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**REPORT AND RECOMMENDATION OF THE PRESIDENT**

TO THE EXECUTIVE BOARD ON A PROPOSED LOAN TO

**THE REPUBLIC OF THE GAMBIA**

FOR

**THE RURAL FINANCE AND COMMUNITY INITIATIVES PROJECT (RFCIP)**





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### CURRENCY EQUIVALENTS

Currency Unit	=	Dalasis (GMD)
USD 1.00	=	GMD 10.2
GMD 1.00	=	USD 0.098

### 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 <sup>2</sup> )	=	10.76 square feet (ft <sup>2</sup> )
1 acre (ac)	=	0.405 ha
1 hectare (ha)	=	2.47 acres

### ABBREVIATIONS AND ACRONYMS

ASP	Agricultural Services Project
AWPB	Annual Work Programme and Budget
COSOP	Country Strategy and Opportunities Paper
CRD	Central River Division
DAS	Department of Agricultural Services
DLS	Department of Livestock Services
DOSA	Department of State for Agriculture
ERP	Economic Recovery Programme
FPF	Farmers' Partnership Fund
HFS	Household Food Security
JPSP	Jahaly and Pacharr Smallholder Project
LADEP	Lowlands Agricultural Development Programme
LRD	Lower River Division
MTR	Mid-Term Review
NBFI	Non-Bank Financial Institution
NGO	Non-Governmental Organization
PC/PSU	Project Coordinator/Project Support Unit Head
PCO/DOSA	Projects Coordinating Office of the Department of State for Agriculture
PSC	Project Steering Committee
PSD	Programme for Sustainable Development
PSU	Project Support Unit
RFCIP	Rural Finance and Community Initiatives Project
SSWCP	Small-Sale Water Control Project
VISACA	Village-based Savings and Credit Association
VPC	VISACA Promotion Centre



## LEXICON - GAMBIAN TERMINOLOGY

*Kafo*

Traditionally age/sex based but increasingly used to designate any group. Most villages have a women's *kafo*, to which all adult (married) women belong, and a men's *kafo* for all adult men. Sub-*kafos* are often created for special purposes.

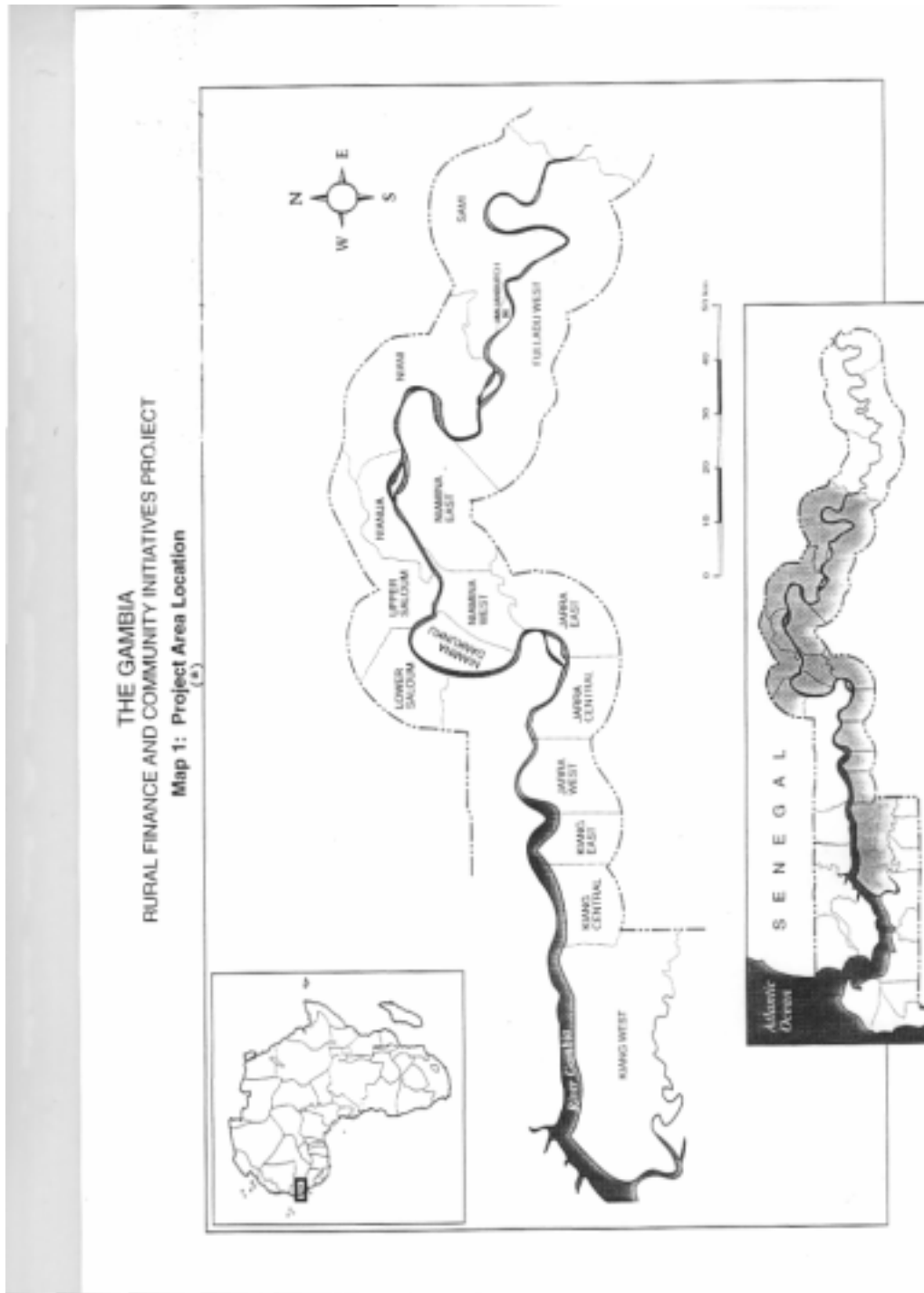
## GOVERNMENT OF THE REPUBLIC OF THE GAMBIA

**Fiscal Year**

1 July - 30 June



### MAP OF THE PROJECT AREA



(\*) Agricultural Support and *Kafo* Capacity-Building Components.

**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 THE GAMBIA**  
**RURAL FINANCE AND COMMUNITY INITIATIVES PROJECT (RFCIP)**  
**LOAN SUMMARY**

<b>INITIATING INSTITUTION:</b>	IFAD
<b>BORROWER:</b>	Republic of The Gambia
<b>EXECUTING AGENCY:</b>	Department of State for Agriculture
<b>TOTAL PROJECT COST:</b>	USD 10.64 million
<b>AMOUNT OF IFAD LOAN:</b>	SDR 6.6 million (equivalent to approximately USD 9.24 million)
<b>TERMS OF IFAD LOAN:</b>	40 years, including a grace period of ten years, with a service charge of three fourths of one per cent (0.75%) per annum
<b>COFINANCIERS:</b>	None <sup>a</sup>
<b>CONTRIBUTION OF BORROWER:</b>	USD 0.99 million
<b>CONTRIBUTION OF BENEFICIARIES:</b>	USD 0.41 million
<b>APPRAISING INSTITUTION:</b>	IFAD
<b>COOPERATING INSTITUTION:</b>	IFAD

<sup>a</sup> The World Bank has expressed keen interest in joining IFAD in this project next year.





## PROJECT BRIEF

**Who are the beneficiaries?** The key component of the project, rural finance development, will directly benefit an estimated 25 000 rural households (275 000 people) through the strengthening and expansion of the village-based savings and credit association (VISACA) network from the existing 37-80 associations nationwide. The agricultural support and *kafos* capacity-building components will be implemented in two of the country's six rural administrative divisions, directly benefiting 30 000 members of 300 *kafos* (i.e., traditional village groups) in 150 villages. About 50% of the beneficiaries will be women as members of the VISACAs and/or their women's *kafos*.

**Why are they poor?** The intended beneficiaries are poor because they face increasing household food insecurity. Their ability to either produce their own food or sell farm products to buy food has declined significantly over the past 25 years, mainly because both cropped area and average yields have stagnated while the population has doubled. The environment is endangered due to diminishing rainfall and rising land pressure. Rural producers lack access to inputs, information, functional literacy and basic social and productive infrastructure. Their capacity to plan adequately for and manage essential community infrastructure is limited. Lack of access to appropriate technology, advice and information for crops and livestock, produce processing and storage, etc., is another major constraint. The above constraints are compounded by limited access to credit and weak community organization and sustainability.

**What will the project do for them?** The project will help improve household food security (HFS), and thereby contribute to the alleviation of poverty, by filling critical gaps in a development process designed to boost food production and income-generation in a sustainable manner through: (i) expanding and consolidating the IFAD-initiated VISACA network of mutualistic, village-based microfinance institutions, including development of a policy and regulatory framework, promotion of rural savings and credit, and institutional strengthening and capacity-building of key partners in the rural finance sector; (ii) assisting men's and women's *kafos* to increase crop and livestock production in an environmentally-sound manner, improve the technologies available, and promote participatory communication processes for information dissemination and awareness-raising; and (iii) strengthening the organizational, planning and monitoring capacities of the *kafos*, thereby empowering them to implement their own development priorities, improving access both by women and men to productive technical and social services, and removing constraints to HFS by supporting mini-projects identified and implemented by them. The project will have three technical components: (i) rural finance development; (ii) agricultural support; and (iii) *kafos* capacity-building, as well as project management and monitoring and evaluation (M&E).

**How will the beneficiaries participate in the project?** The project's field activities will be driven by beneficiary choices and prioritization of options identified through the participatory preparation of action plans. Animation teams comprising non-governmental organizations (NGOs) as facilitators and local technical staff, will help the beneficiaries to understand the full range of available development options as well as the benefits, risks and costs associated with different types of mini-projects. Participatory design, implementation, M&E will be supported using participatory rural appraisal tools. Village men and women will take part in creating and managing their own VISACAs, receiving training and technical assistance through to maturity and self-sustaining management. The project will promote farmer-farmer visits and farmer networking, thereby enhancing self-driven development, ownership and cross-fertilization of ideas between different parts of the country and even the region. Beneficiaries will participate in annual consultations, together with project staff and implementing partners, in order to jointly assess progress and fine-tune the project.





**REPORT AND RECOMMENDATION OF THE PRESIDENT OF IFAD  
TO THE EXECUTIVE BOARD ON A PROPOSED LOAN TO  
THE REPUBLIC OF THE GAMBIA  
FOR  
THE RURAL FINANCE AND COMMUNITY INITIATIVES PROJECT (RFCIP)**

I submit the following Report and Recommendation on a proposed loan to the Republic of The Gambia for SDR 6.6 million (equivalent to approximately USD 9.24 million) on highly concessional terms to help finance the Rural Finance and Community Initiatives Project (RFCIP). 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 approach to implementation by private sector partners, mainly non-governmental organizations (NGOs), operating on a contract basis. Furthermore, the main thrust of the project is on rural microfinance, a sector where IFAD originally introduced the concept of mutualistic village-based savings and loan schemes. The proposed project will expand and consolidate the network to cover the whole country.

