REPORT AND RECOMMENDATION OF THE PRESIDENT

TO THE EXECUTIVE BOARD ON A PROPOSED LOAN TO

BURKINA FASO

FOR THE

RURAL MICROENTERPRISE SUPPORT PROJECT
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CURRENCY EQUIVALENTS

Currency Unit = CFA franc (BCEAO) (XOF)
USD 1.00 = XOF 580
XOF 100 = USD 0.17

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 (m²) = 10.76 square feet (ft²)
1 acre (ac) = 0.405 ha
1 hectare (ha) = 2.47 acres

ABBREVIATIONS AND ACRONYMS

AFP Area focal point
AMTA Agricultural Management Training Programme for Africa
AWP/B Annual work programme and budget
BOAD West African Development Bank
CI Cooperating institution
DGEP Direction générale de l’économie et de la planification
(Directorate of Economy and Planning)
DREP Direction régionale de l’économie et de la planification
(Regional Directorate of Economy and Planning)
FAARF Fonds d’appui aux activités rémunératrices des femmes
(Support Fund for Women’s Income-Generating Activities)
HIPC DI Heavily-Indebted Poor Countries Debt Initiative
LO Liaison office
M&E Monitoring and evaluation
MTR Mid-Term Review
NGO Non-governmental organization
NPCU National project coordinating unit
PFP Principal financial partner
PY Project year
RCC Regional consultative committee
RCPB Réseau des caisses populaires du Burkina
(Network of People’s Banks of Burkina Faso)
RME Rural microenterprise
SOE Statement of expenditure
UNDP United Nations Development Programme

GOVERNMENT OF BURKINA FASO
Fiscal Year

1 January - 31 December
MAP OF THE PROJECT AREA

Source: Directorate of Economy and Planning (DGEP), Ministry of Economy and Finance.

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.
BURKINA FASO

RURAL MICROENTERPRISE SUPPORT PROJECT

LOAN SUMMARY

INITIATING INSTITUTION: IFAD
BORROWER: Burkina Faso
EXECUTING AGENCY: Ministry of Economy and Finance
TOTAL PROJECT COST: USD 12.89 million
AMOUNT OF IFAD LOAN: SDR 6.95 million (equivalent to approximately USD 9.38 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
COFINANCER: Network of Peoples’ Banks of Burkina Faso (RCPB)
AMOUNT OF COFINANCING: USD 1.06 million
CONTRIBUTION OF THE BORROWER: USD 1.25 million
CONTRIBUTION OF THE BENEFICIARIES: USD 1.20 million
APPRAISING INSTITUTION: IFAD
COOPERATING INSTITUTION: West African Development Bank (BOAD)
PROJECT BRIEF

Who are the beneficiaries? The beneficiaries are around 3,000 rural poor, working in existing or expected to work in future microenterprises and living in four regions: West, Boucle du Mouhoun, Central East and East. They belong mainly to the four most vulnerable sub-groups: women, youths, resource-poor farmers and small service-providers. Most of them live below the poverty line of USD 70 per annum. Women are particularly vulnerable, having a larger work burden and a higher illiteracy rate; they are active in agriculture, gathering, agro-processing, transport, artisanal activities and food processing. Young (under 40) men have sometimes received specialist technical training but lack the financial means to start an enterprise. Resource-poor farmers try to engage in non-farm activities to supplement their agricultural income.

Why are they poor? The economic and natural resources available to them are limited and their personal capacities are underdeveloped. They are increasingly unable to meet basic subsistence food needs and pay for essential goods and services. Their access to technical and financial services is difficult and market information is practically non-existent. Those who practise agriculture and livestock production do not earn sufficient returns to support a family and need to mobilize other sources of income. Those who provide essential services to the rural population (e.g. agricultural tools and equipment, repairs and maintenance) operate at subsistence level and need assistance to develop their microenterprises.

What will the project do for them? The project will address the constraints that prevent the full utilization of the available natural and human resources not absorbed by agriculture, by providing technical and financial support for the creation and/or consolidation of rural microenterprises (RMEs) up and downstream of agricultural production. It will help RME promoters gain access to essential training and information on new technologies, market opportunities, etc., and to qualified local assistance in drawing up bankable business plans and loan applications. It will facilitate beneficiaries’ access to credit by establishing risk funds and providing for credit lines where needed.

