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INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT
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REPORT AND RECOMMENDATION OF THE PRESIDENT

TO THE EXECUTIVE BOARD ON A PROPOSED LOAN TO

THE REPUBLIC OF MALI

FOR

THE SAHELIAN AREAS DEVELOPMENT FUND PROGRAMME



TABLE OF CONTENTS

	Page
CURRENCY EQUIVALENTS	iii
WEIGHTS AND MEASURES	iii
ABBREVIATIONS AND ACRONYMS	iii
MAP OF THE PROGRAMME AREA	iv
LOAN SUMMARY	v
PROGRAMME BRIEF	vi
PART I THE ECONOMY, SECTORAL CONTEXT AND IFAD STRATEGY	1
A. The Economy and the Agricultural Sector	1
B. Lessons Learned from Previous IFAD Experience in Mali	2
C. IFAD's Strategy for Collaboration with Mali	3
PART II THE PROGRAMME	5
A. Programme Area and Target Group	5
B. Objectives, Scope and Approach	5
C. Components	6
D. Costs and Financing	7
E. Procurement, Disbursement, Accounts and Audit	9
F. Organization and Management	10
G. Economic Justification	12
H. Risks	12
I. Environmental Impact	12
J. Innovative Features	13
PART III LEGAL INSTRUMENTS AND AUTHORITY	13
PART IV RECOMMENDATION	14
 ANNEX	
SUMMARY OF IMPORTANT SUPPLEMENTARY ASSURANCES INCLUDED IN THE NEGOTIATED LOAN AGREEMENT	15



APPENDICES

	Page
I. COUNTRY DATA	1
II. PREVIOUS IFAD LOANS TO MALI	2
III. LOGICAL FRAMEWORK	3
IV. COMPOSANTE INFRASTRUCTURE VILLAGEOISES (VILLAGE INFRASTRUCTURE DEVELOPMENT SUPPORT COMPONENT)	5
V. ORGANIZATION AND MANAGEMENT	11
VI. ECONOMIC AND FINANCIAL ANALYSIS	17



CURRENCY EQUIVALENTS

Currency Unit	=	CFA Franc (XOF)
USD 1.00	=	XOF 600
XOF 1.00	=	USD 0.001667

WEIGHTS AND MEASURES

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

ABBREVIATIONS AND ACRONYMS

BNDA	National Agricultural Development Bank
CCA-NGO	Coordinating body for local and foreign NGOs
CEC	Caisse d'épargne et de crédit (Savings and Credit Bank)
FLM	Flexible Lending Mechanism
HIPC	Heavily-indebted poor country
M&E	Monitoring and evaluation
MDRE	Ministry of Rural Development and Water
NCMA	National coordination and management agency
NGOs	Non-governmental organizations
PRA	Participatory rural appraisal
RIMAs	Regional implementation and management agencies
SFD	Decentralised microfinance systems
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
VDeF	Village infrastructure development fund
VA	Village association
VAT	Value added tax

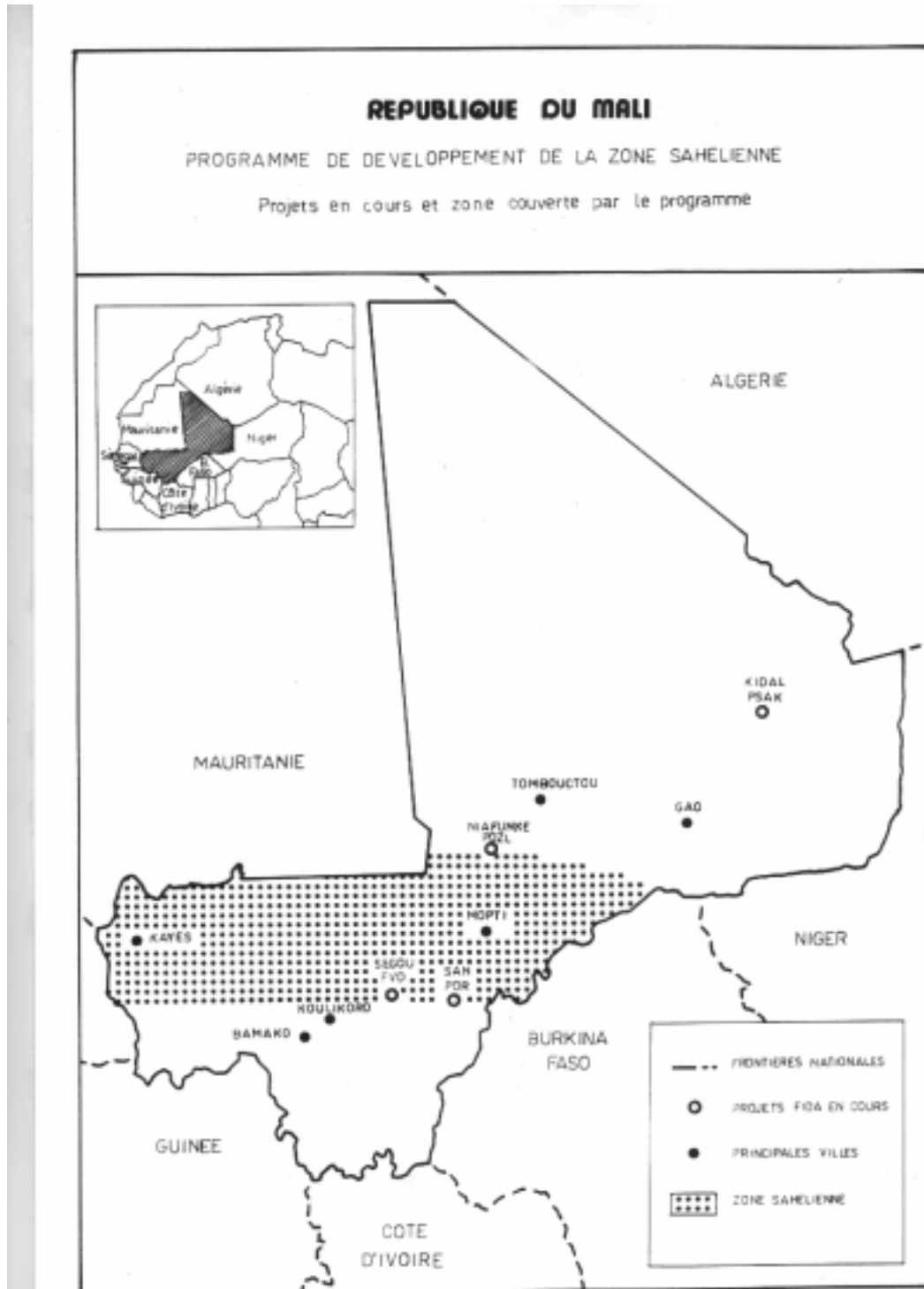
GOVERNMENT OF THE REPUBLIC OF MALI

Fiscal Year

1 January - 31 December



MAP OF THE PROGRAMME AREA



Source: IFAD Appraisal Report

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 MALI
THE SAHELIAN AREAS DEVELOPMENT FUND PROGRAMME
LOAN SUMMARY

INITIATING INSTITUTION:	IFAD
BORROWER:	Republic of Mali
EXECUTING AGENCY:	Ministry of Rural Development and Water (MDRE)
TOTAL PROGRAMME COST:	USD 46.0 million
AMOUNT OF IFAD LOAN:	SDR 15.65 million (equivalent to approximately USD 22.0 million)
TERMS OF IFAD LOAN:	40 years, including a grace period of ten years, with a service charge of three fourths of one per cent (0.75%) per annum
COFINANCIERS^a:	To be determined during implementation.
AMOUNT OF COFINANCING:	USD 14.1 million
CONTRIBUTION OF THE BORROWER:	USD 6.4 million
CONTRIBUTION OF THE BENEFICIARIES:	USD 3.5 million
APPRAISING INSTITUTION:	IFAD
COOPERATING INSTITUTION:	IFAD Supervised

^a Discussions on cofinancing have commenced with donors such as Canada, France, Germany, The Netherlands and the United States, and the World Bank. Some cofinancing will materialize for one or more cycles of the programme. Furthermore, once functioning, associations will be empowered to take the initiative in mobilizing additional sources of funding.



PROGRAMME BRIEF

Who are the beneficiaries?

Initially, the programme will focus on households living under precarious conditions in the 1 700 most remote and poorest villages of the regions of Ségou and Koulikoro. Some 72 000 households (504 000 people) will benefit directly from agricultural and livestock production support, marketing and social infrastructure development and the decentralized financial services provided through the savings and loans associations. In addition, in the long term, the programme is expected to contribute to alleviating poverty in the entire Sahelian belt of Mali, which covers part of the four administrative regions of Kayes, Koulikoro, Ségou and Mopti. This will become possible as other donors provide extra funds during programme implementation.

Why are they poor?

An analysis of the causes of low, uncertain incomes and food insecurity of the rural households living in the Sahelian areas of Mali covered by the programme shows that they include, *inter alia*: land degradation and marginalization in the face of persistent drought, desertification and population pressure; illiteracy and inadequate or weak organization of the rural population; lack of external support, unlike the situation in other parts of Mali, including adjacent Sahelian zones such as the areas of the “*Office du Niger*” irrigation network and the cotton-producing areas; low technological base and few innovations, resulting in insufficient diversification of the production system and few off-farm activities; extreme remoteness and inaccessibility, leading to weak links with markets and the national economy; and insufficient savings mobilization, no storage or accumulation of wealth, and poor marketing channels.

What will the programme do for them?

The priority demands to be filled by the programme will be for either social or productive infrastructure investment purposes. A village infrastructure development fund (VIDeF) will be created to provide matching grants to complement the communities’ equity contributions for collective investments in: (i) production-related infrastructure, including small-scale irrigation, storage and marketing facilities, irrigated vegetable gardening, reforestation, pasture improvement, access road repairs, etc.; (ii) social infrastructure, such as drinking water supplies, training of traditional midwives, and basic education facilities; and (iii) community capacity-building (functional literacy and specific management training). For individual investments, support will be provided for developing financial service infrastructure, which essentially includes expanding the services of decentralized microfinance institutions (SFDs) throughout the programme area.

How will beneficiaries participate in the programme?

A sustainable participatory development process will be created in the programme area by supporting people’s initiatives. Rural communities (users or common interest groups, as well individuals and families) will be allowed to formulate demands for collective village infrastructure or individual requests for financial services. The communities will be responsible for preparing eligible demands, implementing them once approved, and operating and maintaining the resulting facilities. They will be assisted by local technical assistance, private enterprises (consulting firms, contractors, etc.), and public sector services where these have a comparative advantage. Community groups will be helped to negotiate suitable contractual arrangements with private and public sector institutions for the various activities. Once an eligible demand for collective infrastructure is accepted, the sponsors will invest part of the equity resources (cash, local materials and labour) and the programme will provide matching funds through the VIDEF. The programme will also provide management training for the sponsors and help them make the best use of the microprojects. Requests for individual investments will be channelled to the SFD networks.



**REPORT AND RECOMMENDATION OF THE PRESIDENT OF IFAD
TO THE EXECUTIVE BOARD ON A PROPOSED LOAN TO
THE REPUBLIC OF MALI
FOR
THE SAHELIAN AREAS DEVELOPMENT FUND PROGRAMME**

I submit the following Report and Recommendation on a proposed loan to the Republic of Mali for SDR 15.65 million (equivalent to approximately USD 22.0 million) on highly concessional terms to help finance the Sahelian Areas Development Fund Programme. 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 programme be directly supervised by the Fund in view of the fact that it will be the first operation designed under the Flexible Lending Mechanism (FLM) approved in September 1998 and, as such, it will require close monitoring and supervision. Furthermore, it has a number of innovative elements with respect to implementation by private farmer associations and non-governmental organizations (NGOs). The main focus of its design is the empowerment of grass-roots associations and groups in which IFAD has developed a strategic focus in Mali by designing a mechanism that will allow them to identify, formulate and implement their own priority demands.

PART I - THE ECONOMY, SECTORAL CONTEXT AND IFAD STRATEGY¹

A. The Economy and the Agricultural Sector

1. **General background.** The Republic of Mali, a landlocked country in the centre of West Africa, covers a vast area of 1.22 million km² and shares a 7 000-km border with seven countries. Over 60% of the country is desert or semi-desert; about 20% is Sahelian (rainfalls of 400-800 mm); and the remaining 20% is Sudano-guinean (with rainfalls of up to 1 200 mm). The country's dominant feature is the Niger River, which floods large plains in its inner delta and has good potential for fishing. The population was estimated in 1996 at 10 million and is growing at a rate of 3% per year. In 1980-95, the urban population growth rate was faster, at 5.3%, reflecting important rural-to-urban migration. The average population density is low, at around 8 per km², but varies from 1 per km² in the north to over 20 per km² in the south and the centre. About 25% of the population live in the Sahelian zone, compared with 65% in the humid south and 10% in the northern desert. Administratively, the country is divided into eight regions, 42 *cercles* (districts) and about 11 500 villages; and, under the widely-acclaimed decentralization process, a total of 701 *communes* (municipalities) will be established by the end of 1998.