**PART I - THE ECONOMY, SECTORAL CONTEXT AND IFAD STRATEGY<sup>1</sup>**

**A. The Economy and the Sectoral Context**

**The Economy**

1. The Gambia's economy is marked by a small base dominated by agriculture and trade (each accounting for 25% of Gross Domestic Product (GDP)), with tourism contributing 10-12%, manufacturing (assembly) and construction 7%, and services (transport, communications and public services) the remaining 31-33%. Groundnuts, formerly the main source of foreign exchange, now account for only about 14% overall earnings against 49% from tourism and 30% from the re-export trade. The GDP per capita is approximately USD 365. The Gambia is ranked 165<sup>th</sup> out of 175 countries in the United Nations Development Programme (UNDP) Human Development Index for 1997. In-depth studies conducted in 1993 classified one in three Gambians as poor (i.e., unable to meet their essential needs) and one in seven as extremely poor (unable to meet even basic food needs). At the time of the studies, more than 80% of the extremely poor lived in the rural areas.

2. Following a sharp deterioration in the economy in the 1980s, the Government — assisted by the International Monetary Fund, World Bank and other multilateral and bilateral donors — launched an Economic Recovery Programme (ERP), followed by the current Programme for Sustainable Development (PSD) in 1990. Both programmes included measures to stabilize the economy and foster sustainable growth. In 1997, GDP grew at 3.8% in real terms, against 2.7% in 1996 and 2.4% in 1995; the exchange rate depreciated by 2%, and inflation stood at 3%. A new framework for the PSD was recently provided in "The Gambia, Vision 2020", which reaffirms the Government's commitment to free-market principles and a private-sector-led economy. Despite significant improvements in the management of the economy since the ERP, The Gambia is still faced with major structural, institutional, and financial constraints. It is vulnerable to adverse external developments and overly dependent on foreign financial assistance and volatile activities such as tourism, the re-export trade and rainfed cropping.

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<sup>1</sup> See Appendix I for additional information.



## **Agriculture**

3. Agriculture plays a vital role in the national economy, employing over 60% of the labour force and generating about 80% of exports. Production is characterized by low-productivity rainfed cropping for subsistence, traditional livestock rearing, semi-commercial production of groundnuts and some minor crops, and a large artisanal fisheries subsector. Outputs have declined for most crops: groundnuts from 145 000 t in the mid-1970s to only 46 000 t in 1996; and rice from 26 000 t to less than 20 000 t. A noteworthy exception is coarse grains, where production has risen from 39 000 t to about 80 000 t annually, mostly due to the expansion of the area planted to early millet in response to drought conditions. Livestock's contribution to agricultural GDP was 4% in 1983, rising to the current 24%, partly due to the aforementioned decline in crops. Cattle numbers have remained stable since 1979, while the numbers of goats and sheep have risen by 25% and 40%, respectively. More than 90% of farm families have sheep and goats. Livestock production is constrained by disease and scarcity of dry-season feed.

4. Prior to the ERP, the Government had pursued a paternalistic policy of direct intervention in agricultural production, processing and marketing. Farmers had access to subsidized fertilizer, seed and mechanical services, concessionary credit, free vaccines and pesticides, etc. Under the reforms, many key producer prices were decontrolled (e.g., rice and groundnut), the subsidy on fertilizers was removed and staffing of the agricultural services was reduced by some 20-30%. Technical support services to farmers are provided by two line departments within the Department of State for Agriculture (DOSA), namely, the Department of Agricultural Services (DAS) and the Department of Livestock Services (DLS) as well as several specialized units (e.g., soil and water management, communications, appropriate technology, planning, etc.). Coordination of donor-funded projects and programmes is assured by DOSA's Projects/Programmes Coordinating Office. The National Agricultural Research Institute focuses mostly on crops, but livestock research is covered by the International Trypanotolerance Centre. The field operations of both DAS and DLS are decentralized, and staffing at the junior and middle levels is both leaner and more competent thanks to training and support assured under the Agricultural Services Project (ASP) (312-GA). Both services have developed promising technologies and would be willing to adopt a more participatory and demand-led approach. However, they lack both the necessary training and the funds to take the technologies to the farmers. Support for community development is provided mainly by NGOs, often in close collaboration with the Department for Community Development within the Department of State for Local Government and Lands. Their approach is more participatory and broader-based, and includes both social and production aspects.

## **The Rural Finance Sector**

5. Following a long history of direct delivery of credit by projects and/or by State-controlled financial institutions, the current policy of the Government is to provide an enabling economic and regulatory environment within which private institutions can flourish. The commercial banks have only three branches outside the Greater Banjul area, and they do not service the rural financial markets for cost and risk reasons. Rural demand for credit is met mainly by a multitude of non-bank financial institutions (NBFIs), including NGOs, projects and the informal sector (moneylenders, friends and relatives). The resulting plethora of conditions is neither transparent nor cost-effective for resource-poor farmers. Yet there exists considerable potential for the strengthening and expansion of the network of VISACA<sup>2</sup> which IFAD introduced under the Jahaly and Pacharr Smallholder Project (JPSP) in 1988 and has continued to this day.

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<sup>2</sup> See Appendix VII.



## **B. Lessons Learned from Previous IFAD Experience in The Gambia**

6. IFAD has supported five projects in The Gambia to date, for a total of about USD 21.2 million<sup>3</sup>. Three of the projects were initiated by IFAD and four were cofinanced, notably with World Bank. The focus of three projects (JPSP, the Small-scale Water Control Project (SSWCP) and the Lowlands Agricultural Development Programme (LADEP)) was/is on lowland rice production, which is traditionally a women's crop. The Fund's contributions to the International Development Association (IDA)-initiated Agricultural Development Project II and the ASP address institution-building aspects that further IFAD's emphasis on targeting the needs of smallholder farmers and women. Lessons learned during these projects have been constantly reflected in the design of subsequent projects, with a view to improving performance and strongly emphasizing beneficiary participation. Thus, even greater importance has been given to building up the capacity of small rural producers to identify their needs and constraints, search for locally appropriate solutions, assume responsibility for subsequent implementation and management and evaluate impact. Traditional village groups (*kafos*) have proved to be more cohesive and therefore better partners than groups created at project instigation. Indeed, the *kafo* is a highly important element of social and economic life in The Gambia and most villages have two: one for all adult women and one for all adult men. Matters of general interest are dealt with by the village-level *kafo*, but sub-*kafos* are formed to deal with specific activities or concerns. Other lessons include the following. Capital-intensive technologies are not sustainable under the prevailing socio-economic conditions of The Gambia's agricultural sector. The contributions of both women and men are instrumental in attaining and maintaining HFS, and the exclusion of men under past projects has actually increased the burden on women. Development initiatives should be guided by market considerations. Sustainable microfinance services are critically needed to support village-level investments and thereby boost rural incomes. Management problems can be reduced by introducing a system for subcontracting implementation tasks out to service providers selected on the basis of responses to a call for open tenders. Of particular significance to the proposed project is IFAD's experience with the VISACA concept mentioned in paragraph 5 and described in Appendix VII. This concept has generated keen interest among small farmers, especially women, who represent half the membership. Under this concept, savings and credit functions are linked within a local bank that is owned and managed by the members, who establish the criteria and the rules and regulations for the management of deposits and loans. An instrument for promoting and facilitating expansion of the VISACA concept was created under ASP by establishing a VISACA Promotion Centre (VPC).

## **C. IFAD's Strategy for Collaboration with The Gambia**

### **The Gambia's Policy for Poverty Eradication**

7. The Government's strategy for poverty eradication, expressed in its National Poverty Alleviation Programme, combines macro and sectoral policies designed to promote equitable economic growth and improved social services for the poor. In-depth studies conducted in 1993 revealed the overwhelming rural nature of poverty in the country and provided the elements underlying the Government's policy. Coordination of poverty alleviation projects is vested in the Strategy for Poverty Alleviation Coordinating Office established within the Department of State for Finance and Economic Affairs.

### **The Poverty Eradication Activities of Other Major Donors**

8. Following a sharp curtailment of external assistance after the July 1994 coup, donor funding to The Gambia was resumed upon the return to constitutional rule in 1996, rising to USD 44.5 million in 1996 compared to USD 41.1 million in 1995 and peaks of over USD 90 million before the coup.

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<sup>3</sup> See Appendix II.



Ongoing donor activities that address poverty constraints include: village initiative support activities through which the European Development Fund supports microprojects identified by the populations in the framework of area development programmes; the United Nations Development Programme's pilot Household Food Security Programme targeted at heavily food-deficit areas; and the United Nations Children's Fund's Country Programme focusing on health, basic education, safe water/sanitation, advocacy and monitoring throughout the country. The African Development Fund recently approved a four-year poverty reduction project aimed at reducing socio-economic imbalances and strengthening grass-roots organizations and local governments. Finally, there are many NGOs whose activities usually cut across social and economic sectors. A common feature of many donors, and especially NGO-initiated activities, is a focus on participatory approaches and empowerment. This, along with their focus on social infrastructures, makes them highly complementary to IFAD's emphasis on sustainable household food security.

### **IFAD's Strategy in The Gambia**

9. In May 1997, IFAD and the Government collaborated closely in preparing a Country Strategy and Opportunities Paper (COSOP) clarifying preferred areas of investment for future IFAD support to The Gambia. In addition to continuing support for lowland development (already addressed under LADEP, approved in 1995), suggested strategic areas for IFAD assistance included: (i) support for rationalizing and expanding rural microfinancial services nationally, with a view to facilitating access to farm technologies and inputs, improved processing and marketing of produce, opportunities for income-generating activities, etc.; and (ii) enhancement of HFS through support for the diversification of on- and off-farm income sources and the promotion of women. These strategic thrusts are to be pursued in accordance with IFAD's corporate strategy emphasizing support for programmes driven by beneficiary participation in both design and implementation.

### **Project Rationale**

10. The ability of the rural poor in The Gambia to exploit real potential for attaining HFS and raising their incomes is severely hampered by a set of closely interrelated constraints: (i) lack of access to knowledge and information; (ii) lack of access to microfinance; and (iii) weak capacity to take charge of their own development on a sustainable basis. The proposed project will help disadvantaged rural populations address those constraints by capitalizing on the experience acquired by IFAD over the past 15 years in The Gambia. Its strategy will consist in: (i) exploiting the capacity of the mutualistic savings and credit concept as a "motor" to promote positive changes in rural livelihoods and thereby enhance the HFS of farmer families, associating this with a matching grant facility for major collective HFS-related investments that cannot be financed through credit; (ii) enhancing the ability of government services to provide essential technical support for improving crop and livestock production technologies; and (iii) intensive capacity-building at the grass-roots level, working through the traditional village-wide women's and men's *kafos* which are a feature of all rural villages in The Gambia.

11. The potential for a successful project is represented by several strong elements that capitalize on in-country experience, including: (i) the promising performance of the VISACA concept as an instrument for cost-effective delivery of rural financial services, including savings and credit; (ii) the presence of stable and increasingly entrepreneurial traditional village-based groups and associations sincerely interested in the participatory definition of development priorities; (iii) physical, social and economic conditions that are conducive to the undertaking of a broad range of small-scale rural investments; and (iv) the availability of simple and appropriate off-the-shelf technologies for a broad range of locally important crops and livestock. These points form the basic underpinnings of the proposed project, which is designed to contribute towards improving access of the active rural poor to adequate micro-finance and thereby strengthening their capacity to manage and maintain their own development, raise their incomes, and enhance HFS.



## PART II - THE PROJECT

### A. Project Area and Target Group

12. **Project area.** As the main thrust of the proposed project will be to consolidate and expand the VISACA network throughout the country, the rural finance development component will be implemented in all six rural divisions. The demand-driven services delivery approach of the agricultural support and *kafos* capacity-building components is quite innovative, particularly for government technical services. Hence these components will be initiated in two divisions with the possibility of expanding to the other divisions after mid-term review (MTR). Lower River Division (LRD) and Central River Division (CRD) have been selected because they are heavily rural and therefore particularly vulnerable to poverty, and also because they are not covered by a major donor-funded project at present. In CRD, the proposed project will help fill a gap left by two of IFAD's previous projects (JPSP and SSWCP) which focused exclusively on lowland rice.

