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REPORT AND RECOMMENDATION OF THE PRESIDENT

TO THE EXECUTIVE BOARD ON A PROPOSED LOAN TO

THE REPUBLIC OF CÔTE D'IVOIRE

FOR

THE RURAL DEVELOPMENT PROJECT IN THE ZANZAN REGION



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CURRENCY EQUIVALENTS

| | | |
|---------------|---|-------------------------|
| Currency Unit | = | CFA franc (BCEAO) (XOF) |
| USD 1.00 | = | XOF 600 |
| XOF 1.00 | = | USD .00167 |

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

| | |
|---------|--|
| AfDB | African Development Bank |
| ANADER | National Agency for Support to Rural Development |
| BOAD | West African Development Bank |
| CIDT | Ivorian Company for Textile Development |
| CMEC | Mutual credit and savings union |
| COOPEC | Credit and savings cooperatives |
| ESAF | Enhanced Structural Adjustment Facility |
| FAO | Food and Agriculture Organization of the United Nations |
| GVC | Groupements à vocation coopérative (Pre-cooperative groups) |
| HIPC DI | Heavily-Indebted Poor Countries Debt Initiative |
| KAP | Knowledge, attitudes and practices |
| MEF | Ministry of Economy and Finance |
| MINAGRA | Ministry of Agriculture and Animal Resources |
| NGO | Non-governmental organization |
| PCU | Project coordination unit |
| PIP | Priority Investment Plan |
| SOF | Special Operations Facility |
| UNICEF | United Nations Children's Fund |
| UNOPS | United Nations Office for Project Services |

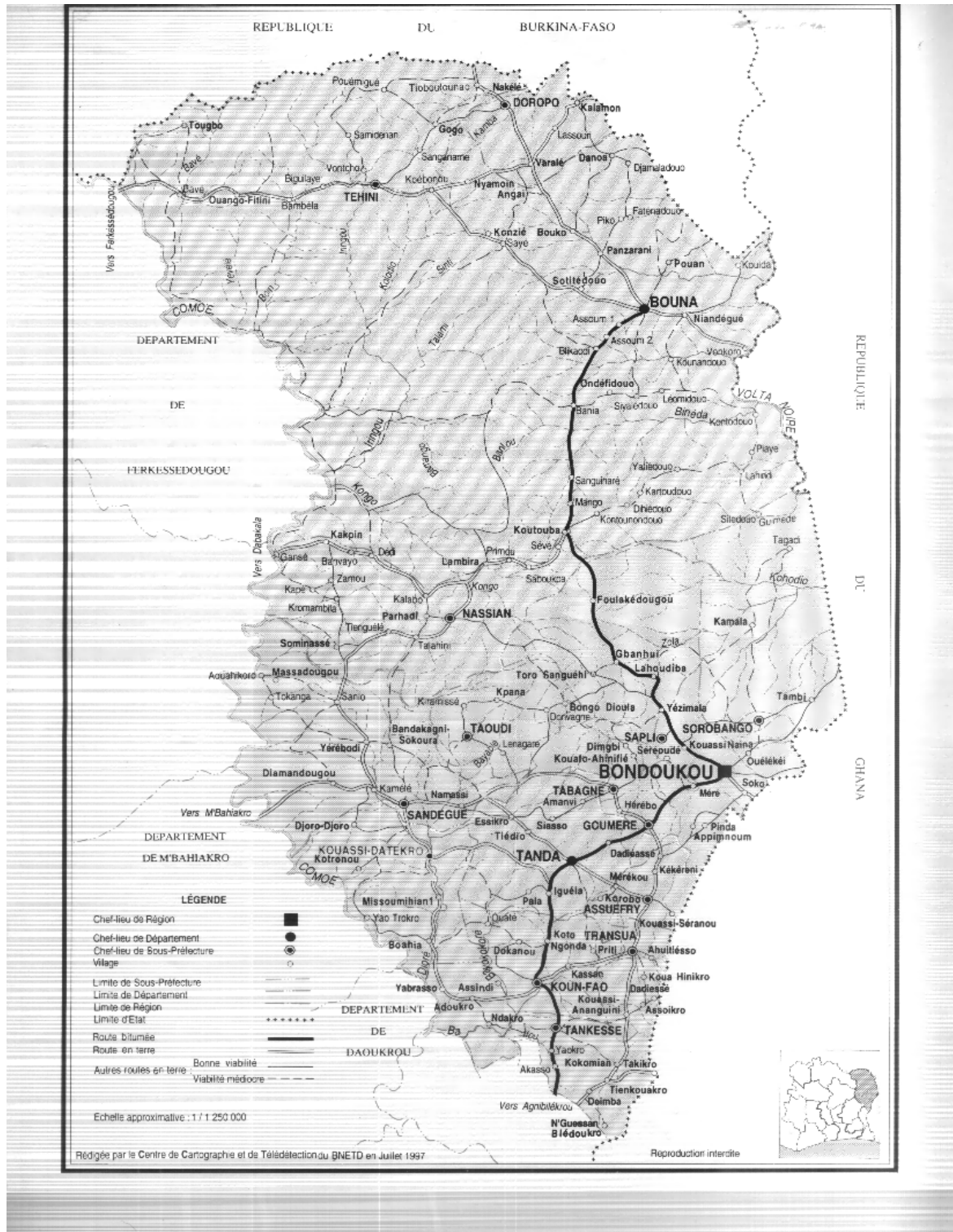
GOVERNMENT OF THE REPUBLIC OF CÔTE D'IVOIRE

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 CÔTE D'IVOIRE

RURAL DEVELOPMENT PROJECT IN THE ZANZAN REGION

LOAN SUMMARY

| | |
|---|---|
| INITIATING INSTITUTION: | IFAD |
| BORROWER: | Republic of Côte d'Ivoire |
| EXECUTING AGENCY: | Ministry of Agriculture and Animal Resources (MINAGRA) |
| TOTAL PROJECT COST: | USD 17.49 million |
| AMOUNT OF IFAD LOAN: | SDR 8.3 million (equivalent to approximately USD 11.12 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 |
| COFINANCIER: | West African Development Bank (BOAD) |
| AMOUNT OF COFINANCING: | USD 3.58 million |
| TERMS OF COFINANCING: | Loan: 4% interest rate, 15-year repayment period and a five-year grace period |
| CONTRIBUTION OF THE BORROWER: | USD 2.24 million |
| CONTRIBUTION OF THE BENEFICIARIES: | USD 0.55 million |
| APPRAISING INSTITUTION: | IFAD |
| COOPERATING INSTITUTION: | United Nations Office for Project Services (UNOPS) |



PROJECT BRIEF

Who are the beneficiaries? The project covers the three *départements* of the Zanzan Region (previously known as the North East Region) of Côte d'Ivoire: Bondoukou, Bouna and Tanda. The target group includes smallholders, with particular emphasis on women and youth. Of the approximately 500 000 rural dwellers in the region, it is expected that about 100 000, or 20% of the rural population, will benefit from at least one of the project interventions. The rural finance network will operate in 12 sous-préfectures and 160 satellite villages, and the primary beneficiaries will be women. Prior to project effectiveness, a socio-economic study will be carried out to set and apply criteria for prioritizing villages to be targeted for infrastructure investments, corresponding management training, and sensitization in sanitation and nutrition. Using such proxy indicators for poverty as disease incidence (especially Guinea Worm) and access to infrastructure, the study is intended to produce a preliminary list of villages to ensure that poverty targeting has been accomplished.

Why are they poor? The Zanzan Region is one of the poorest administrative zones in the country, although agricultural potential does exist and much of the region has strong, albeit primarily informal, commercial agricultural links with urban areas. Rural social and physical infrastructure investment in the region has been minimal compared with most other regions of the country, and this has seriously constrained agricultural development. Guinea Worm, an illness closely related to poor hygienic conditions and limited knowledge of appropriate health and sanitation practices, is endemic to much of the region. Currently, other than a handful of urban bank branches, there are no lending institutions in the region and, thus, the rural populations have no formal access to credit and savings facilities. The improved macroeconomic environment has made farmers in the region more eager to market produce in order to earn cash income, but they have little access to working capital, they remain unorganized, and their knowledge of market conditions is poor.

What will the proposed project do for them? Project benefits will be in two forms: hardware, such as much-needed rural infrastructure investment in small irrigation, roads and potable water; and software in the form of strengthened local-level capacity to manage such investments, and a rural finance network for placement of savings and financing small individual and group investments. The project is particularly well-placed to address the needs of women. The majority of small irrigation investments will be directed to women's groups that have already demonstrated dynamism in initiating vegetable and horticultural production in valley bottoms. Improved access to potable water (combined with village-level training) will directly benefit women and their children in the form of improved health and sanitation and reduced drudgery as the time involved in fetching water will be reduced. In addition, the village bank approach based on solidarity lending is well-adapted to the needs and capabilities of rural women.

How will the beneficiaries participate in the project? Emphasis will be placed on the development of local-level capacity to manage and maintain investments in irrigation and potable water, rural roads and financial services. The functional literacy sub-component of the rural finance component, in particular, will facilitate women's ability to take a more prominent role in decision-making in the management of the mutual credit and savings network. Periodic participatory surveys will be undertaken to seek feedback from beneficiaries on the services they have received from the project and on ways of improving them.



**REPORT AND RECOMMENDATION OF THE PRESIDENT OF IFAD
TO THE EXECUTIVE BOARD ON A PROPOSED LOAN TO
THE REPUBLIC OF CÔTE D'IVOIRE
FOR
THE RURAL DEVELOPMENT PROJECT IN THE ZANZAN REGION**

I submit the following Report and Recommendation on a proposed loan to the Republic of Côte d'Ivoire for SDR 8.3 million (equivalent to approximately USD 11.12 million) on highly concessional terms to help finance the Rural Development Project in the Zanzan Region. 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 will be administered by the United Nations Office for Project Services (UNOPS) as IFAD's cooperating institution.

