including local associations and non-governmental organizations (NGOs), are young, and have limited institutional, financial and operational capacity. The agricultural sector is the driving force behind economic growth, providing approximately 60% of employment and accounting for 33% of GNP; and trade, which comprises mainly trade of agricultural products, has likewise a 33% share of GNP. Food production is fairly diversified and able to meet Benin's food needs. However, food production and availability are

¹ See Appendix I for additional information.



unevenly distributed, with important geographical differences. Maize, yams, cassava, groundnuts and beans are the predominant crops, while sorghum and millet are important only in the north. Livestock is also important in the north. Cotton as a cash crop plays an important role. Growth in agriculture, achieved by resource-poor farmers and particularly women, has been constrained by limited access to markets and finance for expanding production and increasing income.

3. Women are particularly active in agricultural production, crop transformation and marketing in rural Benin. Food crop marketing and primary processing are entirely managed by women, while cotton marketing is overseen by producer groups mainly led by men. For women, cassava and maize are becoming a major source of cash income. These commercial opportunities trends accelerated after the devaluation in 1994 of the CFA franc, which boosted the comparative advantage of food crop produced domestically and shifted urban demand to locally-produced foods such as cassava and yam. Women have a more limited access than men to the factors of production such as land, capital, and know-how, but are very responsive to market signals, participate more than men in work groups and in rotating savings and credit societies. They show very high interest in very short-term loans for commercial opportunities and social emergencies, and are ready and able to pay high interest for accessing loans. Considering women's high potential, adequate support to women - enhancing their self-promotion capabilities and impact in local development - could have a major impact on poverty alleviation.

4. The banking sector has been successfully restructured since 1990, following a long period of direct credit and Government-controlled financial institutions. Currently, the financial sector comprises five private commercial banks, a credit union network, and two State-owned savings networks. Commercial banks are slowly expanding their networks in the provinces and presently do not service the rural financial markets at village level for cost and risk reasons. The credit union network covers only a fraction of the rural areas (about 15% of the villages) and is far from delivering all services needed as it finances almost only the cotton sector and predominantly men farmers. The demand for financial services in rural areas is met mainly by informal financial arrangements (money-lenders, rotating savings and credit clubs, friends and relatives, and other traditional practices). These informal arrangements are not transparent and not cost-effective for resource-poor farmers. Despite these problems, considerable potential exists for introduction of a sustainable village-based rural banking system, which will be complementary to the credit union network.

B. Experience and Lessons Learned

5. IFAD has so far financed five projects in Benin for a total loan amount of about USD 54 million². Reflecting IFAD's mandate, all projects focus upon the alleviation of rural poverty, household food security, empowerment of small farmers with emphasis on women. IFAD support has been directed at the rural poor in the zones where poverty is particularly extreme, i.e., the northern regions of Borgou and Atacora. IFAD interventions have also been targeted on priority resource-poor farmers in order to reduce poverty and, in addition, have specifically targeted rural women who are benefiting in particular from credit programmes, income-generating activities, and training. Together with rural youth, they are the primary targets of the recent initiatives to promote rural microenterprises and income-generating activities in the 1995-approved IFAD Income-Generating Activities Project (PAGER). Lessons learned from implementing these projects are reflected in the design of the more recent projects and have helped improve implementation performance and beneficiary participation. Increasing emphasis has been placed on strengthening the capacity of small rural producers to participate in identifying their needs and constraints and in searching for adequate solutions as well as assuming responsibility for the implementation and management of the resulting development activities. Technical packages and extension are not

² See Appendix II.



identified by small farmers as priority issues as many of them have already been exposed to improved farming packages, including the use of improved seeds and fertilizers. Marketing considerations should guide any development initiative, and sustainable microfinance services are critical to support village grass-roots investments opportunities and thus to increase rural income. Project design must take into account the implementing capacity of public institutions, NGOs, and technical service agencies. Project management problems have been reduced by ensuring increased autonomy in this respect and by introducing a system of sub-contracting of activities based on strict bidding procedures. Of particular significance to the proposed project is the experience developed with the establishment of Financial Services Associations (FSAs) by the ongoing PAGER project, in which small farmers and especially women have shown particular interest. The FSAs provide an indigenous mechanism with exclusive focus and direct delivery of loans to the ultra rural poor. The proposed project will build on accumulated experience and focus on empowerment of shareholders through specific training, communication, FSA to FSA visits, annual consultations, regular participatory assessment and FSA networking through an apex structure in Benin.

C. Strategy for Poverty Eradication in Benin

Benin's Policy for Poverty Eradication

6. The Government's development objectives are outlined in the five-year Medium-Term Benin Development Plan (MTBDP) 1997-2001. The overarching concern is an improved quality of life to be achieved through the realization of development objectives of poverty alleviation, social equity and sustainable development. The key elements of the MTBDP are: (i) emphasis on human resources development to ensure that the poor are sufficiently healthy and literate to take advantage of the new opportunities arising from growth; (ii) enhanced capacity to deliver basic social services to the poor, especially in the areas of health, family planning, nutrition, basic education, safe water and sanitation, improvement of smallholders' access to technology, improvement of rural infrastructure; development of microfinance for resource rural poor as an effective tool to combat rural poverty; and (iii) decentralization of responsibilities for implementing development programmes, in particular for the economically-disadvantaged rural population. The strategy also considers policies regarding roles of rural women in development as an explicit recognition of the important roles they play in the economy.

The Poverty Eradication Activities of other Major Donors

7. Over the last 15 years Benin has benefited from major donors' assistance for many rural development projects. Nearly 90% of the financing from external aid and the destination of that assistance concerns integrated rural development projects and livestock projects with implications for the forests. The projects implemented under the Regional Centres for Rural Development have not encouraged the emergence of new actors in development — farmers' organizations — most of the activities being undertaken by outside professionals instead of the intended beneficiaries. Since 1990, actors at the base have been gradually brought into the project preparation and implementation process. With the implementation of the World-Bank Agricultural Services Restructuring Project it has been possible to reorganize the services of the Ministry of Rural Development (MRD), to launch the National Agricultural Extension Programme and transfer power and responsibilities to private operators and farmers' organizations. Presently, other donors are involved in poverty-eradication programmes; these are: (i) the Danish International Development Assistance (DANIDA)-funded support to rural development, which has both a private and a public sector component; (ii) the World-Bank-financed Local Initiatives for Food Security Project, which involves funding local infrastructure, credit and women's groups through NGOs; (iii) the Caisse française de développement (CFD)-Rural Road Rehabilitation Project in the northern regions; and (iv) the Fédération des caisses d'épargne et de crédit mutuel (FECECAM)-Rehabilitation Programme, supported by the World Bank and several bilateral donors. Although there have been significant investments by donors in the rural



finance sector in Benin, the vast majority has been directed to FECECAM, which services mainly cotton producers. Currently, the rural poor, and in particular rural women, have little to no access to financial services.

IFAD's Strategy in Benin

8. The medium-term operational IFAD strategy includes six major thrusts: (i) to continue to focus on rural poverty alleviation and the means by which the poor can be reached efficiently and effectively; (ii) to continue to focus on smallholder food production; (iii) to strengthen microfinance and rural financial intermediation with particular focus on women's empowerment both economically, in terms of their share in the household revenue, and organizationally, in terms of decision-making power; (iv) to maintain close collaboration with major donors and NGOs and provide institutional support to the Government's decentralization process; (v) to strengthen the prospects for farm and non-farm income-generating activities; and (vi) to continue to place emphasis on beneficiary participation at various stages, by strengthening the capacity and competency of farmers and women through functional literacy, management, and accounting training programmes.

Project Rationale

9. There are compelling reasons for developing a microfinance and marketing project for the northern region (the departments of Atacora, Borgou and Zou). First and foremost, Benin is among the poorest countries in the world. Although rural poverty exists in every department in the country, the three departments covered by the project face extreme poverty and are now isolated in terms of geographic coverage of current interventions by microfinance institutions, which are heavily aimed at the Atlantic department, followed by Mono and Ouémé. Financial services, particularly for the ultra poor, are almost non-existent in the formal sector, and are not being adequately provided by the informal financial intermediaries. Second, in the departments covered by the project, there is strong development potential for economically-active rural poor, including small farmers, youth and women. The rural population pursues a number of activities - crops, fishing, livestock raising, petty trade, artisanal activities, transportation of products - but the vast majority of these rural people have little to no access to financial services, and their productivity, incomes, investments and overall quality of life are thus limited. Financial institutions have been established to meet mainly the financial needs of cash crop producers (cotton in particular). Currently, however, they are only meeting an estimated 10% of the rural households. Third, the development of microfinance and rural infrastructure has important equity implications, since they benefit directly active resource rural poor people in order to enhance their economic activities, increase their revenues and create employment. Fourth, poverty alleviation and rural microfinance capacity-building are the cornerstone of the Government's strategy in Benin. There is general consensus with the Government and among external donors that the ability of the rural poor to increase their income is heavily constrained by poor microfinance services and rural infrastructure. These points form the basic underpinnings of the project, which will contribute to improved access of the active rural poor to adequate microfinance system, and will strengthen the capacity of beneficiaries to manage and sustain investments.



PART II - THE PROJECT

A. Project Area and Target Group

10. The project is located in northern Benin covering the two departments of Borgou and Atacora and the north of the department of Zou. The project area (96 000 km²) accounts for 85% of the national territory, but only 37% of the total population. The population is estimated at 2.13 million and has the highest concentration of poverty in the country. Northern Benin can broadly be divided into two parts: the areas with cotton and associated food crops (Borgou, north Zou and south Atacora) and north Atacora which has much more limited cash crop activities. Both the incidence and the extent of poverty are found to be greater in north Atacora than in other parts of Benin, but major pockets of poverty also exist in the departments of Borgou and Zou. Gender is an important dimension of poverty, especially in northern Benin, where sharp distinctions exist between the income-earning roles of men and women. Storage difficulties and poor access to feeder roads appear to be serious and are combined with lack of adapted financial services, which contributes to high fluctuations in supply and prices during the year. Small farmers sell their output immediately after harvest, at low prices, and buy later at peak prices, often through borrowing at extremely high rates from traders or money-lenders.