13. **Target group definition.** Poverty in The Gambia is widespread, pervasive, and essentially rural. In-depth studies have not revealed significant relationships between poverty and ethnicity or village size, nor even with major socio-economic groups. However, this substantial uniformity masks the presence of pockets of deep poverty throughout the country. A common trait of these villages is lack of access to information and opportunities for development. About 60% of all Gambians live in rural areas, representing a total of 720 000 persons living in about 65 000 households (1997 estimates). Rural households are larger than urban ones (11-12 persons vs. eight-to-nine), with four working-age adults. Food security is assured at the level of several households under the umbrella of a complex, compound-based farming system wherein the men and the women cultivate different crops in separate agro-ecological realities under the overall guidance of the compound head (the father or elder brother). Over 90% of the rural households also have small ruminants and poultry, at least half of them owned by women. The project will target about 100 000 small-scale rural producers (25 000 households) throughout the country by enhancing their access to rural financial services. Further, 30 000 producers in 150 disadvantaged villages in LRD and CRD will also benefit from agricultural support and capacity-building. Experience to date indicates that over half the beneficiaries will be women. There is little difference between the compounds of any given village, but strong differentiations may exist within compounds, particularly among co-wives. An important factor in reducing such inequalities is peer pressure through the women's village-wide *kafos*.

14. **Targeting mechanisms.** Targeting is neither advisable nor necessary for the rural finance development component because: (i) this could weaken the image of the VISACA as belonging to its members, who establish the rules and regulations; and (ii) the VISACA concept is self-targeting as the small loan sizes and short lending periods are not attractive to the relatively better-off person. The envisaged targeting mechanism for the other two components comprises a first stage during which clusters of disadvantaged villages will be identified on the basis of objective criteria, e.g.: (i) reliance on agriculture and livestock as the main sources of livelihood; (ii) a "hungry period" lasting four months or longer; (iii) a production base threatened by natural resource degradation; and (iv) the leaders agree that women's and men's *kafos* will have equal access to project support. At the next stage, both the women's and the men's groups will have to comply with a number of eligibility criteria, e.g.: (a) be representative of all socio-economic categories in the village; and (b) be willing to ensure that particularly vulnerable members join the activities to be supported. If a village-wide group is too large or if the activity interests only a few members, a sub-group may be formed, with the obligation to include one or more particularly vulnerable villagers.

### B. Objectives and Scope

15. As shown in the Logical Framework attached as Appendix III, the project's development goal is to help improve HFS and incomes. In pursuance of this goal, it will seek to: (i) boost both on- and



off-farm production and incomes by strengthening and expanding the VISACA network; and (ii) promote HFS-positive actions identified through the village-wide men's and women's groups, and implemented and managed by them. Within this context, the project will pursue a number of specific objectives with a view to generating the outputs by component indicated in the Logical Framework.

16. The project's emphasis on sustainability, capacity-building, beneficiary participation and empowerment calls for a flexible approach that takes account of the available human resources and of the needs, capacities and aspirations of beneficiaries and partners. These factors were probed during consultations with prospective beneficiaries and complemented by close collaboration with an in-country task force created to work with the design missions. The decision to intensify external funding for investments in cropping, horticulture, livestock, and village infrastructure, needs to be preceded by testing of certain innovative elements of the approach. Implementation will be therefore undertaken in two stages. During a first three-year period, further pertinent experience will be acquired and an MTR will be carried out before the end of the third year. The MTR findings and recommendations will provide the elements for decision-making on the opportunity of proceeding with a consolidation phase, with the possibility of expanding coverage to the remaining four rural divisions of the country. The design therefore incorporates mechanisms for adapting project scope and activities on the basis of the experience and impact recorded during the first phase.

### C. Components

17. The objectives of the project will be pursued through three technical components — rural finance development, agricultural support and *kafu* capacity-building — plus project management and M&E.

18. The key component is **rural finance development**, the objectives of which are threefold: (i) to accelerate and streamline the expansion of rural financial services throughout the country, including support for developing an enabling policy and regulatory framework; (ii) to contribute towards capacity-building of key actors (partner NGOs, VISACA managers and cashiers, VISACA committees) within the rural finance sector; and (iii) to provide resources for removing infrastructural constraints that block the attainment of HFS. The project will finance the establishment and equipment of 43 new VISACAs to increase their number to 80 nation-wide, and rehabilitate 18 of the 37 existing ones. Partner NGOs, who have helped to establish the existing VISACAs, will be engaged on a contract basis and strengthened through training and operational support, allowing them to provide intensive training and technical assistance on a continuous basis to the VISACAs on rural finance matters, loan portfolio management, etc. The VPC will be strengthened to assure training of NGO partners in the VISACA concept, certification as VISACA promoters and monitoring impact at the level of memberships. NBFIs will be contracted to manage two credit lines: (a) a refinancing facility to help VISACAs bridge liquidity crises and (b) a medium-term credit facility to fill a gap in the rural finance sector. Finally, a farmers' partnership fund (FPF) will be created to provide matching grants for short-term mini-projects (identified by the *kafos*) as well as longer-term projects for village infrastructure development that cannot be financed through credit because of their size or nature. To be eligible, the projects will need to address HFS constraints, but beneficiaries will be assisted in obtaining support for non-eligible actions.

19. The capacity of the rural finance unit of the Central Bank, which is mandated to monitor and supervise rural finance activities, will be strengthened through appropriate training, networking visits to countries with successful mutualistic and decentralized microcredit systems and short-term technical assistance. The VISACAs will be sensitized on the advantages of creating an apex organization to represent their interests in the definition of policies, negotiate preferential agreements with commercial banks, and perhaps even operate as a risk-hedging mechanism.





20. **Agricultural support.** The objectives of the component are to: (i) help *kafo* members increase and diversify their production with a view to attaining/enhancing HFS, both through increased self-consumption and cash sales, including a small provision for strategic investments in marketing infrastructure; (ii) strengthen the ability of public technical services to foster participatory development and promote the available technologies; and (iii) address environmental constraints. Up to ten staff posted to LRD and CRD of the line departments (DAS and DLS) will receive the same training in participatory techniques as the other members of the divisional animation teams to be created under the *kafos* capacity-building component. In addition to providing technical expertise for the participatory analysis and planning of development actions under the latter, they will work closely with and complete the training of village auxiliaries, i.e., people selected by their *kafo* to be trained to provide local expertise and services in crops/integrated pest management and livestock husbandry/health, and in organizing participatory research and demonstrations on themes selected by the farmers. A voucher-based system, to be introduced on a pilot basis, will enhance quality of response to farmers priorities and empower the latter in their relationship with the technical services.

21. The ***kafos* capacity-building component** aims to assist male and female *kafos* to: (i) build up their organizational, planning and monitoring capacities for implementing their own development priorities; (ii) enhance their access to technical and social services; (iii) gain access to the FPF; and (iv) promote participatory communication processes for information dissemination, awareness-raising and the collection of feedback for project management and M&E purposes. Divisional animation teams made up both of public technical staff (community development, DAS, DLS) and NGO partners will be created and their ability to facilitate a truly participatory empowerment approach will be strengthened through intensive training and operational support. Within the context of a development partnership between beneficiary groups, government institutions and private implementing partners and contractors, the teams will assist the groups to undertake participatory constraints analysis and identification and prioritization of development actions, followed by participatory design and detailed planning of implementation, self-help management, and participatory M&E. Group leaders will undergo management training and receive assistance in developing eligible mini-projects for funding either through the FPF or other donors, in implementing/monitoring them, and in evaluating impact. Intensive training in participatory techniques, sensitization on gender/age issues and empowerment strategies will be provided to about 60 members of the animation teams, including DAS/DLS staff. After an initial period aimed at informing all stakeholders about the goals, objectives and procedures of the project, information/education/communication activities will focus on assuring smooth and effective information flows between the groups and villages and their NGO and public service partners. Special attention will be given to collecting and developing appropriate responses to feedback.

22. As in the case of LADEP, implementation of the three components will be coordinated by the Project Support Unit (PSU) to be established within the projects coordinating office of the Department of State for Agriculture (PCO/DOSA) and charged with responsibility for backstopping, coordinating, supervising and monitoring project activities. The PSU will identify the implementing partners, draw up partnership contracts and supervise performances. PSU staff will be limited to five senior staff plus minimal support staff. Two field officers will be outposted to LRD and CRD respectively, to assure close supervision of activities, especially training and participatory planning.

#### **D. Costs and Financing**

23. Total project costs, including duties and taxes, are estimated at USD 10.64 million over six years, of which USD 4.99 million or about 47% is in foreign exchange. Duties and taxes are estimated at USD 0.61 million. Price and physical contingencies are estimated at USD 1.09 million and USD 0.22 million, respectively, equivalent to 12% and 2% of the project base cost. The project will be financed by IFAD, the Government and the beneficiaries. The IFAD loan of USD 9.24 million



will finance 87% of total project costs. The Government will finance USD 0.99 million (9%), representing all duties and taxes, premises for the PSU and field officers, and 50% of the credit lines. The contribution of the beneficiaries is estimated at USD 0.41 million (4%) including labour, 14% of the FPF and 11% of the building and rehabilitation of VISACA premises. The project costs and financing plan are detailed in Tables 1 and 2 below.

**Table 1: SUMMARY OF PROJECT COSTS<sup>a</sup>**  
(USD '000)

Component	Local	Foreign	Total	% Foreign Exchange	% Total Base Cost
Rural finance development	2 774	2 627	5 401	49	58
Agricultural support	651	894	1 545	58	17
<i>Kafo</i> capacity-building	747	434	1 181	37	13
Project management and M&E	626	574	1 200	48	13
<b>Total base costs</b>	<b>4 798</b>	<b>4 529</b>	<b>9 327</b>	<b>49</b>	<b>100</b>
Physical contingencies	146	76	222	34	2
Price contingencies	699	389	1 088	36	12
<b>TOTAL PROJECT COSTS</b>	<b>5 643</b>	<b>4 994</b>	<b>10 637</b>	<b>47</b>	<b>114</b>

<sup>a</sup> Discrepancies in totals are due to rounding.

**Table 2: Financing Plan<sup>a</sup>**  
(USD'000)

	IFAD		The Government		Beneficiaries		Total		For Exch.	Local (Excl. Taxes)	Duties and Taxes
	Amount	%	Amount	%	Amount	%	Amount	%			
Rural finance development	5 132	83	607	10	414	7	6 153	58	2 907	2 938	309
Agricultural support	1 630	94	101	6	-	-	1 731	16	974	656	101
<i>Kafo</i> capacity-building	1 252	91	119	9	-	-	1 371	13	478	806	87
Project management and M&E	1 221	88	161	12	-	-	1 382	13	634	634	113
<b>Total disbursement</b>	<b>9 235</b>	<b>87</b>	<b>988</b>	<b>9</b>	<b>414</b>	<b>4</b>	<b>10 637</b>	<b>100</b>	<b>4 993</b>	<b>5 034</b>	<b>610</b>

<sup>a</sup> Discrepancies in totals are due to rounding.

## E. Procurement, Disbursement, Accounts and Audit

24. **Procurement.** Contracts for vehicles to be bought during PY1 will be subject to international competitive bidding procedures. Contracts for vehicles to be bought during subsequent years will be raised after consultations at a national level with at least three suppliers. Contracts for goods, equipment and civil works exceeding USD 50 000 up to an aggregate of USD 500 000 will follow local competitive bidding 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 and preference will be given to local contractors identified by partner *kafos*, villages or VISACAs. Consultancy contracts will be awarded following internationally-acceptable standards, with terms of reference, qualifications and conditions of service satisfactory to IFAD.