2. **Economic setting.** Average income per head in Mali has been estimated at USD 250, thus making it one of the least developed and lowest-income countries². In terms of human development³, Mali is performing less well than countries with an even lower per capita income, such as the United Republic of Tanzania and Mozambique, mainly due to its persistently low adult literacy and school enrolment rates. A wide range of economic reforms implemented since 1987 have contributed to transforming Mali from a mainly State-controlled economy to one that is increasingly market-based.

¹ See Appendix I.

² Mali ranks eighteenth of 49 low-income countries in the World Bank Development Report, 1997.

³ Mali ranks 171st in a range of 175 in the Human Development Index.



This transformation coincided with a shift from a one-party system to a democratic form of government in 1991-92. As a result of the reforms introduced in 1992 and the devaluation of the CFA franc in January 1994, Mali's improved competitiveness, coupled with favourable climatic conditions, has had a significant effect on economic growth and exports, especially cotton, livestock and gold. The real gross domestic product (GDP) grew at an average of about 5% in 1994-97 compared with an average of 2.3% in 1990-93. Inflation, which jumped to 33% after the devaluation of the CFA franc, fell to a historical low of around 5% by 1997.

3. **Public debt management.** Mali has qualified as a heavily-indebted poor country (HIPC). In September 1998, the World Bank approved a package of assistance under the HIPC Debt Initiative, equivalent to its proportional share of debt relief for Mali. Other creditors are expected to follow suit and, in particular, a proposal regarding IFAD participation will be submitted to the Executive Board by early 1999.

4. **Sector performance.** Agriculture, livestock husbandry and other primary sector activities dominate the Malian economy, and together they account for an estimated 48% of GDP (1996) and employ about 80% of the population. Most agricultural production takes place in the fertile south. The sector is dominated by cotton production, which accounts for up to 50% of total export revenues, and cereals, the production of which amounts to over 2 million tonnes annually. Livestock production is also important, contributing about 20% of GDP, with a national herd size of 5-8 million head of cattle and 12.5 million small ruminants. Fisheries also plays a crucial role in the national economy, with a total annual catch of about 100 000 tonnes and a fleet of some 230 000 fishermen. Gold mining has expanded rapidly under a new liberal investment code and its share of GDP is expected to grow rapidly. Manufacturing remains relatively unimportant with an estimated 7% of GDP in 1996.

5. **Programme-related sectoral services and institutions.** The proposed programme involves two sets of activities, namely: (i) community investments in social and productive infrastructure; and (ii) rural financial services. The policy/operational context of these activities is summarized below. Local development, in terms of local communities and institutions undertaking their own economic and social activities, has always been an important development strategy in Mali. After the collapse of the State-dominated cooperative system in 1969, the promotion of informal village associations (VAs) and groups by a number of operators and donors, including IFAD, proved to be a powerful tool for local development. Experience has shown that the demands of such groups are for water management (small-scale irrigation), social infrastructure (drinking water, education and health), and agricultural processing equipment. Local development received further impetus in the early 1990s through the Government's disengagement and decentralization policies. With respect to the development of rural financial services, following disappointing results in formal credit, the emphasis shifted towards decentralized financing systems (SFDs). The first savings and credit banks (*caisses d'épargne et de crédit* - CECs) were established in 1986. By the end of 1996, a total of 11 networks were in place, comprising 364 CECs, with capital and deposits worth USD 7.2 million and outstanding loans to the tune of USD 9.7 million. Membership now totals more than 135 000 individuals.

B. Lessons Learned from Previous IFAD Experience in Mali

6. By the end of 1997, IFAD had financed seven⁴ operations in different ecological zones of Mali, of which three have been completed and closed, for a total of SDR 60.22 million, including a grant element of about SDR 1.82 million. Total disbursement from all operations stood at about SDR 38.47 million as of October 1998, representing 64% of total commitments. Implementation of projects has been generally satisfactory. However, major constraints facing the country, including a slender economic base, weak institutions, cumbersome and centralized administrative procedures,

⁴ See Appendix II.



fragile ecology and physical environment, heavily-dispersed population, and a rudimentary road network have often resulted in implementation delays. The Touareg rebellion in the north of the country particularly affected the two operations in that area (the Kidal Food and Income Security Programme and the Zone Lacustre Development Project). A number of specific lessons learned are summarized below.

7. First of all, to date, most IFAD-supported programmes in Mali pay specific attention to supporting grass-roots institutions such as VAs, women's groups and others. However, since results have been satisfactory only as a result of lengthy and unwavering group development support, the transfer of responsibility to the groups has been an explicit goal from the start. Under phases I and II of the Village Development Fund Programme, it took 15 years for groups to manage their own village development funds and to establish a federation that bids nationally, on behalf of its members, for the sale of cereals. Secondly, most IFAD operations have included short- and medium-term formal credit lines operated by the National Agricultural Development Bank (BNDA). The results have been disappointing (paragraph 5), with recovery rates ranging between 40% and 70%. SFD-operated microcredit operations, which were tested under subsequent IFAD operations, have proved to be much more suitable. In addition, women borrowers generally represent a lower credit risk, but overall lending to them represents only about 25% of all loans. Thirdly, although the devaluation of the CFA franc and the liberalization of agricultural prices and markets has created a strong incentive framework, rural people cannot exploit that potential if they do not have access to specific training and investment funds. Fourthly, the needs of women, and their potential contribution to family food and income security, should be taken into account in programme design and implementation. Finally, there is high demand for rural infrastructure investments, such as drinking water facilities and rural roads.

C. IFAD's Strategy for Collaboration with Mali

Mali's Policy for Poverty Eradication

8. In 1994, about 70%⁵ of the Malian population qualified as poor (XOF 77 204 or USD 154 per head), and nearly half, or 34 % of the total population, were very poor (XOF 39 500 or USD 79.0 per head). Poverty is more widespread among women and in the rural areas where, in 1996, it affected 78% of the population compared with 41% in the towns. Consequently, poverty alleviation is a major focus of the Government's long-term development strategy until the year 2010. A number of programmes and projects, at both the macroeconomic and sectoral levels, have been designed to combat poverty, including macroeconomic policy reforms that aim at an average growth of 6% per year, leading to a per capita income equivalent to USD 500. The sectoral strategies emphasize, *inter alia*, primary health care, education, population control, promotion of women's affairs, the protection and development of children, microcredit, and improved housing. Decentralization, good governance, participation and regional integration are key elements that permeate the strategy. Furthermore, there is strong support from the donor community for the Government's poverty alleviation strategy, as evidenced by the pledges and commitments made at the recent Round Table Conference on Mali held at Geneva, Switzerland, on 16 and 17 September 1998.

The Poverty Eradication Activities of Other Major Donors

9. Along with France and Germany, the World Bank probably has the biggest and most broad-based portfolio of assistance to Mali. The principal objective of such assistance is poverty alleviation through economic and social growth. There are a large number of other donors supporting poverty alleviation in various forms in Mali. For instance, assistance from the United States Agency for International Development (USAID) revolves around four main axes, namely, youth, good

⁵ Based on a poverty line using a minimum food consumption of 2 450 calories per day plus an assumed non-food consumption of 50% of the value of food consumption.



governance, viable growth, and information and communications. Canadian bilateral assistance focuses on decentralized financial services, marketing of cereals, and desertification. Assistance from The Netherlands focuses on gender issues, people's participation and initiatives, integrated local area development and irrigation development. The United Nations Development Programme (UNDP) supports pilot operations to develop sustainable and replicable models for poverty alleviation. The present programme has been designed in close consultation with all the above-mentioned donors and others dealing with poverty alleviation, and, as a result, it has been harmonized to the extent possible with the various ongoing and planned operations⁶.

IFAD's Current Strategy in Mali

10. The existence of cash crops (cotton and groundnuts in particular) and numerous – national and externally-supported – development programmes in the south (Sikasso region) coupled with the relatively higher levels of household incomes in comparison to the rest of Mali, makes the area a lower-priority zone for IFAD operations. Instead, activities will be focused on the Sahelian areas in the centre of the country and on the semi-arid-to-arid zones in the north. In all areas, IFAD will seek to achieve several – often interlinked – objectives, including: improved food security at household and national level; increased family incomes; higher standards of living for rural households; and the promotion of sustainable and participatory development processes at village or group level. To achieve these goals, IFAD's operations will continue to promote, *inter alia*, decentralization to village-level, empowerment of the rural poor and their grass-roots organizations, and the genuine participation of stakeholders by making them responsible initiators, implementers and managers rather than passive beneficiaries of programme activities. The lessons learned to date from IFAD's portfolio in Mali (paragraph 7) indicate that a long-term commitment and effort (15 years or so) must be assured if these issues are to be addressed adequately and sustainably. Furthermore, in view of the cumbersome procedures followed in Mali, a different implementation approach will be adopted, whereby huge all-encompassing public management units will be replaced by small coordination units responsible for subcontracting to existing institutions, either private or public.

Programme Rationale

11. Mali's macroeconomic performance since the devaluation of the CFA franc has been fairly good, and prospects for the coming years are relatively favourable. The country has once again become competitive within the subregion, and there are many unfulfilled market opportunities, both locally and in the subregion, for its agricultural products. Furthermore, policy reforms made since 1992 have sanctioned, *inter alia*, the end of the top-down approach towards rural development and the Government's disengagement from direct involvement in production and marketing. These developments, coupled with the ongoing democratization and decentralization process, good governance and the restructuring of the Ministry of Rural Development and Water (MDRE), are conducive to effective local leadership and participation in development and thus provide a favourable climate for promoting VAs or special interest groups. In addition, a sizeable number of NGOs, individual consultants, consulting firms and contractors have emerged in the rural areas to fill the vacuum left by the Government's gradual withdrawal.

⁶ Intensive, regular consultations with all IFAD's potential partners will increase cofinancing possibilities.



PART II - THE PROGRAMME

A. Programme Area and Target Group

12. The proposed programme has been designed as an implementation framework within which funding support will be provided by IFAD and, it is hoped, other donors for the development of the Sahelian zones of Mali which comprise large areas of the Kayes, Koulikoro, Ségou, and Mopti regions. The programme area is generally characterized by mixed farming systems (under rainfed and flood recession), but with overwhelming pastoralism on the northern fringes. The main crops grown are rainfed millet, sorghum and maize, plus paddy under flood recession or irrigated schemes. The area is both remote and vast, extending over some 225 000 km², and is inhabited by over 3.5 million people living in some 4 900 villages. The activities proposed under the present form of the programme will focus on an area of some 80 000 km² in two regions, namely, Ségou and Koulikoro, with a view to capitalizing on experience acquired – and the infrastructure installed – under both phases of the IFAD-supported Village Development Fund Programme. The area, which comprises some 1 700 villages in 81 *communes* which are distributed among six districts (three in each region), has been selected based on its location within the Sahelian ecology; the severity of its vulnerability to fluctuations in food production; and the lack of local infrastructure. The poorest, most remote and hitherto neglected villages will be given as much opportunity as those with a comparative advantage due to past experience in group development activities and village priority-setting. Further criteria for targeting will be the cohesiveness of the communities and their willingness to work in users' groups. Expansion into the Kayes and Mopti regions will take place during the course of implementation, subject to the availability of additional resources.

13. The target group comprises the entire population of the 1 700 villages (with an average of 100 families each) in the zone of initial concentration of the programme, accounting for an estimated 170 000 families or 1.19 million persons. The population comprises two distinct groups: sedentary crop farmers (mainly Bambara, Soninké, Kassonké and Dogon) who have integrated livestock into the farming system; and nomadic livestock herders (mainly Fulani), most of whom have sedentarized. In addition, there are a few nomadic fishing communities (Bozos) along the Niger River. The population is relatively young, with about half (48%) less than 15 years of age. Poverty is prevalent among the target group and about 11% of the poor families are women-headed households, more than double the national figure of 5%. As a survival strategy, there are high levels of migration to other parts of Mali and to neighbouring countries or France and thus about 20% of the village population (especially men) is absent. Traditional and newly-established voluntary groups provide important safety nets for the needy. Women represent 48% of the total labour force of the area compared to 46% nationally. Women cannot own land but they can own livestock, which is used as reserve for difficult times. Depending on the ethnic group, women handle much of the agricultural work and, in addition to household chores, they are responsible for the collection of firewood and drinking water.

B. Objectives⁷, Scope and Approach

14. The ultimate goal of the proposed programme is to reduce the incidence of poverty among rural households in the Sahelian zone through better incomes and living conditions. To this end, the programme intends to empower the beneficiaries to identify their own priority needs and facilitate the implementation of individual or community microprojects to satisfy such needs. This will require that: (i) national and regional associations be established and managed by the stakeholders to finance eligible microprojects; and (ii) the SFDs are in place and meet effective demand from individual men and women for deposits and lending. Under the newly-adopted FLM approach, the programme's ten-year implementation period will be divided into three cycles of three years (PYs 1-3), four years

⁷ See Logical Framework, Appendix III, for the relationship between objectives, outputs, activities, indicators, etc.



(PYs 4-7) and three years (PYs 8-10), respectively (see paragraph 31). The main objective of the first cycle will be to set up institutions, mechanisms and procedures, ensure their workability, and develop a limited number of investment activities; that of the second phase will be to continue strengthening the institutional framework and to expand the investment activities throughout the whole programme area; whereas the third and last cycle will focus on consolidating achievements and executing an appropriate exit strategy to ensure the sustainability of programme-supported operations.