PART I - THE ECONOMY, SECTORAL CONTEXT AND IFAD STRATEGY¹

A. The Economy and the Agricultural Sector

1. The Republic of Côte d'Ivoire is a low-income country with a gross national product (GNP) per capita of about USD 620 (1996). The country's economy is predominantly agricultural, with about two thirds of the active population engaged in farming, forestry and fishing. In 1994, the agricultural sector, including forestry and agro-industries, accounted for about 40% of the gross domestic product (GDP) and generated 70% of export revenues. The most important exports include cocoa, coffee and timber.

2. Côte d'Ivoire's population has grown by 3.8% per year since the mid-1970s. By the end of 1994, it had reached about 13.5 million, of which some 50% live in urban and semi-urban areas. The rural population totals about 6.3 million people, or 930 000 farm households with an average size of 6.6 people per household. High population growth coupled with economic decline has resulted in a steady fall in living standards. Since Independence in 1960, Côte d'Ivoire has served as a subregional magnet, and significant numbers of first-generation migrants from neighbouring Burkina Faso, Guinea and Mali have moved to the country.

3. The 50% devaluation of the CFA franc (CFAF) in early 1994 and the implementation of accompanying adjustment measures led to accelerated economic growth, which has been in the 5-6% annual range ever since. After an initial surge just after the devaluation, inflation rates have stabilized at very modest levels. The Government has also made considerable progress in improving fiscal policy. It has consistently met the fiscal and expenditure targets agreed with the International Monetary Fund (IMF); and, in March 1998, it signed an agreement with the IMF for an Enhanced Structural Adjustment Facility (ESAF). In addition, also in March 1998, the IMF and World Bank executive boards approved a Heavily-Indebted Poor Countries Debt Initiative (HIPC DI) programme for Côte d'Ivoire.²

¹ See Appendix I for basic economic and social indicators.

² A proposal for an IFAD contribution to the HIPC programme for Côte d'Ivoire is being submitted for the consideration of the Sixty-Fourth Session of the Executive Board.



4. The agricultural sector contributes about 35% to GDP, and its crop production potential is divided between the forest areas in the south and the savannah in the north. About 65% of all farms are located in the south, covering a cultivated area of 3.9 million ha. Approximately 530 000 farms cultivate an average of 6 ha each, growing cocoa and coffee as their main cash crops and paddy, maize, cassava and plantain as food crops. Cocoa and coffee covers 64% of the total cultivated area. In the north, the most important cash crop is cotton, while food crops include maize, rice, yams, sorghum, millet, groundnuts and cassava. Some 300 000 smallholders cultivate an average of 3.6 ha each. Prior to the 1994 devaluation, the production of most export crops had stagnated but the situation has improved dramatically since 1994, with cocoa exports in particular attaining record levels.

5. Livestock activities contribute 3% to agricultural GDP and are mainly concentrated in the north where 85% of the national cattle herd is located. Côte d'Ivoire is a major importer of livestock products from the neighbouring Sahelian countries. Fisheries accounted for over XOF 50 billion, or about 7% of agricultural GDP, in the early 1990s. Artisanal processing and informal sector marketing are important sources of employment, particularly for women.

B. Lessons Learned from Previous IFAD Experience in Côte d'Ivoire

6. IFAD has financed five projects in Côte d'Ivoire, three of which are ongoing. The Artisanal Fisheries Development Project in the Aby Lagoon, which closed in 1994, assisted fishermen to manage, in a participatory manner, the overexploited fish resources of the lagoon. It also improved navigation conditions, marketing modalities and the availability of public health facilities.

7. The Dabakala/Katiola Rural Development Project, cofinanced with the West African Development Bank (BOAD) and implemented by the cotton parastatal, the Ivorian Company for Textile Development (CIDT), became effective in 1987 and closed in June 1997. Its successor, the seven-year Marketing and Local Initiatives Support Project, became effective in May 1997. The overall objective of the project is to improve the living standards of women and smallholder households in the Centre-North Region, mainly through the sustainable increase in agricultural cash income. Specific objectives include: (a) the creation and strengthening of 300 informal groups, of which at least half will be women's groups; (b) improvement of marketing modalities for the 300 groups; (c) experimentation of a stabilized cultivation system on 12 sites; (d) application of participatory methods for local development planning, microproject formulation and implementation; (e) strengthening of rural financial services; and (f) improved village access, by the rehabilitation of 276 km of tracks, and increased village water supply by the rehabilitation and construction of 60 boreholes.

8. The National Agricultural Services Restructuring Project was initiated by, and is cofinanced with, the World Bank. IFAD's support is concentrated in the savannah zone and focuses on the promotion of informal and formal farmer groups, with activities including the promotion of improved processing technologies, poultry development, creation of women's and youth groups for agricultural production and marketing, farmer training, functional literacy, support to local initiatives, and provision of credit.

9. The Rural Development Project in the North East — the predecessor of the proposed project — is cofinanced by BOAD and was initially implemented by CIDT. When CIDT withdrew from the project zone in early 1997 in preparation for privatization, a small project coordination unit (PCU) took over the project management responsibilities. The overall objective of the project, which became effective in 1992 and is scheduled to close at the end of 1998, is to increase the productivity and incomes of the poorest smallholders in the North-East Region through a mixture of support to cash and food crop development and support to livestock production. The project has four components: (a) agricultural development, including promotion of upland crop and livestock production on about



50 000 ha of integrated cash and food crop production systems, and support to agricultural extension services and adaptive research, input supply and credit; (b) rural infrastructure, including 410 km of rural track rehabilitation, construction of 120 km of feeder roads, 500 km of farm access tracks and six bridges, and the development of 60 village water points; (c) institutional strengthening through training of mutual credit and savings cooperatives (COOPECS) and agricultural pre-cooperative groups (GVCs), and the strengthening of regional CIDT financial and monitoring services; and (d) establishment of a regional development fund for social infrastructure at the village level and for economic activities.

10. While the above-mentioned project has met with a number of problems, including major institutional changes in the rural sector resulting from structural adjustment and a low disbursement rate, there have been notable successes that will be built upon under the proposed project. Interest among women and youth for food crop and horticultural development appears promising, particularly in inland valley bottoms. Well construction for potable water and accompanying sensitization in sanitation have been well received by the rural population. Three mutual credit and savings unions (CMECs)³ have been formed, and constitute a foundation for rural financial intermediation deserving of increased support. In July 1997, a workshop was held to consolidate project activities in light of previous implementation experience and to lay a firm foundation for transition to the follow-up project.

11. The lessons learned from IFAD's experience in Côte d'Ivoire include:

- (a) project design needs to be more realistic in its assessment of institutional capacity to carry out project components, and generally needs to have fewer and better-defined sets of activities;
- (b) credit and savings interventions need to emphasize development of sustainable institutions, rather than targeting credit to specific pre-defined investments;
- (c) the role of women in agriculture and off-farm activities is not sufficiently recognized and support services need to redouble efforts to address their needs;
- (d) the focus of public support services has been mostly on formal institutions, while there is considerable scope to work more closely with existing informal groups;
- (e) special efforts should be made to improve the performance of project monitoring and evaluation (M&E) units;
- (f) investment operations need to have well-articulated strategies for undertaking diagnostic surveys during the design and implementation stages to ensure that beneficiary constraints are properly understood and appropriate interventions identified; and
- (g) the feasibility of sub-contracting project activities by small PCUs holds promise as a flexible delivery mechanism.

³ Operating in rural areas, CMECs are physically closer to the IFAD target population and have less onerous membership and savings requirements than the COOPECS. Under the Dabakala/Katiola Rural Development Project, 11 CMECs were created with the aim of integrating them into the COOPEC system. To date, six CMECs have been integrated into that system.



C. IFAD's Strategy for Collaboration with Côte d'Ivoire

Côte d'Ivoire's Policy for Poverty Eradication

12. In June 1997, the Government adopted an action plan for combating poverty. This comprises specific measures and targets in the areas of health and education, and for increasing female participation in development and arresting the exodus of rural youth to the cities. Among the most important measures to be implemented are: construction of 1 000 new primary schools, most of them in rural areas; recruitment of 2 000 new teachers annually; construction of rural health centres; installation of 5 000 new village-level potable water facilities by the year 2000; electrification of 200 villages annually; and support to job creation and income-enhancing opportunities for rural women and youth.

13. The Government has established a steering committee to implement the action plan and has allocated funds for this purpose. A system for monitoring key indicators has also been put in place, and strong performance on the attainment of social sector targets is a condition for the implementation of the HIPC DI programme for Côte d'Ivoire agreed between the Government and the Bretton Woods institutions.

The Poverty Eradication Activities of Other Major Donors

14. The principal donors supporting rural poverty alleviation in Côte d'Ivoire include the World Bank, European Union, African Development Bank (AfDB), BOAD, and Canada, France and Germany. IFAD works closely with a number of the aforementioned organizations, either through formal relationships or through frequent contacts and exchanges of information, and has formed strategic alliances with two in particular. The Fund has proved to be a valuable partner to the World Bank in the field of poverty alleviation and agricultural development in the savannah, reinforcing the effectiveness of the World Bank-initiated National Agricultural Services Project by placing specific focus on the needs of women farmers and group development. It has also collaborated closely with BOAD, which has become an active IFAD partner in the area of technical and financial support to rural infrastructure investment (village water and roads).

15. Valuable collaboration has occurred with the major bilateral donors. Canadian and French technical assistance has been instrumental in reviving the COOPEC movement, and IFAD has invested in CMECs that have graduated to COOPEC status. Canadian assistance has also made a valuable contribution in the area of cooperative development and support to grass-roots organizations in both the savannah and forest zones. The Government of Germany is helping to reinforce project planning and monitoring capacity within the Ivorian Ministry of Agriculture and Animal Resources (MINAGRA), and IFAD-supported projects have become eager clients for these services.

16. IFAD has also sought to reinforce links with other donor organizations, particularly United Nations (UN) agencies. For example, the United Nations Children's Fund (UNICEF) is active in the savannah zone (and, in particular, the Zanzan Region) with regard to rural sanitation, including Guinea Worm eradication, and potable water and health extension. It will also cofinance the present project. Led by the World Food Programme (WFP), the United Nations Development Programme (UNDP), the Food and Agriculture Organization of the United Nations (FAO), and UNICEF are currently collaborating in the design of the second phase of a rural school feeding (*cantines scolaires*) programme that seeks to reinforce the role of community primary schools as a focal point for rural development. IFAD is currently exploring ways of supporting this programme.