25. **Disbursements** for vehicles, equipment, consultant services and credit will be fully documented. Those for civil works, local training and operating costs, incremental salaries and local contractors will be made against certified Statements of Expenditure (SOEs). Documentation for withdrawals under SOEs will be retained by the PSU for inspection during supervision missions and audits. A Special Account for the project will be opened with Central Bank of The Gambia or a commercial bank satisfactory to IFAD. Upon loan effectiveness, IFAD will deposit the equivalent of USD 500 000 into this account. Periodic replenishment of the Special Account will follow IFAD's procedures. In addition, a Project Account will be established with Central Bank of The Gambia, into which the Borrower will make an initial deposit of USD 40 000 as counterpart funds for the first year. This account will be replenished yearly in advance. The closing date of the loan is 31 December 2005.

26. **Accounts and audit.** All implementing agencies involved in the project will keep separate accounts of expenditures for their activities undertaken with project funding. The accountant within the PSU will ensure that all accounts are kept in accordance with prevailing government practices which are acceptable to IFAD. The accountant will prepare six-monthly consolidated statements of project accounts to 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 activities they implement. The audited accounts and auditor's report, including 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 PSU will set up its accounting and internal control systems to be installed by a specialized accounting firm.

### **F. Organization and Management**

27. The arrangements which have been put in place for LADEP are proving to be efficient and will be replicated under the proposed project. Under the overall responsibility of DOSA, project supervision will be the responsibility of the existing PCO headed by a deputy permanent secretary. A project steering committee (PSC) will be set up with representatives from all stakeholders and chaired by the Permanent Secretary of DOSA. The PSC will meet twice a year on a routine basis and on an *ad hoc* basis, when required. Its responsibilities will include the review of policy issues, the review and approval of annual work programmes and budgets (AWPBs), and the approval of major contracts with implementing partners. Project management and coordination responsibility will be vested in a PSU, especially created within the PCO/DOSA for the duration of the project and headed by a project coordinator (PC/PSU) as head of the PSU. The main tasks of the PSU will include: (i) overall management and coordination of implementation of the different project components; (ii) preparation of consolidated AWPBs and authorization of expenditures; (iii) selection and contracting of implementing agencies; (iv) regular field supervisions and monitoring of field activities; (v) appraising and approving proposals for VISACA establishment and for mini-projects to be funded through FPF; and (vi) preparation of regular reports on project implementation. The PC/PSU and other professionals, including the administrative assistant/senior secretary, will be recruited through transparent and competitive procedures approved by IFAD.

28. **Beneficiary participation.** The project is designed so that all field activities will be driven by beneficiaries' choices and prioritizations. Using participatory methods, the facilitators will assist beneficiaries to appreciate the full range of development options available, and the benefits, risks, and costs associated with each kind of mini-project. The action plans will then be designed, implemented, and monitored using the same methods. Beneficiaries will cover part of the cost of the mini-projects in cash and/or in kind. The VISACAs will be initiated and managed entirely by the beneficiaries, with appropriate training and guidance being provided through the project.



## Reporting, Monitoring and Evaluation

29. **Reporting.** All implementing partners will prepare quarterly progress reports from which the PSU will prepare six-monthly progress reports for submission to IFAD. The reports will contain an assessment of project implementation status, including the financial status. **Monitoring** will also be carried out by all implementing partners, both to provide operational management information to the PSU and to monitor the project's effects on beneficiaries. The data will be input into the management information system to be established at project start-up. As the project attaches high priority to the partnership with them, *kafos* and VISACAs will participate actively in monitoring. The efficiency of services delivery to beneficiaries (response time, number of requests, time taken to process requests, number of beneficiaries, etc.) and the performance of implementing partners will be monitored. Emphasis will be placed on establishing parameters for comparing project performances against appraisal targets and the AWPBs. With regard to **evaluation**, all beneficiaries, men and women, will be invited to analyse the implications of their involvement in the project as part of annual participatory evaluation exercises. Beneficiary VISACAs and *kafos* will send representatives to these meetings to present their experiences and suggestions for improvement. The PSU will collect data for the impact assessments using information collected during the baseline survey to be carried out at project start-up. IFAD, in close collaboration with the borrower and before the end of PY 3, will carry out an MTR to assess the achievements and constraints encountered during implementation, and the requirements for eventual design reorientation, changes in scope, etc. Special attention will be given to the experiences acquired with respect to the two credit lines.

## G. Economic Justification

30. **Production, marketing and prices.** Although extremely important for HFS purposes, considering the low level of food self-sufficiency in the rural areas of The Gambia, the incremental outputs of roots crops and millet are small in the context of overall demand, both nationally and in Senegal. They are, therefore, unlikely to provoke negative impacts on markets and prices. Marketing of vegetables and livestock will be facilitated by building suitable infrastructure in major local markets and by facilitating access to produce storage and processing facilities both through credit and the FPF.

31. **Benefits and beneficiaries.** The project will foster sustainable economic grass-roots microfinance institutions capable of assuring self-managed development. Another key project benefit is capacity-building, 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 men's and women's *kafos*, and enhanced participation in decision-making; (ii) easier and sustainable access to locally based and managed financial services adapted to their needs, including secured savings; (iii) access to infrastructures able to enhance HFS; (iv) better access to markets; and (v) improved entrepreneurship and initiative spirit. All these benefits will lead to an increased marketed output and hence increased income of poor rural producers, including women, thereby contributing to HFS. The project will directly benefit 100 000 individuals as members of 80 VISACAs to be consolidated/created. At least 45% of the beneficiaries are expected to be women. The agricultural support and *kafo* capacity-building components will cover 150 villages, with an estimated total of 30 000 *kafo* members (15 000 women and 15 000 men). An estimated 3 750 households will benefit from improved production of short-cycle species (small ruminants, poultry).

32. **Economic viability.** The economic analysis of the project is based on the following assumptions: (i) project life of 20 years; (ii) an investment period of five years; (iii) all prices expressed in constant August 1998 values; and (iv) an opportunity cost of capital of 12%. All investment and recurrent costs were considered. As most of the above-mentioned benefits are



difficult to quantify, only the incremental outputs of the supported *kafo* activities and VISACAs are taken into account. The economic rate of return (ERR) is estimated at 23%. An increase in costs by 10% reduces the ERR to 21% while a reduction of benefits by 10% reduces it to 20%. A one-year delay in the flow of benefits results in an ERR of 18%.

### **H. Risks**

33. Conservative scenarios were adopted in projecting VISACAs and other grass-roots development activities. For this reason, disbursement of the credit lines has been phased over three years. Possible difficulties that may arise during implementation have been taken into account in the design of the different activities. The risk that the burden on women may increase disproportionately is addressed by the provision for supporting men's on- and off-farm production activities and for developing labour-saving devices that will reduce the workload of women.

34. The contracting system to be used recognizes the independence of the implementing agencies, while also providing an effective mechanism for defining and measuring performances and controlling the implementation and coordination of activities. However, it must be administered correctly to reduce the risk that services required by the communities may not be available when needed, or that contracts may be given to unsuitable partners. The appointment of adequately qualified and experienced PSU staff acceptable to IFAD will be a condition of loan effectiveness. Safeguards against the risk of unsatisfactory performances by project staff and partner contractors are also reflected in the procurement and contracting procedures.

35. The project must focus on the needs of the rural population as expressed through fully participatory planning, and diligently avoid the risk of providing the wrong services or trying to manipulate/dictate the choice of options (such attempts would compromise post-project sustainability). To safeguard emphasis on the communities, it is envisaged that only those activities identified through the participatory planning process will be triggered. Local ownership and sustainability will be enhanced by requiring substantial beneficiary contributions in terms both of time for analysis, planning, etc., and labour/local materials for implementation. Capacity-building for beneficiaries and partners, emphasized throughout the project, safeguards against lack of sustainability. Training needs assessments and training programmes need to be developed and launched as early as possible by experienced trainers.

### **I. Gender Impact**

36. Women are expected to fully participate and benefit from the project. Experiences of microcredit projects scattered throughout The Gambia have demonstrated a highly positive impact on women's incomes as well as on improving HFS, child care and access to primary health and education. Women have shown great interest in participating in village-based organizations providing financial services such as the VISACAs, as well as in the organization of production, processing and marketing activities. Half the beneficiary *kafos* will be women's *kafos* and the position of women will be improved by helping men to maintain — even increase — their contributions to HFS and family-level well-being.

### **J. Environmental Impact**

37. The project is expected to have a positive indirect impact on the environment thanks to the introduction of integrated pest management, incorporating the methods developed by farmers; improved soil fertility management using least-cost fertilizer regimes; fodder-growing technologies; and the promotion of soil conservation works on erosion-prone uplands. M&E activities will include an assessment of impact on the environment. An environmental impact study has given the project a "B" classification, reflecting low environmental risk.



### **K. Innovative Features**

38. The project will result in considerable capacity-building for community-based organizations, mainly through NGOs whose capacity to facilitate the development of microfinance institutions and foster empowerment of smallholder farmers, entrepreneurs and women will be strengthened. Government technical services will be trained in participatory, demand-driven approaches to services delivery and a pilot, voucher-based system for paying their allowances will be tested. This system will enhance not only the quality of response to farmers' real needs, but also empower the latter in their relations with providers of services. The fully participatory approach built into the design will ensure that participants have a direct influence on project activities. An innovative feature is represented by the parallel targeting of the traditional village-based groups (*kafos*), both male and female, a measure that is justified by recognition of the complementary roles of men and women in the pursuit of HFS and development, and by the need to avoid the sort of backlash that seems to have accompanied positive discrimination in the past. Both capacity-building and gender-balanced development are in accordance with IFAD's corporate thrust "A" for project design. The proposed project will enhance field-level impact by complementing the ongoing LADEP and by providing, in the national rural microfinance system, a basis on which other donor activities can build. The credit lines will enhance impact by catalysing small-scale private enterprise development throughout the country.

39. A major root cause of poverty is the lack of information and knowledge, necessary to make informed choices and gain access to needed services. These constraints, which conform to one of IFAD's corporate thrusts related to information systems, are addressed by giving prominence to animation and information/education/communication activities that seek both to improve the knowledge base at village level and to involve beneficiaries in recording and evaluating the impact of initiatives supported by the project. Efficient networking will enhance/accelerate the consolidation of the VISACA network by exposing Gambian stakeholders to the experiences in the region (e.g. *banques populaires* in Senegal).