C. Components

15. The programme will offer its participation to rural communities in carrying out their own initiatives through a number of services and funding arrangements falling within the remit of IFAD's mandate. The activities to be supported have been divided into three broad menus, as indicated in the description of components below.

Village Development Support

16. Under this main programme component, provision has been made for the establishment of a VDeF, the resources of which will be used to implement social, production, and marketing microprojects at village level. As the programme will support only those initiatives for which effective demand exists, stakeholders will be required to mobilize their own resources in kind (labour, local material) and/or in cash up-front. The programme will provide both the required training and support services to identify, effectively manage and operate the microprojects, and matching funds to the stakeholders' own investments.

17. **Training and support services.** All village groups will be expected to be able to identify and formulate their own priority demands in a satisfactory manner, giving proof that village and group priorities and demands have been based on the needs of all community members, including women and other marginal segments. The villages selected for intervention, but which have no proven framework for setting their priorities or demands, will be supported in setting community priorities by groups using the participatory rural appraisal (PRA) approach and other methods. In addition, no microprojects will be funded unless the programme can guarantee the provision of accompanying training and backstopping support services required for the proper management and operation of the investments. This will include: (i) a 45-day general functional literacy training course for 10 persons; (ii) a 15-day specific management training course for three committee members; (iii) five-day repeater and refresher courses one year after the implementation of the microprojects; and (iv) regular (five days per year for three years per microproject) demand-driven back-up technical assistance and advisory services.

18. **Village investment fund.** The programme will cofinance microprojects that meet expressed demand at village level. Under the present sub-component, only investments of interest to a group of stakeholders (at least 10 members) will be supported, while individual productive investments will be financed through the decentralized financial system (paragraph 19). Based on the experience of other projects and programmes, much of the demand is likely to be for social and productive infrastructure. For illustrative purposes, 20 typical microproject models have been analysed⁸, but the list is not exhaustive. The latter deal, *inter alia*, mainly with social and environmental investments such as training centres, village wells, cereal banks, rural road improvement, soil and water conservation, and village wood lots; and productive investments concerning irrigation, flood recession farming, and fish ponds development. From the models already identified and defined, the baseline socio-economic survey will provide necessary data for selecting those to be included in the first set of activities. Programme capacity will be in the range of about 1 500-2 000 interventions during the 10 years of implementation, depending on the exact mix of activities. An absolute ceiling on the total cost of any one eligible microproject has been set at XOF 20 million (1997 prices). The equity investment expected from the rural sponsors should, in general, range between 6% and 13% for social and

⁸ See Appendix IV, village infrastructure development component.



environmental infrastructure, and be 16% for productive infrastructure. A list of activities that cannot be co-funded by the VIDEF will be compiled in PY 1, and will include, *inter alia*, consumption items, private residences, schemes which will be the responsibility of the *communes*, regional or central government, and buildings for religious, military and/or political purposes.

Decentralized Financial Services

19. In order to meet demand for the promotion of individual productive investments, the programme will support the establishment of some 100 CECs – 50 in each region. The implementation of the component will be subcontracted to at least two SFD networks. The location and phasing of the CECs will be based on demand from the rural communities. It is envisaged that at least two different networks will be contracted to operate in parallel. The activities financed for each contract will include socio-economic feasibility studies; training of CEC personnel (president, two cashiers, controllers); a contribution towards the installation and operating costs of the CECs; supervision of monthly accounts; and yearly audits. In addition, a guarantee fund will be established with BNDA to support the introduction of new products by the SFDs, such as a special facility to ensure equal access for women. Additional support will be provided to establish women's groups along the lines of the Grameen Bank model, based on two-weekly savings and repayments and on group liability.

Programme Management

20. The specific objective of this component will be to establish and equip each of the programme's operating units to accept and fund on a yearly basis, at full development, 150-200 applications for support to eligible community microprojects. Provision has been made for financing the establishment of a national coordination and management agency (NCMA) and two regional implementation and management agencies (RIMAs) in Ségou and Koulikoro (paragraph 26), including the required investment in vehicles, office buildings, equipment, and operating costs. Support will be also provided to prepare the statutes of NCMA and the RIMAs and their operating manuals; for monitoring and evaluation (M&E) activities, including in-depth reviews at the end of PY 3 and PY 7, and for specific regular studies and annual audits; and to provide funding for staff costs.

D. Costs and Financing

21. Based on the most likely demand for different types of microprojects and a realistic programme for setting up the CECs, the total programme costs over the 10-year implementation period have been estimated at XOF 29.56 billion, or USD 45.91 million, of which 28% will be in foreign exchange. Costs include all import taxes and duties and value added tax (VAT). A provision for inflation has been included, using World Bank projections of a local rate of 4.5% in the first two years, 3.5% throughout the remainder of the implementation period and a foreign inflation rate of 2.5% throughout. A constant purchasing parity exchange rate of 1 USD=XOF 600 has been applied at appraisal and of 1 USD=XOF 670 in PY 10. Physical contingencies of 10% have been applied to all microprojects and of 5% on all other items, with the exception of salary expenses and the cost of refinancing the CECs.

TABLE 1: SUMMARY OF PROGRAMME COSTS^a
(USD '000)

Components	Local	Foreign	Total	Percentage of Foreign Exchange	Percentage of Base Costs
Village development support	20 230	6 705	26 935	25	72
<i>Training and support services</i>	4 586	-	4 586	-	12
<i>Microprojects</i>	15 645	6 705	22 350	30	60
Decentralized financial services	1 558	1 616	3 174	51	8
Programme management	5 205	2 129	7 334	29	20
<i>Management</i>	3 994	1 964	5 958	33	16
<i>M&E</i>	1 211	165	1 376	12	4
Total Baseline Costs	26 993	10 450	37 444	28	100
Physical contingencies	1 987	877	2 864	31	8
Price contingencies	4 153	1 448	5 600	26	15
Total programme costs	33 134	12 775	45 909	28	123

^a Discrepancies in totals are due to rounding-up of figures.

TABLE 2: FINANCING PLAN^a
(USD '000)

Components	IFAD		Cofinancier		Government		Beneficiaries		Total		Foreign Exchange	Local (Excl. Taxes)	Duties and Taxes
	Amt.	%	Amt.	%	Amt.	%	Amt.	%	Amt.	%			
A. Village development support													
A2. Training and support	2 844	51.0	1 896	34.0	836	15.0	-	-	5 577	12.1	-	4 740	836
A1. Microprojects	12 708	45.1	8 500	30.1	3 667	13.0	3 332	11.8	28 207	61.4	8 462	16 078	3 667
SubTotal	15 552	46.0	10 396	30.8	4 503	13.3	3 332	9.9	33 784	73.6	8 462	20 818	4 503
B. Decentralized financial services	2 203	61.1	891	24.7	513	14.2	-	-	3 607	7.9	1 835	1 259	513
C. Programme management													
C1. Management	3 363	48.7	2 242	32.4	1 143	16.5	163	2.4	6 910	15.1	2 291	3 476	1 143
C2. M&E	831	51.7	554	34.4	224	13.9	-	-	1 608	3.5	186	1 198	224
SubTotal	4 194	49.2	2 796	32.8	1 366	16.0	163	1.9	8 518	18.6	2 478	4 674	1 366
Total Disbursement	21 949	47.8	14 082	30.7	6 382	13.9	3 495	7.6	45 909	100	12 775	26 751	6 382

^a Discrepancies in totals are due to rounding-up of figures.



22. The project will be financed by an IFAD loan of USD 22.0 million on highly concessional terms, representing 48% of total costs. Provision has been made for other cofinanciers to join during the course of implementation, for which an amount of USD 14.1 million has been earmarked to cover the identified needs for Ségou and Koulikoro regions only. However, while dialogue was initiated at the formulation and appraisal stages with a number of potential partners (Canadian and Dutch bilateral assistance, the World Bank and USAID), the aim is to conclude the negotiation towards the end of the first cycle of the programme (paragraph 31). Once operational, the NCMA and/or RIMAs will be empowered to mobilize, through their parent associations (paragraph 26), other appropriate local and external sources of funding. The contributions of the village stakeholders amount to the equivalent of USD 3.5 million, or 7% of total costs. The Government's contribution consists exclusively of foregone import duties, taxes and VAT, in an amount equivalent to USD 6.4 million (14%).

E. Procurement, Disbursement, Accounts and Audit

23. **Procurement.** Vehicles, equipment, goods, services and audits will be procured through international competitive bidding (ICB) procedures for contracts exceeding USD 100 000. Contracts for between USD 20 000 and USD 100 000 will be awarded on the basis of local competitive bidding procedures, while those for less than USD 20 000 will be based on local or international shopping. Small purchases of off-the-shelf items not exceeding USD 1 000 will be procured through prudent shopping after comparison of prices from three different suppliers. Public services will be included in all consultations and bids, if their legal status so permits. The SFD operators will be selected on the basis of limited local competitive bidding procedures, using a shortlist of five existing networks. Contracts for village infrastructure microprojects will be awarded directly by the VAs or groups, with the help of the programme.

24. **Disbursement.** The IFAD loan will be disbursed over a period of 10 years and is expected to close on 30 September 2009. The withdrawal of funds from the loan account for vehicles, equipment, support services, goods and audits will be fully documented. Expenditures for operating costs, local training, incremental salaries, and village infrastructure microprojects will be made against Statements of Expenditure (SOEs). Related supporting documents in respect of such SOEs will be maintained by NCMA and the RIMAs for periodic review by supervision missions and examination during annual audits of programme accounts. In order to ensure sufficient budgetary allocation and cash liquidity, a Special Account will be opened and maintained by NCMA in a local bank acceptable to the Fund to finance IFAD's share of eligible expenditures. The authorized allocation of this account will be USD 1.2 million. An initial deposit of USD 700 000, representing expected expenditures for the first semester, will be made by IFAD into the Special Account once the loan becomes effective. A second deposit of USD 500 000 will be made by the Fund early in PY 4, upon IFAD's approval of the second programme cycle (paragraph 31). Each RIMA will open an Advance Account in a bank acceptable to IFAD, into which NCMA will transfer an initial amount equal to requirements for the first semester, as indicated in the first annual work programme and budget. Subsequent replenishments of these accounts will be on the basis of justification of expenses.

25. **Accounts and audits.** NCMA and the RIMAs will maintain accounts in accordance with internationally-accepted standards. The financial director of NCMA will carry out annual internal audits of all accounts held by RIMAs. His report will be submitted to the Government and IFAD within a month of such audit. In addition, all accounts will be audited on a yearly basis by external auditors according to terms of reference acceptable to IFAD. The audit report will be made available to the Government and IFAD no later than six months after the close of the fiscal year. It will provide a separate opinion on the SOEs, Special Account and Advance Account.



F. Organization and Management

26. **Role of village groups and regional and national associations.** Demand for microprojects must be formulated by a VA or group of at least 10 people from different households. Each group will establish a management committee of three-to-four persons, depending on the type of microproject involved, and they will be encouraged to establish unions which will become progressively involved in programme management. Regional associations will be established in each region to oversee programme activities. These associations will operate under private law and comprise representatives of the coordinating body for local and foreign NGOs (CCA-NGO); the regional chamber of agriculture; the association of mayors of communes (when it exists); and four members of VA unions and groups (such as the Farmers' Development Committee). Each association will be charged with approving microprojects and annual work programmes and budgets and with establishing RIMAs (paragraph 20) for day-to-day programme management. The overall responsibility for the programme at national level will be entrusted to a national association, the membership of which will include the CCA-NGO, a coordinating body of national and foreign NGOs; the Association of Consulting Engineers; the Permanent Assembly of the Chambers of Agriculture; and four stakeholders representing the regional association(s). The national association will establish an NCMA to be in charge of the day-to-day running of programme activities at national level.

27. **Ministry of Rural Development and Water.** In line with the Government's disengagement policy, MDRE will delegate overall responsibility for programme implementation to the national association. It will, however, retain full responsibility for overseeing and controlling the activities of the national and regional associations, in close consultation with IFAD and the village stakeholders.

28. **Gender considerations⁹.** Specific provision has been made to ensure that women will be able to participate actively in decision-making at all stages of the programme's activities. These include: (i) support for community priority-setting through PRA and other methods, to take account of the constraints, priorities and solutions envisaged by women (paragraph 17); (ii) functional literacy training programmes will be set up in such a manner (e.g., training organized in the village and a small incentive paid to persons replacing women in carrying out household chores) to allow women to participate; and (iii) establishment of a guarantee fund for loans to women and for refinancing purposes, and the promotion of Grameen Bank-type women's groups (paragraph 19).

29. **Implementation arrangements and responsibilities.** The organizational set-up of the programme will be formalized by means of a series of agreements, including a management agreement between MDRE and the national association based on the Executing Agency for Interests with Public and Employment Implications and Association of Grass-Roots Initiative models¹⁰ already functioning in Mali, both supported by the World Bank and several bilateral donors; implementation agreements between the national association and each regional association, defining the implementation modalities at regional level; a financing agreement between the regional association and a village group; and a tripartite contract between the regional association, the village group and the contractor providing services or carrying out works. An operations manual will be prepared, specifying all procedures for administrative, financial and accounting activities, microproject selection and programming, and relations between the national and regional associations.