IFAD's Strategy in Côte d'Ivoire

17. Historically, Côte d'Ivoire has not been a priority country for IFAD, due partly to the perception during the 1980s of Côte d'Ivoire as a "rich" country compared with others in the subregion, and partly because of the lack of a clear poverty alleviation orientation on the part of the Government. However, poverty grew markedly in the latter half of the 1980s and early 1990s; and skews in income distribution became more accentuated, with a preponderance of poverty concentrated in rural areas. In addition, as evidenced by the development of the 1997 action plan for combating poverty (see paragraph 12 above), in recent years, the Government has become increasingly aware of the need for explicit strategies to combat poverty, particularly in the rural areas. For these reasons, an increase in IFAD support, relative to historical levels, appears justified.

18. Since the 1994 devaluation, new opportunities have been created as the economic incentive and institutional framework have become more conducive to investments in rural development and poverty reduction. Côte d'Ivoire has made major strides in bringing its debt load down to more sustainable levels and in improving its capacity to manage debt. Renewed economic activity since the devaluation, particularly in terms of improved export performance and the institutional reforms that have taken place, bode well for Côte d'Ivoire's ability to take on new debt, provided it is used to finance well designed priority investments. Moreover, agricultural extension services have been rationalized and agro-industries made to focus on core commercial activities.

19. IFAD is committed to pursuing a household food security approach for its future interventions in Côte d'Ivoire. The first concern of the poor in rural, largely subsistence, economies is to secure household food security on a daily basis. Operationally, this implies: (a) measures to stabilize household food access across seasons and transitory shortages; (b) support for activities which sustain food access over the long term; and (c) attention to issues of well-being within agricultural households, including health, sanitation and nutrition. This also implies an explicit recognition of sources and uses of income within the household, disaggregated by gender. In addition, the full array of labour-consuming activities engaged in by rural households needs to be considered in designing activities to alleviate food insecurity. Finally, given that rural men and women engage in different activities and have varying access to public and project goods and services, it is important to be aware of these differences from the start and to tailor project design accordingly. Carefully designed diagnostic surveys are important for gaining this understanding.

20. Poverty remains acute in the savannah zone of the country, and IFAD will thus continue to concentrate the bulk of its efforts and resources in that area. Additionally, with some rationalization of activities, the existing projects in the savannah zone (in combination with the present project) have the potential to form a cohesive and mutually-reinforcing whole. As a small donor compared with others operating in Côte d'Ivoire, IFAD is wary of spreading itself too thinly across the country. However, the evidence is overwhelming that poverty and food insecurity have become much more widespread in the forest zone, and thus IFAD may be justified in initiating operations outside the savannah zone.

21. There are several priority areas suitable for IFAD intervention. However, for future project design efforts, strong emphasis should be placed on assessing the implementation capacity of the executing agencies and on the systematic identification of key development constraints and priority activities for addressing them. Priority intervention areas include: support to farmers' organizations for agricultural marketing; rural finance; technology development and transfer; and rural infrastructure.



Project Rationale

22. The Zanzan Region is one of the poorest administrative zones of Côte d'Ivoire, although agricultural potential does exist and much of the region has strong, albeit primarily informal, commercial agricultural links with urban areas. Rural social and physical infrastructure investment in the region has been minimal compared with most other regions of the country, and this has seriously constrained the region's development efforts. The incidence of Guinea Worm, an illness closely related to poor hygienic conditions and limited knowledge of appropriate health and sanitation practices, is endemic to much of the region. At the present time, other than a handful of urban bank branches, there are no lending institutions in the region and, thus, rural populations have no access to formal credit and savings facilities. The improved macroeconomic environment has made farmers in the region more eager to market produce in order to earn cash income, but they remain unorganized and their knowledge of market conditions is poor.

PART II - THE PROJECT

A. Project Area and Target Group

23. The proposed project will cover the three *départements* of the Zanzan Region: Bondoukou, Bouna and Tanda. According to the last national census (1988), the region has a population of 514 000, of which 88% is rural. Population densities vary, and Bouna in the north is the least densely populated of Côte d'Ivoire's *départements* (5.7 inhabitants per km²). Density increases as one moves further south, with 10-20 inhabitants per km² in Bondoukou, and 20-30 inhabitants per km² in Tanda.

24. The two northern *départements* (Bouna and Bondoukou) are in the savannah zone, while Tanda is in the forest zone. Principal savannah zone crops include yams, maize, cassava, rice, millet and sorghum. Cashew nuts are becoming increasingly important as a cash crop while the traditional cash crop for many farmers has been the yam, which is marketed in Abidjan and other urban areas. Major crops in Tanda include yams, cassava, maize and rice, and the most important cash crop is coffee. Low prices prior to the 1994 devaluation led many farmers to abandon their coffee plantations and, although there has been a revival of sorts since then, the *département* has, in fact, grown markedly poorer since the mid-1980s.

25. The target group includes smallholders, with particular emphasis on women and youth. About 100 000 persons, or roughly 20% of the rural population, are expected to benefit from at least one of the project interventions. Women and youth are important food crop producers and marketers, but they face increasingly limited access to land as population pressure grows, particularly in Bondoukou and Tanda.

26. Prior to project effectiveness, a socio-economic study will be carried out to set and apply criteria for prioritizing villages targeted for project interventions. Using such proxy indicators for poverty as the incidence of disease (especially Guinea Worm) and villages' access to infrastructure, the study is intended to produce a preliminary list of villages for project interventions to ensure that poverty targeting has been accomplished. Supervision of this study is expected to be entrusted to the International Food Policy Research Institute (IFPRI) within the context of IFAD's technical assistance grant (301-IFPRI) to that organization in support of the Programme for Strengthening the Household Food Security and Nutritional Aspects of IFAD Poverty Alleviation Projects: Developing Operational Methodologies for Project Design and Monitoring.



B. Objectives and Scope

27. The overall objective of the project will be to improve the food security of the most vulnerable populations in the Zanzan Region.⁴ The specific development objectives are fourfold:

- (a) increased, more stable and diversified rural incomes through investment in small irrigation (3-5 ha maximum) schemes for vegetable and horticultural production targeted at women and youth;
- (b) improved health status for the most vulnerable populations, with special emphasis on women and children;
- (c) reduced isolation of villages contributing to improved conditions for agricultural marketing and stimulation of economic activity in the project zone; and
- (d) access of rural populations to financial services through a sustainable institution, thus contributing to higher incomes and increased savings.

C. Components

28. The project interventions will contribute to the general goal of increasing rural food security (including higher incomes and improved nutrition and health status), as described below.

29. **Agricultural diversification and stabilization.** The project will construct 20 small dams and 200 shallow wells in valley bottoms for the irrigation of dry season vegetable and horticultural crops. Each small dam and shallow well will retain sufficient water to irrigate up to 5 ha and 0.4 ha, respectively, thus making it possible to irrigate a total of 180 ha. The National Agency for Support to Rural Development (ANADER) will be called upon to provide technical support, while the construction of infrastructure will be contracted to the private sector.

30. **Water, health and sanitation.** Building on the achievements of the Rural Development Project in the North East, village water projects will be continued under the present project. Ninety new water points will be installed and 135 existing points repaired. Special emphasis will be placed on strengthening the capacity of users' groups to manage and maintain infrastructure, and on increasing local knowledge of nutrition and sanitation among mothers and children. UNICEF will be enlisted to provide expertise in the training of female community health agents (*animatrices*) to ensure that water investments have their intended impact on sanitation, health and nutritional status.

31. **Rural roads.** This component will also build on past achievements and include the rehabilitation and spot repairs of selected feeder roads with the greatest potential for improving market access for the more remote rural populations. Some 300 km of "hot spots" will be repaired, equivalent to roughly 1 000 km of the total road length affected. A labour-intensive maintenance system (*cantonnage*), based on village participation, will be established to ensure sustainable maintenance beyond the life of the project. Road repair will be contracted privately and different pilot approaches tested for organizing the *cantonnage* system. The proposed approach is fully in line with the Government's overall investment programme and policies in the transport sector.

⁴ Project objectives, activities, inputs and associated critical conditions are summarized in the logical framework (see Appendix III).



32. **Creation of a credit and savings scheme.** Despite the fact that much of the region is well integrated into the cash economy, there are no microfinance institutions operating in the North-East Region at the present time. While the ongoing Rural Development Project in the North East recently created three CMECs, their reach is extremely limited. Thus, there will be a need, in the present project, to develop a critical mass in this area and to introduce modifications that ensure greater outreach and a higher probability of sustainability. It is proposed to create a reinforced network of CMECs, the main elements of which include: the placing of 12 CMECs in sous-préfectures throughout the region, with one serving as headquarters (the *caisse mère*); the establishment of 160 village banks (*caisses villageoises*), along the lines of the Grameen Bank network, which will deposit savings at the CMEC. These village banks will have a revolving credit line available to them for initial lending to small (primarily female) groups based on the solidarity model approach; and an experimental “special credit” line, to be lent to larger, more formal, groups (such as pre-cooperatives and cooperatives) for agricultural marketing and production. This will be administered by a small cadre of specialized agents who will be remunerated, in part, from commissions earned on the loans delivered and repaid. A pilot functional literacy sub-component is also proposed with a view to strengthening women’s capacity for participating actively in decision-making in the management of the village banking scheme.

D. Costs and Financing

33. As summarized by component in Table 1, total project costs, including all taxes and physical and price contingencies, amount to USD 17.49 million, with a foreign exchange component equal to 36% of the total. Analysis of the cost structure confirms the importance of the water and rural roads components, which account for 24% and 35% of total project base costs, respectively. Rural financial services and project management (including M&E) account for 21% and 12% of project base costs, respectively.