### **PART III - LEGAL INSTRUMENTS AND AUTHORITY**

40. A loan agreement between the Republic of The Gambia 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.

41. The Republic of The Gambia is empowered under its laws to borrow from IFAD.

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



#### **PART IV - RECOMMENDATION**

43. 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 The Gambia in various currencies in an amount equivalent to six million six hundred thousand Special Drawing Rights (SDR 6 600 000) to mature on and prior to 15 November 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 24 November 1998)

1. The Government of the Republic of The Gambia (the Government) will cause the proceeds of the loan to be applied to the financing of expenditures on the project in accordance with the provisions of the loan agreement.
2. The Government will open and thereafter maintain in its Central Bank or in a commercial bank, satisfactory to the Fund, a project account in Dalasis, into which the Government will deposit an initial amount of USD 40 000 equivalent from its own resources during the first year of the project and will thereafter, yearly in advance replenish the project account by depositing USD 100 000 equivalent in local counterpart funds during the project implementation period.
3. The Government will take reasonable measures to ensure that the project is carried out with due diligence in regard to environmental factors and in conformity with national environmental legislation and any international environmental treaties to which the the Government may be a party, including the maintenance of appropriate agricultural pest management practices, where applicable.
4. The Government will establish and maintain a revolving fund for the project for keeping therein the principal and interest, net of operating and other expenses, received on the credits made to farmers from the proceeds of the loan provided for in the line of credit and the incremental operating costs. Amounts available in the revolving fund will be used by the Government for the expansion of credit facilities to the beneficiaries.
5. During the execution of the project, the Government and IFAD will periodically review the interest rates to be applied to the credits to be made out of the proceeds of the loan. The Government will take appropriate measures, consistent with the policies of the Government in order to harmonize the interest rates on credits with the policy of IFAD on relending rates. In the implementation of the above, the Government will minimize its costs in executing the project as it affects its margin of the interest spread.
6. The Government DLS/DOSA to cease from the practice of providing free or subsidized vaccines, except in cases of diseases which threaten public health or are epidemic in nature.
7. The Government will ensure that a formal coordination mechanism developed through PCO/DOSA is established to facilitate the recording of progress and coordination of activities for all current and planned projects and programmes in the agricultural and natural resources sector to ensure complementarity and synergy among existing projects and programmes; and that the corresponding information is updated every six months by the same staff member of PCO/DOSA, specifically assigned as the focal point for this purpose.
8. The following is specified as an additional event for the suspension of the right of the Government to make withdrawals from the loan account. The credit by-laws of VISACAs and the Non Bank Financial Institution (NBFI) and the by-laws of FPF or any provision thereof, will have been suspended or terminated in whole or in part, or waived, or amended so as to, in the reasonable opinion of the Fund, affect materially and adversely the carrying out of the institutional strengthening of the rural financing unit of the Central Bank of The Gambia (CBG) or the operation of the facilities completed under the project.



ANNEX

9. No disbursements will be made for the institutional strengthening of the rural financing unit of the CBG from the loan until:

- (a) the credit by-laws of VISACAs and the NBFI have been submitted and accepted by IFAD; and
- (b) the by-laws of the FPF have been established satisfactorily to IFAD.

10. The following are specified as additional conditions precedent to the effectiveness of the loan agreement:

- (a) the Government will have established within the PCO/DOSA, the PSU, and identified for it suitable office space made available by DOSA, in a manner acceptable to IFAD;
- (b) the Government will have selected all the professional staff of the PSU;
- (c) the Government will have established the PSC; and
- (d) the Government will have deposited in the project account USD 40 000 equivalent from its own resources.

## COUNTRY DATA

### THE GAMBIA

<b>Land area (km<sup>2</sup> thousand) 1995 1/</b>	<b>10</b>	<b>GNP per capita (USD) 1996 2/</b>	<b>estimated</b>
			<b>&lt;=785</b>
<b>Total population (million) 1996 1/</b>	<b>1</b>	<b>Average annual real rate of growth of GNP per capita, 1990-96 2/</b>	<b>-0.5</b>
<b>Population density (people per km<sup>2</sup>) 1996 1/</b>	<b>110</b>	<b>Average annual rate of inflation, 1990-96 2/</b>	<b>5.4</b>
<b>Local currency</b>	<b>Dalasi GMD</b>	<b>Exchange rate: USD 1 =</b>	<b>GMD 10.2</b>
<b>Social Indicators</b>		<b>Economic Indicators</b>	
Population (average annual population growth rate) 1980-96 1/	3.6	GDP (USD million) 1996 1/	363
Crude birth rate (per thousand people) 1996 1/	40	Average annual rate of growth of GDP 1/	
Crude death rate (per thousand people) 1996 1/	14	1980-90	3.0
Infant mortality rate (per thousand live births) 1996 1/	79	1990-96	2.6
Life expectancy at birth (years) 1996 1/	53		
Number of rural poor (million) 1/	n.a.	Sectoral distribution of GDP, 1996 1/	
Poor as % of total rural population 1/	n.a.	% agriculture	27.5
Total labour force (million) 1996 1/	1	% industry	14.6
Female labour force as % of total, 1996 1/	44.9	% manufacturing	7.3
		% services	57.8
<b>Education</b>		Consumption, 1996 1/	
Primary school gross enrolment (% of relevant age group) 1995 1/	73.0	General government consumption (as % of GDP)	18.5
Adult literacy rate (% of total population) 1994 3/	37.2	Private consumption (as % of GDP)	76.6
		Gross domestic savings (as % of GDP)	4.9
<b>Nutrition</b>		<b>Balance of Payments (USD million)</b>	
Daily calorie supply per capita, 1992 3/	2 360	Merchandise exports, 1996 1/	22
Index of daily calorie supply per capita (industrial countries=100) 1992 3/	n.a.	Merchandise imports, 1996 1/	272
Prevalence of child malnutrition (% of children under 5) 1990-96 1/	17.0	Balance of merchandise trade	- 250
		Current account balances (USD million)	
<b>Health</b>		before official transfers, 1996 1/	- 77
Health expenditure, total (as % of GDP) 1990-95 1/	n.a.	after official transfers, 1996 1/	- 48
Physicians (per thousand people) 1994 1/	n.a.	Foreign direct investment, 1996 1/	11
Access to safe water (% of population) 1990-96 3/	48		
Access to health service (% of population) 1990-95 3/	93	<b>Government Finance</b>	
Access to sanitation (% of population) 1990-96 3/	37	Overall budget surplus/deficit (including grants) (as % of GDP) 1995 1/	3.7
<b>Agriculture and Food</b>		Total expenditure (% of GDP) 1995 1/	21.5
Food imports as percentage of total merchandise imports 1996 1/	n.a.	Total external debt (USD million) 1996 1/	452
Fertilizer consumption (hundreds of grams per ha of arable land) 1994-96 1/	49	Total external debt (as % of GNP) 1996 1/	64
Food production index (1989-91=100) 1994-96 1/	84	Total debt service (% of exports of goods and services) 1996 1/	12.7
<b>Land Use</b>		Nominal lending rate of banks, 1996 1/	25.5
Agricultural land as % of total land area, 1994 4/	36.7	Nominal deposit rate of banks, 1996 1/	12.5
Forest area (km <sup>2</sup> thousand) 1995 1/	1		
Forest area as % of total land area, 1995 1/	9.1		
Irrigated land as % of cropland, 1994-96 1/	n.a.		

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*, 1998

2/ World Bank, *Atlas*, 1998

3/ UNDP, *Human Development Report*, 1997

4/ World Bank, *The World Development Indicators CD-ROM*, 1998



### PREVIOUS IFAD LOANS IN THE GAMBIA

Project Name	Initiating Institution	Cooperating Institution	Lending Terms	Board Approval	Loan Effectiveness	Current Closing Date	Loan/Grant Acronym	Currency	Approved Loan/ Grant Amount	Disbursement (as percentage of approved amount)
Jahaly and Pacharr Smallholder Project	IFAD	AfDB	HC	17 Dec 81	20 Oct 82	30 Jun 92	77 - GA	SDR	4 050 000	100
Agricultural Development Project II	World Bank: IDA	World Bank: IDA	HC	04 Apr 84	06 Nov 84	30 Jun 93	144 - GA	SDR	4 750 000	85.4
Agricultural Services Project	World Bank: IDA	World Bank: IDA	HC	02 Dec 92	02 Nov 93	30 Jun 99	312 - GA	SDR	2 550 000	93.9
Lowlands Agricultural Development Programme	IFAD	AfDB	HC	12 Apr 95	27 May 97	30 Jun 04	375 - GM	SDR	3 400 000	12.9
Small-Scale Water Control Project	IFAD	UNOPS	HC	05 Dec 89	17 Dec 90	30 Jun 97	S 21 - GA	SDR	2 850 000	92.5

Note: HC = highly concessional

## LOGICAL FRAMEWORK

Narrative Summary	Objectively Verifiable Indicators	Means of Verification	Critical Assumptions
<b>Development goal:</b> HFS and rural incomes improved	Shorter (no) lean periods, better nutrition, higher/ diversified incomes	National statistics Participatory evaluations	
<b>Purposes:</b> A. Boost productivity/ profitability of on- and off-farm activities by enhancing access rural producers to credit B. Support HFS-related mini-projects initiated and implemented by local groups ( <i>kafos</i> )	A.1 About 100 000 rural producers (25 000 households) attain/maintain HFS and boost/diversify their incomes B.1 Production capacity and quality of life in 150 villages improved by 450 small and medium-term village-based HFS-related infrastructure projects	Studies and surveys Progress reports Field visits Records of VISACAs Participatory evaluations	Macroeconomic environment is favourable Good coordination with programmes run by Government, NGOs and private sector Credit lines/FPF will not compromise or undermine VISACA discipline
<b>Outputs:</b> <b>Component 1: Rural Finance Development</b> (a) Capacity of contracted VISACA facilitators enhanced  (b) VISACA rural financial services network strengthened and expanded nationwide to provide savings and credit services to members (c) Credit lines for short-term refinancing of VISACAs and for medium-term loans created and efficiently managed by contracted implementing partner  (d) FPF created to provide matching grants for HFS-positive infrastructure projects (e) Rural Finance Unit (RFU) of Central Bank strengthened <b>Component 2: Agricultural Support (LRD/CRD)</b> (a) Kafo enterprise development capacity improved as result of participatory constraints analysis and identification/planning/implementation/M&E of mini-projects (b) Capacity of locally-posted DAS/DLS to adopt participatory/demand-driven approach developed (c) Environmentally sound practices disseminated <b>Component 3: Kafo Capacity-Building (LRD/CRD)</b> (a) Capability of partner facilitators improved (b) Management capability of <i>kafos</i> improved <b>Component 4: Project Management and M&amp;E</b> (a) Project Support Unit (PSU) established/ operational.  (b) Projects/Programmes Coordinating Office within Department of State for Agriculture strengthened (c) Project Steering Committee (PSC) operational	a.1 National network comprises 80 functional, self-sustaining VISACAs a.2 Membership sizes and utilization of saving/ borrowing services b.1 Range/ number of on- and off-farm activities financed; repayments; profitability; savings deposited c.1 Requests/repayments for refinancing loans to bridge VISACA liquidity crises c.2 No of medium-term loans to rural entrepreneurs; repayments; profitability  d.1 300 kafo mini-projects and 150 village projects supported through FPF, benefiting total of about 30 000 persons e.1 Quarterly inspections carried out by RFU  a.1 Type/frequency of services provided by village auxiliaries a.2 New activities/crops and improvements to existing ones a.3 Flow of produce through local market stalls by origin/destination b.1 Activities supported by DAS/DLS respond to farmers' priorities b.2 Networking visits lead to introduction new ideas b.3 DAS/DLS staff can make necessary field trips c.1 No. of farmers adopting recommended practices and results  a.1 Type and number of activities initiated and managed by <i>kafos</i> and villages  a.1 Staff of PSU and members of PSC in post/ appointed a.2 AWPB developed on time and respected a.3 Reports and other documents satisfactory and timely a.4 Constraints to implementation identified and addressed b.1 Coordination assured both by PCO/DOSA and PSC Total cost = USD 10.64 million (USD5.46 million - 60% of base cost) USD 1.55 million (11% of base cost) USD 1.8 million (17% of base cost) USD 1.2 million (12% of base cost) Physical contingencies = USD 0.22 million (2% of base cost) Price contingencies = USD 1.1 million (14% of base cost)	Progress reports (audits) Field visits Participatory evaluations  Policy documents and supervisory reports from RFU	Beneficiaries willing to participate and contribute in cash and in kind to components 1 and 2  Adequate in-country personnel and knowledge exists to manage project and to deliver most of the training required for all components  Coordination arrangements between components effective  Beneficiaries of credit facilities from VISACAs repay loans promptly  Staff and partners are highly motivated
<b>Activities:</b> <b>Component 1: Rural Finance Development</b> <b>Component 2: Agricultural Support</b> <b>Component 3: Kafo Capacity-Building</b> <b>Component 4: Project Management and M&amp;E</b>			Timely delivery of resources by government (counterpart funds), donors (approval of withdrawal applications) and beneficiaries (contribution in cash and in kind)