30. **Decentralized financial services.** The creation of CECs will be contracted to selected SFD networks (paragraphs 19 and 23). A number of potential operators were identified during appraisal. These operator(s) will apply their own methodology but also undertake to implement specific measures designed to provide equal access to credit and savings for women.

⁹ See Appendix VI.

¹⁰ See Appendix VI.



31. **First-cycle activities.** The first three years (PYs 1-3) of the programme will focus on setting up the national and regional-level institutions and initiating carefully selected group activities in two districts, one in each region. These activities will include: (i) establishing NCMA and the two RIMAs; (ii) developing and testing procedures for their operations; (iii) carrying out a baseline socio-economic survey in the two regions to establish benchmarks; (iv) selecting the two focus districts and carrying out detailed surveys in those districts in order to establish the first set of microproject models demanded; (v) functional and management training for 450-600 project management committee members and 1 500-2 000 group members, including women; and (vi) implementing 150-200 microprojects, for as many village groups, in about 150-200 villages; plus (vii) recruiting and installing two SFD operators to carry out the credit and savings activities in the whole of the two regions; and (viii) creating about 50 CECs in as many villages. The estimated volume of funding by IFAD for the first-cycle activities will be in the region of USD 1.5 million per year over a three-year period.

32. **Agreed triggers under the FLM.** The programme will be funded through a newly-introduced loan facility, the FLM. As such, it has been divided into three distinct cycles (or phases): (i) an initial cycle of three years to establish the institutions and procedures, when activities will start in at least one district per region; (ii) an expansion phase of four years (PYs 4-7); and (iii) a consolidation phase of three years (PYs 8-10), when no new villages introduced and programme management responsibilities will be transferred to the village groups and associations. Under the proposed FLM, a series of so-called “triggers” or pre-conditions have been developed for deciding whether or not to proceed with, delay or cancel, the subsequent cycles of the programme. A joint review by the Government, IFAD and village stakeholders at the end of PYs 3 and 7 will determine whether or not the pre-conditions have been met, and recommend an appropriate course of action. The reviews will also recommend, where appropriate, under which disbursement or other conditions a subsequent cycle should be undertaken. The decision to proceed to subsequent cycles will, however, rest with IFAD management, and will be a disbursement condition for all expenditures in PYs 4 and 8. The specific triggers for the programme include:

- **Triggers for proceeding from cycle 1 to 2 (assessed at the end of PY 3)** include:
 - (i) programme mechanisms specified in the operations manual are effective, tested and adopted by all associations; (ii) training has accompanied all sponsored microprojects; (iii) between 50% and 75% of groups put in place function properly and independently according to the modalities specified in the operations manual; (iv) half the villages targeted to benefit in each selected district per region have initiated at least one microproject, and the operations manual has been revised by PY 3 on the basis of experience gained; and (v) programme-level M&E is functioning effectively and helping to track the triggers.
- **Triggers for proceeding from cycle 2 to cycle 3 (assessed at the end of PY 7)** include:
 - (i) funding of microprojects is expeditious; (ii) 50-75% of targeted village groups have been involved effectively in contracting implementing partners, and contracts between village groups and providers of goods and service are transparent and adhered to; (iii) prioritization and management of subprojects in the majority of village groups is undertaken in an equitable manner, with the active participation of women and other marginal segments in decision-making; (iv) stakeholders' contributions are forthcoming at a level at least equal to expectations; (v) credit recovery rates are such that the CECs are sustainable, and lending to women represents over 25% of total lending; (vi) the majority of sponsors express satisfaction that productive microprojects yield a significant return while social, environmental and collective microprojects have notably improved their living conditions; and (vii) project-level M&E is functioning effectively and tracking the triggers.



33. **Monitoring and Evaluation.** As mentioned above, project-level M&E will play a critical role in tracking progress in attaining the various programme triggers; and effective functioning of M&E will itself be one of the triggers. In order to ensure that valid and reliable conclusions are reached at the end of each cycle, the M&E system will need to be sensitive and systematic. It will consist of close monitoring using the M&E specialists of NCMA and RIMAs, complemented by participatory monitoring by stakeholders with the help of technical assistance and support services, plus independent evaluations by outside institutions and participatory evaluations based on representative samples of monitoring data. In addition, each executing agency (private or public) will be charged with compiling and submitting necessary monitoring data to be included in the data bank. Failure to do so will be considered a serious breach of contractual obligations. A baseline survey will be carried out in each region before the start-up of programme activities. In view of the nature of the programme, a clearly defined set of essentially qualitative and process indicators for monitoring programme progress and impact are identified in the logical framework (see Appendix III). The M&E system will play a key role in tracking these indicators and in periodically adjusting and refining them.

G. Economic Justification

34. The benefits of the programme will flow from the activities of the CECs and from the productive and social microprojects. However, the most important benefit will be grass-roots institutional development. The establishment of self-sustaining CECs will involve around 40 000-60 000 families, while the implementation of 1 500-2 000 microprojects will create and strengthen as many village groups and benefit around 60 000-80 000 families. Thus, taking account of some degree of overlap, a total of anything between 70 000-90 000 families (or 490 000-630 000 people) will benefit from the programme throughout the 1 700 villages in the area. If the programme is successful, both NCMA and the RIMAs will become a permanent feature of the institutional scenario of Mali, and eventually provide a common channel of external resources. An analysis of the different types of CECs shows annual benefits from the 100 CECs totalling USD 117 660 per year. In view of the uncertainty about the evolution of people's demand for microprojects, an overall external rate of return has not been calculated. However, a conventional financial returns analysis has been carried out for each of the irrigation microproject models. The order of magnitude of the rates of return derived (16-27%) suggests that such schemes will be financially viable. They all largely exceed the minimum requirement of yielding at least a return equivalent to the medium-term interest rate, which was around 7%. The return per labour day of such investments, which ranges between XOF 2 000 and XOF 6 000, exceeds the current rural wage rate of XOF 1 000 per day by a margin which is sufficient to make it attractive.

H. Risks

35. The programme is likely to be subjected to two important institutional and process-related risks. These include: (i) that full autonomy will not be granted to NCMA and the RIMAs; and (ii) there will be over-emphasis of the rate of disbursement as a measure of success. In order to mitigate such risks, an operations manual will be prepared and negotiated with all partners, setting out the responsibility of each stakeholder. In addition, the phasing of the programme in three distinct cycles, at the end of which the targets, strategy, approach and M&E indicators will be adjusted in a transparent manner, will help spread the responsibility so that decisions focus on impact. On the face of it, the proposed FLM may have the inherent risk that the control mechanisms will not function effectively to ensure that there is no misuse of public funds. In addition, poor feedback from the implementation of microprojects and SFD networks, due to inadequate or inappropriate M&E, may become a major risk. To mitigate these risks, emphasis is placed on establishing an M&E system that will be sensitive and systematic, using simple indicators that can be monitored through the logical framework. Lastly, there is the risk that the ongoing decentralization process, while good in itself, may centralize too much decision-making in the *communes* to the detriment of village decision-



making. To minimize this risk, investments of an inter-village nature are excluded and continuous policy dialogue on decentralization with all partners will be maintained.

I. Environmental Impact

36. The scope of the individual activities of the programme is limited and, *a priori*, they will have no negative impact on the environment. Nonetheless, their technical appraisal will always include the assessment of potential environmental hazards, and the cost of investments necessary to minimize or eliminate such hazards will be provided for under each activity. Furthermore, steps are being taken to explore the possibility of incorporating a Global Environment Facility grant linked to the presently proposed programme. This will provide further screening for programme activities that may have a global impact on the environment, especially in the inner delta of the Niger River and other protected zones in the programme area.

J. Innovative Features

37. The programme includes several innovative features, the most important being that it will be the first IFAD operation to adopt the new FLM approved by IFAD's Executive Board in September 1998. That mechanism facilitated the other innovative features of the programme, namely, application of a participatory and demand-driven approach under which implementation responds to stakeholders' priorities rather than to predetermined physical targets. From this springs several other novel elements in the programme: (i) the need for effective response to expressed and eligible demand has led to the constitution of a national association and regional associations under private law, to which the Government will delegate, in line with its policy of disengagement and decentralization, the responsibility for programme implementation; (ii) stakeholders are involved from the start of programme management as they will be in the majority in each of the general assemblies of the associations; (iii) the Government's delegation of authority to the associations will be on the basis of a management agreement which will specify the basic modalities of implementation and include a well articulated operations manual; and (iv) implementation will be sufficiently flexible to be able to respond to possible shifts in effective demand, for which purpose three cycles of three, four and three years, respectively, have been foreseen.

PART III - LEGAL INSTRUMENTS AND AUTHORITY

38. A loan agreement between the Republic of Mali 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.

39. The Republic of Mali is empowered under its laws to borrow from IFAD.

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



PART IV - RECOMMENDATION

41. 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 Mali in various currencies in an amount equivalent to fifteen million six hundred and fifty thousand Special Drawing Rights (SDR 15 650 000) to mature on and prior to 1 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 13 November 1998)

1. The Programme shall be divided into distinct three phases or cycles, consistent with the objectives of the Flexible Lending Mechanism. Progression from one phase to the next shall be subject to satisfaction of a number of pre-conditions. A joint review by the Government of the Republic of Mali (the Government), IFAD and the beneficiaries at the end of Project Years (PYs) 3 and 7 shall determine whether the pre-conditions for proceeding from the first phase to the second phase, and from the second phase to the third phase, respectively, have been met, and an appropriate course of action will be recommended at that time. This may include proceeding with the following phase or delaying or canceling the subsequent phases of the Programme. An aide-mémoire, to IFAD's satisfaction, shall be drawn up at the end of each such review. In the event the pre-conditions for proceeding to the next phase, as stipulated in paragraphs 4 and 5, Schedule 4, of the Loan Agreement, have been modified, IFAD shall notify the Government in writing. The Government will be required to countersign the above-mentioned notification, thus binding all parties to the changes. In the event the pre-conditions are modified, the said notification will be accompanied by the necessary amendments to the Loan Agreement. The letters of amendment also shall be countersigned by the Government.
2. The Government shall make available to the National Association the funds from the proceeds of the Loan necessary to execute the first phase of the Programme, under a national-level implementation agreement satisfactory to IFAD. The National Association shall, in turn, retrocede the proceeds of the Loan to each of the Regional Associations under regional-level implementation agreements satisfactory to IFAD.
3. The Government shall perform the duties set forth in the national implementation agreement and take all reasonable measures to ensure that the National Association, in turn, exercises its duties entrusted to it under the regional implementation agreements with a view to protecting both its own interests and those of IFAD in achieving the objectives of the Loan. Notwithstanding the terms of the General Conditions, and except as IFAD shall otherwise decide, neither the Government nor the National Association shall modify or cancel the national implementation agreement and the regional implementation agreements or the conditions contained therein.
4. For the purpose of the Programme, the National Association, through its national coordination and management agency (NCMA), shall open and maintain a Special Account in CFA francs with a bank satisfactory to IFAD on terms and conditions acceptable to the Fund. Deposits into and withdrawals from the Special Account shall be consistent with the terms of Schedule 5 of the Loan Agreement. The Regional Associations, through their regional implementation and management agencies (RIMAs), shall open and maintain an Advance Account in a bank acceptable to IFAD. The National Association shall transfer to the Advance Account an initial amount corresponding to requirements for the first six-months of the Programme, as estimated in the first annual programme of work and budget (APWB). The Advance Account shall be replenished on the basis of detailed statements of expenses, to be retained by the associations. The national coordinator and the financial director of NCMA shall be co-signees of the Special Account and the regional director and the financial director of each RIMA shall be co-signees of the Advance Account.
5. The Government shall ensure that the goods and services procured under the Programme are exempt from all import taxes and duties for the entire duration of the Programme. The Government



ANNEX

shall open and maintain, in a bank acceptable to IFAD, a Programme Account and deposit therein counterpart funds equivalent to the taxes for each semester, as of the second year of the Programme. For the first year of the Programme, the Government undertakes to enact a decree of exoneration.

6. The Government undertakes to replenish the Programme Account on a periodic basis by depositing therein the counterpart funds foreseen in the APWB and stipulated in paragraph 25, Schedule 4, of the Loan Agreement.

7. The Government shall register the Programme under the Public Investment Programme (PIP).

8. Except as IFAD shall otherwise decide, the Government shall take measures to ensure that the savings and credit banks (SCBs) establish and manage a revolving fund for the Programme 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, as stipulated in subparagraph IV, paragraph 1, Schedule 2, of the Loan Agreement. The amounts available in the revolving fund shall be used by the SCBs for the expansion of credit facilities to the beneficiaries, consistent with the Loan Agreement, at least until such date as the principal of, and interest and other charges on, the Loan shall have been paid in full.

9. During the implementation of the Programme, the Government and IFAD shall be kept fully informed by the National Agricultural Development Bank as to the interest rates it charges on the proceeds of the Loan.

10. The procurement procedures shall be included in the operational manuals of the National and Regional Associations.

11. The draft operational manuals shall have been examined by IFAD before being included in the various implementation agreements.

12. The following are specified as additional conditions to the effectiveness of the Loan Agreement (as stipulated in Section 10.01(g) of the General Conditions):

(a) Establishment of the National Association and the Regional Associations for the first region to be covered by the Programme (Ségou) in accordance with Malian law and based on decrees acceptable to IFAD.