34. Project financing by source of funding is detailed by component in Table 2. It is proposed that IFAD finance USD 11.12 million of the total amount; the beneficiaries, USD 0.55 million; and Government, USD 2.24 million to cover taxes, customs duty, office rent, and a share of local staff costs. BOAD’s contribution, which amounts to USD 3.58 million, is intended to support a portion of the rural road construction and rehabilitation activities.



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

| Components | Local | Foreign | Total | % of Foreign Exchange ^e | % of Base Costs |
|--|--------------|-------------|--------------|------------------------------------|-----------------|
| Agricultural diversification and stabilization | 1.16 | 0.04 | 1.20 | 4 | 8 |
| Water, health and sanitation | 2.50 | 1.10 | 3.60 | 31 | 24 |
| Rural roads | 2.64 | 2.60 | 5.24 | 50 | 35 |
| Rural financial services | 1.94 | 1.20 | 3.15 | 38 | 21 |
| Project management | 1.01 | 0.43 | 1.44 | 30 | 10 |
| Monitoring and evaluation | 0.18 | 0.11 | 0.29 | 38 | 2 |
| Total base costs | 9.43 | 5.50 | 14.93 | 37 | 100 |
| Physical contingencies | 0.77 | 0.55 | 1.32 | 42 | 9 |
| Price contingencies | 0.92 | 0.32 | 1.24 | 26 | 8 |
| Total project costs | 11.12 | 6.37 | 17.49 | 36 | 117 |

^a Discrepancies in totals are due to rounding.

TABLE 2: FINANCING PLAN^a
(USD million)

| Components | IFAD | | BOAD | | Government | | Beneficiaries | | Total | | For. Exch. | Local (excl. taxes) | Taxes |
|--|--------------|-----------|-------------|-----------|-------------|-----------|---------------|----------|--------------|------------|-------------|---------------------|-------------|
| | Amt | % | Amt | % | Amt | % | Amt | % | Amt | % | | | |
| Agricultural diversification and stabilization | 1.35 | 91 | | | 0.08 | 6 | 0.05 | 3 | 1.47 | 8 | 0.05 | 1.42 | 0.01 |
| Water, health and sanitation | 3.03 | 73 | | | 0.60 | 14 | 0.51 | 12 | 4.14 | 24 | 1.26 | 2.53 | 0.35 |
| Rural roads | 1.90 | 30 | 3.58 | 56 | 0.92 | 15 | | | 6.40 | 37 | 3.16 | 2.69 | 0.55 |
| Rural financial services | 3.43 | 96 | | | 0.14 | 4 | | | 3.57 | 20 | 1.30 | 2.13 | 0.14 |
| Project management | 1.10 | 69 | | | 0.50 | 31 | | | 1.60 | 9 | 0.48 | 1.03 | 0.09 |
| Monitoring and evaluation | 0.31 | 99 | | | | 1 | | | 0.31 | 2 | 0.12 | 0.19 | 0.01 |
| Total disbursement | 11.12 | 64 | 3.58 | 21 | 2.24 | 13 | 0.55 | 3 | 17.49 | 100 | 6.37 | 9.99 | 1.13 |

^a Discrepancies in totals are due to rounding.



E. Procurement, Disbursement, Accounts and Audit

35. **Procurement.** Civil works, goods and consulting services will be procured according to government, IFAD and UNOPS procedures. Most of the goods to be financed under the project, particularly vehicles and motorcycles, will be grouped into packages costing more than USD 100 000 equivalent and procured through International Competitive Bidding (ICB) procedures. Contracts for materials and furniture not exceeding USD 100 000 but amounting to more than USD 20 000 will be procured under procedures acceptable to IFAD and UNOPS. Goods contracts estimated at USD 20 000 each or less and not exceeding USD 100 000 in aggregate will be procured following national shopping procedures. Contracts for short-term consultants (including auditors and external trainers) will be awarded following UNOPS guidelines, based on terms of reference, qualifications and conditions of service satisfactory to UNOPS and IFAD. One external long-term consultant contract (for establishing and administering the rural financial services network) is envisaged, and will be processed following ICB procedures. Individual contracts for goods, services and consultants for amounts of USD 100 000 equivalent and more will be reviewed by UNOPS prior to signature.

36. **Disbursement.** In order to facilitate project implementation, a Special Account for the IFAD loan will be opened in a commercial bank acceptable to IFAD. The authorized allocation from the IFAD loan of XOF 350 million (roughly equivalent to USD 580 000) will be deposited once the project has been declared effective. In conformity with Government procedures announced earlier this year, the Special Account will be managed directly by the Ministry of Economy and Finance (MEF), while all other project-level financial management responsibilities will rest with the PCU. Statements of expenditure will be sent to MINAGRA for verification and onward transmission to the MEF Directorate of Investments. Agreement will be reached each year between MINAGRA, MEF, IFAD, the cofinanciers, and UNOPS on an annual budget, based on an agreed programme of work. All relevant supporting documentation for reimbursement claims under statements of expenditure will be retained for inspection by supervision missions and for the purpose of certification during annual audits. The closing date of the loan is 31 March 2006.

37. The Government will open a project account, where it will deposit its counterpart fund contribution (excluding tax and import duty exemptions) each year, provision for which will be made within the Priority Investment Plan (PIP). The Government will be required to deposit XOF 100 million in the project account prior to the first disbursement from the IFAD loan.

38. **Accounts and audit.** Separate project accounts and financial records relating to project activities will be maintained with the different implementing agencies. The PCU will ensure that such accounts and records are maintained in accordance with government practices and procedures acceptable to IFAD. Consolidated project accounts, to be prepared by the PCU, will be submitted to MINAGRA and MEF for review. Project accounts will be audited on an annual basis by an independent auditor acceptable to IFAD. Certified audit reports will be transmitted to IFAD no later than six months after the end of the Government's fiscal year. The auditor's report will include a statement as to the adequacy of the accounting system and internal controls of the various executing agencies, together with confirmation or otherwise that the statements of expenditures correctly reflect project expenditures.

F. Organization and Management

39. The project will be managed by a small semi-autonomous PCU under the general supervision of MINAGRA. An inter-ministerial project steering committee will be formed at the regional level and chaired by MINAGRA's regional director in Bondoukou. The steering committee will approve annual work programmes and ensure that recommendations emanating from supervision missions and



MINAGRA external review missions (see paragraph 40 below) receive proper follow-up. Direct execution of field activities will be subcontracted to qualified private sector operators, non-governmental organizations (NGOs) and/or para-public sector institutions. The PCU model is being employed in the ongoing Rural Development Project in the North East, and in the IFAD-initiated Marketing and Local Initiatives Support Project.

40. **Monitoring and evaluation.** The M&E system will be guided by several key principles. First, the logical framework will serve as the terms of reference for the M&E system, and the PCU will be responsible for updating it within the context of the annual work programme and budget exercise. Second, the project will capitalize on the evaluation system operated by MINAGRA for all its rural development projects since 1993, with technical support from the German Agency for Technical Cooperation (GTZ). An M&E unit within the programming department undertakes quarterly external reviews to monitor project implementation progress and impact and formulate recommendations for improving implementation. Third, the M&E system will make extensive use of baseline surveys for tracking field-level impact. Most notably, prior to effectiveness, IFPRI will be requested to carry out a study on targeting in the project zone (see paragraph 26 above) and a knowledge, attitudes and practices (KAP) survey that will serve as a baseline on village health, sanitation and nutrition awareness.

G. Economic Justification

41. With the exception of the rural roads and small irrigation components, none of the proposed interventions lend themselves to traditional benefit/cost calculations. For this reason, no overall internal rate of return or standard economic analysis has been carried out. Each component, however, has been designed to minimize costs while maximizing potential impact. In the village water component, considerable emphasis will be placed on the repair of existing facilities rather than the construction of new facilities as this is generally a cheaper way of reaching greater numbers of people. The road component will focus on secondary and tertiary roads, with emphasis on manual labour. This will not only help to keep costs down, but it will also funnel considerable resources to rural communities. A detailed financial analysis has been made of the rural financial services component to ensure that the proposed network can be sustained past project completion. In addition, a financial analysis has been made of the small irrigation component to verify the potential profitability of these investments to small farmers, and to keep investment and operating costs at modest and affordable levels (see Appendix VI).

42. Project benefits are expected in two forms: (a) hardware, such as much-needed rural infrastructure investment in small irrigation, potable water and roads; and (b) software in the form of strengthened local-level capacity to manage such investments, and a rural finance network both for savings and for the financing of small, individual and group investments chosen by the beneficiaries themselves. It is expected that all interventions will contribute, directly or indirectly, to the overall project objective of improved household food security.

43. The project is particularly well-placed to address the needs of women. Small irrigation investments will target women's groups that have, with little or no previous external assistance other than technical advice, already shown a degree of capacity and commitment to working in this area. Improved access to potable water (combined with village-level training) will directly benefit to women and their children in terms of improved health and sanitation and less time need for fetching water. In addition, the village bank approach, based on solidarity lending, is well-adapted to the needs and capabilities of rural women. The functional literacy sub-component of the rural finance component will facilitate women's ability to take a more prominent role in decision-making in the management of the CMEC network.



H. Risks

44. The principal project risk involves introducing new approaches where institutional capacity is limited., particularly with respect to the development of rural financial services and labour-intensive road rehabilitation. Although neighbouring countries in the sub-region have considerable experience in these two areas, the proposed approaches are fairly new to Côte d'Ivoire. Associated risks will be mitigated by recruiting specialized national or international NGOs with the requisite experience.

45. In addition, delivery modes for rural development projects in Côte d'Ivoire have tended to be top-down in nature. There has tended to be an over-emphasis on infrastructure and cheap credit provision, but with little attention to the development of grass-roots organizations and sustainable financing mechanisms. These risks will be mitigated by careful supervision on the part of the cooperating institution and close follow-up by IFAD.

46. Finally, there are risks related to finding qualified staff for the PCU. Project headquarters will be in Bondoukou, and it is difficult to attract highly-qualified professionals to that area. To mitigate this risk, recruitment will be competitively-based and every effort will be made to advertise as widely as possible.