11. The project will target an estimated 200 villages (total population 300 000) and 400 existing women's groups (at least 8 000 members) whose livelihood depends on small farming, with priority given to active rural women involved in agricultural production, processing, marketing, and artisanal activities. Project services will not be denied to men, but will be designed so as to respond as closely as possible to women's needs. The design of the financial products and the methodologies used will play a role in ensuring appropriate self-targeting of beneficiaries. The approach consists in making project activities unattractive to the better-off, e.g., credit ceilings will be of amounts not of interest to the larger operators, and certain types of credit - more useful to the poor than the better-off - will be promoted. The repeated access to small credit can help the poor emerge from their cycle of low investment and low returns.

B. Objectives and Scope

12. The main long-term objective of this project is the establishment of a durable, self-sustaining development process that increases food crops and rural incomes, reduces rural poverty and prevents rural exodus. This objective is in line with the highest priorities of the Beninese Government and has high operational priority for IFAD and the donor community. In order to achieve this aim, four objectives need to be pursued: (i) to strengthen self-promotion capabilities of women and their participation in decision-making and local development; (ii) to facilitate access to rural financial services to the rural poor, and especially women, through mobilizing and allocating local savings for social and investment needs; (iii) to better value rural production through reducing transaction costs and facilitating market access; (iv) to improve transparency, professionalism, and efficiency of producer organizations and women's groups. The insistence of the objectives on sustainability and capacity-building implies a long-term, adaptable approach, centred around the available human resources, their needs, capacities and aspirations. Project design has been based on detailed surveys in the project area, on consultations with the intended beneficiaries, and on close collaboration with in-country resource persons. Prior to the full launching of investment activities it will, however, be necessary to test a number of methodologies and knowledge. Implementation will be undertaken in two distinct phases: a two-and-a-half-year test period during which further pertinent information will be collected, involving the beneficiaries in 50 villages and assessing with them the validity of the activities proposed; and a second, three-and-a-half-year phase to benefit another 150 villages, taking



account of the lessons learned during the test period. The project thus provides for mechanisms and procedures to adapt scope and activities during project implementation, in accordance with the impact registered and lessons learned during the first phase.

C. Project Components

13. The objectives of the project will be achieved through three components, coordinated by a Project Coordination Unit (PCU): (i) support to village-based FSAs; (ii) support to women's income-generating activities and women's groups; and (iii) rural road rehabilitation and maintenance.

14. **Financial Services Associations.** This key component of the project will enable the beneficiaries to become truly and sustainably involved in their own development. The project will support the establishment of FSAs, a concept based on an iterative participatory process of sensitization and animation. According to the specificities of each FSA at village level, training activities tailored to the beneficiaries' needs will accompany the process, culminating in the establishment of the FSA, with management, supervision and internal control undertaken by the FSA itself. The FSA concept is designed so as to build on people's empowerment and responsibility through raising shared capital from FSA members. The mobilized capital is recycled for financing, social and economic needs at village level, ensuring ownership and control of the operation by the village shareholders. The FSA adapts to village financial markets, offers easy access to resource rural poor and provides credit for different activities, i.e., agriculture, marketing, processing, and income-generating activities as well as emergency credit for health care and social needs. Loans are given on the basis of locally acceptable collateral and provided quickly with limited formalities. Loans are financed by the funds raised at village level and no "cold money" is introduced from outside. In addition, FSA operations are designed for allowing shareholders to decide on operational policies relating to the management of the FSA and in particular on the determination of credit interest rates.

15. The project will be implemented in two phases (see para. 12), supporting the creation of approximately 180 FSAs (30 FSAs during the test phase). The project will support: (i) the sensitization of the villagers in the concept and implementation arrangements of the FSA; (ii) assistance for the FSA set-up by initiating the mobilization of shares prior to the first FSA constitutive meeting; (iii) improvement or construction of a small building; (iv) provision of a safe and of initial stationery; (v) training of the FSA elected officials in FSA management; and (vi) monthly supervision, annual audit and operating costs for the first two years. The external control costs as well as operating costs of the FSA will be fully paid by the FSA itself as from project year (PY) 3 of their existence. The project will encourage partnership between FSAs and the banking sector, especially for refinancing purposes, once local demand for credit exceeds the local supply of funds raised from the FSA equity. The FSAs will be encouraged to establish their own professional federation or association, whose role will be to protect FSA interests, negotiate partnership between FSAs and commercial banks, eventually act as a risk-hedging mechanism, and oversee FSA development through ensuring quality control, audit, training and promotion activities. The project will also strengthen the Ministry of Finance (MOF) by providing appropriate training and increasing their field experience for ensuring a demand-driven and open regulatory framework as well as a close monitoring and knowledge of the FSAs by the Central Bank and the MOF, the later being in charge of regulating such organizations.



16. **Women's Income-Generating Activities.** The project will support existing producer groups and individual women with focus on strengthening self-promotion capabilities of women's groups and women's microenterprises. Existing functional women's groups willing to participate in the project will receive basic training in literacy and specific training in management, bookkeeping and technical matters related to economic activities undertaken by women. The project will contract capable NGOs in charge of animation of those groups over a two-year period, after which groups are expected to become self-sufficient and able to manage their own development with little direct support. Activities most likely to be supported comprise those currently undertaken by women: food crop production, agricultural produce primary processing (cassava), small livestock rearing and trading. Trained groups will be assisted in formulating microprojects allowing them to access improved technologies. Investment needs will be financed by the FSAs and partner banks. Post-harvest losses are high, storage quality and availability are insufficient and primary collection of cereals and tubers is not correctly organized. In order to improve existing food crop marketing chains, the project will encourage the establishment of village commercial associations involved in agricultural produce storage and marketing: such organization should adapt to local conditions and markets. Their aim will be to buy their members' production at harvest, store it in healthy conditions (with reduced losses), and sell it when prices rise. This should offer easy access and adapted services to women and the poorest, and should be managed by villagers and especially women. A model has been developed for maize, which is an important cash crop. The project will also support the collection and dissemination of relevant market information in a format adapted to the villagers and the target group. It will comprise support to organizations in charge of information collection on rural markets, support to rural radios, and to partner NGOs for delivering messages at market and village level. This will contribute to enhancing the negotiation power of poor rural households and assist the established women's commercial associations in their trading activities.

17. **Rural Road Rehabilitation and Maintenance.** Rural road rehabilitation is essential for providing market opportunities in areas with good potential, but so far excluded from active transactions with larger markets. Traders are not willing to risk their vehicles in areas with poor roads. The road rehabilitation requirements in these regions are vast and neither can nor should be fulfilled by this project alone. The project will limit its intervention to rural roads linking production basins and/or markets where it also supports the establishment of FSAs and/or promotes women's groups and microenterprises. Interventions will be programmed through beneficiary participation, and road selection will be made taking into consideration criteria specific to that project as well as other donors' interventions. The project will rehabilitate approximately some 450 km of rural roads including small bridges. The works will be entirely sub-contracted to private Beninese civil works enterprises.

18. The three components will be coordinated by a PCU to be set up in Parakou, department of Borgou, with the responsibility for planning, coordinating, supervising and monitoring project implementation. The PCU will identify the implementing partners, draw up partnership contracts and monitor them. PCU staff will be limited to five national senior project officers and support staff.

D. Project Costs and Financing

19. Total project cost, including duties and taxes, is estimated at USD 15.1 million over six years, of which USD 3.4 million, or about 22% of total cost, is in foreign exchange. Duties and taxes are estimated at USD 1.3 million. Price and physical contingencies are estimated at USD 1.6 million and USD 1.3 million equivalent respectively to 13% and 11% of the project base cost. The project will be financed by IFAD, the Government, and beneficiaries in capitalization of FSAs. The IFAD loan of USD 12.2 million will finance 81% of total project costs, including contingencies. The Government will finance USD 1.4 million (9%), representing duties and taxes and feeder road maintenance, and beneficiaries will finance USD 1.5 million (10%). The project costs and financing plan are detailed respectively in Tables 1 and 2.



TABLE 1: SUMMARY OF PROJECT COSTS^a
(USD million)

Components	Local	Foreign	Total	% of Foreign Exchange	% of Base Costs
Financial services associations	4.0	1.4	5.3	25	44
Women's income-generating activities	2.3	0.3	2.6	10	21
Rural road rehabilitation	2.1	0.8	2.9	26	24
Project coordination and management	1.0	0.3	1.3	22	11
Total base costs	9.5	2.7	12.1	22	100
Physical contingencies	1.1	0.5	1.6	30	13
Price contingencies	1.1	0.2	1.3	17	11
Total project costs	11.7	3.4	15.1	22	124

^a Discrepancies in totals are due to rounding.

TABLE 2: FINANCING PLAN^b
(USD million)

Components	IFAD		Government		Beneficiaries		Total		For. Exch.	Local (Excl. Taxes)	Duties and Taxes
	Amt.	%	Amt.	%	Amt.	%	Amt.	%			
Financial services associations	5.7	79	0.2	3	1.2	17	7.2	48	1.9	5.1	0.2
Women's income-generating activities	2.6	89	0.3	8	0.1	2	3.0	20	0.3	2.4	0.3
Rural road rehabilit.	2.5	72	0.7	21	0.2	7	3.5	23	0.9	1.9	0.7
Project coordination and management	1.3	90	0.1	10	-	-	1.5	10	0.3	1.0	0.1
Total disbursement	12.2	81	1.4	9	1.5	10	15.1	100	3.4	10.4	1.3

^b Discrepancies in totals are due to rounding.