(b) Appointment by the Regional Association of the director of RIMA for the Ségou region and of the NCMA coordinator by the National Association. The successful candidates shall have been selected on the basis of satisfactory experience and qualifications and nominated by the Ministry of Rural Development and Water, both to the Associations and to IFAD, based on the “no objection” procedure.

13. The following are specified as additional to the conditions of Section 10.02(e) of the General Conditions and should be included in the legal opinion(s) provided to IFAD:

The National Association shall have been duly constituted and registered in accordance with the procedure set out in the preliminary declaration foreseen under the terms of Regulation No. 41/PCG of 28 March 1959 relating to associations, and shall have the necessary rights and powers to successfully implement the Programme.



14. No withdrawals from the Loan account shall be made under the first phase of the Programme in respect of payments made for expenditures included in the table in paragraph 1, Schedule 2, of the Loan Agreement, until such time as:

- (a) an national implementation agreement, acceptable to IFAD, shall have been signed between the Government and the National Association;
- (b) a regional implementation agreement, acceptable to IFAD, shall have been signed between the Government and the Regional Association of Ségou;
- (c) a Regional Association has been established, in PY 2, in the Koulikoro Region with regard to the expenses paid for that region;
- (d) for the first year of the Programme, the Government shall have passed a ministerial decree exonerating from import taxes and duties the National Association, the Regional Associations and all firms involved in the procurement of goods for the Associations.

15. Without prejudice to that which is set forth in paragraph 14 above, IFAD, at the request of the Government, shall make available from the Special Account an amount equivalent to one hundred thousand United States dollars (USD 100 000) as soon as Loan effectiveness has been declared, for purposes stipulated in paragraph 15, Schedule 2, of the Loan Agreement.

16. No withdrawals from the Loan account shall be made for the payment of Category X expenses until such time as the pre-conditions for proceeding from one phase of the Programme to the next, or the triggers described in paragraphs 4 and 5, Schedule 4, of the Loan Agreement, have been satisfied and until such time as IFAD has approved the recommendations made at the end of PYs 3 and 7 with regard to proceeding from phase one to phase two and from phase two to phase three of the Programme.



COUNTRY DATA

MALI

Land area (km² thousand) 1995 1/	1 220	GNP per capita (USD) 1996 2/	240
Total population (million) 1996 1/	10	Average annual real rate of growth of GNP per capita, 1990-96 2/	-0.2
Population density (people per km²) 1996 1/	8	Average annual rate of inflation, 1990-96 2/	10.6
Local currency	CFA Franc BCEAO	Exchange rate: USD 1 =	XOF 600
Social Indicators		Economic Indicators	
Population (average annual population growth rate) 1980-96 1/	2.6	GDP (USD million) 1996 1/	2 660
Crude birth rate (per thousand people) 1996 1/	49	Average annual rate of growth of GDP 1/ 1980-90	2.9
Crude death rate (per thousand people) 1996 1/	16	1990-96	2.8
Infant mortality rate (per thousand live births) 1996 1/	120	Sectoral distribution of GDP, 1996 1/	
Life expectancy at birth (years) 1996 1/	50	percentage agriculture	48.1
Number of rural poor (million) 1/	n.a.	percentage industry	16.6
Poor as percentage of total rural population 1/	n.a.	percentage manufacturing	7.1
Total labour force (million) 1996 1/	5	percentage services	35.3
Female labour force as percentage of total, 1996 1/	46.4	Consumption, 1996 1/	
Education		General government consumption (as percentage of GDP)	10.6
Primary school gross enrolment (percentage of relevant age group) 1995 1/	34.0	Private consumption (as percentage of GDP)	77.6
Adult literacy rate (percentage of total population) 1994 3/	99.0	Gross domestic savings (as percentage of GDP)	11.8
Nutrition		Balance of Payments (USD million)	
Daily calorie supply per capita, 1992 3/	n.a.	Merchandise exports, 1996 1/	288
Index of daily calorie supply per capita (industrial countries=100) 1992 3/	n.a.	Merchandise imports, 1996 1/	1 159
Prevalence of child malnutrition (percentage of children under 5) 1990-96 1/	31.0	Balance of merchandise trade	- 871
Health		Current account balances (USD million)	
Health expenditure, total (as percentage of GDP) 1990-95 1/	2.9	before official transfers, 1996 1/	- 395
Physicians (per thousand people) 1994 1/	0.0	after official transfers, 1996 1/	- 164
Access to safe water (percentage of population) 1990-96 3/	n.a.	Foreign direct investment, 1996 1/	23
Access to health service (percentage of population) 1990-95 3/	n.a.	Government Finance	
Access to sanitation (percentage of population) 1990-96 3/	n.a.	Overall budget surplus/deficit (including grants) (as percentage of GDP) 1995 1/	n.a.
Agriculture and Food		Total expenditure (percentage of GDP) 1995 1/	n.a.
Food imports as percentage of total merchandise imports 1996 1/	n.a.	Total external debt (USD million) 1996 1/	3 020
Fertilizer consumption (hundreds of grams per ha of arable land) 1994-96 1/	83	Total external debt (as percentage of GNP) 1996 1/	4.5
Food production index (1989-91=100) 1994-96 1/	114	Total debt service (percentage of exports of goods and services) 1996 1/	17.9
Land Use		Nominal lending rate of banks, 1996 1/	n.a.
Agricultural land as percentage of total land area, 1994 4/	27.0	Nominal deposit rate of banks, 1996 1/	n.a.
Forest area (km ² thousand) 1995 1/	116		
Forest area as percentage of total land area, 1995 1/	9.5		
Irrigated land as percentage of cropland, 1994-96 1/	2.6		

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*, 19982/ World Bank, *Atlas*, 19983/ UNDP, *Human Development Report*, 19974/ World Bank, *The World Development Indicators CD-ROM*, 1998



PREVIOUS IFAD LOANS¹¹ TO MALI

Project Name	Initiating Institution	Cooperating Institution	Lending Terms	Board Approval	Loan Effectiveness	Current Closing Date	Loan/Grant Acronym	Currency	Approved Loan/Grant Amount (USD '000)	Disbursement (as percentage of approved amount) as at 06.10.98
Village Development Fund Project	IFAD	UNOPS	HC	14 Sep 82	01 Mar 83	30 Jun 93	L - I - 103 - ML	SDR	8.05	100%
Mali Sud II Rural Development Project	World Bank: IDA	World Bank: IDA	HC	13 Sep 83	09 Aug 84	08 Jan 91	L - I - 133 - ML	SDR	11.71	100%
Development Project in the Zone Lacustre	IFAD	BOAD	HC	03 Dec 86	23 Dec 87	14 Oct 97	L - S - 4 - ML	SDR	4.84	100%
Kidal Food and Income Security Programme	IFAD	BOAD	HC	30 Nov 88	05 Jul 90	30 Jun 99	L - S - 14 - ML	SDR	5.83	73%
Village Development Fund Programme - Phase II	IFAD	UNOPS	HC	13 Dec 90	06 Aug 92	30 Jun 99	L - I - 278 - ML	SDR	9.20	68%
Income Diversification Programme in the Mali Sud Area	IFAD	BOAD	HC	05 Dec 94	25 Jul 96	30 Jun 03	L - I - 367 - ML	SDR	10.10	12%
Zone Lacustre Development Project - Phase II	IFAD	BOAD	HC	17 Apr 96	12 Jun 97	30 Jun 04	L - I - 409 - ML	SDR	8.65	6%

¹¹ In addition grant funding, in the tune of around USD 1.82 million, has be provided to complement the loan resources of almost all of the projects and programmes.



LOGICAL FRAMEWORK

Narrative Summary	Performance Indicators	Source	Assumptions
<p>Goal Reduction of poverty among rural households in Sahelian zone through increases in incomes and improved living conditions</p>	<ul style="list-style-type: none"> - Increased household revenues. - Improved household food security. - Improved health and nutritional status. - Improved school attendance. 	<ul style="list-style-type: none"> - Baseline survey, annual updates. - Evaluation studies. - Regional statistics. - Joint IFAD/Government/beneficiary assessments at end of Cycle 2. 	<ul style="list-style-type: none"> - Increased income is used to reduce effects of poverty and not for conspicuous consumption. - Improved social services reach poor stakeholders.
<p>Purpose National and regional associations effectively managed by stakeholders</p> <p>Demand-driven microprojects implemented smoothly</p> <p>Decentralized financial services effectively managed and meeting demand for savings and credit from men and women</p>	<ul style="list-style-type: none"> - 50-75% of groups put in place function properly and independently according to the modalities specified in the operations manual (T1-2). - 50-75% of targeted village groups involved effectively in contracting implementing partners, contracts between village groups and service providers are transparent and adhered to (T2-3). - Funding of microprojects is expeditious (T2-3). - Prioritization and management of subprojects in the majority of village groups done equitably, with active participation of women and marginal groups in decision-making (T2-3) - Contributions of stakeholders forthcoming at levels at least equal to expectations (T2-3). - 50-75% of sponsors express satisfaction that productive microprojects yield significant returns (T2-3). - Credit recovery rates are such that CECs are sustainable; and lending to women represents over 25% of total lending (T2-3). - Integration of CECs in SFD's network is effective. - Overall profitability of network and profit/loss of CECs is satisfactory. 	<ul style="list-style-type: none"> - Quarterly reports of the associations. - Monitoring reports. - Programme reports. - Supervision reports. - Evaluation studies - Impact assessment studies - Joint assessments at end of Cycles 1 and 2. 	<ul style="list-style-type: none"> - Unions of VAs representative of typical stakeholders. - Stakeholders participate actively in management of associations. - Relations with <i>communes</i> conducive to effective operations of associations - Associations able to mobilize and attract additional resources. - Implementation modalities adjusted on the basis of experience. - Prices on output markets remain sufficiently attractive. - SFD network attracts additional resources, either internally or externally. - CECs are meeting demand from typical stakeholders. - National policies remain conducive to promotion of CECs and their networks.



APPENDIX III

Narrative Summary	Performance Indicators ¹²	Source	Assumptions																		
<p>Outputs/Results</p> <p>1. Village infrastructure development support component implemented.</p> <p>2. Decentralized financial services component implemented.</p> <p>3. Programme management and M&E systems established and functioning.</p>	<p>By the end of Cycle 1</p> <p>1. 150-200 microprojects implemented in as many villages and for as many groups; one national and two regional associations established with satisfactory procedures and are controlled by stakeholders; 450-600 group committee members plus 1 500-2 000 group members, including women, trained. Half the villages targeted to benefit in each selected district per region have initiated at least one microproject (T1-2).</p> <p>2. SFD networks selected to operate the CECs; socio-economic market studies carried out; about 50 villages selected and CECs established there; about 250 members trained; volume of deposits and lending are such that they lead to viable CECs.</p> <p>3. Personnel recruited, operations manual written and approved, material and equipment ordered.</p> <p>- Operational manual applied, adjusted at ends of Cycles 1 and 2 in light of experience (T1-2 and T2-3).</p> <p>- Project-level M&E functions effectively in tracking triggers (T1-2 and T2-3).</p>	<p>- Programme reports.</p> <p>- Supervision reports.</p> <p>- Monitoring reports.</p> <p>- Joint assessment at end of Cycle 1.</p> <p>- Evaluation studies.</p>	<p>- External and local inputs available in time and in appropriate quantities.</p> <p>- Subcontractors and operators performing up to standard.</p>																		
<p>Activities:</p> <p>1. Village infrastructure development support.</p> <p>2. Decentralised financial services.</p> <p>3. Programme management.</p>	<table border="0"> <tr> <td>Budget</td> <td>USD mill.</td> </tr> <tr> <td>Civil works</td> <td>28.7</td> </tr> <tr> <td>Vehicles, equip.</td> <td>2.7</td> </tr> <tr> <td>Studies, support</td> <td>2.0</td> </tr> <tr> <td>Training</td> <td>5.6</td> </tr> <tr> <td>Refinance, guarantee</td> <td>0.9</td> </tr> <tr> <td>Recurrent costs</td> <td>6.0</td> </tr> <tr> <td></td> <td>-----</td> </tr> <tr> <td>Total</td> <td>45.9</td> </tr> </table>	Budget	USD mill.	Civil works	28.7	Vehicles, equip.	2.7	Studies, support	2.0	Training	5.6	Refinance, guarantee	0.9	Recurrent costs	6.0		-----	Total	45.9	<p>- Project documents.</p> <p>- Loan agreement.</p>	<p>- Funds made available in a timely manner.</p>
Budget	USD mill.																				
Civil works	28.7																				
Vehicles, equip.	2.7																				
Studies, support	2.0																				
Training	5.6																				
Refinance, guarantee	0.9																				
Recurrent costs	6.0																				

Total	45.9																				

NOTE: T1-2 = Trigger to go from Cycle 1 to 2; and T2-3 = Trigger from Cycle 2 to 3

¹² For the first cycle only (PY 1-3). Logical Frameworks for the subsequent phases will be worked out by IFAD/Government/beneficiary joint assessments and reviews.