How will beneficiaries participate in the project? The beneficiaries will be the main actors of the project, which is based on a demand-oriented approach and will have a facilitating rather than implementing role. The initiative for any action will come from the beneficiaries who will propose RME ideas and, through the project’s subcontracted agencies and resource persons, obtain the financial and technical advice required to elaborate and implement the idea. Beneficiaries will contribute their own financial resources and apply for loans to cover financing gaps. They will also be fully responsible for the implementation of their RME proposals, the procurement of raw materials, equipment, etc., and the marketing of goods and services produced. Their leading role in the project vouches for the sustainability of actions launched during the seven-year implementation period.
INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

REPORT AND RECOMMENDATION OF THE PRESIDENT OF IFAD TO THE EXECUTIVE BOARD ON A PROPOSED LOAN TO BURKINA FASO FOR THE RURAL MICROENTERPRISE SUPPORT PROJECT

I submit the following Report and Recommendation on a proposed loan to Burkina Faso for SDR 6.95 million (equivalent to approximately USD 9.38 million) on highly concessional terms to help finance the Rural Microenterprise Support Project. The loan will have a term of 40 years, including a grace period of ten years, with a service charge of three fourths of one per cent (0.75%) per annum. It will be administered by the West African Development Bank (BOAD) as IFAD’s cooperating institution.

PART I - THE ECONOMY, SECTORAL CONTEXT AND IFAD STRATEGY

A. The Economy and Agricultural Sector

1. A land-locked country in the heart of the Sahel, Burkina Faso shares borders with Benin, Togo, Ghana, Côte d’Ivoire, Mali and Niger. It has a total surface area of 274 000 km² and a population of 11 million (1996), growing at 2.7% per year. The country is poorly endowed with natural resources, with barely 0.7 million ha of arable land, poor soils and few mineral resources. The climate is characterized by a long dry season, low and unevenly distributed rainfall (100 to 1 300 mm per annum) and high temperatures throughout the year. Burkina Faso remains one of the poorest countries in the world (per capita gross national product (GNP) is USD 230) and ranks 172nd out of 174 in the United Nations Development Programme’s (UNDP) Human Development Index (1997). Economic performance has been improving during the 1990s, thanks to a series of structural and sectoral adjustment programmes. Gross domestic product (GDP) growth reached 7.1% in 1996, inflation returned to low rates (7.1% in 1997) after the 1994 devaluation of the CFA Franc, and external debt is being contained through Paris Club and Heavily-Indebted Poor Countries Debt Initiative (HIPC DI) agreements. The structure of the economy is dominated by the services sector (40%), followed by agriculture (34.8%) and the secondary sector (25.2%). The latter includes manufacturing, mining and construction, but is dominated by food processing and artisanal activities. In the tertiary sector, trade, banking, insurance, catering and transport services prevail, while an important share remains with the public sector, in spite of successful measures already taken to privatize.

2. An annual income of USD 70 per adult equivalent unit (AEU) is estimated to represent the absolute poverty threshold in Burkina Faso. Forty-four per cent of the population live below this level, but 24% are considered to be extremely poor, living on less than USD 54/AEU per annum. Significant differences in income exist between urban and rural areas and average rural incomes are barely one fifth of those in urban areas. Food-crop farmers, illiterate heads of household and polygamous families are particularly poverty-stricken. Rural women carry much of the burden of assuring family survival and, despite their low literacy rates, play an overwhelmingly important role both in agriculture and off-farm activities. government policy favours poverty alleviation through a

1 See Appendix I for additional information.
broad range of actions in agriculture, social infrastructure, institutional strengthening, local capacity-
building, credit, training, environment, health, education and other social services.

3. In the medium term, agriculture is likely to continue to be the largest employer and hence the
dominant economic activity, but its growth is constrained by limited natural resources. Farms are
small (2 to 7 ha) and are mostly exploited using low-productivity, traditional methods. The main
subsistence crops are millet, sorghum and fonio, maize, rice, roots and tubers. The main cash crops
include cotton, sugar cane, groundnuts, sesame and sheanuts. Livestock production (both nomadic
and sedentary) is an important subsistence and export activity. Efforts are being made to protect and
rehabilitate natural resources through soil and water conservation practices, while expansion of off-
farm economic activities has been identified as a means of reducing pressure on these resources.