E. Procurement, Disbursement, Accounts and Audit

20. **Procurement** will be in accordance with IFAD's guidelines. Equipment, materials and vehicles will be purchased in bulk as far as possible. Contracts for vehicles to be bought during PY 1 will be subject to International Competitive Bidding (ICB) procedures; contracts for vehicles to be bought during subsequent project years will be raised after consultation, at a national level, with at least three suppliers. Contracts for goods and equipment exceeding USD 50 000 up to an aggregate of USD 500 000 will follow Local Competitive Bidding (LCB) procedures. For contracts valued at less than USD 50 000 but more than USD 10 000, prudent shopping with at least three quotations will apply. Contracts for less than USD 10 000 will be through direct purchase from local suppliers. The civil works, being in scattered locations, are unlikely to be attractive to international bidders. Contracts of more than USD 50 000 will be carried out under LCB procedures. Contracts of less than USD 50 000 will be awarded through price quotations of at least three suppliers. Consultancy contracts will be awarded following internationally acceptable standards, with terms of reference, qualifications and conditions of service satisfactory to IFAD.



21. **Disbursements** for vehicles, equipment and consultant services will be fully documented. Those for civil works, local training and operating costs, salaries and local contractors will be made against certified Statements of Expenditure (SOEs). Documentation for withdrawals under SOE will be retained by the project for inspection during supervision missions. A special account for the project will be opened in a commercial bank in Parakou on terms and conditions acceptable to IFAD. An initial amount of USD 500 000 will be deposited into this account upon effectiveness and upon submission of withdrawal application to IFAD. Replenishment of the special account will follow established IFAD procedures. In addition, a project account will be set up in a commercial bank in Parakou for receipt and disbursement of borrower's counterpart funds. The closing date of the loan is 30 June 2005.

22. **Accounts and Audit.** All implementing agencies involved in the project will keep separate accounts of expenditures for their activities undertaken with project funding. The financial controller within the PCU will ensure that all accounts are kept in accordance with prevailing government practices which are acceptable to IFAD. The financial controller will prepare six-monthly, consolidated statements of project accounts as an integral part of the Management Information System (MIS). These consolidated statements will be submitted to IFAD. The consolidated annual accounts will be audited by an independent auditor acceptable to IFAD. All implementing agencies will grant the auditor access to the accounts for the component(s) they implement. The audited accounts and auditor's report which include a separate opinion on the SOEs will be forwarded to IFAD not later than six months after completion of each fiscal year. Before loan effectiveness the project will set up its accounting and internal control systems, to be installed by a specialized accounting firm.

F. Organization and Management

23. **Beneficiary Participation.** With a view to strengthening a participatory approach, the prospective beneficiaries of the project have been involved from the early design stage in the process of identifying their needs and possible solutions. FSAs and group development will be the key instruments for continuing the beneficiaries' involvement throughout and after implementation. While they are receiving the necessary training, technical and financial support, they will be fully responsible for the activities and investments selected by them. Project implementation will be supported by a small PCU under the aegis of the MRD, and comprise two phases (see para. 12), the first of which (PY 1-2) will serve to confirm hypotheses, approaches and methodologies by establishing 30 FSAs. The first phase will be concluded by an in-depth review at the end of PY 2. Taking into account the results of the review, the second phase will include the bulk of investment activities at village level. The main tasks of the PCU will be to: (i) prepare the annual programme of work and budget (AWP/B) and authorize expenditure; (ii) select and contract implementing agencies; (iii) carry out regular field supervision and monitoring and evaluation of field activities; (iv) appraise and approve proposals for rural road rehabilitation, FSA establishment, women's groups and microenterprise support; and (v) provide regular reports on project implementation. The project coordinator and other professionals will be recruited through transparent and competitive procedures approved by IFAD. To ensure efficiency and flexibility, the PCU will have full financial and administrative autonomy.

Reporting, Monitoring and Evaluation

24. **Reporting:** All implementing partners will prepare quarterly progress reports from which the PCU will prepare six-monthly progress reports for submission to IFAD. Such reports will contain an assessment of the project status implementation including the financial status. **Monitoring:** This will be carried out by all implementing partners, with two objectives: (i) to provide operational management information to the PCU; and (ii) to monitor the project's effects on beneficiaries. Data collected will be inputted in the MIS to be established at project start-up. Since the project attaches



high priority to working with groups and FSAs, monitoring will be carried out with their active participation. The MIS will monitor the efficiency of delivering services to beneficiaries (response time, number of requests, time taken to process requests, number of beneficiaries covered, etc.), and the performance of implementing partners. In addition, emphasis will be on establishing important parameters to monitor project performance against appraisal targets and the AWP/B. **Evaluation:** Farmers and other beneficiaries, men and women, will be encouraged to analyse the implications of their involvement in the project. This will be done by organizing annual participatory evaluation exercises. Supported FSAs and women's groups will be invited to elect one of their members as their representative to attend the review and present experiences and suggestions for improvement. The PCU will collect data for the impact assessment of the project and this will be supported by the baseline survey to be carried out at project start-up. IFAD, in close collaboration with the borrower, will carry out, at the end of PY 2, an in-depth review to assess the achievements and constraints encountered during implementation and the requirements for eventual design reorientation (see para. 12).

G. Economic Justification

25. **Production, Marketing and Prices.** The control previously exercised by parastatal institutions over all marketing has been lifted. Outputs and inputs supplies are handled by the private sector, which is dominated by a large number of smallholders and small traders. Prices are determined by supply and demand. According to theoretical activity models developed to carry out the economic analysis, the indicative incremental annual production would reach 1 800 t for maize, 1 400 t for food crops, 2 600 t for processed cassava and 170 t for pork meat. This incremental production will be sold on local, regional and neighbouring international markets (mainly Nigeria) through an informal network and partly through village commercial associations created by the beneficiaries themselves. The incremental production will not have a negative effect on farmgate prices, given the sub-region market potential and the comparative advantage of Benin compared to Nigeria and Togo.

26. **Benefits and Beneficiaries.** The project will lead to sustainable economic grass-roots institutions development, which will be eventually capable of assuming self-managed development by the time of project completion. Another key project benefit is capacity-building of rural groups, communities and NGOs, essential to the empowerment of rural people to enable them to take control of their economic destiny. The main benefits will consist in: (i) strengthened capacities of rural women producers and better participation of women in decision-making and rural development; (ii) facilitated and sustainable access to financial services adapted to the target group; (iii) secured savings and orientation towards financing investment and social needs; (iv) increased market efficiency and more marketing opportunities; (v) reduced post-harvest waste; (vi) reduced transport costs and better access to markets and social services (primary health and primary education); (vii) better quality products; and (viii) improved entrepreneurship and initiative spirit. All these benefits will lead to an increased marketed production and hence increased income of poor rural households and women contributing to starting a sustainable development process based on people's initiative. The project will benefit directly 8 000 women from the income-generating activities, while an estimated 90 000 persons in 180 villages will benefit directly from financial services and 300 000 persons will benefit from improved feeder roads. It is expected that the creation of FSAs will accumulate local savings in the order of USD 3 million, providing a cumulated USD 23 million of loans by PY 6. The income-generating activities for women's groups will generate an increased income of USD 300 per group member at PY 6.

27. **Economic Viability.** The economic analysis of the project was based on the following assumptions: (i) a project life of 20 years; (ii) an investment period of five years; (iii) all prices expressed in constant October 1997 values; and (iv) an opportunity cost of capital of 12%. All investment and recurrent costs were considered. Most of the above-mentioned benefits are difficult



to quantify; hence, only the benefit of an incremental production of women microenterprises (women's groups and village commercial associations) as well as of FSAs have been taken into account. No benefits from rural road rehabilitation have been accounted for. Even under this conservative assumption, the project will yield a satisfactory Economic Rate of Return (ERR) of 23%. An increase in costs by 20% will reduce the ERR to 16%, while a reduction of benefits by 20% will reduce the ERR to 14%. A one-year delay in the flow of benefits will result in an ERR of 17%.

H. Risks

28. Conservative scenarios are used in projecting FSA and other grass-roots economic organization development and the project's benefits. Possible difficulties which could be encountered during implementation have been taken into account in designing the various activities. Difficulties in finding competent project partners for supporting women's groups and marketing activities may reduce project impact. Nevertheless, all activities are geared to be demand-driven, taking into account beneficiary needs and organizational capacity. Rural roads rehabilitation could be constrained by the limited number and capacities of national civil works enterprises. In Borgou and Zou this risk will be mitigated since an on-going CFD-funded project will enhance human and management capacities of these enterprises. Care should be applied in defining legal and fiscal regulations that will apply to the local organizations supported by the project, particularly for the FSAs. The human factor plays a crucial role for project success, and provisions have been made to ensure staff and project partner motivation and control. Safeguards will be made against the risk of unsatisfactory performance by project staff and partner contractors as reflected in the procurement and contracting procedures.

I. Gender Impact

29. Women are expected to fully participate and benefit from the project. Some activities (support to women's groups and microenterprises) will be specifically geared to women and are expected to reach directly 8 000 group members and indirectly about 40 000 women through training and knowledge dissemination amongst the women of the 200 targeted villages. Women are very interested in participating in village organizations providing financial services such as FSAs as well as in groups/associations for organizing production, processing and marketing activities. They are expected to invest in those organizations with their income and play a significant role in their management. Other experiences of microcredit to women in Benin (through the FECECAM network under previous IFAD projects) have demonstrated a very positive impact on women's income as well as on improving household food security, child care and access to primary health and education. Most project activities will be self-targeted to women. This would certainly prove more efficient to reach IFAD's target group since directly targeting women without men's participation and agreement would be counterproductive.

J. Environmental Impact

30. The project is expected to have positive indirect impact on the environment. Direct impact on natural resources for rural road rehabilitation will be negligible, particularly as compared to the large area (96 000 km²) and its predominantly savannah cover. The project will not promote intensive technologies with high use of fertilizers/chemicals, but rather emphasize reducing losses in crop storage, increasing yield in primary processing by women, improving existing market production through increased access and more widely disseminated market information. Project activities are expected to have substantial impact on increasing women's income and reducing household reliance on cotton revenues, which partly explains area expansion and environment degradation in northern Benin. A separate environment component is not necessary, but the project will include environment criteria in its monitoring and evaluation.