## QUANTITATIVE INPUTS, TARGETS AND KEY PROJECT FACTORS

Components	Units	PY 1	PY 2	PY 3	PY 4	PY 5	PY 6	Total	Instruments / Comments
<b>A. Rural Finance</b>									The component is to be implemented nationwide
<i>Inputs:</i>									
Vehicles									There are 37 existing VISACAS, and the project will build 43 new ones.
4-WD double cabin pick-up truck	No	6						6	
4-WD station wagon	No	1						1	Expansion and strengthening of VISACAs to be facilitated by NGOs
Motorcycles	No	14	5	6	2			27	
Computers (desk-top) and accessories	No	9						9	
Training of animators/coordinators (initial)	Courses	1	1	1	1			4	Training to be provided by MDI
Training of animators/coordinators (refresher)	Courses			1	1	1		3	
Training of managers/cashiers	Courses	5	2	2	1		1	10	
Training in VISACA concept (facilitators and management teams)	Courses	43	14	18	5			80	Training to be provided by VPC
Specialised training and backstopping (to VPC and other facilitators)	Lumpsum	1	1	1	1	1		5	To be provided by Desjardins Int. and CIDR
Training in small business management skills	Courses		4	4	4	4		16	
Rehabilitation of existing VISACAs	No	9	9					18	
Construction of new VISACAs	No	6	14	18	5			43	VISACA members to contribute 25% in cash and/or in kind towards the cost of the Building
Workshops and networking visits for Central Bank staff	No	1	2	1				4	
Provision of a short-term line of credit	Lumpsum	1	1	1				3	To be managed by licensed non-bank financial institutions
Provision of a medium-term line of credit	Lumpsum	1	1	1				3	e.g., GAWFA, NDFA and/or NACCUG
Technical assistance	Months	2	1						For the RFU of the Central Bank (assistance for policy development & M&E)
Functional VISACAs (well equipped and financially sustainable)	No	43	14	18	5			80	Each VISACA is expected to have 1 000-1 500 members
A functional national VISACA apex body	No			1				1	To be facilitated by the rural finance officer
Short-term mini-projects implemented	No	10	45	70	70	70	35	300	2 per village ( 1 each per female and male kafo) @ USD 4 500
Medium-term mini-projects implemented	No		10	35	35	35	35	150	1 per each participating village @ USD 6 000
Village entrepreneurs equipped with improved business manag. skills	No		80	80	80	80		320	
<i>Impact</i>									
Increased savings and availability of credit in rural communities									
Some infrastructural constraints to product. (e.g., fencing and wells for village gardens, livestock wells, day care centres, ...) removed									
Improved income-generating capacity of rural people									
<b>B. Agricultural Support</b>									To be implemented in LRD and CRD
<i>Inputs:</i>									
Rehabilitation of divisional offices	No	6						6	3 each for DAS and DLS
Construction of market stalls	No	3	2					5	For the marketing of vegetables
Development of livestock show grounds	No		1					1	
Development of livestock infrastructure at <i>lumos</i>	No	2	2					4	
Vehicles									
4-WD double cabin pick-up truck	No	6						6	
Truck (7-tonne)	No	1						1	
Motorcycles	No	20						20	
Computers (desk-top) and accessories	No	6						6	
Printers	No	6						6	
Photocopier	No	6						6	
Soil conserv. equip. (tractor-75hp, trailer, bund former, ripper, blade)	Set		1					1	To be managed by the SWMU
Training for DAS/DLS staff	Courses	2	2	2	2	2	2	12	To be carried out by Gambia College, DAS and DLS
Training of village auxiliaries	Days	750	750	750	750	750	750	4500	To be carried out by DAS and DLS
Training <i>kafo</i> members	Days	1500	1500	1500	1500	1500	1500	9000	To be carried out by DAS and DLS
NCD/PPR vaccination awareness campaign conducted	Lumpsum	1		1				2	





Components		Units	PY 1	PY 2	PY 3	PY 4	PY 5	PY 6	Total	Instruments / Comments	
<b>B. Agricultural Support (contd.)</b> <i>Inputs (contd.):</i> Research contracts for IPM vegetables & early millet, animal feed gardens, soil fertility management in early millet, cassava and sweet potato variety evaluation, and field and food processing equipment development <i>Outputs:</i> Multi-purpose gardens established Total incremental output of vegetables Total incremental output of cassava Total incremental output of early millet Total incremental output of small ruminants <i>Impact:</i> Improved household food security Improved environmental practices resulting from the outcome of the research activities	Contracts	5		1					6	To be implemented by NARI, APMU, FNU etc.	
	No	10	25	30	30		25		120		
	Tonnes	109	381	708	1035		1308		1308		
	Tonnes	40	140	260	380		480		480		
	Tonnes	99	346	643	940		1188		1188		
	No		467	2667	6933		12817	21839	21839		
	<b>C. Kafo Capacity-Building</b> <i>Inputs:</i> Vehicles 4-WD double cabin pick-up truck Motorcycles Overhaul of video-vans Computers (desk-top), and accessories Material for video/audio production Materials for print media production Capacity-building of facilitators/animation teams NGO contracts for facilitation of kafo management training and development Contracts for information, education and communication <i>Outputs:</i> Management capacity of female kafos strengthened Management capacity of male kafos strengthened <i>Impact:</i> Improved-capacity of village groups to effectively prioritize and execute their development needs	No	6							6	To be implemented in 150 village in LRD and CRD
		No	3	3	6					12	6/2 for Field Officers, 1 for AATG and 1 for NGOs
		No	3							3	For the facilitators
		No	2							2	For Agric.Communication Unit
Lumpsum		1	1	1	1		1		6	For IEC purposes, with ACU as the lead institution	
Lumpsum		1	1	1	1		1		6	To be conducted by AATG	
Courses		2	1	1	1		1		5	For providing and backstopping the facilitators and animators	
No		3	6	12	12		12	7	52		
No		1	1	1	1		1		6		
No		10	35	35	35		35		150	The project will work with a female and a male kafo from each village	
<b>D. Project Management and M&amp;E</b> <i>Inputs:</i> Vehicles 4-WD double cabin pick-up truck 4-WD station wagon Motorcycles Computers (desk-top) and accessories Computer (laptop) Photocopier Office furniture Technical assistance (international) Technical assistance (national) Annual workshops <i>Outputs:</i> Six-monthly reports Annual reports <i>Impact:</i> Effective management and coordination of the project activities	No	2							2	1 vehicle for the PCO	
	No	2							2	1 for PC, 1 for RFO	
	No	7							7	For M&E enumerators	
	No	8							8	1 each for PCO and DOP (M&E)	
	No	1							1		
	No	4				1			5		
	Set	8							8		
	Months	1	1						2	For the design of an M&E system	
	Months	7	1						8		
	No	1	1	1	1		1		6		
No	2	2	2	2		2		12			
No	1	1	1	1		1		6			

## COST AND FINANCING

### Disbursement Accounts by Financiers (USD)

	The Government		IFAD		Beneficiaries		Total		For. Exch.	Local (Excl. Taxes)	Duties and taxes
	Amount	%	Amount	%	Amount	%	Amount	%			
1. Civil works	47 126	9.9	374 767	79.0	52 648	11.1	474 541	4.5	233 992	193 423	47 126
2. Vehicles	0	-	782 181	100.0	-	-	782 181	7.4	742 193	39 988	-
3. Machinery, equipment & materials	7 551	1.6	473 693	98.4	-	-	481 243	4.5	473 693	-0	7 551
4. Training	60 030	4.1	1 399 990	95.9	-	-	1 460 021	13.7	478 520	921 470	60 030
5. Technical assistance	-	-	44 309	100.0	-	-	44 309	0.4	44 309	-	-
6. Research and investigation	40 131	10.0	361 182	90.0	-	-	401 313	3.8	157 340	203 842	40 131
7. Farmers partnership fund	0	-	2 218 590	86.0	361 166	14.0	2 579 756	24.3	1 262 141	1 317 615	-
8. Line of credit	426 149	50.0	426 149	50.0	-	-	852 298	8.0	317 453	407 131	127 714
9. Incremental operating expenses	406 315	11.4	3 154 735	88.6	-	-	3 561 049	33.5	1 283 676	1 950 342	327 031
<b>Total</b>	<b>987 302</b>	<b>9.3</b>	<b>9 235 595</b>	<b>86.8</b>	<b>413 814</b>	<b>3.9</b>	<b>10 636 711</b>	<b>100.0</b>	<b>4 993 317</b>	<b>5 033 810</b>	<b>609 584</b>





**Expenditure Accounts by Components - Base Costs  
(USD)**

	Rural Finance Development		Agricultural Support		Kafo Capacity Building	Project Support Unit	Physical Contingencies		
	Institutional Strengthening of VISACAs	Strengthening of Central Bank Rural Finance Unit	Livestock Technical Support	Crops Technical Support	Kafo Capacity Building	Project Support Unit	Total	%	Amount
<b>I. Investment costs</b>									
A. Civil works	260 911	-	85 389	75 901	-	-	422 201	5.0	21 110
B. Vehicles	202 372	31 120	86 053	135 009	178 178	124 194	756 926	-	-
C. Machinery, equipment and materials	156 357	12 239	73 435	103 321	39 848	70 398	455 598	-	-
D. Training	538 899	18 975	89 184	199 620	334 725	9 488	1 190 892	4.3	51 006
E. Technical assistance	-	42 694	-	-	-	70 209	112 903	-	-
F. Research and investigations	-	-	113 852	179 791	-	73 055	366 698	-	-
G. Farmers partnership fund	2 250 000	-	-	-	-	-	2 250 000	-	-
H. Line of credit	780 000	-	-	-	-	-	780 000	-	-
<b>Total investment costs</b>	<b>4 188 539</b>	<b>105 028</b>	<b>447 913</b>	<b>693 643</b>	<b>552 751</b>	<b>347 343</b>	<b>6 335 218</b>	<b>1.1</b>	<b>72 116</b>
<b>II. Recurrent costs</b>									
A. Incremental staff salaries	607 970	11 954	-	-	392 789	479 886	1 492 600	5.0	74 630
B. Travel and overnight allowance	31 651	-	27 324	95 636	48 159	20 493	223 264	5.0	11 163
C. Vehicle operation and maintenance	217 435	20 508	110 767	110 767	146 118	109 941	715 534	5.0	35 777
D. Machinery and equipment (operation and maintenance)	20 493	-	23 055	23 055	-	46 110	112 713	5.0	5 636
E. Office running expenses	196 869	-	6 831	6 831	40 987	195 825	447 343	5.0	22 367
<b>Total Recurrent Costs</b>	<b>1 074 417</b>	<b>32 462</b>	<b>167 977</b>	<b>236 288</b>	<b>628 053</b>	<b>852 256</b>	<b>2 991 454</b>	<b>5.0</b>	<b>149 573</b>
Physical contingencies	5 262 956	137 491	615 890	929 932	1 180 805	1 199 600	9 326 673	2.4	221 688
Price contingencies	85 172	2 572	17 128	25 591	48 139	43 087	221 688	-	-
	655 733	8 762	53 609	88 605	142 438	139 203	1 088 350	2.5	27 654
	6 003 862	148 825	686 627	1 044 127	1 371 381	1 381 889	10 636 711	2.3	249 343
Taxes	304 096	4 474	44 103	56 974	86 992	112 946	609 584	3.4	20 676
Foreign exchange	2 793 688	112 917	423 890	550 104	478 269	634 450	4 993 317	1.7	83 368