COMPOSANTE INFRASTRUCTURE VILLAGEOISES

I. OBJECTIFS ET PRINCIPES

1. Les objectifs de la composante "Infrastructures villageoises" sont: (i) répondre aux demandes des groupes de villageois pour la mise en œuvre dans de bonnes conditions de leurs projets d'infrastructure de production, de commercialisation ou sociales; et (ii) renforcer par des formations la capacité des initiateurs des projets pour leur permettre de bien utiliser l'infrastructure.

2. Le principe d'intervention du Programme est de cofinancer des infrastructures collectives à l'échelle des villages. Il existe en effet une taille d'infrastructure qui est du ressort de groupement à l'échelle du village, pour l'identification, pour la réalisation et surtout pour la gestion. Ces micro-infrastructures sont rarement prises en compte par les institutions classiques opérant par "le haut", elles doivent rester sous la responsabilité des Groupements d'utilisateurs.

3. L'idée est d'apporter des ressources (conseil technique, formation et financement) aux villages pour appuyer les initiatives locales de développement en laissant aux utilisateurs la responsabilité du choix de l'investissement et de sa gestion. Cette approche pragmatique permet d'enclencher un processus de formation et de prise en charge par les populations de leur développement, processus basé sur des réalisations concrètes répondant aux besoins locaux les plus immédiats.

4. Ces micro-infrastructures villageoises seront soit des infrastructures sociales (point d'eau, pistes, ect.), soit des infrastructures de production (périmètres irrigués, bassins de pisciculture, ect.). L'essentiel, pour qu'une infrastructure soit cofinancée par le Programme, est:

- qu'elle soit une priorité des populations villageoises;
- qu'elle permettent un développement social et économique;
- qu'elle mette en oeuvre une technologie adaptée aux capacités des utilisateurs, en particulier que la maintenance soit réalisable par les villageois avec leurs connaissances et leurs outils;
- qu'un Groupement se forme (s'il n'existe pas), pour participer à l'identification et au contrôle des travaux et assurer la gestion et la maintenance de l'ouvrage; et
- qu'elle soit cofinancée par les utilisateurs en fonction de leurs moyens humains et financiers.

II. MICRO-PROJETS TYPES

5. La description de 20 exemples types de micro-infrastructures villageoises¹³ sont donnés ci-dessous pour illustrer le type d'interventions possibles et estimer les coûts et de leur répartition entre les divers intervenants. Ces opérations ont été regroupées et présentées par type: Bâtiments, Hydraulique villageoise, Élevage, Pêche et pisciculture, Irrigation, Protection de l'environnement, Désenclavement et équipements solaires.

¹³ Ces exemples ont été bâtis à la suite de la mission de terrain et plus particulièrement des visites et entretiens que nous avons eus avec le Projet FDV de Ségou, VRS à Mopti et avec les services nationaux et régionaux (Ségou et Mopti) de l'Aménagement rural.



APPENDIX IV

6. On a distingué 4 types d'infrastructures:

- les infrastructures à caractère social (point d'eau villageois, centre de formation) améliorent les conditions de vie des populations mais n'ont pas d'impact direct sur leur revenu monétaire;
- les infrastructures de protection de l'environnement (travaux anti-érosifs, foresterie) n'ont pas d'impact à court terme sur le revenu monétaire du village;
- les infrastructures à caractère collectif (piste, points d'eau pour l'élevage) ont un impact sur les conditions de production ou de commercialisation, toutefois, cet impact reste au niveau collectif du village; et
- les infrastructures à caractère productif (périmètres irrigués par exemple) sont celles qui ont un impact direct sur l'amélioration de la production et où cet impact peut être identifié au niveau de chaque exploitant.

7. La formation et le suivi sont des points fondamentaux du Programme:

- apportée à l'occasion d'une opération, la formation initiale est directement orientée vers la gestion de l'opération et comprend une alphabétisation de base et une formation spécialisée (utilisation, gestion et maintenance de l'infrastructure); et
- outre cette formation initiale, il est prévu un suivi pendant trois ans: deux sessions sont prévues la première année, puis une session par an les années 2 et 3.

8. Le tableau ci-après récapitule pour chaque intervention type proposée les coûts qui seront à la charge des villageois¹⁴, ceux à la charge du Programme (dont les taxes), ainsi que les frais de maintenance.

¹⁴ Pour la participation des villageois, on a précisé leur participation sous forme de travail en nombre de journées (travail valorisé à 1 000 FCFA par jour) et leur apport en numéraire qui varie selon le caractère de l'investissement.



OUVRAGE	Type (2)	POPULATION				FONDS 000 FCFA	TOTAL 000 FCFA	Dont Taxes 000 FCFA	Frais de Mainten. 000 FCFA
		Travail Jours	Argent 000 FCFA	Total Particip.(1)					
				000 FCFA	%				
BATIMENTS									
MAGASIN	C	140	200	340	47%	388	728	88	50
CENTRE DE FORMATION	S	140	-	140	11%	1 176	1 316	176	70
HYDRAULIQUE VILLAGEOISE									
PUTIS VILLAGEOIS (Grand Diamètre)	S	250	-	250	5%	4 988	5 238	748	50
MICRO BARRAGE	C	1 500	500	2 000	14%	11 818	13 818	1 848	280
ELEVAGE									
PUTIS PASTORAL (Grand Diamètre)	C	550	500	1 050	8%	12 065	13 115	1 885	50
SURCREUSEMENT DE MARE	C	1 000	500	1 500	16%	8 124	9 624	1 294	190
PARC A BETAIL	C	300	500	800	16%	4 206	5 006	706	100
PECHE PISCICULTURE									
BASSINS DE PISCICULTURE	P	600	400	1 000	14%	6 118	7 118	978	140
DEBARCADERE	C	340	500	840	7%	11 029	11 869	1 729	240
IRRIGATION									
PERIMETRE MARAICHER (0,3 ha)	C	270	100	370	18%	1 735	2 105	275	50
PERIMETRE IRRIGUE POMPAGE (8 ha)	P	1 200	640	1 840	11%	14 289	16 129	2 239	240
PERIMETRE IRRIGUE GRAVITAIRE (12 ha)	P	1 800	960	2 760	17%	13 628	16 388	2 188	360
PERIMETRE DE SUBMERSION (35 ha)	P	2 800	700	3 500	20%	13 782	17 282	2 172	350
DESENCLAVEMENT									
PISTE VILLAGEOISE (3 km)	C	1 000	500	1 500	12%	10 759	12 259	1 689	60
DALOT POUR PISTE VILLAGEOISE	C	600	500	1 100	16%	5 700	6 800	930	50
CES FORETS									
AMENAGEMENT CES (20 ha)	E	1 000	-	1 000	11%	7 871	8 871	1 181	180
FORET VILLAGEOISE (5 ha)	E	330	-	330	21%	1 271	1 601	191	100
SOLAIRE									
KIT SOLAIRE POUR BATIMENT	S	-	-	-	0%	471	471	71	50
POMPAGES SOLAIRE POUR PUTIS	C	-	500	500	2%	22 335	22 835	3 425	250
POMPAGES SOLAIRE POUR PERIMETRE	P	-	640	640	3%	18 419	19 059	2 859	250
MOYENNE (Hors Solaire)		810	380	1 200	14%	7 590	8 780	1 200	150

(1) Le travail des villageois est valorisé à 1000 FCFA par jour

(2) Type de Projet : Social, Environnemental, Collectif, Productif

9. Comme le montre le tableau résumé (calculé hors "solaire"), on peut distinguer les opérations, à caractère social, environnemental, collectif ou productif:

- **les opérations à caractère social.** Elles ont le coût de réalisation le plus faible (environ 3,3 millions de FCFA). La participation des populations est uniquement sous forme de travail (200 jours) et se limite à 6% du total. Ce taux important de subvention est justifié par le caractère social de l'infrastructure;
- **les opérations à caractère environnemental.** Le coût moyen de réalisation est d'environ 5,2 millions de FCFA. Le caractère de protection de l'environnement de ces opérations fait qu'il n'est pas demandé de participation financière, toutefois, l'importance des travaux villageois (670 jours) donne un taux de participation de 13%;
- **les opérations à caractère collectif.** D'un coût moyen de 8,4 millions, ces opérations sont cofinancées par les populations à hauteur de 13%. La participation en nature est de 630 jours, celle en numéraire e 10 000 FCFA par famille; et



APPENDIX IV

- **les opérations à caractère collectif.** Ces opérations ont un coût investissement important (14,2 millions de FCFA). La participation villageoise est de 16%, dont 1 600 jours de travail et 680 000 correspondant à 20 000 FCFA par famille.

RECAPITULATIF

Type	Nbr.	Village				Fonds KFCFA	Total KFCFA	Dont Taxes
		Travail	Argent	Total	%			
Social	2	200	-	200	6%	3 080	3 280	460
Environ.	2	670	-	670	13%	4 570	5 240	690
Collectif	9	630	430	1 060	13%	7 310	8 370	1 160
Productif	4	1 600	680	2 280	16%	11 950	14 230	1 890
Ensemble	17	810	390	1 200	14%	7 590	8 790	1 200

III. MODALITÉS DE RÉALISATION

10. Un grand nombre d'infrastructures pourraient être ainsi cofinancées par le Programme:
- **pour être éligibles**, les demandes devront être une véritable priorité de l'ensemble du village (la demande n'est pas le fait d'un groupe dominant au détriment d'autres groupes du village, femmes, éleveurs, ...), il n'y a pas de contraintes sociales (conflits fonciers sur les terres à aménager par exemple), il existe un groupement (ou au moins une volonté de groupement) qui sera chargé de la gestion de l'infrastructure. De plus, les infrastructures devront répondre à des critères de coût global maximum (20 millions de FCFA) et de coûts par quantité physique et par bénéficiaire en fonction du type de travaux¹⁵; et
 - **seront inéligibles**: l'appui à la consommation, les habitations privées, les constructions à usage religieux ou politique, les infrastructures qui relèvent normalement de la responsabilité des *communes* ou de l'administration et tout projet qui pourrait être associé à des activités contraires à la politique générale du Gouvernement;
11. La réalisation d'un projet d'infrastructure fera intervenir cinq partenaires:
- **le Groupement villageois** est au centre du dispositif, c'est lui qui (i) identifie les actions, (ii) fait réaliser les études techniques (avec l'aide du Programme), (iii) passe un contrat pour la réalisation des travaux avec l'entreprise (avec l'aide du Programme), (iv) participe au financement et à la réalisation des travaux;
 - **le Programme** joue le double rôle de Bailleur de fonds et de conseil du Groupement villageois. Pour cela, un contrat programme est passé entre le Groupement villageois et le Programme: (i) étant Bailleur de fonds, il est responsable de la gestion des fonds vis-à-vis du Gouvernement, (ii) comme conseil, il aide le Groupement villageois (et donne son accord) dans la conception des ouvrages, le choix du mode de réalisation, le contrôle des travaux, la formation et le suivi;
 - **la Commune** a un rôle de coordination des opérations. Les demandes des villages lui sont transmises pour information;

¹⁵ Des limites de coûts par unité physique et par utilisateur sont proposées. Ces valeurs ont été calculées sur la base des exemples présentés et devront être testées et modifiées au fur et à mesure du déroulement du Programme.



- **le Bureau d'étude** qui fait les études techniques et le contrôle des travaux pour le compte du village et du Programme (cofinanciers); et
- **le Prestataire de services**, soit l'entreprise qui réalise les travaux, soit l'organisme qui assure la formation.

12. Un contrat sera passé entre le Programme et le Groupement villageois définissant: l'objet de la subvention du Programme, le coût global de l'opération et sa décomposition, le chronogramme prévisionnel de l'intervention, les modalités de rupture éventuelle du contrat.

13. La réalisation de l'infrastructure (et de la formation associée) fera appel à un ou plusieurs prestataires de services (entreprises). La passation des contrats se fait entre trois partenaires: (i) le Groupement qui est le propriétaire (Maître d'ouvrage) de l'infrastructure, (ii) le Programme qui finance (subventionne) la plus grande partie des coûts, (iii) le Prestataire des Services (entreprise pour les travaux, organisation pour les formations) qui est chargé de la réalisation concrète des travaux et/ou de la formation.

14. La participation active de la population est la condition *sine qua non* des interventions:

- **apport en nature** les villageois feront les travaux techniquement à leur portée et réalisables avec les outils dont ils disposent¹⁶; et
- **apport financier** la passation des contrat est subordonnée au versement préalable par le village de sa participation financière;

15. Le Programme passera un contrat avec un Bureau d'études pour le contrôle des travaux. La supervision (contrôle du contrôle) sera assurée conjointement par le Programme (réceptions provisoires et définitives) et par les villageois.

16. Les paiements seront assurés par le Programme directement à l'entreprise, sur la base des décomptes de l'entreprise vérifiés et certifiés par le Bureau de contrôle, et contresignés par le Groupement villageois et par le Programme (missions de supervision).

¹⁶ Ces travaux seront séparés de ceux réalisés par l'Entreprise, celle-ci restant responsable de sa main d'oeuvre, de ses coûts et de ses délais.