I. Environmental Impact

47. The project has been classified as Category "B" because the potential environmental impacts identified can be addressed through ensuring environmentally-sensitive design. With regard to groundwater utilization, feasibility studies will be undertaken as part of the site selection process to ensure that extraction rates are balanced with recharge.

48. In respect to water resource development for small-scale irrigation care will be taken, by means of careful site selection, to ensure that the risks of waterlogging and salinization are minimized. The risk of water-borne disease will be mitigated through raising public awareness to the problem, which is a central part of the water, health and sanitation component.

49. Regarding road rehabilitation and construction of related infrastructural works, due diligence will be ensured through good engineering design (careful alignments, upslope/downslope protection, cross drainage structures, etc.) and careful monitoring during construction. No large-scale infrastructure work is included in the project.

J. Innovative Features

50. The project design is innovative in several ways. These include:

51. **Rural finance.** The design of the project stresses the development of sustainable rural finance systems that maximize outreach to persons generally overlooked by microfinance schemes. The combination of both a mutualist and a "Grameen Bank-type" approach in the same microfinance institution is a truly innovative feature designed to reach a variety of clients through the development of financial products tailored to their specific needs and financial capabilities. In addition, the concept of one of the CMECs serving as headquarters (the *caisse mère*) is viewed as an innovative solution for ensuring that the network is properly supervised and the network agents receive necessary periodic training. The idea of establishing an experimental "special credit" line, to be lent to pre-cooperatives and cooperatives for agricultural marketing and production and administered by a small cadre of specialized agents remunerated from commissions earned on loans delivered and repaid, is also highly innovative.



52. **Importance of diagnostic surveys.** A diagnostic survey on food security status was carried out in all three *départements* of the region prior to project formulation. The results of this survey have been integrated into the design of the project to ensure that appropriate strategies for reducing food insecurity among the region's most vulnerable rural populations are incorporated. In addition, prior to effectiveness, IFPRI will be enlisted to carry out a study on targeting in the project zone. Finally, a KAP survey is proposed to be carried out in Year 1 to serve as a baseline on village health, sanitation and nutrition awareness. A similar study will be undertaken later in the project's life to assess to what extent knowledge and practices have evolved as a result of project interventions. All these studies are closely linked to the M&E strategy set out in the logical framework.

PART III - LEGAL INSTRUMENTS AND AUTHORITY

53. A loan agreement between the Republic of Côte d'Ivoire 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.

54. The Republic of Côte d'Ivoire is empowered under its laws to borrow from IFAD.

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

PART IV - RECOMMENDATION

56. 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 Côte d'Ivoire in various currencies in an amount equivalent to eight million three hundred thousand Special Drawing Rights (SDR 8 300 000) to mature on and prior to 15 June 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 3 September 1998)

1. The Government of the Republic of Côte d'Ivoire (the Government) shall open and thereafter maintain a project account with the Caisse autonome d'amortissement (CAA) and deposit therein an initial amount of one hundred million XOF from its own resources. The Government shall thereafter replenish the project account on a yearly basis, in an amount corresponding to the counterpart funds to be provided by the Government. The Government shall include the project in the PIP.
2. During the execution of the project, the Government and IFAD shall periodically review the interest rates to be applied to the credits to be provided from the proceeds of the loan. The Government shall take appropriate measures, consistent with the policies of the Government, to harmonize the interest rates on credits with IFAD's policy on relending rates.
3. In conforming with the conditions set out in paragraph 2 above, the Government shall ensure that the credit specialist minimizes the costs involved in executing the credit component of the project, to the extent that it affects the interest rates.
4. The following are specified as additional conditions for the effectiveness of the loan agreement:
 - (a) the project steering committee shall have been constituted. Its composition and responsibilities shall have been defined and approved by IFAD;
 - (b) the composition, functions and financial responsibilities of the PCU shall have been defined and approved by IFAD. The PCU shall have the necessary administrative, technical and financial expertise to ensure the sound management of the project;
 - (c) the Coordinator and staff of the PCU shall have been selected in accordance with the procedure set forth in paragraph 5 of Annex 4, of the loan agreement.
5. The following are specified as conditions for the disbursement of loan funds:
 - (a) a project account and a special account shall have been opened with CAA;
 - (b) an initial amount of one hundred million XOF (XOF 100 000 000) shall have been deposited into the project account against the Government's counterpart funds;
 - (c) the Coordinator and staff of the PCU shall have been recruited and stationed at the Bondoukou PCU;
 - (d) the Project Operations Manual shall have been prepared, and procedures for the disbursement of loan proceeds and counterpart funds shall have been set up in such a way as to guarantee the PCU's autonomy;
 - (e) a separate accounting system, satisfactory to IFAD, shall have been set up for the project.



ANNEX

6. The following conditions are specified as conditions for the disbursement of loan funds for the payment of expenses foreseen under the categories set out below, as shown in the table given in paragraph 1, Annex 2, of the loan agreement:

- (a) for Category I(d), the management support unit within ANADER's regional office at Bondoukou shall have been constituted and the agreement mentioned in paragraph 9, Annex 4, of the loan agreement shall have been signed;
- (b) for Categories I(b) and IX, the Directorate of Roads shall have set up a mechanism for the ongoing maintenance of rehabilitated roads, and the agreement mentioned in paragraph 11, Annex 4, of the loan agreement shall have been signed;
- (c) for Category I(c), the Water Directorate, assisted if necessary by a specialized operator, shall have set up the necessary support facilities for the water management committees, thus ensuring the sound management of investments, and the agreement described in paragraph 11, Annex 4, of the loan agreement shall have been signed; and
- (d) for Category VI(b), the agreement described in paragraph 10, Annex 4, of the loan agreement shall have been signed.

7. No withdrawals shall be made for the payment of expenses under Category VII(c) (temporary credit line) shown in the table appearing in paragraph 1, Annex 2, of the loan agreement, after a period of one year following loan effectiveness.

8. The Coordinator and staff of the PCU shall not be recruited until such time as an evaluation has been made of the staff of the PCU of the Rural Development Project in the North East, in view of the qualifications required for the new positions to be established in the present project's PCU. The positions remaining vacant shall be advertised and filled in a manner acceptable to IFAD.

9. The performance of the Coordinator and PCU staff shall be evaluated on an annual basis in accordance with the method stipulated in the Project Operations Manual.

10. IFAD and BOAD, or any other donor, shall finance, respectively, up to 25% and 75% of the costs, exclusive of taxes, of Category I(b) (tracks and construction work) in the table appearing in paragraph 1, Annex 2, of the loan agreement; or up to 20% and 70% of the full costs, inclusive of taxes, of the same category. The Government shall be responsible for all taxes and duties, representing 10% of the full costs.

COUNTRY DATA CÔTE D'IVOIRE

| | | | |
|---|--------------------------------|---|----------------|
| Land area (km² thousand) 1994 1/ | 318 | GNP per capita (USD) 1995 2/ | 660 |
| Population (million) 1995 1/ | 14 | Average annual real rate of growth of GNP per capita, 1985-95 2/ | -4.3 |
| Population density (population per km²) 1995 1/ | 44 | Average annual rate of inflation, 1985-95 2/ | 2.1 |
| Local currency | CFA Franc (BCEAO) (XOF) | Exchange rate: USD 1 = | XOF 600 |
| <hr/> | | | |
| Social Indicators | | Economic indicators | |
| Population (average annual rate of growth) 1980-95 1/ | 3.6 | GDP (USD million) 1994 1/ | 10 069 |
| Crude birth rate (per thousand people) 1995 1/ | 37 | Average annual rate of growth of GDP 1/ 1980-90 | 0.1 |
| Crude death rate (per thousand people) 1995 1/ | 12 | 1990-95 | 0.7 |
| Infant mortality rate (per thousand live births) 1995 1/ | 86 | Sectoral Distribution of GDP, 1995 1/ | |
| Life expectancy at birth (years) 1994 3/ | 52.1 | % agriculture | 31 |
| Number of rural poor (million) 1/ | n.a. | % industry | 20 |
| Poor as % of total rural population 1/ | n.a. | % manufacturing | 18 |
| Total labour force (million) 1995 1/ | 5 | % services | 50 |
| Female labour force as % of total, 1995 1/ | 33 | Consumption, 1995 1/ | |
| Education | | Government consumption (as % of GDP) | 12 |
| Primary school enrolment (% of age group total) 1993 1/ | 69 | Private consumption (as % of GDP) | 67 |
| Adult literacy rate (% of total population) 1994 3/ | 39.4 | Gross domestic savings (as % of GDP) | 20 |
| Nutrition | | Balance of Payments (USD million) | |
| Daily calorie supply per capita, 1992 3/ | 2 491 | Merchandise exports, 1995 1/ | 3 939 |
| Index of daily calorie supply per capita (industrial countries=100) 1992 3/ | 80 | Merchandise imports, 1995 1/ | 2 808 |
| Prevalence of child malnutrition (% of children under 5) 1989-95 1/ | n.a. | Balance of trade | 1 131 |
| Health | | Current account balances (USD million) | |
| People per physician, 1993 1/ | 11 739 | before official transfers, 1995 1/ | 25 |
| People per nurse, 1993 1/ | 3 244 | after official transfers, 1995 1/ | - 269 |
| Access to safe water (% of population) 1990-96 3/ | 75 | Foreign direct investment, 1995 1/ | 19 |
| Access to health service (% of population) 1990-95 3/ | n.a. | Net workers' remittances, 1995 1/ | - 449 |
| Access to sanitation (% of population) 1990-96 3/ | 43 | Income terms of trade (1987=100) 1995 1/ | 70 |
| Agriculture and Food | | Government Finance | |
| Cereal imports (thousands of metric tonnes) 1994 1/ | 466 | 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/ | 170 | Total external debt (USD million) 1995 1/ | 18 952 |
| Food production index (1989-91=100) 1995 1/ | 114 | Total external debt (as % of GNP) 1995 1/ | 184.9 |
| Food aid in cereals (thousands of metric tonnes) 1994-95 1/ | 56 | Total debt service (% of exports of goods and services) 1995 1/ | 23.1 |
| Land Use | | Nominal lending rate of banks, 1995 1/ | n.a. |
| Agricultural land as % of total land area, 1994 1/ | 53 | Nominal deposit rate of banks, 1995 1/ | n.a. |
| Forest and woodland area (km ² thousand) 1990 1/ | 109 | | |
| Forest and woodland area as % of total land area, 1990 1/ | 34 | | |
| Irrigated land as % of arable land, 1994 1/ | 2.0 | | |

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



APPENDIX I

2/ World Bank, *Atlas*, 1997

3/ UNDP, *Human Development Report*, 1997

**PREVIOUS IFAD LOANS IN CÔTE D'IVOIRE****(As of 30 May 1998)****Loan 145 IC - Artisanal Fisheries Development Project in the Aby Lagoon**

Initiating Institution: IFAD

Cooperating Institution: AfDB

Approved 1984, effective 1985

Closing Date: 31.03.94

Loan amount and terms: SDR 2.7 million, intermediate

Disbursement (final): SDR 1 329 549 (49%).