K. Innovative Features

31. The project has a number of innovative features. Financial services will be provided through the FSAs: this is an approach which has been initiated in a limited number of IFAD-financed projects with promising results. The women's marketing activities will develop experimental organizational methods allowing improved participation and accounting at group level. Road rehabilitation will link road maintenance to producer organizations and existing local community-level organizations which will be supported for this purpose. Implementation of specific activities will be contracted out, as much as possible, to private sector operators, allowing for improved cost accounting and effectiveness. The PCU will have large administrative and financial autonomy and comprise very few staff but with appropriate managerial competencies.

PART III - LEGAL INSTRUMENTS AND AUTHORITY

32. A loan agreement between the Republic of Benin and IFAD constitutes the legal instrument for extending the proposed loan to the borrower. A summary of the important supplementary assurances included in the negotiated loan agreement is attached as an annex.

33. The Republic of Benin is empowered under its laws to borrow from IFAD.

34. I am satisfied that the proposed loan will comply with the Agreement Establishing IFAD.

PART IV - RECOMMENDATION

35. I recommend that the Executive Board approve the proposed loan in terms of the following resolution:

RESOLVED: that the Fund shall make a loan to the Republic of Benin in various currencies in an amount equivalent to nine million one hundred and fifty thousand Special Drawing Rights (SDR 9 150 000) to mature on and prior to 15 March 2038 and to bear a service charge of three fourths of one per cent (0.75%) per annum, and to be upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented to the Executive Board in this Report and Recommendation of the President.

Fawzi H. Al-Sultan
President



**SUMMARY OF IMPORTANT SUPPLEMENTARY ASSURANCES
INCLUDED IN THE NEGOTIATED LOAN AGREEMENT**

(Loan negotiations concluded on 15 April 1998)

1. The Government of the Republic of Benin (the Government) shall open and thereafter maintain a Project Account with the Treasury and deposit therein an initial amount of thirty million CFAF from its own resources prior to loan effectiveness. The Government will thereafter replenish the Project Account on a yearly basis, in an amount corresponding to the required counterpart funds as stipulated in paragraph 2 below. The Project Manager and the Financial Controller shall be the only persons authorized to operate the Project Account, which shall require both signatures. Any delegation of authority in this respect will require the prior approval of IFAD.
2. The Government counterpart funds, estimated at an average of one hundred and two million CFAF per year, of which 95 million CFAF in local duties and taxes and seven million CFAF as the Government's share of the cost of feeder road maintenance, will be deposited in the Project Account before 30 June of each year of the project.
3. The following are specified as additional conditions for the effectiveness of the loan agreement:
 - (a) the Minister of Rural Development, on behalf of the Government, shall have constituted the National Steering Committee, the PCU and the Regional Coordination Committees, and have defined, *inter alia*, the composition, responsibilities and functions thereof, the texts of the relevant decrees having been submitted to IFAD for approval prior to their emission;
 - (b) the Minister of Finance, on behalf of the Government, shall have caused the Special Project Account to be opened in a bank acceptable to IFAD;
 - (c) the Minister of Finance shall have submitted to IFAD an official letter, acceptable to IFAD, stipulating the procedures for crediting the FSAs and confirming to IFAD that the law governing the operations of mutual benefit societies or savings and credit cooperatives (known as the PARMEC Law) shall be in conformity with the basic principles set out in that official letter;
 - (d) the Project Manager, the Financial Controller and project staff shall have been selected on the basis of national local recruitment; and
 - (e) the counterpart funds necessary for the execution of activities during the first year of project implementation, as set forth in paragraph 1 above, shall have been deposited in the Project Account.
4. The following is specified as an additional condition for the disbursement of loan funds:
 - (a) the Project Manager and the Financial Controller shall have taken up their duties.
5. The following is specified as an additional condition for the disbursement of loan funds for the linkage of production basins to markets:
 - (a) the Government shall have undertaken to finance the mechanical maintenance of feeder roads rehabilitated under the project.



COUNTRY DATA - BENIN

Land area (km² thousand) 1994 1/	111	GNP per capita (USD) 1995 2/	370
Population (million) 1995 1/	5	Average annual real rate of growth of GNP per capita, 1985-95 2/	-0.4
Population density (population per km²) 1995 1/	49	Average annual rate of inflation, 1985-95 2/	2.9
Local currency	CFA Franc (XOF)	Exchange rate: USD 1	XOF 580
Social Indicators		Economic indicators	
Population (average annual rate of growth) 1980-95 1/	3.1	GDP (USD million) 1994 1/	1 522
Crude birth rate (per thousand people) 1995 1/	43	Average annual rate of growth of GDP 1/ 1980-90	2.6
Crude death rate (per thousand people) 1995 1/	15	1990-95	4.1
Infant mortality rate (per thousand live births) 1995 1/	95	Sectoral Distribution of GDP, 1995 1/	
Life expectancy at birth (years) 1994 3/	54.2	% agriculture	34
Number of rural poor (million) 1/	n.a.	% industry	12
Poor as % of total rural population 1/	n.a.	% manufacturing	7
Total labour force (million) 1995 1/	2	% services	53
Female labour force as % of total, 1995 1/	48	Consumption, 1995 1/	
Education		Government consumption (as % of GDP)	9
Primary school enrolment (% of age group total) 1993 1/	64	Private consumption (as % of GDP)	82
Adult literacy rate (% of total population) 1994 3/	35.5	Gross domestic savings (as % of GDP)	9
Nutrition		Balance of Payments (USD million)	
Daily calorie supply per capita, 1992 3/	2 532	Merchandise exports, 1995 1/	163
Index of daily calorie supply per capita (industrial countries=100) 1992 3/	81	Merchandise imports, 1995 1/	493
Prevalence of child malnutrition (% of children under 5) 1989-95 1/	36	Balance of trade	- 330
Health		Current account balances (USD million)	
People per physician, 1993 1/	14 216	before official transfers, 1995 1/	- 113
People per nurse, 1993 1/	4 182	after official transfers, 1995 1/	36
Access to safe water (% of population) 1990-96 3/	50	Foreign direct investment, 1995 1/	1
Access to health service (% of population) 1990-95 3/	18	Net workers' remittances, 1995 1/	65
Access to sanitation (% of population) 1990-96 3/	20	Income terms of trade (1987=100) 1995 1/	137
Agriculture and Food		Government Finance	
Cereal imports (thousands of metric tonnes) 1994 1/	107	Overall budget surplus/deficit (as % of GDP) 1994 1/	n.a.
Food imports as percentage of total merchandise imports 1993 1/	n.a.	Total expenditure (% of GDP) 1994 1/	n.a.
Fertilizer consumption (hundred grams of plant nutrient per arable ha) 1994/95 1/	91	Total external debt (USD million) 1995 1/	1 646
Food production index (1989-91=100) 1995 1/	112	Total external debt (as % of GNP) 1995 1/	45.7
Food aid in cereals (thousands of metric tonnes) 1994-95 1/	15	Total debt service (% of exports of goods and services) 1995 1/	8.4
Land Use		Nominal lending rate of banks, 1995 1/	n.a.
Agricultural land as % of total land area, 1994 1/	21	Nominal deposit rate of banks, 1995 1/	n.a.
Forest and woodland area (km ² thousand) 1990 1/	49		
Forest and woodland area as % of total land area, 1990 1/	45		
Irrigated land as % of arable land, 1994 1/	0.5		

n.a. not available.

Figures in italics indicate data that are for years or periods other than those specified.

1/ World Bank, *World Development Report*, 1997

2/ World Bank, *Atlas*, 1997

3/ UNDP, *Human Development Report*, 1997



PREVIOUS IFAD LOANS IN BENIN

Project Title	Initiating Institution	Cooperating Institution	Lending Terms	Board Approval	Loan Effectiveness	Current Closing Date	Loan/Grant No.	Approved Loan/Grant Amount (SDR '000)	Disbursement (as % of approved amount)
Borgou Province Rural Development	World Bank: IDA	World Bank: IDA	hc	22 Apr 81	09 Mar 82	30 Jun 89	61-BE	10 178	92.5%
Atacora Province Rural Development	IFAD	World Bank: IDA	hc	14 Sep 82	23 Jun 83	31 Dec 90	101-BE	8 19	99.3%
Second Borgou Rural Development	World Bank: IDA	World Bank: IDA	hc	02 Dec 87	06 Dec 88	31 Dec 94	210-BE	6 65	83.7%
Second Atacora Rural Development	IFAD	UNOPS	hc	11 Dec 91	30 Sep 92	31 Dec 99	289-BE	6 25	73.2%
Income-Generating Activities	IFAD	UNOPS	hc	06 Dec 95	13 Mar 97	30 Jun 04	399-BE	8 05	3.1%
Total								39 333	

Note: hc = highly concessional

LOGICAL FRAMEWORK

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Development Objectives</p> <p><u>Goal:</u> Increase, in a sustainable manner, income and well-being and participation in development of women and poor rural households</p> <p><u>Specific objectives:</u></p> <p>(i) strengthen self-promotion capabilities and self-reliance of women and their participation in decision-making and local development;</p> <p>(ii) facilitate access to financial services to the rural poor and women on a sustainable basis;</p> <p>(iii) improve marketing of existing rural production through reducing transaction costs; and</p> <p>(iv) improve transparency, professionalism, efficiency and focus of producer organizations and particularly women groups and microenterprises</p>	<ul style="list-style-type: none"> — Increased production and income of beneficiaries — Improved access of poor rural households to social and other services — Enhanced role of women in local development <ul style="list-style-type: none"> • Role of women in local development • Participation of WMEs in decision-making at FSA and other grass-roots organizations level • Quantitative and qualitative access of the rural poor to adapted financial services • Level of transaction costs and access to production basins and markets • Role of grass-roots organizations in decision-making for local development • Dynamism of grass-roots organizations 	<ul style="list-style-type: none"> • Statistical and Specific Surveys • Baseline Survey • Monitoring and Evaluation (M&E) Studies • Impact Studies • Programme Annual Activity Report • Mid-Term Review • Final Evaluation Report 	<ul style="list-style-type: none"> • Macroeconomic framework improved • Socio-political situation unchanged • Inflation stabilized at present level • Government commitments respected • Efficient and professional partner organizations • Beneficiary participation and acceptance of project approach and activities





NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Output</p> <ul style="list-style-type: none"> • Women group members literate and trained in some technical, marketing and management themes • Women's groups and microenterprises upgraded, better managed and profitable • FSAs created and financially profitable • Short and long-term local savings mobilized, secured and used for financing local social and investment needs • Emergency and investment credit adapted to local needs provided and repaid • FSAs externally controlled by specialized organizations • Market information available to women and the poor • Quality standards, weight and packaging norms better defined and more broadly used • Contact between women producers and traders reinforced • Primary collection of food crop and cash crop other than cotton facilitated and post-harvest losses of cereals reduced • Priority rural roads rehabilitated and maintained; production basins linked to national/regional road network and markets 	<ul style="list-style-type: none"> • Literacy rate of women • Focus and number of functioning Women's Groups (WGs) and Women's Microenterprises (WMEs) • Adoption rate of improved technologies • Profitability of WGs and WMEs • Profitability of FSAs • FSA equity and turnover • Number and amount of credit delivery per year • Repayment rates • Financial margin of FSAs • Refinancing level of FSAs • Number of controls per year and per FSA • Number of traders • Traded volume of village commercial associations • Number of contracts with trade intermediaries • Level of post-harvest losses 	<ul style="list-style-type: none"> • NGO Partners Reports • Project M&E Reports • Specific M&E Surveys • External Control Organizations Activity Reports • Audit Reports • FSA Accounts and Financial Reports • Specific M&E Surveys 	<ul style="list-style-type: none"> • Efficient and professional NGOs and other partner organizations • People's participation in FSAs and other local grass-roots economic institutions • Effective financial and administrative autonomy of the PCU • No conflict with traditional village institutions and (men) producer organizations

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Input and Activities</p> <ul style="list-style-type: none"> • Select villages and WGs • Sensitize men and women to women participation in decision-making in local traditional institutions and in grass-roots economic organizations • Build capacity of support organizations contracted for providing services and advice to grass-roots organizations • Edit tenders and contracts and monitor implementation of sub-contracted activities • Train selected WGs and WMEs members in functional literacy, in technical themes concerning economic activities, and in management • Support animation of WGs and WMEs • Improve access to equipment and credit, and improved technologies of WGs and WMEs • Initiate and support the establishment of FSAs • Support the development of an external audit of FSAs • Promote linkage of FSAs with the formal banking system • Promote the establishment and enforcement of quality standards and weight and packaging norms • Collect and disseminate market information to the target group • Determine rural road rehabilitation needs through population participation with regards to other donors' interventions • Assess the capability of local civil works small-and medium-size enterprises (SMEs) • Rehabilitate priority rural roads • Promote village organizations and SMEs for rural road maintenance 	<ul style="list-style-type: none"> • Number of villages sensitized • Number of villages and WGs selected • Number of villages, WGs and WMEs receiving support and total population concerned • Number of contracts signed with partner organizations • Number of WG and FSA members trained per year • Quality of training and diffusion of knowledge within WGs and villages • Number of FSAs created • Number of persons/day trained per FSA and per year • Efficiency of external control of FSAs • Number of commercial associations established • Number of km of roads rehabilitated • Number of village road maintenance committees trained and equipped 	Idem (output)	Idem (output)



APPORTS QUANTIFIÉS, OBJECTIFS ET FACTEURS CLÉS DU PROJET



Composantes	PY 1	PY 2	PY 3	PY 4	PY 5	PY 6	Résultats attendus
I. APPUI AUX ASSOCIATIONS DE SERVICES FINANCIERS							
Intrants							
<u>Indicateurs d'activités</u>							
1. Créations annuelles d'ASF	15	15	50	50	50	0	phase préliminaire de 30 ASF pendant les 2 premières années du projet; phase d'expansion les 4 années suivantes
2. Nombre d'actionnaires villageois (cumul)	3 000	7 500	20 500	38 500	60 000	75000	au départ 200 actionnaires par ASF en moyenne; 500 après 5 ans d'activités de l'ASF
3. Capital et réserves mobilisés (XOF millions)	15	75	248	600	1,180	1,923	le capital des ASF appartient aux bénéficiaires; il n'y a pas d'apport externe du projet
a. dont actionnaires villageois	15	53	158	359	660	1,035	l'argent mobilisé reste au village
b. dont Société holding des ASF	0	22	90	241	520	887	actions des ASF réservées à la création de la société holding
4. Paiement fournitures/imprimés par les ASF (XOF millions)	0	0	9	20	51	86	les ASF prennent intégralement en charge le coût des fournitures dès la deuxième année; des imprimés dès la troisième année
5. Paiement du contrôle externe par les ASF (XOF millions)	0	0	15	32	83	138	les ASF prennent intégralement en charge le coût du contrôle externe dès la troisième année
<u>Convention avec partenaire spécialisé</u>							
1. Personnel (pers./an)							
- Directeur	1	1	1	1	1	1	piloter le programme de création des ASF, en partenariat avec l'UCP; animer l'équipe de la société
- Contrôleur d'ASF Coordinateur régional	1	2	3	3	3	3	outre les fonctions de contrôleur d'ASF, le coordonnateur assure la coordination du travail des autres contrôleurs dans sa région
- Contrôleurs d'ASF	2	3	9	14	17	11	les contrôleurs assurent la formation, la supervision et le contrôle externe des ASF
- Statistiques/Suivi-évaluation	1	1	1	1	1	1	agréger les résultats des ASF; saisir les informations; publier les indicateurs de suivi-évaluation et diverses statistiques
- Comptabilité/Contrôle de gestion	1	1	1	1	1	1	assurer la comptabilité et le contrôle de gestion du partenaire spécialisé pour réduire les coûts du contrôle externe
2. Véhicules en fonctionnement (nombre)							
- Véhicules 4x4	2	3	4	4	4	4	permettre le déplacement du personnel vers les ASF
- Motos	2	3	9	14	17	11	idem
3. Investissement au niveau des ASF							
- Coffre et mobilier (lot)	15	15	50	50	50	-	mettre l'argent en sécurité et doter l'ASF des outils de travail minimum
- Bâtiment (nombre)	15	15	50	50	50	-	mettre l'argent et les archives en sécurité
- Fournitures 1ère année (lot)	15	15	50	50	50	-	les fournitures sont payées par l'ASF dès la deuxième année
- Imprimés deux 1ères années (lots)	15	30	65	100	100	50	les imprimés sont payés par l'ASF dès la troisième année
4. Assistance technique (pers./mois)	4	4	4	4	6	6	assister le personnel du partenaire spécialisé sur certains domaines sensibles (S-E, formation, comptabilité et contrôle de gestion des ASF)
Cible							
1. Créations annuelles d'ASF	15	30	80	130	180	180	
2. Nombre cumulé d'ASF autofinancées (en fin d'année)	-	15	30	80	130	180	
3. Encours des crédits (XOF millions)							
a. Très court terme Opportunité-Nécessité	12	35	93	183	290	375	
b. Court terme Activités productives	0	27	111	313	693	1,242	
4. Octroi de crédits (XOF millions)							
a. Très court terme Opportunité-Nécessité	72	207	555	1,095	1,740	2,250	
b. Court terme Activités productives	0	80	332	940	2,080	3,726	
5. Coût d'investissement pour 1 USD de crédit distribué	5,42	2,11	1,1	0,65	0,4	0,24	
d. Total	72	287	887	2,035	3,820	5,976	

ASF Association de services financiers
 UCP Unité de coordination du projet
 S-E Suivi/évaluation

Composantes	PY 1	PY 2	PY 3	PY 4	PY 5	PY 6	Résultats attendus
2. APPUI AUX ACTIVITES GENERATRICES DE REVENUS DES FEMMES							
Intrants							
A. Animation des GF et associations de commercialisation							
- Animateurs de GF et des AVC (nombre cumulé)	5	13	18	25	28	13	exécuter les activités de sensibilisation, d'animation et de conseil technique aux GF et associations
- Coordination des animateurs (pers./mois)	3	7	9	13	14	6	idem
- Achat de motos (nbre)	5	8	5	8	3	-	idem
B. Formations spécifiques dispensées							
a. Alphabétisation de base							
- Nombre de sessions de formation	20	30	40	60	50	-	
- Nombre de personne/mois de formateur	10	15	20	30	25	-	
b. Post-alphabétisation							formations de base permettant aux femmes de renforcer leurs capacités d'expression, de gestion et génération de revenus en appui aux autres appuis du projet
- Nombre de sessions de formation	-	20	30	40	60	50	
- Nombre de personne/mois de formateur	-	10	15	20	30	25	
c. Comptabilité-gestion							
- Nombre de sessions de formation	-	10	15	20	30	25	
- Nombre de personne/mois de formateur	-	3	5	7	10	8	
d. Visites d'échanges et d'expériences							
- Nombre de groupes de visite	8	20	28	40	44	20	
- Nombre de jours d'accompagnateur	16	40	56	80	88	40	
C. Formation des animateurs							
- Formation initiale SEP (nbre jours--formateur)	30	30	30	30	30	-	
- Recyclage SEP (nbre de jours-formateur)	-	10	10	10	10	10	donner aux animateurs une formation adaptée leur permettant une intervention plus efficace auprès du groupe cible ainsi qu'une meilleure appropriation des méthodes participatives promues par le projet
- Formation initiale SEP (nbre de jours-formateur)	10	10	10	10	10	-	
- Recyclage SEP (nbre de jours-formateur)	-	5	5	5	5	5	
D. Formation des membres des AVC							
a. Comptabilité et gestion des AVC							
- Formation initiale (session)	-	2	3	4	6	5	
- Recyclages annuels (session)	-	-	4	10	18	40	formations approfondies permettant aux femmes membres des AVC de renforcer leurs capacités de gestion de leur association
b. Maîtrise des équipements de transformation (session)	-	4	6	8	12	10	
c. Renforcement des capacités de négociation							
- Formation initiale (session)	-	4	6	8	12	10	
- Recyclages annuels (session)	-	-	4	10	18	40	
d. Collecte et conservation des produits agricoles							
- Formation initiale (session)	-	4	6	8	12	10	
- Recyclages annuels (session)	-	-	4	6	8	22	