## ORGANIZATION AND MANAGEMENT

1. The envisaged approach to **project organization and management** takes account of over 15 years of IFAD experience in the country. Under the aegis of the existing Projects/Programmes Coordination Office within the Department of State for Agriculture (PCO/DOSA), a lean **PSU** (Figure 1) will assure cost-effective implementation by contracting appropriate partner organizations, both private and public, to carry out direct implementation duties. In addition to the PC, as head of the PSU, the staff with project-wide responsibilities (a rural finance officer, a monitoring officer, an accountant and an administrative assistant/senior secretary) will be based in the Banjul area, and two field officers will be outposted to LRD and CRD respectively. The main tasks of the PSU/headquarters will be to: (i) assure overall coordination and supervision of implementation; (ii) select and contract the implementing agencies; (iii) consolidate the AWPBs for submission to the PSC; (iv) authorize expenditures in accordance with the approved AWPBs; (v) carry out regular field supervisions and monitoring; (vi) appraise and approve proposals with regard to VISACA establishment, for mini-projects to be funded through FPF, etc.; and (vii) prepare regular and timely reports on project implementation. The field officers will coordinate, backstop and supervise the performances of the locally-posted staff of the implementing partners and also maintain close collaborative relationships with local government instances and with other externally-assisted projects. The professional staff of the PSU, including the PC, and the administrative/senior assistant, will be recruited through advertisement in the media, open to private individuals as well as civil servants. Candidates will be screened and shortlisted by a selection committee with representatives from the Government, the international and bilateral donor community and the NGO community. The shortlist of eligible candidates will be submitted to IFAD for approval. Support staff will be recruited directly by the PC.

2. The work of the PSU will be guided and backstopped at a high level by a **PSC**, with representatives from all stakeholders including beneficiary representatives. Chaired by the Permanent Secretary (PS) of DOSA, the PSC will meet twice a year on a routine basis and on an *ad hoc* basis as needed. Its tasks will include: review of policy issues, review/approval of AWPBs, approval of contracts with implementing partners, high-level coordination and oversight between/of project implementers.

3. The envisaged **implementation process** (Figure 2) is designed to enhance quality of response to beneficiaries' choices and priorities. A fully participatory approach to planning, implementation, and M&E will be facilitated by contracted implementing partners, mainly NGOs, and by drawing on the expertise of the appropriate government and/or private agencies for technical advice and specialised training. Government and NGO staff will receive the same basic training in participatory techniques, allowing them to work together as teams. The field officers of PSU to be posted to divisional level (Figure 1) will be responsible for fostering close collaborative relations between beneficiaries, implementing partners and local government bodies. To enhance quality of response to beneficiaries' needs, the Government's line departments for crops and livestock development will introduce a pilot voucher-based system for the payment of allowances.

4. The provisions made for accounts and auditing comply with IFAD's procedures. A local consultancy will be engaged to design a computerised accounting system and train PSU staff in using it. The envisaged flow of funds is illustrated in Figure 3.

5. **Monitoring and evaluation** functions will be separated and include participatory as well as classical exercises. All implementing partners will undertake **monitoring and progress reporting** tasks as part of their contracts and send the results to the monitoring officer of the PSU for



compilation and analysis. The aim is to provide the PSU with operational management information and a basis for monitoring effects on beneficiaries against a baseline survey it will conduct in PY1. The PSU will also engage an international consultant to develop a system for monitoring the expansion and consolidation of the rural finance network. **Evaluation** will involve three complementary thrusts: (i) internal evaluations both by the implementing partners and the M&E unit of DOSA's Department of Planning, as appropriate; (ii) external evaluations by a qualified consultancy; and (iii) participatory evaluations enabled by contracted partners who are not directly involved in implementation or supervision. All implementing partners, including a large representation of the beneficiaries, will be invited to discuss the effects of the project at an annual consultation to review experiences and make suggestions for improvement.

FIGURE 1  
ORGANIZATIONAL STRUCTURE OF  
RFCIP PROJECT SUPPORT UNIT

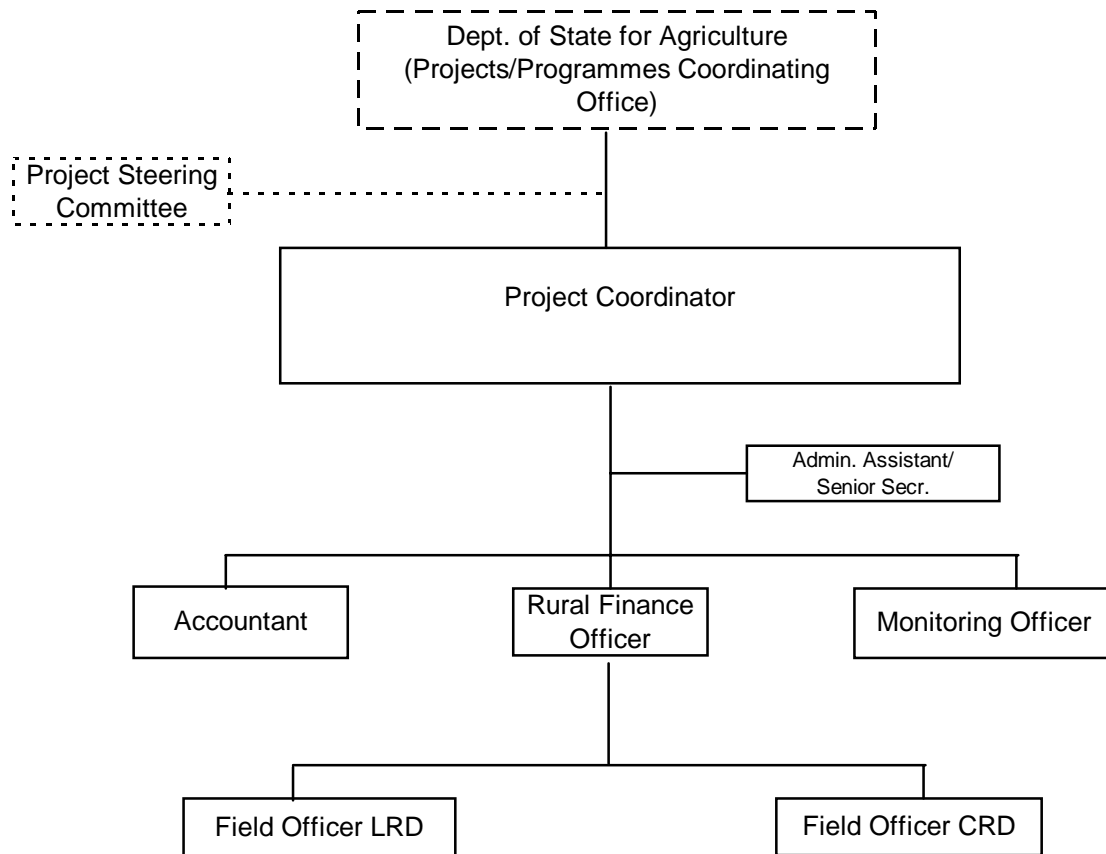




FIGURE 2  
IMPLEMENTATION

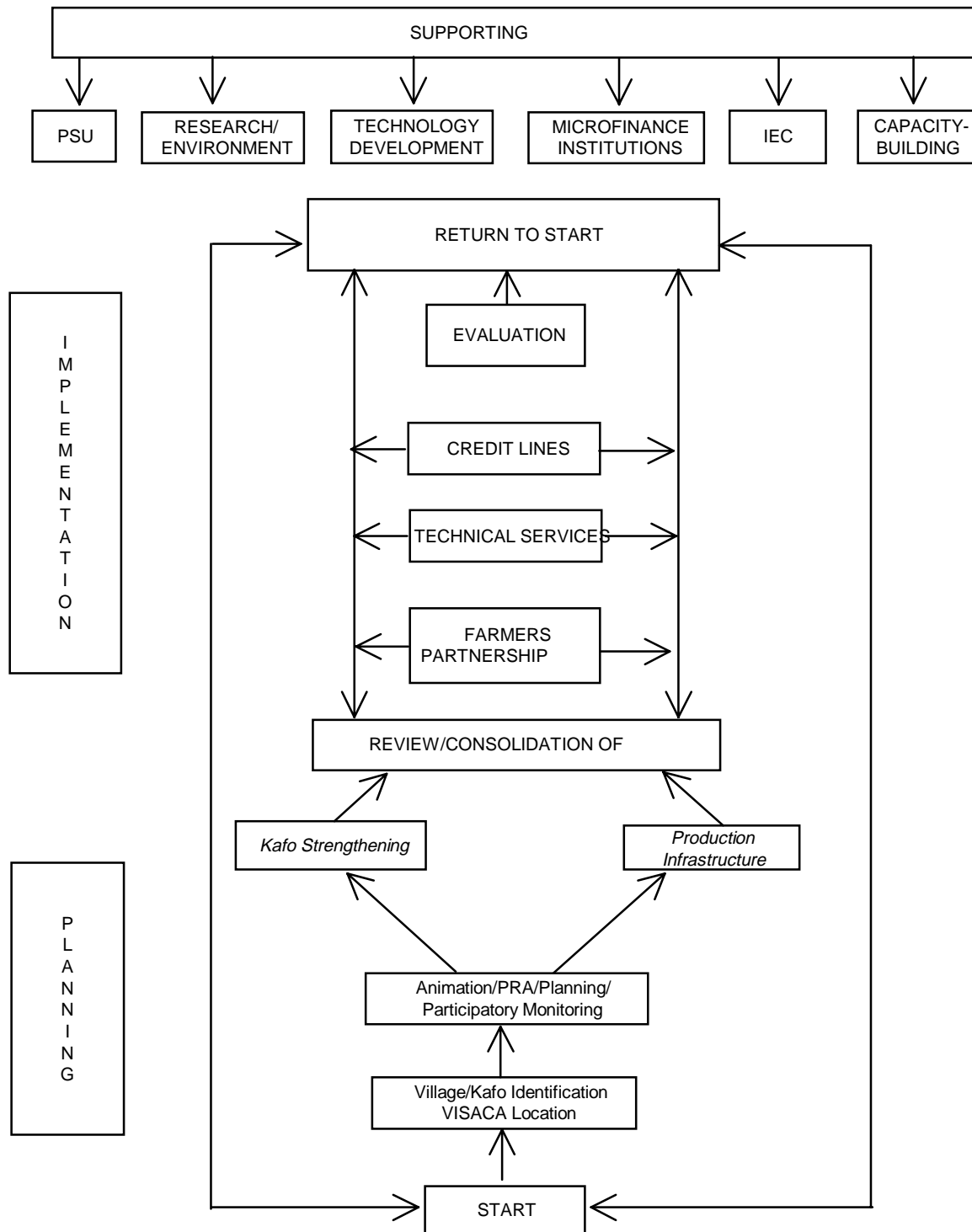
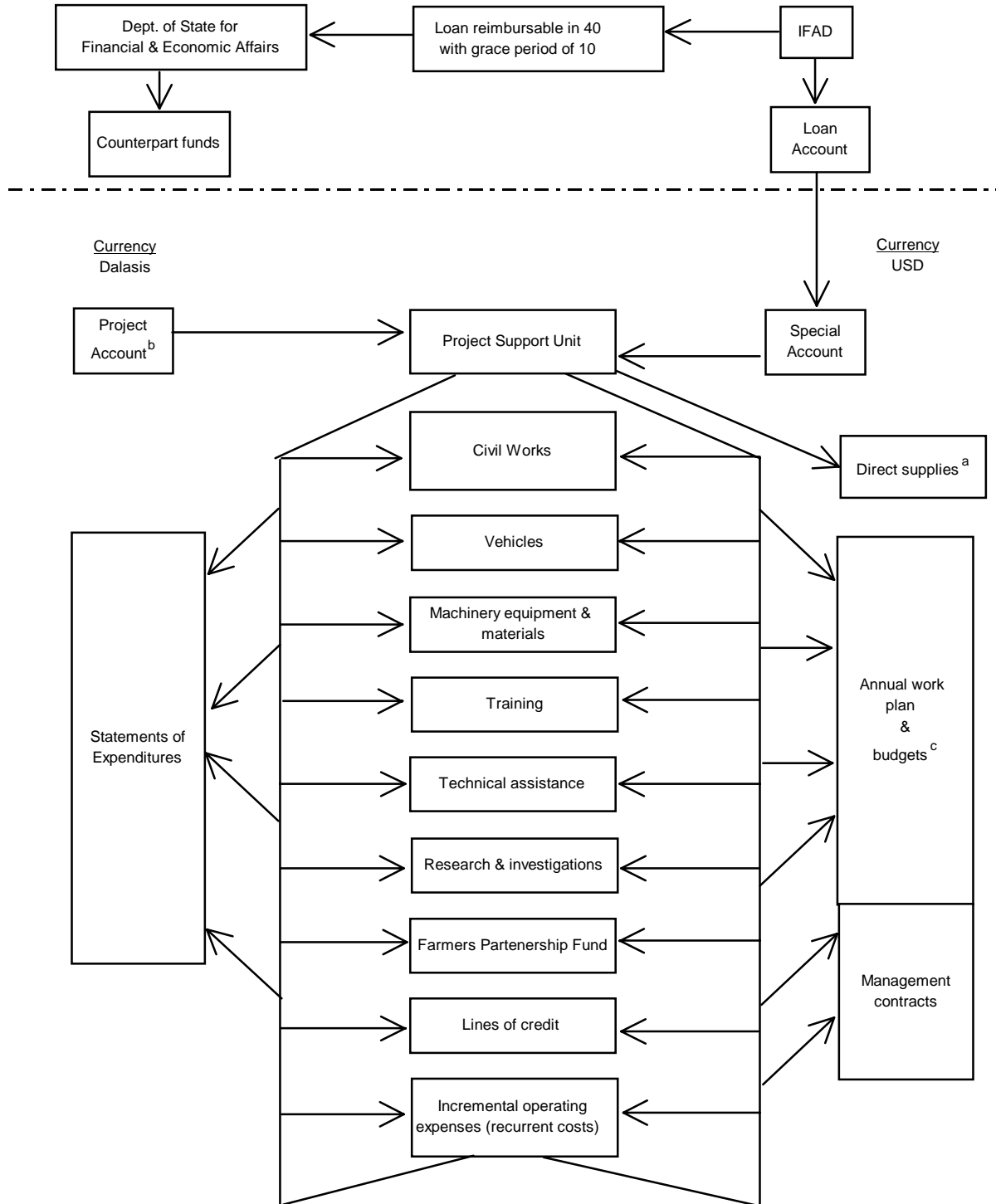