Loan 189 IC - Dabakala/Katiola Rural Development Project

Initiating Institution: IFAD

Cooperating Institution: World Bank (IDA)

Approved 1986, effective 1987

Closing date: 31.12.93, extended 30.06.97

Loan amount and terms: SDR 5.65 million, ordinary

Disbursement (final): SDR 4 084 714 (72%).

Loan 284 CT - Rural Development Project in the North East

Initiating Institution: IFAD

Cooperating Institution: BOAD

Approved 1991, effective 1992

Closing date: 31.12.98

Loan amount and terms: SDR 10.35 million, intermediate

Disbursement: SDR 2 229 545 (22%)

Loan 337 CI - National Agricultural Services Restructuring Project

Initiating Institution: IDA

Cooperating Institution: IDA

Approved 1993, effective August 1994

Closing date: 31.12.99

Loan amount and terms: SDR 7.05 million, intermediate

Disbursement: SDR 682 439 (10%)

Loan 419 CI - Marketing and Local Initiatives Support Project

Initiating Institution: IFAD

Cooperating Institution: IDA

Approved 1996, effective 1997

Closing date: 30.09.04

Loan amount and terms: SDR 7.25 million, highly concessional

Disbursement: SDR 486 220 (7%)

LOGICAL FRAMEWORK

| Narrative Summary | Objectively Verifiable Indicators | Monitoring and Evaluation Strategy | Critical Conditions |
|---|---|--|--|
| <p>Overall objective (contribution to achievement of IFAD country strategy):</p> <p>Increase and stabilize household revenues and improve health and nutritional status of the most vulnerable rural populations in the Zanzan Region</p> | <p>25% increase in revenues for men and women benefiting from CMEC credit and investment in micro-irrigation</p> <p>Number of cases of water-borne disease (e.g. Guinea Worm)</p> <p>Percentage of participating women signaling reduced time burden for fetching water</p> <p>Increase in agricultural marketing volumes</p> <p>Reduction of transport costs for primary marketing</p> | <p>Surveys/studies by the project:</p> <p>Periodic studies on use and profitability of CMEC credit (including credit used for small irrigation)</p> <p>Baseline study on targeting carried out with IFPRI guidance and periodically updated</p> <p>Periodic surveys of water-borne disease incidence</p> <p>Periodic surveys of traffic volume on roads rehabilitated by the project</p> <p>Secondary data/analyses to be used:</p> <p>National and regional health and nutrition statistics</p> <p>Food Crop Marketing Agency data and reports on marketing flows</p> <p>ANADER data and reports on agricultural production</p> | <p>Appropriate macroeconomic framework, including low inflation rates</p> <p>Positive evolution of rural development institution performance (ANADER, National Agricultural Research Centre, Regional Fund for Rural Management, etc.)</p> |
| <p>Development objectives (expected impacts on beneficiary well-being that will contribute to achievement of the overall project objective):</p> <p>1. Growth, stabilization and diversification of agricultural production (primarily women's food crops) through small irrigation development</p> | <p>1. Up to 180 ha of dry season crops cultivated by groups, based on technical advice from ANADER</p> <p>At least 75% of group members are also CMEC network members, their savings rise, and they reimburse 95% of credit</p> | <p>1. Regular monitoring of savings and credit evolution at different levels of the CMEC network</p> <p>Credits used on profitable activities (as demonstrated through periodic surveys)</p> <p>Regular reporting by ANADER</p> | <p>1. Macroeconomic framework continues to provide appropriate incentives for agricultural production and marketing</p> |
| <p>2.a. Knowledge and daily practices regarding sanitation, health, and nutrition improved</p> | <p>2.a. Changes in health and sanitation-related expenses signaled by beneficiaries</p> <p>percentage of households selectively using water from different sources</p> | <p>2.a. KAP study on health, sanitation and nutrition practices carried out in Years 1 and 4</p> | <p>2.a. Heightened awareness among rural populations of links between causes and effects of sickness and disease</p> <p>Most vulnerable communities effectively targeted for village water programme</p> |
| <p>2.b. Water management committees capable of managing and maintaining water points (with significant participation of women in decision-making)</p> | <p>2.b. Percentage of pumps for which money regularly collected for maintenance</p> <p>Number, frequency and length of breakdowns</p> <p>Cases identified of theft of funds</p> <p>Number of women treasurers on village water committees</p> | <p>2.b. Regular monitoring of evolution of contributions of funds and women's participation in village water committees</p> <p>Periodic surveys of village water committee performance, spare parts availability and quality of repair services</p> | <p>2.b. Willingness of communities to mobilize funds for pump repairs</p> <p>Willingness to allow women to participate more fully in water management committee decision-making</p> <p>Availability of spare parts</p> |





INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

APPENDIX III

| | | | |
|---|---|---|---|
| <p>3. Local organizations capable of managing and maintaining rural roads and tracks</p> | <p>3. Village organizations responsible for road maintenance functioning well Level of participation of local populations in manual road maintenance ("cantonage")</p> | <p>3. Regular monitoring of levels of participation of local populations in manual maintenance activities Roads Directorate capacity to manage manual maintenance activities monitored during MINAGRA external reviews and supervision missions</p> | <p>3. Communities willing to participate in labour-intensive public works Roads Directorate has sufficient resources to continue maintenance activities after project completion Macroeconomic framework continues to provide appropriate incentives for agricultural marketing</p> |
| <p>4.a. Encourage savings generation and credit use through sustainable formal institutions</p> | <p>4.a. In the CMECs, volume of XOF 387 million in savings, XOF 194 million in credit in Year 5, 3 000 credits administered over five years, with a repayment rate of 98% in the village banks ("caisses villageoises"), XOF 216 million in credit in Year 5 860 special credits administered over five years to groups with a lending volume of XOF 105 million and 150 beneficiaries in Year 5</p> | <p>4.a. Monitoring of credit and savings volumes at various levels of the network Survey of credit use demonstrates that they are used for financially-viable activities Sample survey of network members demonstrates they are satisfied with the services available</p> | <p>4.a. Low inflation rates Presence of savings Confidence on the part of members to deposit savings in the CMECs</p> |
| <p>4.b. Local populations manage the CMECs and village banks well</p> | <p>4.b. Self-financing of the CMECs and the credit service to the village banks Head CSU ("mutuelle mère") functions Mechanisms for development of the CMECs in place, management tools and procedures developed CMECs effectively supervised Managers and personnel trained Newly literate women become actively involved in village bank management</p> | <p>4.b. Audits of the CMECs and their financial statements Sample survey of village banks and analysis of financial data Financial analysis of results of the special credit programme for groups Analysis of supervision costs at each level of the network Regular monitoring of women's participation in functional literacy courses</p> | <p>4.b. Sufficient quality in training and supervision of the CMECs Non-interference by political and administrative authorities Penetration rates allow achievement of network profitability Capacity of the CMECs to recover loans Capacity of women to manage the village banks Sufficiently high repayment rates Sufficient interest on the part of women and available time to attend functional literacy courses</p> |
| <p>Results:</p> | | | |
| <p>1. Agricultural production and stabilization component implemented</p> | <p>1. 20 small dams and 200 shallow wells constructed for irrigation of dry season crops Agricultural extension services satisfactorily provided in the area of dry season cropping, particularly for women's groups</p> | <p>1. Regular monitoring of technical and management performance of ANADER through MINAGRA external review and supervision missions</p> | <p>1. ANADER technical advice well adapted to the physical milieu (agronomic and hydrological factors) and socio-economic conditions (financial resources and labour availability, farm-level management capacity)</p> |
| <p>2. Water, sanitation and nutrition component implemented</p> | <p>2. Construction of 70 new water sites, rehabilitation/replacement of 90 existing water sites Sensitization on water point management carried out in 200 communities Training of 150 village water committee members implemented 15 doctors and 25 nurses trained as trainers of community sanitation agents 16 women extension agents trained in hygiene, health and nutrition education 300 village leaders trained in hygiene, nutrition, and prevention of water-borne disease 30 minutes of rural radio programming per week disseminated in local languages</p> | <p>2. Regular monitoring of coordination capacity of different partners (Health districts, village irrigation, UNICEF, PCU) Nutritional surveys carried out periodically</p> | <p>2. Sufficient local-level implementation capacity Supervision capacity of UNICEF ASCs are motivated Sustainability of improved water management systems tested by the project Sustainability of the Bouna radio station and timely installation of the Bondoukou station (under National Agricultural Services Support Project financing) Water Directorate capable of providing support to village water committees PCU capacity to coordinate activities of the various executing agencies</p> |