4. The rural microenterprise (RME) sub-sector comprises all types and sizes of micro and small-
scale off-farm economic activities up and downstream of agricultural production. Over 80% of the
informal sector microenterprises are located in the rural areas, where they generate over 28% of rural
incomes; 58% of them are run by women. They include: (a) home-based activities (e.g. processing of
agricultural and gathered products); (b) traditional micromanufacturing/service businesses requiring
specialist skills, (e.g. metalworking or carpentry); and (c) semi-modern micromanufacturing/service
businesses, requiring professional skills and non-traditional technologies (e.g. mechanized activities
such as welding, grain milling). RMEs are faced by a series of constraints related to the policy and
socio-economic environment, the production base and the market situation. They lack adequate
access to services (professional advice, financial services, training) and to basic infrastructures such
as electricity. They use inadequate equipment and tools, encounter difficulties in obtaining inputs and
raw materials and suffer from an absence of service enterprises to support them. The markets they
aim at are highly competitive, while the quality and presentation of their products is often not up to
standard. Moreover, the approach of RMEs to marketing is frequently passive and they suffer from a
lack of market information and marketing skills. These constraints notwithstanding, there exists a
good potential for RME development thanks to liberalized government policies, a wealth of local
initiatives and investment opportunities, and a dynamic and interested population. Potentially
promising areas include: (a) production processes that enhance the value-added of locally-available
crops and gathered products (e.g. milling/hulling of cereals, drying of fruits and vegetables,
extration of groundnut oil, sheanut butter production), and of livestock and fisheries; (b) the
manufacture, maintenance and repair of locally used small-scale production equipment and tools; (c)
the manufacture of traditional and new utility products and handicrafts; and (d) services enterprises,
including trading of local products and collection, storage and supply of raw materials.

5. Key institutions. Development planning and coordination activities are the responsibility of
the ten Regional Directorates of Economy and Planning (DREPs) supervised by the Directorate of
Economy and Planning (DGEP) within the Ministry of Economy and Finance. The DREPs are
usually represented in the coordinating bodies and development fora of the provinces under their
jurisdiction. Other relevant government institutions include the Ministries of Social Action, Women’s
Promotion, and Commerce, Industries and Artisans. A Chamber of Commerce, Industry and Artisans
exists, but plans to create a specific Chamber of Artisans have not yet materialized. A number of
multilateral and bilateral projects are active in the micro/small and medium-sized enterprise sectors,
providing financial, technical and training support. Although a body has been created to serve as a
forum for the exchange of experiences and harmonization of activities, project interventions remain
uncoordinated and need to be streamlined in order to make the best use of the available resources.
This situation is fully taken into account in the present proposal, which puts the emphasis on
complementarity of activities and sub-contracting of specific tasks to existing specialized partners.

6. Support services. Above all, RMEs require support in the fields of training, research and
financial services. Burkina Faso has a Centre for Education and Professional Training which runs
several technical training centres throughout the country. There are also a number of agencies which provide specific technical training, e.g. in handicrafts, food processing, etc. Private consultancy firms and projects are also active in the field of technical and managerial training. The main institutions relevant for research and development are the National Institute for Environment and Agricultural Research (dealing with livestock, crops production and forestry) and the Institute for Research on the Applied Sciences and Technologies (which is active in the fields of mechanization of agriculture, food processing and conservation technologies, post-harvest technologies and the development of small-scale processing equipment). The Directorate of Agricultural Production carries out studies in agricultural mechanization and small-scale manufacturing of farm equipment. Financial services are provided through: (a) the formal banking sector, which comprises seven commercial banks and four financial establishments; and (b) the decentralized financial system (DFS), comprising a large number of mutual savings and credit schemes, solidarity credit schemes and direct credit schemes. While the formal banking system is mainly represented in the urban areas, DFS-related institutions are gradually expanding their coverage to the rural areas. Among them, the Network of Peoples’ Banks of Burkina Faso (RCPB) has the best coverage and performance in relation to the requirements of this project.