GF - Groupe féminin
 AVC - Association villageoise communautaire
 SEP - Suivi/évaluation participatoire





Composantes	PY 1	PY 2	PY 3	PY 4	PY 5	PY 6	Résultats attendus
E. Antennes régionales de l'UCP							
Responsables d'antennes (Nbre)	2	2	2	2	2	2	ils participeront aux enquêtes de référence, suivront les activités des opérateurs partenaires et seront à l'interface des populations, de l'UCP et des autorités locales
Cible							
1. Population cible directe (nombre de femmes)							seules sont comptabilisées ici les femmes bénéficiant directement de la formation; celles-ci la démultiplieront au niveau de leur village et GF à d'autres femmes
- Alphabétisation fonctionnelle de base	200	300	400	600	500	-	donner aux membres des GF les bases en lecture, écriture et calcul; former des alphabétiseuses-relais qui démultiplieront leur savoir au niveau de leur GF et village
- Post-alphabétisation	-	200	300	400	600	500	permettre aux membres des GF d'approfondir leur pratique de lecture, calcul et écriture afin de mieux gérer leurs activités productrices
- Comptabilité-gestion des GF	-	200	300	400	600	500	permettre aux membres des GF d'identifier des activités économiquement rentables et d'en assurer la gestion efficace et transparente
- Visites d'échanges et d'expériences	280	700	980	1,400	1,540	700	échanger les expériences entre GF de zones différentes; stimuler une dynamique du changement
- Comptabilité-gestion des AVC	-	40	60	80	120	-	doter les gestionnaires des AVC de compétences approfondies en tenue de comptabilité et gestion des AVC
- Maîtrise des équipements de transformation	-	64	96	128	192	160	savoir manier les outils améliorés de transformation des produits agricoles
- Renforcement des capacités de négociation	-	64	96	128	192	160	permettre aux gestionnaires des AVC une meilleure valorisation des produits
- Collecte et conservation des produits	-	76	114	152	228	190	réduire les pertes après récolte
2. animateurs organisations partenaires							
- Formations initiales (DEP, SEP, techn. communication)	5	8	5	8	3	-	animateurs efficaces et ayant intégré la démarche du projet
- Recyclages	-	5	8	5	8	3	idem
3. Villages, GF et AVC encadrés							
- Nombre de villages encadrés (annuel)	20	50	70	100	110	50	le projet prévoit de toucher 200 villages en six ans
- Nombre de villages touchés (cumul)	20	50	90	150	200	200	
- Nombre de GF encadrés (annuel)	40	100	140	200	220	100	le projet prévoit d'encadrer 2 GF par village touché, pendant une période de deux ans
- Nombre de GF encadrés (cumul)	40	100	180	300	400	400	
- Nombre d'AVC créées (annuel)	-	4	6	8	12	10	
- Nombre de GF créées (cumul)	-	4	10	18	30	40	

DEP - Diagnostic/évaluation participative

Composantes	PY 1	PY 2	PY 3	PY 4	PY 5	PY 6	Résultats attendus
3. DESENCLAVEMENT DES BASSINS DE PRODUCTION ET MARCHES							
<i>Intrants</i>							
- Réhabilitation des pistes (km)	-	90	90	90	90	90	chiffres indicatifs, dépendra des coûts unitaires et des attentes des bénéficiaires
- Entretien mécanisé des pistes (km)	-	-	-	90	90	90	l'entretien mécanisé est assuré à l'entreprise
- Entretien manuel des pistes (km)	-	-	90	180	270	360	l'entretien manuel est assuré par les bénéficiaires
- Equipement des cantonniers villageois (lot)	-	-	10	10	10	10	doter les villages riverains d'équipements minimum de cantonnement
- Formation des cantonniers villageois (session)	-	-	20	20	20	20	former les villageois riverains des pistes réhabilitées aux opérations de cantonnement
<i>Cible</i>							
- Villages désenclavés (cumul)	-	10	20	30	40	50	à raison d'un village tous les 9 km
- Cantonniers villageois formés (cumul)	-	-	1000	2000	3000	4000	à raison de 50 cantonniers formés par session
4. COORDINATION ET GESTION DU PROJET							
<i>Intrants</i>							
1. Construction des locaux du siège de l'UCP (m2)	-	120	-	-	-	-	doter l'UCP d'un siège fonctionnel en l'absence de locaux disponibles au niveau du CARDER
2. Véhicules et équipements							
- Achat de véhicules (nombre)	3	-	-	-	-	-	doter l'UCP du minimum nécessaire en véhicules et équipements
- Equipements et mobilier de bureau (lot pour mémoire)	6	-	-	-	-	-	
3. Assistance technique, conventions et études							
- Mission d'appui internationale (pers./mois)	4	-	2	-	-	-	pour aider à la définition des procédures comptables, du système informatisé de gestion et de la mise en place du suivi-évaluation; revue à mi-parcours en année 2
- Mission d'appui nationale (pers./mois)	-	-	2	-	-	-	revue à mi-parcours en année 2
- Suivi-évaluation externe(XOF millions)	10	10	10	10	10	10	réaliser des missions de S-E indépendantes pour le compte du projet
- Audit annuel externe (XOF millions)	10	10	10	10	10	10	réviser les comptes du projet; auditer la gestion et les procédures; conseiller l'UCP pour améliorer les performances du projet dans ce domaine
4. Formation du personnel de l'UCP							
- locales (XOF millions)	4	4	-	4	-	1	renforcer les capacités des cadres de l'UCP, notamment après la mission d'évaluation prévue en troisième année
- extérieures (XOF millions)	4	4	-	-	-	-	participer à la mise en oeuvre du projet et préparer les missions d'évaluation de l'année 3 et de l'année 5 (mi-parcours)
5. Personnel de la Direction de l'UCP (pers./an)							
- Directeur du projet	1	1	1	1	1	1	
- Responsables S-E et animation des GF	2	2	2	2	2	2	
- Contrôleur financier et comptable	2	2	2	2	2	2	
- Personnel d'appui	7	7	7	7	7	7	



COÛTS ET FINANCEMENT

	Dépenses par composante - y compris provisions pour aléas (USD '000)				Total
	Appui aux associations de services financiers	Appui aux activités génératrices de revenus des femmes	Désenclavement des bassins de production et marchés	Coordination et gestion du projet	
I. Coûts d'investissement					
A. Génie civil	796.1	254.3	2 807.3	35.6	3 893.2
B. Véhicules et Equipements					
Véhicules	544.0	59.3	-	-	603.3
Equipements	953.8	71.1	77.4	169.4	1 271.7
Total partiel	1 497.8	130.4	77.4	169.4	1 875.0
C. Assistance technique, Formation, Conventions et Etudes					
1. Assistance technique					
Missions d'appui internationales	778.1	-	-	95.6	873.7
Missions d'appui locales	518.7	-	-	7.2	526.0
Subtotal	1 296.9	-	-	102.9	1 399.7
2. Formation					
Formation des bénéficiaires	178.8	941.4	6.4	-	1 126.6
Formation UCP/organismes appui	67.8	143.4	-	65.1	276.3
Subtotal	246.5	1 084.8	6.4	65.1	1 402.9
3. Conventions d'exécution et Etudes					
Conventions d'exécution	1 964.7	786.6	-	124.5	2 875.8
Etudes	-	71.9	246.3	124.5	442.7
Total partiel	1 964.7	858.5	246.3	249.0	3 318.5
Total partiel	3 508.1	1 943.3	252.7	417.0	6 121.1
D. Capitalisation des organisations villageoises	1 245.3	62.1	-	-	1 307.3
Total des coûts d'investissement	7 047.3	2 390.0	3 137.4	622.0	13 196.6
II. Dépenses renouvelables					
A. Frais de personnel du Projet	-	309.6	-	621.6	931.1
B. Fonctionnement du Projet					
Véhicules et Equipements	-	110.0	-	116.2	226.1
Autres fonctionnements	111.2	143.8	-	116.0	371.0
Total partiel	111.2	253.8	-	232.2	597.1
C. Entretien des pistes	-	-	354.2	-	354.2
Total des dépenses renouvelables	111.2	563.3	354.2	853.7	1 882.5
Total des coûts du projet	7 158.4	2 953.3	3 491.6	1 475.8	15 079.1
Droits et taxes	241.6	249.5	658.1	147.3	1 296.6
Dépenses en devises	1 862.1	290.8	907.4	302.7	3 363.0