| <p>3. Rural roads and market access component implemented</p> <p>4. Rural financial services component implemented</p> | <p>3. 300 km of rural agricultural roads rehabilitated, and 14 related infrastructures (bridges, etc.) constructed</p> <p>Manual road maintenance system in place</p> <p>4. Main CMEC and 11 others established</p> <p>160 village banks and revolving fund established</p> <p>Special credits approved for marketing credit</p> <p>7,380 members in the CMECs</p> <p>12 groups in two sous-préfectures following functional literacy courses during the pilot phase</p> | <p>3. Achievement of program meof work</p> <p>4. International NGO hiring of technical experts and periodic assessment of their performance</p> <p>Financial analysis</p> <p>Evaluation of the pilot phase of the literacy programme in Year 2 or 3 confirms adequate performance of the specialized NGO</p> | <p>3. Procurement procedures respected and implemented without major delays</p> <p>Small private enterprises have the necessary capacity to carry out contractual obligations</p> <p>4. Availability of qualified local and international technical assistance</p> <p>Savings and credit volume sufficient to achieve profitability</p> <p>Members accept terms and conditions for receiving credit</p> <p>NGO capacity sufficient to manage the pilot literacy phase</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|---|--|---|---------------|--------------|---------------|-------|-------|------|--|------|------|------|-------|------|--|------|------|------|-------|------|------|------|--|------|-------|------|--|------|--|------|-------|------|--|------|--|------|--------------|--------------|-------------|-------------|-------------|--------------|--|--|
| <p>5. PCU and M&E system established</p> <p>Activities/components:</p> <p>1. Agricultural production and stabilization</p> <p>2. Water, sanitation and nutrition</p> <p>3. Rural roads and market access</p> <p>4. Rural financial services</p> <p>5. Project management, M&E</p> | <p>5. Personnel recruited, procedures manual written and approved, materials and equipment ordered, etc.</p> <p>Budget (USD millions):</p> <table border="1"> <thead> <tr> <th>Comp.</th> <th>IFAD</th> <th>BOAD</th> <th>RCI</th> <th>Beneficiaries</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>No. 1</td> <td>1.35</td> <td></td> <td>0.08</td> <td>0.05</td> <td>1.47</td> </tr> <tr> <td>No. 2</td> <td>3.03</td> <td></td> <td>0.60</td> <td>0.51</td> <td>4.14</td> </tr> <tr> <td>No. 3</td> <td>1.90</td> <td>3.58</td> <td>0.92</td> <td></td> <td>6.40</td> </tr> <tr> <td>No. 4</td> <td>3.43</td> <td></td> <td>0.14</td> <td></td> <td>3.57</td> </tr> <tr> <td>No. 5</td> <td>1.41</td> <td></td> <td>0.50</td> <td></td> <td>1.91</td> </tr> <tr> <td>Total</td> <td>11.12</td> <td>3.58</td> <td>2.24</td> <td>0.55</td> <td>17.49</td> </tr> </tbody> </table> | Comp. | IFAD | BOAD | RCI | Beneficiaries | Total | No. 1 | 1.35 | | 0.08 | 0.05 | 1.47 | No. 2 | 3.03 | | 0.60 | 0.51 | 4.14 | No. 3 | 1.90 | 3.58 | 0.92 | | 6.40 | No. 4 | 3.43 | | 0.14 | | 3.57 | No. 5 | 1.41 | | 0.50 | | 1.91 | Total | 11.12 | 3.58 | 2.24 | 0.55 | 17.49 | <p>5. Achievement of programme of work</p> <p>Funds available from each financing entity</p> | <p>5. Procurement procedures respected and implemented without major delay</p> |
| Comp. | IFAD | BOAD | RCI | Beneficiaries | Total | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| No. 1 | 1.35 | | 0.08 | 0.05 | 1.47 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| No. 2 | 3.03 | | 0.60 | 0.51 | 4.14 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| No. 3 | 1.90 | 3.58 | 0.92 | | 6.40 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| No. 4 | 3.43 | | 0.14 | | 3.57 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| No. 5 | 1.41 | | 0.50 | | 1.91 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total | 11.12 | 3.58 | 2.24 | 0.55 | 17.49 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

COST AND FINANCING

Table 1: Components Project Cost Summary

| | (XOF '000) | | | (USD '000) | | | % For. Exch. | % Total Base Costs |
|--|------------------|------------------|-------------------|-----------------|----------------|-----------------|-----------------|-----------------------|
| | Local | Foreign | Total | Local | Foreign | Total | | |
| A. Food crop production support | | | | | | | | |
| 1. Small irrigation infrastructure | 599 396.0 | - | 599 396.0 | 999.0 | - | 999.0 | - | 7 |
| 2. Agricultural extension | 93 900.0 | 26 100.0 | 120 000.0 | 156.5 | 43.5 | 200.0 | 22 | 1 |
| Subtotal | 693 296.0 | 26 100.0 | 719 396.0 | 1 155.5 | 43.5 | | 4 | 8 |
| B. Water, Health and sanitation | | | | | | | | |
| 1. Support to the DHV | 120 794.0 | 82 000.0 | 202 794.0 | 201.3 | 136.7 | 338.0 | 40 | 2 |
| 2. Water point construction and rehabilitation | 528 047.3 | 475 082.5 | 1 003 130 | 880.1 | 791.8 | 1 671.9 | 47 | 11 |
| 3. Water users' committee training and support | 162 458.0 | 30 724.0 | 193 1282.0 | 270.8 | 51.2 | 322.0 | 16 | 2 |
| 4. Health and hygiene training and sensitization | 689 928.2 | 73 060.5 | 762 988.2 | 1 149.9 | 121.8 | 1271.6 | 10 | 2 |
| Subtotal | 1 501 228 | 660 866.5 | 2 162 094 | 2 502.0 | 1 101.4 | 3 603.5 | 31 | 24 |
| C. Rural roads and market access | | | | | | | | |
| 1. Road rehabilitation | 1 176 250 | 1 516. 080 | 2 692 330 | 1 960.4 | 2 526.8 | 4 487.2 | 56 | 30 |
| 2. Manual maintenance support | 407 975.0 | 46 300.0 | 454 275.0 | 680.0 | 77.2 | 757.1 | 10 | 5 |
| Subtotal | 1 584 225 | 1 562 380 | 3 146 605 | 2 640.4 | 2 604.0 | 5 244.3 | 50 | 36 |
| D. Rural financial services | | | | | | | | |
| 1. Establishment of CMECs | 22 840.0 | 7 960.0 | 30 800.0 | 38.1 | 13.3 | 51.3 | 26 | - |
| 2. Est. of village banks | 336 915.4 | 86 000.0 | 422 915.4 | 561.5 | 143.3 | 704.9 | 20 | 5 |
| 3. Special credit line | 131 277.5 | 9 375.0 | 140 652.5 | 218.8 | 15.6 | 234.4 | 7 | 2 |
| 4. Training and supervision | 320 510.0 | 547 490.0 | 868 000.0 | 534.2 | 912.5 | 1 446.7 | 63 | 10 |
| 5. Functional literacy | 354 132.5 | 70 770.0 | 424 902.5 | 590.2 | 118.0 | 708.2 | 17 | 5 |
| Subtotal | 1 165 675 | 721 595.0 | 1 887 270 | 1 942.8 | 1 202.7 | 3 145.5 | 38 | 21 |
| E. Project management | 606 790.0 | 259 510.0 | 866 300.0 | 1,011.3 | 432.5 | 1 443.8 | 30 | 10 |
| F. Monitoring and evaluation | 109 200.0 | 67 600.0 | 176 800.0 | 182.0 | 112.7 | 294.7 | 38 | 2 |
| Total BASELINE COSTS | 5 660 414 | 3 298 052 | 8 958 465 | 9 434.0 | 5 496.8 | 14 930.8 | 37 | 100 |
| Physical contingencies | 459 974.4 | 332 285.0 | 792 259.4 | 766.6 | 553.8 | 1 320.4 | 42 | 9 |
| Price contingencies | 554 176.4 | 190 873.1 | 745 049.5 | 923.6 | 318.1 | 1 241.7 | 26 | 8 |
| Total PROJECT COSTS | 6 674 565 | 3 821 210 | 10 495 774 | 11 124.3 | 6 368.7 | 17 493.0 | 36 | 117 |