7. **Government policy.** Government favours the development of RMEs with a view to increasing rural incomes; developing the private sector; creating an enabling environment for RME development; developing a network of sustainable small and medium enterprises; enhancing the participation of women and youth in economic activities; and promoting and adding value to domestic production. The strategy for attaining these objectives includes the creation of an adequate institutional and legal framework; the deregulation and liberalization of trade; the creation and strengthening of institutions to support and train RME promoters; the allocation of human and financial resources to the informal sector; the creation of a special Support Fund for Women’s Income-Generating Activities (FAARF); the creation of special funds to promote micro/small/medium enterprises; projects and programmes to support RMEs; and the organization of promotional events such as the annual International Artisans Trade Fair. Some of these measures have already been implemented or are being launched. This proposal fits clearly into this strategy, and supports and complements the proposed measures.

B. **Lessons Learned from Previous IFAD Experience**

8. **IFAD operations.** To date, IFAD has financed five projects in Burkina Faso, two of which are ongoing. The country has also benefited from grant financing at regional, national and project levels. Ongoing activities are: (a) the Special Programme for Soil and Water Conservation — Phase II being implemented in seven provinces of the Central Plateau to promote community-based natural resource management, agroforestry, crop intensification, adaptive research and development, development-fund financing and institutional strengthening; (b) the South-West Rural Development Project, in its first year of effective implementation, aimed at strengthening the self-development capacity of vulnerable rural populations, safeguarding their natural resource base, and enhancing food and nutrition security; (c) the second phase of the Agricultural Management Training Programme for Africa (AMTA) (a programme in which Burkina Faso is participating for the second time); (d) a Non-governmental organization (NGO)/Extended Cooperation Programme (ECP) project with Sahel Défis, as a follow-up to a regional technical assistance grant (TAG) for the development and dissemination of food-processing equipment; and (e) support (through two TAGs and technical advisory missions) to the National Council for Environmental Management (CONAGESE), the institution in charge of drawing up the National Action Programme to Combat Desertification (NAP). Finally, IFAD has joined other donors in contributing to the HIPC DI, thus easing Burkina Faso’s external debt situation.
9. **Lessons learned.** IFAD’s past activities focused on increasing rural production and revenues, improving natural resource management, promoting soil and water conservation, and fighting desertification. The results of these activities have shown that it is extremely important not to overestimate existing absorption capacity and to pay sufficient attention to local capacity-building. The need to allocate enough time and resources to the identification of producers’ real constraints should also not be underestimated. Strengthening beneficiaries’ involvement in the design and planning stages can enhance project implementation, efficiency, impact and sustainability. Collaboration with specialized NGOs has rendered good results which augur well for the sub-contracting arrangements envisaged under this project.

C. **IFAD’s Strategy for Collaboration with Burkina Faso**

10. Burkina Faso’s policy for poverty eradication stresses the need to: (a) expand income-generating opportunities and the productive capacity of the country, particularly in the rural economy; (b) develop social sectors through a more efficient use and better targeting of public expenditure; and (c) activate the role of the private sector in economic development. Special attention is also paid to: (i) implementation of programmes that target especially-vulnerable social groups, e.g. women and youth; (ii) development of skills that are useful to small-scale artisanal producers and microentrepreneurs; (iii) decentralization of the development administration; (iv) improvement of the health and education sectors; and (v) protection of the natural resource base. The Government also recognizes its own role in establishing an enabling legal framework and basic infrastructure.

11. The poverty eradication activities of other major donors. Multilateral donors support the Government’s strategy for poverty reduction and have been orienting their programmes towards sustainable human development, the fight against poverty, and institutional and capacity strengthening. The World Bank, UNDP and the Food and Agriculture Organization of the United Nations (FAO), as well as the main bilateral donors, including France, The Netherlands, Switzerland, the European Union and Germany, are also actively promoting poverty reduction measures in the rural areas, through better natural resource utilization, access to financing and training.

12. IFAD strategy. Based on financial assistance received, Burkina Faso ranks 30th among IFAD’s developing member states while, according to per capita GNP, only ten countries in the world are poorer. IFAD has therefore adopted a medium-term strategy which aims to increase assistance, in terms of both number of projects and financial resources. Within the light of IFAD’s vision, and taking into account the extreme precariousness of the country’s resource base, the highest priority is being put on the “sustainability” of development actions. On this basis, IFAD’s strategy aims to contribute to increased production and revenues by maintaining the emphasis on activities related to environmental protection, soil and water conservation, and the fight against desertification, while at the same time opening up non-agricultural economic activities. IFAD continues working with poor rural populations in general, but proposes putting special emphasis on the needs and capacities of rural women. Investments in rural services and infrastructures are linked to participatory identification, implementation and maintenance of the respective structures and institutions. In addressing regional specificities, it is envisaged that successfully-tested soil and water conservation/agroforestry measures will be replicated, particularly in highly degraded areas such as the Central Plateau. In promoting off-farm activities, the aim is to strike a balance between the poorest regions which are most in need of additional sources of income and those areas where the prevailing economic climate is more conducive in terms of productive capacities and effective demand for goods and services.