	Décaissement par financeur (USD '000)										
	FIDA		Bénéficiaires		Gouvernement		Total		Dévises	Monnaie local (hors taxes)	Droits & Taxes
	Montant	%	Montant	%	Montant	%	Montant	%			
A. Génie civil	3 273.8	84.1	-	-	619.4	15.9	3 893.2	25.8	889.9	2 383.9	619.4
B. Véhicules et Equipements	1 589.2	84.8	-	-	285.8	15.2	1 875.0	12.4	652.1	937.1	285.8
C. Assistance technique, Formation, Conventions et Etudes											
1. Assistance technique											
Missions d'appui internationales	873.7	100.0	-	-	-	-	873.7	5.8	873.7	-	-
Missions d'appui nationales	526.0	100.0	-	-	-	-	526.0	3.5	518.7	7.2	-
Total partiel	1 399.7	100.0	-	-	-	-	1 399.7	9.3	1 392.5	7.2	-
2. Formation											
Formation des bénéficiaires	1 053.5	89.6	-	-	122.5	10.4	1 176.0	7.8	158.2	895.3	122.5
Formation UCP/organisations d'appui	298.1	88.2	-	-	40.0	11.8	338.0	2.2	56.8	241.3	40.0
Total partiel	1 351.5	89.3	-	-	162.5	10.7	1 514.0	10.0	214.9	1 136.6	162.5
3. Conventions d'exécution et Etudes											
Conventions d'exécution	2 853.4	99.2	-	-	22.4	0.8	2 875.8	19.1	-	2 853.4	22.4
Etudes	376.3	85.0	-	-	66.4	15.0	442.7	2.9	-	376.3	66.4
Total partiel	3 229.7	97.3	-	-	88.8	2.7	3 318.5	22.0	-	3 229.7	88.8
Total partiel	5 981.0	96.0	-	-	251.3	4.0	6 232.3	41.3	1 607.4	4 373.5	251.3
D. Capitalisation des organisations villageoises											
Capitalisation des ASF	-	-	1 307.3	100.0	-	-	1 307.3	8.7	-	1 307.3	-
Total partiel	-	-	1 307.3	100.0	-	-	1 307.3	8.7	-	1 307.3	-
E. Frais de personnel	931.1	100.0	-	-	-	-	931.1	6.2	-	931.1	-
F. Fonctionnement du projet	393.4	81.0	-	-	92.5	19.0	485.9	3.2	143.9	249.5	92.5
G. Entretien des pistes	-	-	235.6	66.5	118.6	33.5	354.2	2.3	69.8	237.0	47.4
Total	12 168.4	80.7	1 543.0	10.2	1 367.7	9.1	15 079.1	100.0	3 363.0	10 419.5	1 296.6





ORGANIZATION AND MANAGEMENT

1. The project organization and management has been designed taking into account: (i) the Government priorities and policies; (ii) previous experience of IFAD-financed projects in the country; (iii) the objectives of the project which aim at developing economic and profit-making grass-roots organizations, providing financial and other services to their members and particularly to women and the poorer households; and (iv) the project implementation strategy which heavily relies on beneficiary's participation in the design, monitoring and evaluation of project activities.

2. The project implementation strategy is in line with the Government priorities and its plan of action, which emphasizes poverty alleviation through promoting the private sector, grass-roots and producer organizations, and through strengthening participation of women and the civil society (NGOs) in local development. It also builds on the ongoing decentralization process which will allow for a better participation of communities and local authorities in managing their own development. Development of grass-roots organizations can only be facilitated by professional support organizations (whether private and public) which can easily access the target group and provide it with adapted services (sensitization, animation, technical and management advice) for accompanying the emergence, starting-up and development of the above-mentioned grass-roots organizations. To ensure sustainability, provisions have been made in the project for all institutions to become self-sustained before project completion.

3. Previous IFAD projects in Benin (except PAGER) have been implemented by decentralized structures of MRD, the Regional Centres for Rural Development (CARDER). These structures have demonstrated little responsiveness to the target group, often poor management capacities, poor reporting and poor utilization of monitoring and evaluation information as well as reluctance to contract out activities to external partners more able to deliver the adapted products to the target group. Although CARDERs are meant to act as autonomous bodies within MRD, they have often faced budget problems (cf. ATACORA-II project) which delayed implementation and were sometimes obliged to pre-finance MRD activities with project funds. For all those reasons, IFAD has abandoned implementation of projects through CARDERs and has adopted the principle of implementing field activities of new projects through partner organizations (Small and Medium Scale Enterprises (SMEs), consulting firms, NGOs, accounting and management centres, efficient Government agencies, etc.) on a contractual basis. New projects will not attempt to directly implement activities, but rather arrange partnership with these partner organizations. Projects will concentrate on promotion, facilitation, monitoring and supervision and management - ensuring from outset an autonomy and a sense of ownership in the village-level institutions created and in partner organizations supported - while implementation of activities on the ground will be contracted out to public and mainly private partners.

4. The overall organization and management of the project has also been designed in order to meet the following specific objectives:

- (a) reducing project coordination costs and enhancing its efficiency through (i) limiting numbers of project staff; (ii) using modern management methods and tools; (iii) making grass-roots and village organizations actively participate in annual programme formulation as well as in monitoring and evaluation; (iv) hiring project staff through a competitive selection on a contractual basis; (v) motivating project staff with private-based salaries and with annual performance evaluation;



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- (b) reducing project implementation costs through: (i) ensuring competition between partners in charge of activities delivery by organizing local competitive bidding; (ii) establishing detailed evaluation criteria and terms of reference and issuing pre-qualification tenders for such selections; (iii) signing annual contracts with partners with detailed quality and delivery control specifications; (iv) hiring a limited number of international experts focusing on important domains for the project success (project management control, project evaluation, FSA development);
- (c) authorizing flexibility and responsiveness to beneficiaries needs and requests.

Organizational Structure

5. As a consequence of the above-explained implementation strategy, the project organizational structure will be light and consist of a three-tier system (see Organization and Management Chart):

- (a) a supervision level, the National Steering Committee (NSC);
- (b) the coordination level, comprised of the Project Coordination Unit (PCU) and Regional Coordination Committees;
- (c) the implementation level with partner agencies (NGOs, SMEs, etc.) supporting villagers, FSAs and women's groups and microenterprises.

6. **National Steering Committee.** The project will be implemented under the aegis of the MRD through a fully autonomous PCU. The PCU will report on progress implementation to the NSC. The NSC will be chaired by the Minister for Rural Development (or his representative) and comprise beneficiaries' representatives and participating partner organizations and the Ministries concerned. The NSC will have a consultative role and its main functions will be to: (i) review the Annual Work Programme and Budget (AWP/B); (ii) review the annual project performance and financial reports; (iii) make sure that recommendations of supervision and other support missions are dealt with.

7. **Project Coordination Unit (PCU).** To ensure efficiency and flexibility, the PCU will have full financial and administrative autonomy. Its main tasks will be to: (i) prepare the AWP/B and authorize expenditure; (ii) select and contract implementing agencies and organizations; (iii) carry out regular field supervision and monitoring and evaluation of field activities; (iv) appraise and approve proposals for rural road rehabilitation, FSA establishment and women's groups and microenterprise support; and (v) provide regular reports on the state of project implementation. The PCU will have a limited number of highly skilled and motivated staff working as a team and all posted within the project area. It will comprise the headquarters in Parakou (Borgou) and two regional branches (one in North Zou and one in Atacora).

8. **PCU Headquarters Staff.** The PCU Headquarters will be staffed with five professionals: the project manager, the financial controller, the officer for support to women's activities and training, the officer for monitoring and evaluation (M&E), an accountant, and adequate support staff. All PCU staff will have strong management and communication skills and a business-oriented profile.



9. **Regional Branches Staff.** Each regional branch will be staffed by a regional manager and an administrative assistant; they will mainly be responsible for following up on project implementation by NGOs and other project partners. They will also participate in village sensitization activities with the sub-contracted partners for village animation and as such provide the information and awareness-building required for potential beneficiaries and NGOs on project objectives, interventions, and participation strategy. Another main task will be to facilitate the beneficiaries' and NGOs' understanding of the procedures required for the justification of payments and for assisting in women's microproject formulation and implementation.

10. **Staff Recruitment.** The project manager and all PCU professionals will be recruited through transparent and local competitive procedures approved by IFAD. The candidates must have training and experience satisfactory to IFAD. Support missions of international consultants are also envisaged for defining procedures of project coordination, designing the MIS with adequate management control indicators and charts, elaborating the plan of actions, and supporting the setting-up of Finance and Management Control functions as well as the M&E system.

Project Management

11. **Annual Work Programme and Budget (AWP/B).** Project activities will be executed within the framework of AWP/B which will be formulated by the PCU with active participation of beneficiaries and project partners and the Regional Coordination Committees. The final propositions integrating comments of beneficiaries and partners will be finalized by PCU staff. AWP/Bs will be presented following the format objectives/results/input/activities/ as described in the Logical Framework. Every year AWP/B will detail: (i) the main achievements and problems encountered during the previous year; (ii) the detailed objectives by components; (iii) a detailed description of activities to be carried out including quantities, unit costs, financial and human resources to be mobilized; (iv) a detailed budget by component/sub-component, by financier and by trimester; (v) the procurement plan; (vi) detailed monthly activity schedules. The AWP/B will be submitted to NSC for approval and then to IFAD.

12. **Management Procedures.** The PCU will be granted full financial and administrative autonomy. This means that, after approval of the AWP/B by both IFAD and the Government, each AWP/B will be implemented under the responsibility of the project manager, allowing a relative flexibility to the project manager in modifying the details of the AWP/B once general orientation is respected. To ensure proper financial and management control the services of the financial controller will be provided by a national accounting and management firm. This firm will be selected on a local competitive basis and approved by IFAD. The firm will commit its financial responsibility and its credibility; such an agreement is expected to give better management and financial control of the project. The financial controller will have the power of co-signature with the project manager. In addition, project accounts will be audited each year by an internationally and locally-recognized audit company to be recruited on international competitive bidding basis. This audit company is also expected to support the financial controller and the project manager in implementing the financial and management control of the project.