FIGURE 3  
FLOW OF FUNDS



Notes:

- (a) Foreign suppliers paid directly from Special
- (b) Project Accounts for local counterpart funds.
- (c) Disbursements based on annual work programmes and budgets, contracts,



APPENDIX VII

**ECONOMIC AND FINANCIAL ANALYSIS**

1. The financial analysis focuses on the impact of the project investment on participating farms and rural households. It also examines the viability of a sample of off-farm income-generating activities that are likely to benefit from the resources of the VISACAs to be promoted under the rural finance component, as well as that of a typical VISACA. The economic analysis, on the other hand, examines the viability of the project by comparing the quantifiable benefits with the project costs outlay.
2. **Financial analysis.** The farm financial analysis has been undertaken to assess the incentives for the target group households to participate in the programme. Two crop production enterprises (multi-purpose gardens and early millet) models and a small ruminants production (sheep and goats production) enterprise model have been developed to estimate the benefits to farm households from the project investment.
3. An analysis of the farming operations of a typical rural family comprising two adult males, three adult females and six children, shows an increase in total net family income from GMD 7 301 (without project) to GMD 10 257 (with project). Labour requirements also increase from 299 labour days to 333 labour days, a 11% increase.
4. An analysis of a sample of off-farm and on-farm income-generating activities indicates that the activities generate high financial internal rates of return, ranging from 43% to 60%. Each VISACA will also be generating an annual average of GMD 55 000 in net income.
5. **Economic analysis.** The ERR of the project has been calculated by comparing the economic values of the quantifiable incremental benefits with the economic values of the total project costs.
6. **Assumptions.** A project life of 20 years has been assumed for the economic analysis, based on the estimated useful life of key capital items in the project, including civil works, and the fact that the benefits to be derived from the project — especially the training to be provided to the beneficiaries — will continue to be forthcoming long after the expiry of the project. A standard conversion factor of 0.9 has been assumed to adjust the local content of costs of goods and services assumed to be non-traded. The opportunity cost of unskilled labour is estimated at GMD 7.50 per day, and the opportunity cost of capital at 12%.
7. Since there is no significant international trade between The Gambia and the outside world in the kinds of multi-purpose garden crops, early millet and small ruminants considered under the project, and given that the volume of other farm inputs is relatively small, these items and the incremental benefits from the rural finance component have been considered as non-traded goods and services. Their financial prices have therefore been multiplied by the standard conversion factor to determine their economic values. The economic prices of the project cost elements have been generated by the COSTAB programme.
8. The ERR of the project is estimated at 23%, and the net present value at GMD 38.7 million (about USD 3.67 million) (see table that follows).

**Economic Analysis  
(GMD)**

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7 - 20
<b>Incremental Benefits</b>							
Rural finance							
Net income from the IGAs (from use of available credit)	975 375	2 436 750	3 969 000	4 387 500	4 387 500	4 387 500	4 387 500
Net income from VISACAs	297 000	990 000	1 881 000	2 128 500	2 128 500	2 128 500	2 128 500
Sub-total	1 272 375	3 426 750	5 850 000	6 516 000	6 516 000	6 516 000	6 516 000
Crop production							
Multi-purpose gardens	514 953	1 802 336	3 347 195	4 892 054	6 179 436	6 179 436	6 179 436
Early millet production	112 118	392 411	728 764	1 065 116	1 345 410	1 345 410	1 345 410
Subtotal	627 071	2 194 747	4 075 958	5 957 170	7 524 846	7 524 846	7 524 846
Small ruminants							
Small ruminants production	-	127 771	878 931	2 883 073	6 643 159	6 643 159	6 643 159
Subtotal	-	127 771	878 931	2 883 073	6 643 159	6 643 159	6 643 159
Total	1 899 446	5 749 268	10 804 889	15 356 243	20 684 005	20 684 005	20 684 005
<b>Less: imputed labour charges</b>							
Crop production							
Multi-purpose gardens	94 500	330 750	614 250	897 750	1 134 000	1 134 000	1 134 000
Early millet production	4 950	17 325	32 175	47 025	59 400	59 400	59 400
Subtotal	99 450	348 075	646 425	944 775	1 193 400	1 193 400	1 193 400
Small ruminants							
Extensive small ruminants production	-	38 813	138 000	198 375	258 750	258 750	258 750
Subtotal	-	38 813	138 000	198 375	258 750	258 750	258 750
Total	99 450	386 888	784 425	1 143 150	1 452 150	1 452 150	1 452 150
<b>Less: project costs</b>							
Investment costs	18 046 915	10 579 070	12 620 597	8 277 881	7 345 234	5 062 624	
Recurrent costs	4 111 949	4 514 442	4 975 829	5 043 005	4 967 073	4 647 738	1 161 935
Total	22 158 864	15 093 512	17 596 426	13 320 886	12 312 307	9 710 362	1 161 935
<b>Net incremental benefits</b>	(20 358 869)	(9 731 132)	(7 575 962)	892 207	6 919 548	9 521 493	18 069 920
Economic rate of return	23%						
<b>Net present value (@12% opportunity cost of capital)</b>	38 669 103						





## THE VISACA CONCEPT AND EXPERIENCE IN THE GAMBIA

1. As its name indicates, VISACA is a village-based organization whose main objective is to collect and secure the savings of its members and to use these savings to give out loans to members in need of credit. The basic function is therefore that of financial intermediation.

### 2. The Basic Approach (Figure 1)

- A major emphasis is placed on savings, with no injection of “cold money” (external funds). Members have to mobilize their own savings for re-lending.
- The VISACA is self-governed and self-managed by its members, who hold general assembly meetings to decide on all policy matters, fix the rules and regulations of what they call “their bank”, and elect a management committee.
- Membership of the VISACA gives one the right to open account(s) and to apply for loans.
- Rates of interest payable and receivable applied by a VISACA reflect the actual cost of money.
- A loan ceiling of maximum USD 200 is applied, which is attractive/affordable for the poor strata of the village.
- External assistance to a VISACA comprises: (i) the preliminary market survey, sensitization, animation and technical backstopping for its establishment; (ii) construction of the VISACA building in the village, plus the safe and office equipment; (iii) basic training; (iv) on-the-job training and technical backstopping for VISACA management; (v) monitoring; and (v) audit. After the initial support, the VISACAs are left to stand or fall on their own merits and performance.
- A partnership is developed directly with the private sector (NGOs, banks, etc.) for various aspects: from sensitization on the VISACA concept, to training, technical backstopping, and linkages to banking sector.

3. **VISACA background.** The VISACA concept was introduced in 1989 under the IFAD-initiated Jahaly and Pacharr Smallholder Project as a way to address one of the critical constraints faced by the rural poor of CRD, namely, lack of access to reliable, sustainable and cost-effective credit and safe savings facilities. Indeed, The Gambia’s history of supply-led government-run rural credit had had a poor record and subsequently failed, mainly as a result of lack of transparency and response to clients’ real needs, and also due to a lack of interest of commercial banks to service the rural areas because of the high transaction costs and risks. The alternative was to adopt a mutualistic savings and credit approach at the village level, completely managed and owned by the village itself, to provide financial services in an appropriate and timely manner. The *Centre International de Développement et de Recherche*, a French NGO, was contracted to implement a three-phase microcredit scheme, including a pilot phase, consolidation and replication. By the end of 1994, several VISACAs had been created in CRD (known as the Jahaly Pacharr VISACA network) and the concept had attracted the attention of other development operators.





4. **Strategic alliances with the NGOs and expansion of the VISACA network.** At the end of the consolidation stage and with the technical support of CIDR, the VPC was created, under the ASP cofinanced with the World Bank, as an enabling tool to facilitate and promote VISACA implementation, monitoring and auditing, and to guide and train VISACA facilitators, most of whom are NGOs.

5. The VISACA concept is currently implemented by four NGOs and the European Development Fund. The network consists of 37 VISACAs, of which 32 are operational. Aggregated savings deposits amount to USD 770 000 and aggregated loan disbursements come to almost the same amount. Loan recovery rate has so far been close to 100%.

FIGURE 1  
THE VISACA CYCLE