APPENDIX IV

PRINCIPAUX INTERVENANTS DANS LA ZONE PRIORITAIRE POUR
L'IMPLANTATION DU PROGRAMME

Projet/ programme	Région	Cercle	Ampleur des interventions	Observations
PGRN	Koulikoro	Kolokani Nara	78 villages	Dans les villages touchés par le PGRN, le Programme pourrait financer des micro-réalisations prioritaires dans des domaines qui ne sont pas du ressort du PGRN
Plan international	Koulikoro	Banamba	-----	Le Programme pourrait intervenir en complément de l'ONG Plan
PRODESO	Koulikoro	Nara	Tous les arrondissements	Le Programme pourrait intervenir en complément du PRODESO
Office du Niger	Ségou	Macina Niono	Arrondissement de Kolongotomo Arrondissements de Niono et Sokolo	Par décision de la mission de formulation les zones touchées par l'Office ont été éliminées Par décision de la mission de formulation les zones touchées par l'Office ont été éliminées
CARE	Ségou	Macina	Tous les arrondissements dans le domaine de la santé et 30% des villages des arrondissements de Macina, Monimpébougou, Sarro et Saye dans les domaines de la sécurité alimentaire et du crédit	Le Programme pourrait intervenir en complément de CARE, là où le PDRSM n'est pas implanté (i.e. à Macina et Monimpébougou)
PDRSM	Ségou	Macina	Arrondissements de Sarro et Saye	Arrondissements où le Programme ne devrait normalement pas intervenir
PRODESO	Ségou	Niono	Arrondissement de Nampala et nord de l'arrondissement de Niono	Le Programme pourrait intervenir en complément du PRODESO, là où l'Office du Niger n'est pas implanté



ORGANIZATION AND MANAGEMENT

A. Programme Organization and Implementing Agencies¹⁷

1. Based on of lessons learned from past and of present experience in the country, the management structure of the programme should meet several requirements, i.e., that it: (i) has a single authority at national level to facilitate relations with the Government and external partners; (ii) enjoys full autonomy in management at regional level; (iii) allows stakeholders to progressively take over the responsibility for management of the programme; (iv) operates under private law; and (v) disposes of a small and flexible institutional set-up. Another major consideration is that, for a participatory and demand-driven approach to be credible, it requires the shortest possible command line between stakeholders and decision-makers and speedy procedures at regional, national and external level if it is to be able to respond quickly to expressed eligible demand.

2. **Village groups.** In the participating villages, demand for programme support in terms of microprojects will be formulated by a VA, a women's group, an irrigation group, a cereals bank group or any other group of interested persons. Such a group, if not already in existence, will be set up with support from the programme once the request for the microproject has been approved. A village group should include at least 10 adult persons from different households and as a maximum, may comprise the whole adult village population. From its members, it will establish a project management committee of three or four persons, including a president, treasurer, secretary and technical officer¹⁸. The village group will be responsible for implementing the microproject and its effective operation. The group will receive functional literacy, technical and management training and the microproject operations will be monitored over a period of three years. The programme will support the establishment of unions of village groups at *cercle* level, following the experience of the Ségou Village Development Fund programme, representatives of which will progressively become involved in the management of the regional and national associations.

3. **Regional associations.** At the level of each region involved in the programme, a regional association will be established for implementation management. Such association will operate under private law and the members will comprise representatives of Regional Coordination of NGOs, the Regional Chamber of Agriculture, the Association of Mayors of Communes once it exists, and of VA and village unions. The latter will, from the outset, represent the majority in the general assembly. New membership will be restricted to such unions and, as progressively more unions will be forming, they will reinforce the majority of the stakeholders in the association.

4. Within the association, a regional implementation and management agency will be established, and include the professional and support staff required for the daily management of the programme in the region. The general assembly, with only seven members¹⁹, will act as the executive board and delegate all responsibility for management to the regional director, with the exception of the approval of microprojects and of the annual work programme and budget.

5. All staff will be contracted by the regional association on the basis of fixed-term contracts. The selection of the director by the association will need to be acceptable to MDRE and IFAD. Candidates for this position will be drawn from the private and NGO sector. Civil servants wishing to

¹⁷ See organizational chart at the end of the present appendix.

¹⁸ Depending on the type of microproject.

¹⁹ Initially, there will be seven members (CCA-NGO, regional chamber of agriculture, association of mayors, and four representatives of VA union) after which new unions will join as members. An executive board may be established as soon as the total membership exceeds 10. The unions will have the majority in the board.



APPENDIX V

apply will be required to resign from their positions if they are appointed so as to preserve the impartial and private character of the association. The director will select all other staff in the implementation agency. During negotiations, an assurance will need to be obtained that these recruitment procedures and modalities will be followed.

6. The regional associations will be formally established by their founding members, in conformity with the legislation in place²⁰. They will have legal status, thus allowing them to enter into contractual relations under private law. The associations will sign an implementation agreement with the national association for the purpose of programme implementation in the region. This agreement will need to be acceptable to IFAD and an assurance to that effect will be obtained during negotiations. Establishment of the regional association in the first region to be covered by the programme, namely, Ségou, will be a condition for effectiveness of the loan, while the establishment of a regional association in the Koulikoro region in PY 2 will be a condition of disbursement for expenditures related to activities in this region.

7. **National association.** The national association will represent the programme at national level. At establishment, membership will include: (i) CCA-NGO, a representative organization of national and foreign NGOs operating in Mali; (ii) the Association of Consulting Engineers, representing the consulting sector; (iii) the Permanent Assembly of the Chambers of Agriculture; and (iv) four stakeholder representatives from the regional association(s). A national coordination and management agency will be established within the association, and will include a coordinator, financial director, M&E specialist, secretary, drivers and a guard. Establishment of the association will be a condition for effectiveness. Staff recruitment modalities will be the same as those foreseen for the regional associations (paragraph 5.) and suitable candidates will be drawn from the private and NGO sector, with civil servants being required to resign from their position upon appointment. The candidate for the position of coordinator will need to be acceptable to the MDRE and IFAD. An assurance to this effect will be obtained during negotiations.

8. The national association will be a registered association under private law. Once the regional associations include stakeholder union representatives of at least half of all villages involved, both regional associations will constitute a federation of the two associations, which will take over the role of the national association.

9. **Ministry of Rural Development and Water.** In line with the Government's policy of disengagement, MDRE will delegate overall responsibility for programme implementation to the national association. MDRE will be responsible for general overseeing of the national association. For that purpose, it will sign an agreement under the terms of which the national association will be responsible for appointing the implementation agency. Recruitment of the coordinator and the two directors will require the approval MDRE and IFAD.

10. **Other agencies.** The national and regional associations and the village groups will contract implementation of the programme to experienced and competent agencies and institutions in the private, NGO and public sector. To the extent feasible, microproject construction work will be assigned to small local enterprises, and tendering procedures should allow them to participate.

B. Implementation Arrangements and Responsibilities

Agreements

²⁰ Law 41/PCG of 28 March 1959 relating to associations.



11. The organizational set-up will be formalized through a series of agreements, including an implementation agency agreement²¹ under which MDRE will entrust programme implementation to the national association; the implementation agreements between the national association and each regional associations, defining the implementation modalities at regional level; the financing agreement between the regional association and the village group; and the tripartite implementation agreements between the regional association, the village group and the contractor providing services or carrying out works. An operations manual will be prepared specifying all procedures for administrative, financial and accounting activities, microproject selection criteria, the microproject programming, reporting and auditing and for relations between the national and regional associations. The operations manual will form be an integral part of the implementation agency agreement, and of the implementation agreements.

12. The first step in programme implementation will be to establish the regional association in the Ségou region. Four of its members, delegates of the unions of VA, will be among the founding members of the national association. Once the latter has been formally set up, it will sign and implementation agency agreement with MDRE.

13. **Implementation agency agreement.** Following the established practice under two projects implemented by AGETIPE and one by AIB, the Government, represented by MDRE, will delegate implementation responsibility for the programme to the national association by means of an implementation agency agreement. In this agreement, the Government must ensure that the associations will implement the programme according to the provisions of the loan agreement. The agreement will include at least the following elements:

- the objectives and scope of the activities to be undertaken by the association;
- modalities for financing the activities, and the establishment of a Special Account;
- programming and budgeting procedures;
- reporting and audit requirements;
- tax and duty exemptions for the associations and the firms providing goods and services and undertaking works; and
- the operations manual.

14. The implementation agency agreement will be reviewed by IFAD before being signed. An assurance to this effect will be obtained during negotiations.

15. **Implementation agreement.** The implementation agreement will be signed between the national association and each regional association and will be the instrument to ensure that the regional associations will implement the programme according to the modalities set out in the implementation agency agreement and the loan agreement. It will include:

- the distribution of tasks between the national and the regional associations;
- the implementation approach of the regional associations, based on subcontracting available capacities in the private, NGO and public sector;
- the financing modalities, and the establishment of an Advance Account;

²¹ Convention agence d'exécution.



APPENDIX V

- microproject approval, programming and budgeting procedures;
- reporting and audit requirements;
- implementation of the tax and duty exemptions; and
- the operations manual.

16. Each implementation agreement should be acceptable to IFAD and a corresponding assurance will be obtained during negotiations.

17. **Financing agreement.** Once a microproject has been finally approved, a financing agreement will be drawn up between the regional association and the village group. This agreement will specify the magnitude and nature of the contribution of both parties to the total costs of the investment; the timing of the respective contributions; conditionalities and deadlines to be met by the village group for the mobilization of funding from the association; flow of funds and payment methods; implementation responsibilities, reporting and audit procedures; and the resolution of disputes. The operations manual will include a standard format of the agreement.

18. **Tripartite implementation agreement.** This agreement is basically an implementation contract with a provider of services or an enterprise carrying out civil works. It will need to meet basic contractual requirements, including a description of the purpose of the contract; planning of activities, supervision and control; conditions for provisional and final acceptance of the works or services, and benchmarks for progress monitoring. The financial procedures will include the amount of the contract; the advance; the guarantee arrangement; the bank accounts; tax; and the fiscal modalities. Other contract stipulations include sanctions for delays, the termination of the contract, *force majeure*, etc. A standard format will be developed by the national association on the basis of available models from AGETIPE and AIB. The agreement will be signed by the village group, the regional association and the contractor. A standard format will be included in the operations manual.

19. **Operational manual.** The manual will be prepared before the start of programme implementation, and will be annexed to the implementation agency agreement and each implementation agreement. It will be drawn up on the basis of existing manuals and adjusted according to the specific procedures and criteria of the programme. It will cover all major programme implementation aspects at the national association and at the regional associations. As a minimum, it will include the following provisions:

- (a) Objectives and professional ethics.²² This chapter will set out the main objectives of the associations and of the programme, together with the basic principles of management such as independence, impartiality, efficiency, and economy. Programme staff will not be able to hold a position or have an interest in any of the public, private or NGO institutions which will conclude contracts with the associations.
- (b) Microproject identification and approval procedures. This includes the eligibility criteria for microprojects, and the approval procedures described below.
- (c) Microproject implementation, including procurement procedures and contracting, provisions for technical and socio-economic studies, supervision of works, accounting and payments.

²² Deontology principles.

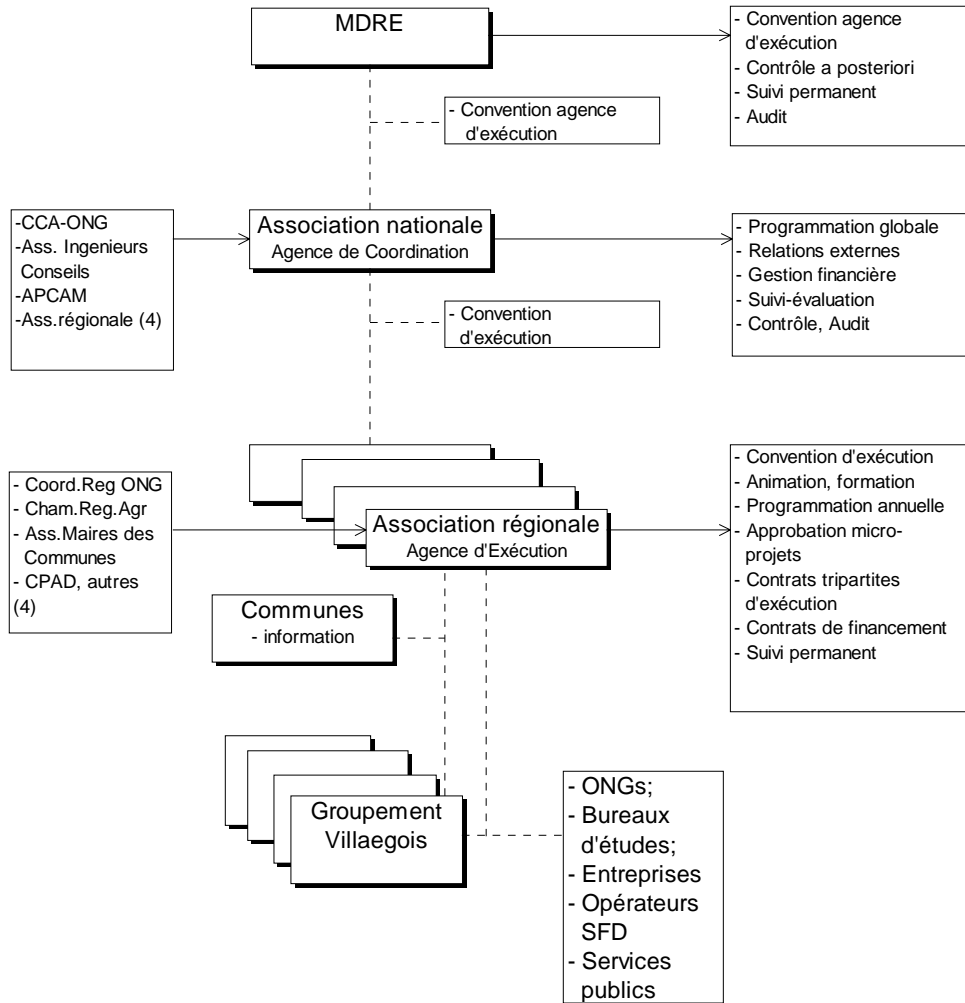


- (d) Programming at the regional association: preparation of the annual work programmes and budgets, monitoring of physical and financial progress, control of implementation, spot-checks, audits.
- (e) Programming at the national association: consolidating regional annual work programmes and budgets, preparation of budget indications for next year's programme, monitoring regional implementation, controls and audits.
- (f) Financial management, accounting system: operations of the Special Account and the regional Advance Accounts, handling of documentation, replenishments, monthly, quarterly and annual financial statements, budget revisions and their approvals.
- (g) Reporting, periodicity of reports prepared by the regional and national associations, outline of basic implementation reports. M&E, main indicators, procedures and responsibility for evaluation, periodicity, participation of stakeholders.
- (h) Supervision, application of the procedures and methods foreseen in the manual, frequency, profile of supervisors foreseen.