**Table 2: Components by Financier
(USD '000)**

| | Government | | IFAD | | BOAD | | Beneficiaries | | Total | | Foreign Exchange | Local (Excl. Taxes) | Duties and Taxes |
|--|----------------|-------------|-----------------|-------------|----------------|-------------|---------------|-------------|-----------------|--------------|------------------|---------------------|------------------|
| | Amount | % | Amount | % | Amount | % | Amount | % | Amount | % | | | |
| A. Food crop production support | | | | | | | | | | | | | |
| 1. Small irrigation infrastructure | - | - | 1 206.1 | 96.4 | - | - | 44.9 | 3.6 | 1 251.0 | 7.2 | - | 1 251.0 | - |
| 2. Agricultural extension | 83.1 | 36.8 | 142.6 | 63.2 | - | - | - | - | 225.8 | 1.3 | 50.0 | 167.1 | 8.7 |
| Subtotal | 83.1 | 5.6 | 1 348.8 | 91.3 | - | - | 44.9 | 3.0 | 1 476.8 | 8.4 | 50.0 | 1 418.1 | 8.7 |
| B. Water, health and sanitation | | | | | | | | | | | | | |
| 1. Support to the DHV | 113.6 | 30.0 | 264.5 | 70.0 | - | - | - | - | 378.1 | 2.2 | 151.1 | 171.8 | 55.2 |
| 2. Water point construction and rehabilitation | 245.4 | 12.6 | 1 526.4 | 78.3 | - | - | 177.4 | 9.1 | 1 949.2 | 11.1 | 910.0 | 793.8 | 245.4 |
| 3. Water users committee training and support | 113.0 | 31.0 | 251.2 | 69.0 | - | - | - | - | 364.2 | 2.1 | 59.5 | 295.9 | 8.9 |
| 4. Health and hygiene training and sensitization | 124.4 | 8.6 | 988.9 | 68.5 | - | - | 331.3 | 22.9 | 1 444.6 | 8.3 | 139.1 | 1 267.0 | 38.5 |
| Subtotal | 596.4 | 14.4 | 3 031.0 | 73.3 | - | - | 508.7 | 12.3 | 4 136.1 | 23.6 | 1 259.6 | 2 528.5 | 348.0 |
| C. Rural roads and market access | | | | | | | | | | | | | |
| 1. Road rehabilitation | 522.9 | 9.5 | 1 409.5 | 25.6 | 3 578.3 | 64.9 | - | - | 5 510.7 | 31.5 | 3 076.0 | 1 911.8 | 522.9 |
| 2. Manual maintenance support | 402.9 | 45.4 | 485.1 | 54.6 | - | - | - | - | 888.0 | 5.1 | 85.9 | 779.5 | 22.7 |
| Subtotal | 925.8 | 14.5 | 1 894.7 | 29.6 | 3 578.3 | 55.9 | - | - | 6 398.8 | 36.6 | 3 161.9 | 2 691.3 | 545.6 |
| D. Rural financial services | | | | | | | | | | | | | |
| 1. Establishment of CMECs | 7.2 | 12.1 | 52.5 | 87.9 | - | - | - | - | 59.6 | 0.3 | 15.0 | 37.4 | 7.2 |
| 2. Est. of village banks | 44.3 | 5.3 | 787.2 | 94.7 | - | - | - | - | 831.5 | 4.8 | 163.8 | 623.4 | 44.3 |
| 3. Special credit line | 3.6 | 1.3 | 281.2 | 98.7 | - | - | - | - | 284.8 | 1.6 | 18.0 | 263.3 | 3.6 |
| 4. Training and supervision | 49.9 | 3.2 | 1 528.5 | 96.8 | - | - | - | - | 1 578.4 | 9.0 | 971.0 | 557.5 | 49.9 |
| 5. Functional literacy | 33.7 | 4.1 | 780.1 | 95.9 | - | - | - | - | 813.8 | 4.7 | 136.4 | 643.7 | 33.7 |
| Subtotal | 138.7 | 3.9 | 3 429.5 | 96.1 | - | - | - | - | 3 568.1 | 20.4 | 1 304.1 | 2 125.3 | 138.7 |
| E. Project management | 496.6 | 31.0 | 1 103.5 | 69.0 | - | - | - | - | 1 600.1 | 9.1 | 475.0 | 1 034.8 | 90.4 |
| F. Monitoring and evaluation | 3.5 | 1.1 | 309.5 | 98.9 | - | - | - | - | 313.0 | 1.8 | 118.0 | 193.6 | 1.4 |
| Total Disbursement | 2 444.2 | 12.8 | 11 116.9 | 63.6 | 3 578.3 | 20.5 | 553.6 | 3.2 | 17 493.0 | 100.0 | 6 368.7 | 9 991.6 | 1 132.7 |





ORGANIZATION AND MANAGEMENT

1. General project oversight will be the responsibility of MINAGRA which will delegate the responsibility for day-to-day management to a small, semi-autonomous PCU. The PCU will have four professional officers, including a project director, an accountant, an infrastructure expert, and an M&E expert. Support staff (secretaries, chauffeurs, etc.) will also be recruited.
2. Principal tasks of the PCU include:
 - (a) finalizing the detailed targeting strategy for the project;
 - (b) preparation and submission to the steering committee of the annual work programme and budget, including regular update/refining of the logical framework;
 - (c) participation in the preparation of bidding documents for goods and services to be procured under the project;
 - (d) overseeing the faithful execution of contracts financed by the project, including frequent village visits to verify that the contractors are regularly consulting with villagers;
 - (e)
 - (f) liaising with all institutions and agencies participating in the project, including local grass-roots organizations;
 - (g) initial approval of billing statements, receipts, etc. furnished by subcontractors, and transmission to MINAGRA and MEF for payment; and
 - (h) implementation of the M&E plan, as set out in the logical framework, and periodic preparation of reports on implementation progress and impact monitoring.
3. In order to facilitate rapid and efficient start-up, a Special Operations Facility (SOF) grant will be provided prior to project effectiveness. Under this grant, consultant services will be contracted to draw up detailed terms of reference for each of the PCU professionals, assist MINAGRA in the recruitment process, prepare a project implementation manual, and draw up initial tender documents for project vehicles, computers, and other office equipment. The SOF grant will be used also for financing the local costs of an IFPRI study for the development of an operational project targeting plan.
4. An inter-ministerial project steering committee will be formed at the regional level, to be chaired by MINAGRA's regional director in Bondoukou. Other ministries serving on the steering committee will include those of Economy and Finance, Planning, Family and Women's Affairs, Economic Infrastructure, and Health. The steering committee will approve annual work programmes and ensure that recommendations emanating from supervision missions and MINAGRA external reviews⁵ are properly followed-up.

⁵ An M&E unit within the programming department of MINAGRA carries out quarterly external reviews to monitor project implementation progress and impact and formulate recommendations for improving implementation.



5. Direct execution of field activities will be subcontracted to qualified private sector operators, NGOs and/or para-public sector institutions. The Government has already endorsed this approach to project implementation. The PCU model is being employed in the ongoing Rural Development Project in the North East and in the IFAD-initiated Debakala/Katiola Rural Development Project.

6. Whenever possible, the project will work with agencies that have a permanent presence in the region for purposes of promoting institutionally sustainable development. Proposed institutional links for each of the project's components include:

- (a) For small irrigation support - an agreement will be signed with ANADER to oversee the establishment of small dams and shallow wells and provide technical advice to farmers on vegetable and horticultural crop production.
- (b) For rural financial services - as no organization currently provides credit and savings facilities in the region, the project will be expected to create such an institution, building on the CMEC model promoted by IFAD in the project area and in the Centre-North Region. Assistance for the establishment of the CMEC network will be subcontracted to an international organization specialized in microfinance development. Establishment of a pilot functional literacy programme linked to village bank development will be subcontracted to a local NGO.
- (c) For rural road rehabilitation and maintenance - the Regional Roads Directorate (*Direction régionale des routes et voiries*) will be charged with overseeing private contractors involved in the construction and rehabilitation work. Labour-intensive road repair will be managed by an organization specialized in this type of work.
- (d) For village water - the Regional Water Directorate (*Direction régionale de l'eau*) will oversee the establishment and rehabilitation of water points, with the drilling and construction work contracted to the private sector. The private sector will also install pumps and train local repairmen in maintenance and spare parts replacement. UNICEF will be contracted to assist in the training of village water committees and to supervise local health agents in organizing sensitization programmes in health, sanitation and nutrition. Collaboration with UNICEF will be formalized through an agreement with the PCU.



ECONOMIC AND FINANCIAL ANALYSIS

1. Project benefits are expected in two forms: (i) hardware, such as much-needed rural infrastructure investment in small irrigation, potable water and roads; and (ii) software in the form of strengthened local-level capacity to manage these investments, and a rural finance network both for savings and for the financing of small, individual and group investments selected by the beneficiaries themselves. It is expected that all interventions will contribute, directly or indirectly, to the overall project objective of improved household food security.

2. With the exception of the rural roads and small irrigation components, none of the proposed interventions lend themselves to traditional benefit/cost calculations. For this reason, no overall internal rate of return or standard economic analysis has been carried out. Each component, however, has been designed to minimize costs while maximizing potential impact. In the village water component, considerable emphasis will be placed on the repair of existing facilities rather than on the construction of new facilities as this is generally a cheaper way to reach greater numbers of people. The road component will focus on secondary and tertiary roads, with emphasis on manual methods of labour. This will not only help to keep costs down, but it will also funnel considerable resources to rural communities. A detailed financial analysis has been made of the rural financial services component to ensure that the proposed network can be sustained past project completion. In addition, a financial analysis has been made of the small irrigation component to verify the potential profitability of these investments to small farmers, and to keep investment and operating costs at modest and affordable levels.

3. With regard to rural financial services, once the CMEC network reaches full development, it is expected to have accumulated XOF 400 million in savings. Under prudent rules of management - and in combination with the credit lines to be furnished by the project - these savings will allow for lending in the range of XOF 2 billion.

4. Above all, costs will be covered through economies of scale in membership (each CMEC needs a membership of at least 200 to break even); cost-effective service delivery, including among other things, the appointment of the Bondoukou CMEC as headquarters in order to keep supervision and control costs to a minimum; and setting interest rates at levels above those of commercial banks in recognition of the inherently higher cost of delivering financial services to rural areas.

5. Interest rates on short-term loans will be initially set in the range of 18-24% a year. During design, the farmers clearly stated that access to short-term credit is much more important to them than low interest rates, and many productive and commercial activities in the project zone (agricultural marketing, vegetable production, etc.) can easily earn short-term returns that make such lending rates attractive (under the Rural development Project in the North East, returns on loaned capital in the range of 100-200% over a three-month period are not uncommon).



6. With regard to small irrigation, crop budgets were prepared for the most important vegetable crops, including tomatoes, gumbo, eggplant and carrots. Due to more regular watering and assumed use of the technical packages recommended by ANADER, yields for these crops would be 50-100% higher on average than at present (12 t/ha for tomatoes vs. the current estimate of 8.7 t/ha; 5.5 t/ha vs. 2.2 t/ha for gumbo; and 15 t/ha vs. 8.3 t/ha for eggplant).
7. The financial prices for outputs and inputs used for the purpose of analysis were those observed in the market in June 1998. Inputs include seed, fertilizer, pesticides, sacks, small hand tools, and, in some instances, hired labour (not uncommon in this region for vegetables and perennial crops such as coffee). Maintenance costs for small perimeters and shallow wells were also included.
8. Net revenue from irrigated vegetable production would be quite attractive: XOF 1 696 000 for tomatoes; XOF 353 000 for gumbo; XOF 363 000 for eggplant; and XOF 1 800 000 for carrots. Moreover, returns to household labour substantially surpass the opportunity cost of labour in the region (currently estimated at XOF 1 000 per day, which is the prevailing informal wage rate for hired agricultural labour): XOF 6 500/man-day for tomatoes; XOF 2 500/man-day for gumbo; XOF 3 000/man-day for eggplant; and nearly XOF 15 000/man-day for carrots.
9. Based on projections of full production on 180 ha by Project Year 3, the incremental tonnage produced in the project zone is expected to be in the range of 1 400 t of tomatoes; 110 t of gumbo; 300 t of eggplant; and 260 t of carrots (assuming area allocations of 120 ha for tomatoes, and 20 ha each for gumbo, eggplant and carrots).