13. **Monitoring and Evaluation.** Considering that the project will rely on external partners to deliver goods and services to the beneficiaries, monitoring of partner activities and performance is of paramount importance. The partners will regularly report to the responsible staff of the PCU (including regional branches) on monitoring indicators, and such data will constitute the basis for project delivery control and management. Hence contracts signed with partners will clearly specify: (i) a timeframe for activities delivery to beneficiaries; (ii) unit costs and quantities; (iii) logistical arrangements and equipment/vehicles to be provided by the PCU to the partner; (iv) delivery



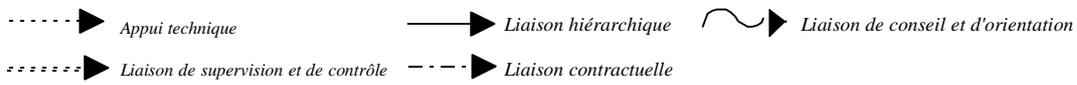
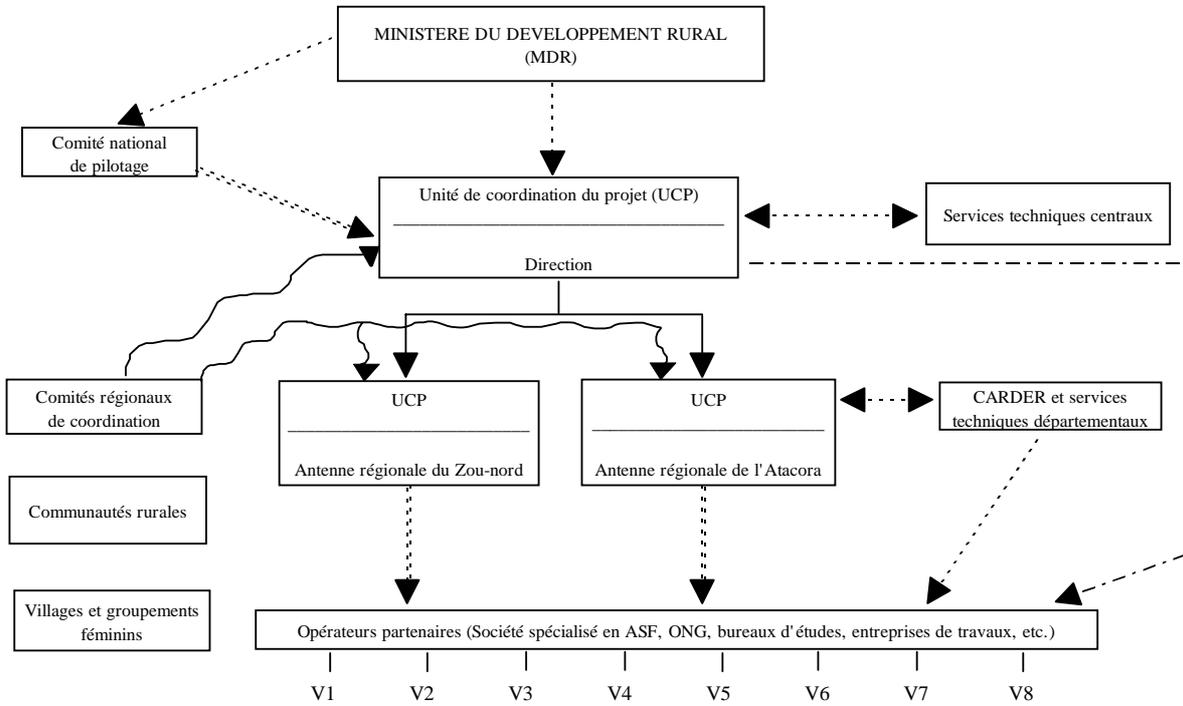
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indicators (e.g., number of days of training, number of participants, etc.); (v) impact indicators (e.g., equity raised by members per FSA); (vi) content of reports to be submitted to the PCU and deadline for reporting. Results of such M&E will be the primary source for appraising partners' performance, and an opportunity for renewing/modifying/cancelling their contract. As such monitoring and evaluation becomes one of the duties of all PCU staff and particularly of the regional branch managers and the officer for Women's Income-Generating Activities. The M&E specialist of the PCU will report to the project manager and will work in close coordination with other PCU staff. In particular he will be responsible for: (i) defining the monitoring and evaluation indicators within the Project Logical Framework; (ii) aggregating monitoring data coming from contracted partner reports, from regional branches and from other PCU headquarters staff; (iii) finalizing the project annual activity reports and AWP/B in close coordination with the financial controller; (iv) assisting regional branch staff in undertaking physical and financial progress monitoring; and (v) preparing terms of reference for periodic evaluations to be carried out by specialized partners (University, NGOs or consulting firm).

14. **Reporting and Accounting.** Accounting systems will be developed to provide general accounts, budgetary control and cost-accounting information (by financiers, by component, by disbursement category, by region) as needed by the end-users, e.g., the PCU, IFAD and the Government. Terms of reference and establishment of the computerized accounting system as well as the M&E arrangements will be carried out during project start-up activities which will be financed through Special Operations Facility (SOF) funds. The final set up of these management information and M&E systems will be completed during PY1 immediately upon loan effectiveness with specific loan funds earmarked for the project management systems development. The working relationship between different partners will be defined in a Manual of Procedure, to be prepared before start-up of the project (under SOF financing).



ORGANIZATIONAL CHART



**ECONOMIC AND FINANCIAL ANALYSIS****Financial Analysis**

1. **Marketing and Prices.** Apart from cotton, all agricultural input and output prices are freely determined on the market in Benin. The financial prices used to value the additional production are the market prices as of July/October 1997. The incremental production will be marginal compared to national/regional production and is not expected to have adverse impact on market prices. On the contrary project marketing activities will enhance producer negotiation skills leading to lowered transaction costs and increased prices paid to producers.

2. **Financial Services Association Model.** The model developed to forecast financial prospects of an FSA is based on the following assumption: (i) equity raised by members only (no external funding); (ii) a regular increase of shareholders (200 to 500) and number of shares per shareholder; (iii) an interest rate on very short-term loans decreasing from 10% to 5% per month (5% to 2,5% per month for short-term loans); (iv) a 15% yearly distribution of profit; (v) all operating costs paid by the FSA as from year 3 including external control/training. The FSA shows to be very profitable and quickly self-sustained: over six years the share value is doubled; equity raises from FCFA 1 to 20 million; loans distributed from FCFA 5 to 59 million.

3. **Women's Income-Generating Activities Models.** The activities undertaken by women's groups will be chosen by the beneficiaries themselves during implementation following women's interests and skills and above all according to market demand. Hence any forecast is very theoretical exercise. Nevertheless the activity models developed to carry out the financial analysis represent a good mix of activities currently undertaken by women as individuals and through groups: food crop production; food crop trade (maize); cassava processing; small animal husbandry (pig rearing). These models are also characterized by a very good marketing potential. These activities will be developed by an estimated 400 women's groups in 200 villages directly benefiting an estimated 8 000 women. Income-generating activities all show a positive cash-flow including loan reimbursement with an interest rate of 5% per month for short-term loans and 30% per year for medium-term loans.

4. **Incremental Production.** Incremental annual production will be realized mainly through increasing yields and reducing post-harvest losses rather than increasing the area under cultivation. It will result from the application of improved cropping and processing technologies accessible to women, but not currently undertaken as a result of lack of credit. The incremental annual production shown in the following table results from the aggregation of production of 400 women groups and 40 village commercial associations; it is indicative.

Incremental Annual Production (indicative)

Production	Production					
	Without Project		With Project		Incr. Production	
	Tons	FCFA Million	Tons	FCFA Million	Tons	FCFA Million
Village Commercial Associations	3 059	459	4 895	768	1 836	275
Women's Groups (food crops)						
of which: Groundnut	-	447	-	840	-	393
Maize	160	19	180	21	20	2
Chilly	200	14	450	32	250	18
Tomatoes	200	57	300	85	100	28
Women's Groups (Cassava)	1 100	358	2 160	702	1 060	345
Women's Groups (Pig rearing)	95	11	2 750	316	2 655	305
	189	66	360	126	171	60



APPENDIX VI

Economic Analysis

5. Project benefits are both tangible and intangible. The tangible benefits will be: (i) the mobilization and securing of large amounts of rural savings and their transformation into loans meeting the local demand and its orientation towards financing investment and social needs; and (ii) increased production and income of Women's Microenterprises (WME), e.g., women's groups and commercial associations. Intangible benefits include better participation of women in decision-making at household and village level and rural development, increased market efficiency and transparency, more marketing opportunities (better access to more markets, increased number of traders and more competition among them), reduced post-harvest waste and better product quality, strengthened negotiations skills of rural women producers and increased prices paid to them, reduced transport costs, better access to primary health and primary education, facilitated access to credit, and improved entrepreneurship. A major benefit will result from the intensive efforts to develop grass-roots institutions (FSAs and WMEs), which would eventually ensure self-financing and self-sustained development after the project comes to an end. Most of the benefits are difficult to quantify. For the economic analysis, only the benefits of an incremental production of WMEs as well as of FSAs have been accounted for.

6. The Economic Analysis has been conducted over a 20-year period. All prices are expressed in constant October 1997 values. All investment costs have been considered, including training and technical assistance and road rehabilitation costs, even though no direct benefit has been accounted for the latter. Financial prices have been converted into economic values by removing taxes on input and investment costs as well as transfers (village association equity raised by members, credit). Benin is self-sufficient for most agricultural products (mainly food crops) considered in the analysis: imports are often meant to meet re-export demand for regional trade. Moreover, the project area is at the cross-roads of food crop trade chains between the Atlantic coast in the south and neighbouring countries in the north (Niger, Burkina Faso). Hence financial prices observed at rural market level in the project area can be considered as reflecting economic values for food crop.

7. **Economic Rate of Return (ERR).** Based on the above assumptions, the ERR is estimated at 23%. As mentioned earlier, this is a very theoretical calculation, since economic generating activities carried out by women's groups and other clients of FSAs will be extremely diversified, demand- and market-driven, and may not reflect those activity models developed to carry out the analysis. A sensitivity analysis has been conducted to test the impact on the ERR of several assumptions: increased costs, reduced benefits, lagged benefits (see results in the table below). If benefits were reduced by 20% (or lagged by two years) or if costs were increased by 20%, the ERR would remain in the range of 13-16%.

Sensitivity Analysis

Assumption	ERR (%)	Net Present Value (FCFA Million) ^{a)}
Base case	23	2 722
Increased Costs:		
- by 10%	19	1 925
- by 20%	16	1 128
- by 50%	8	negative
Reduced Benefits:		
- by 10%	19	1 653
- by 20%	14	584
Lagged Benefits:		
- by one year	17	1 576
- by two years	13	553
- by three years	11	negative

a) At an opportunity cost of capital estimated at 12%.