20. The draft operations manual will be reviewed by IFAD before its inclusion in the different agreements and a corresponding assurance will be obtained during negotiations.



ORGANIGRAMME POUR LE PROGRAMME SADEeF





ECONOMIC AND FINANCIAL ANALYSIS

A. Benefits and Beneficiaries

Benefits

1. Programme benefits will flow from the deposit and lending activities of the *CECs* and from the implementation of productive microprojects. They will also emerge from the social, collective and environment microprojects; from individual members of *CECs* investing loan funds in profitable undertakings with a short turn-over, such as trade and livestock fattening; from the institutional strengthening activities of the programme such as literacy training, management and technical training, support to village groups; and from the direct participation of stakeholders in programme management.

2. With effective demand determining the mix of investments to be realised during the course of programme implementation, only an approximation of possible benefits can be made. Below, a specification of the most quantifiable benefits has been attempted.

3. **CECs.** An analysis of the different networks of *CECs* shows that the larger type makes an annual return of about 6% over the initial costs of its establishment, including a three-year declining subsidy of its operating costs. A smaller *CEC* yields a return of 3.5% over the initial outlays. These figures do not take account of individual returns which borrowers make over the borrowed investment funds. For financial institutions, where return over total capital is usually in the order of 1% - 2%, these margins are reassuring. Applied to the total planned programme investments for each type of *CEC*²³, these would amount to annual benefits from 40 large *caisses* of USD 62 760 and of USD 54 900 from 60 small *caisses*.

4. **Productive microprojects** include infrastructure schemes that will generate an immediate return to the individual stakeholders participating in their operations. Since the composition of demand for these is not known, no attempt has been made to estimate aggregate benefits for this type of investment, but for typical examples the financial return for the stakeholders has been estimated instead. Four models for water management infrastructure have been developed.

- **Irrigated vegetable production.** This type of microproject is in great demand by women. Typically, it concerns an area of about 0.4 ha, with water supplied from a large-diameter well. The area is divided into 10 plots, and several vegetables are grown in sequence. For the analysis, a single crop of onions, the most important crop, has been assumed.
- **Pumped irrigation scheme.** This type of scheme has been developed in the central delta area by the “*Valorisation des Ressources en Eau de Surface*” Project and is now spontaneously replicated. Typically it involves a perimeter of 8 ha served by a 5 hp motor pump, with individual plots of about 0.25 ha. Often, the planting of eucalyptus is undertaken to ensure sufficient resources for the replacement of the pump. Single cropping of paddy has been assumed, although potential for a second crop is available.
- **Gravity irrigation scheme.** In certain areas, it is possible to exploit available surface water resources by means of gravity schemes. An average system will cover about 12 ha, with

²³ Total investment costs are USD 2.6 million, of which USD 1.0 million are attributed to 40 large *caisses* and USD 1.6 million to 60 small ones.



APPENDIX VI

plots of up to 0.5 each. Single cropping of paddy has been taken as a typical production pattern.

- **Controlled flooding.** The floods of the Niger and Senegal Rivers are being used for floating rice and flood-recession sorghum production. Improvements in water management can be obtained by simple infrastructure works that are often the first step towards full water control. An average microproject will cover about 35 ha, with individual plots of 1 ha. For the purpose of estimating benefits, a single crop of paddy has been assumed.

5. A financial analysis has been carried out for these types of microprojects, with the costs including all investments costs; the production costs of the crops grown, assuming the use of current levels of inputs; the financial costs of credit for inputs and, where applicable, for the operation of the motor pump, at a current interest rate of 12%; the schemes' annual maintenance costs at about 2% of the investment costs; and the replacement of the pump in pumped schemes.

6. Returns include the value of paddy and of onions as typical crops, representing the variety of crops actually grown. Yield levels are based on current levels of input use and vary with the degree of water control between 2 t/ha for paddy in controlled flooding schemes to 5 t/ha for pumped irrigation, while the onion yield has been estimated at 20 t/ha. Prices used for the valuation of output have been based on conservative estimates, taking the lowest seasonal values. Storage of output, or processing paddy into rice before selling, would significantly raise returns.

Table 1. Financial returns of selected productive microprojects

Type of microproject	Area (ha)	Crop	Yield (kg/ha)	Investment costs (XOF)	Gross return (XOF)	Rate of return (%)	Return per labour day (XOF)
Irrigated vegetables	0,36	onion	20 000	2 105 000	422 991	20%	3 790
Pumped irrigation	8	paddy	5 000	16 129 000	2 618 013	16%	5 365
Gravity irrigation	12	paddy	4 000	16 388 000	3 540 000	27%	4 836
Controlled flooding	35	paddy	2 000	17 283 000	3 465 000	25%	1 941

7. In terms of financial return, each microproject largely exceeds the minimum requirement of yielding at least a return equivalent to the medium-term interest rate, which is about 7%. If an allowance for risk of half the interest rate is added, the cut-off rate would be 10.5%. Even then, all investments yield sufficiently attractive returns, exceeding this rate by a large margin. As can be expected, pumped irrigation is the lowest-yielding investment. Return per labour day also exceeds the current rural wage rate of XOF 1 000 per day sufficiently to be attractive.

8. During the course of the programme, some 400 productive microprojects may be implemented if present demand forecasts are realised. With an average gross return of about XOF 2.5 million, at full development this would yield an annual benefit stream of XOF 1 billion, or USD 1.6 million.

9. The social or indirect benefits have not been quantified, but they will be important. For instance, road repair and construction of village stores will contribute to improving marketing conditions; the construction or repair of wells for drinking water will help to reduce the workload of women, the planting of village wood lots, or the construction of bounds, will help to reduce pressure of the natural resources.



Beneficiaries

10. Microproject design will depend on the initiatives and demand of village groups and, assuming about 50 beneficiaries for each social, collective or environment microproject and some 30 for productive microprojects, will result in a total number of 72 225 users and beneficiaries. This assumes that, in a given village, the same person only benefits from one of the three microprojects implemented in the village, which seems improbable, as there will certainly be some degree of overlap between beneficiaries of microprojects. Overall, some 535 villages will be involved in this programme activity.

11. The decentralized financial services will benefit 335 persons per small CEC and 634 persons per large CEC, for a total of 45 460 beneficiaries. To promote synergy between the two types of programme activities, about half the villages involved in the promotion of financial services will also undertake microprojects. This will result in a total of 94 955 programme beneficiaries. If it is assumed that 75% of these beneficiaries represent different households, the number of households involved, thus, would be 71 200 or a total household population of 498 400 persons. This would amount to 41% of the total population in the programme area. These estimates are, however, purely theoretical and only indicate a possible order of magnitude. The real number of persons effectively benefiting from the programme can only be established *a posteriori*.

B. Women

12. The programme will ensure that women will have the opportunity to participate in it on similar terms to men. To achieve this in an essentially patriarchal environment, specific measures will be taken:

- In villages where no women's groups or other representative structures exist to allow women to express their priorities, participatory analysis will take specific account of the constraints, priorities and solutions envisaged by women. A major part of microprojects will target women directly.
- The literacy rate is substantially lower among women than among men, and the literacy training provided by the programme will be set up in such a way that women can participate in it. The courses will be held in the village, a small incentive will be provided, and arrangements will be made to ensure that some of the household tasks are carried out during the learners' absence. Course timing will be determined by the participants. Technical and management training will also be addressed to women.
- Access to credit from CECs is biased by the inability of most women to pledge a guarantee because women's property rights are limited. In line with similar ongoing projects, the programme will provide specific opportunities for women through: (i) a guarantee fund for loans to individual women; and (ii) the promotion of Grameen Bank-type groups of women, which will operate on a joint liability basis. Promotion of lending to women is in the interests of the CECs as women have proved to represent a lower credit risk and to improve the sustainability of CECs through strong repayment performance.

C. Environmental Status and Impact

13. The scope of the individual programme activities is limited and, *a priori*, there should be no major negative impact on the environment. However, the cumulative effect of a large number of small investments cannot be ignored.



APPENDIX VI

14. Water management infrastructure will use underground or surface water resources. The former will be exploited through large-diameter wells with hand operations. These are relatively shallow wells, using underground water tables which are replenished through rainfall. The area to be developed for irrigation, using either small dams exploiting temporary water streams or small schemes using resources from the major rivers, the Senegal and the Niger, is marginal and will not have a noticeable impact on the overall availability of water resources.

15. The health impact of programme activities will need to be monitored. This refers to the quality of drinking water from open wells and to the incidence of water-borne disease in irrigation schemes.

16. The programme area includes some humid zones, with particular characteristics for the conservation of nature and bio-diversity. Therefore, no activities will be undertaken in these protected areas. Some activities will have an impact on the use of land resources and may lead to conflicts between livestock herders and crop farmers or between land owners and tenants. Soil degradation may be the result of irrigation and erosion risks.

17. The programme will be classified as Category B in IFAD terminology in view of the type of activities supported and their potential impact on the environment. All microprojects will need to be analysed with regard to their potential impact on the environment during formulation, while the environmental aspects will need to be emphasized during training and monitoring. As the microprojects will be relatively small (not exceeding USD 33 500) and their individual impact will be marginal, the project analysis will need to be simple.

18. No economic analysis has been made for the programme as a whole. A financial analysis has been carried out to determine under which conditions the programme will at least yield a financial return equal to the going interest rate of 7%. The basic elements underlying the analysis are as follows:

- all programme costs have been taken into account. Only price contingencies have been excluded to maintain constant prices, and all physical contingencies, representing 8% of total base costs, have been included;
- returns to programme investments include:
 - returns to productive microprojects;
 - returns to the initial investments in the CECs;
 - net earnings of CEC borrowers.
- returns to productive microprojects amount on average to XOF 2.5 million (USD 4 166) per year (see Table 5 above);
- annual returns on the investment in an average CEC amount to USD 1 176;
- about 40 large CECs will be each lending about XOF 24 million per year, while the 60 smaller CECs will each be lending some XOF 2.5 million to their members. Adding the programme re-financing facility of USD 868 000 to this will add up to a total of about XOF 1.6 billion (USD 2.7 million) being turned over annually²⁴. Assuming the borrowers will make an average net return of 25% per year over their

²⁴ Probably faster, as much of the lending will be for short periods of three to four months.



investments, similar to the productive microprojects, annual indirect benefits from this component will amount to about XOF 4.05 million, or USD 6750 per CEC; and

- the length of the analysis period is 25 years, and no residual values have been considered.

19. Under these conditions, it appears that in order to achieve a financial return of 7% over the total programme investments, the equivalent return on all 1 200 microprojects other than the 400 productive microprojects should have a value of 57% of the total benefits of the 400 productive projects. In other words, each of the 1 200 social, collective and environment microprojects should yield annual benefits equivalent to about USD 790. Assuming an average of 45 stakeholders, this means USD 17.50 per stakeholder, or XOF 10 500. This is equivalent to the price of a goat. It does not seem unreasonable to expect that this represents a minimum level of motivation for stakeholders to undertake any project. If this is so, it can be expected that the microprojects, other than the directly productive ones, may yield a return per stakeholder, the value of which will be at least equivalent but more often higher than the estimated XOF 10.500. Benefits, however, do not necessarily consist of marketable goods or services but include such items as reduced workloads for women (i.e., fetching water), improved technical and management capacities in men and women, raised literacy levels, group formation and participation in management.

20. It may thus be concluded that the programme has an equivalent financial internal rate of return of at least 7%. The real rate depends on the mix of microprojects implemented and on the degree to which the social, collective and environment microprojects yield marketable benefits. In the extreme case, where no financial benefits will result from any of these microprojects, the programme's financial rate of return will be 3%. The programme's emphasis on institution-building and training and the stakeholders' involvement in management justifies such a rate.