13. **Project rationale.** Over half the population of the project area (paragraphs 14 and 15) lives below the poverty line. Women, youths and farmers with little land are particularly vulnerable. Their prospects for attaining household food security and improving the quality of life from crop and livestock-based activities alone are poor. They are increasingly unable to meet basic subsistence food
needs and their already meagre prospects for development are declining rapidly as a result of high population growth and rising pressure on the land. Therefore, there is an urgent need to increase and diversify rural sources of income into non-agricultural activities, both to supplement agricultural outputs and to enhance traditional risk-spreading livelihood strategies. This project will respond to this need by helping to (a) overcome existing constraints to the creation and strengthening of sustainable off-farm enterprises, and (b) improve the utilization of available human, physical and institutional resources to fully realize the existing potential for successful RME development.

PART II - THE PROJECT

A. Project Area and Target Group

14. The project will cover the rural areas of four regions, two in the West and two in the East of the country. This choice was made by ranking the different regions of the country on the basis of the following criteria: natural and human resources; population density (as an indicator of pressure on land); potential markets and related infrastructure; lack of non-farm employment opportunities; presence of decentralized financial systems; presence of experienced institutions and individuals (NGOs, projects, training institutions, etc.); availability of infrastructure and services. All four regions have substantial agricultural potential, for both subsistence and commercial farming, and potential for the development of a broad range of non-farm activities. Some products and activities are common throughout the project area, (e.g. dried fruits and vegetables, milled cereals, sheabutter, soap, metalworking, repairs and maintenance work, and retail trading). Livestock production is also significant in most parts of the project area, while other products are specific for different sub-zones: honey and mineral resources in the East, handicrafts in the West, etc. All four regions have several operators, both public and private, engaged in rural development which could be coopted as operating partners. The area is also fairly well covered by the decentralized financial system.

15. The total rural population of the project area is 3.2 million, of which two million are estimated to live below the poverty line. The following four categories have been identified as priority target groups: women, youths, resource-poor farmers and existing microentrepreneurs. Women are more vulnerable to poverty than men due to traditional inequalities in decision-making; they carry a larger share of the burden of assuring family survival; and they suffer from poor working and health conditions, and low literacy rates. Youths (junior males up to 40 years of age) have sometimes received specialist technical training (in, for example, welding, milling, repairs, carpentry) but lack the financial and technical means to start a microenterprise. Resource-poor farmers, on the other hand, have insufficient access to land, are underemployed and find it difficult to ensure family survival without off-farm activities. Finally, there already exist many microentrepreneurs who barely survive at subsistence level, but are unable to develop their business without financial and technical support. A maximum of 30% of project participants will belong to this last category. Overall, it can be expected that the project will support the creation/expansion of around 2,000 RMEs and the technical strengthening of 500 RMEs which benefit from the purely financial assistance of agencies like the FAARF. Considering that each participating RME will provide employment to an average of 1.3 persons, and that the average rural family has 10 members, the total number of beneficiaries can be estimated at over 30,000.
B. Objectives and Scope

16. The main goal of the project is to help increase/diversify the incomes of the rural population by promoting sustainable non-agricultural RMEs in the four selected regions. The immediate objectives are to:

   (a) Develop and implement a sustainable decentralized mechanism to support the promotion and development of RMEs;

   (b) Create additional employment opportunities in the non-farm sector, thereby opening up new sources of income for the rural population;

   (c) Increase the production of goods and services in the rural economy, particularly of those with backward/forward linkages to agricultural production; and

   (d) Reduce rural out-migration, especially of youths, by creating attractive local employment opportunities in the off-farm sector.

17. A major feature of the project’s approach is the reliance on locally-available resources, both natural and human, in terms of production and demand. This approach significantly reduces the risk of resistance to change, by focusing initially on improving familiar product lines and markets before gradually moving to diversify them. It is safe to assume that the development of RMEs among IFAD’s target group will expand local markets for goods and services and thereby improve living conditions and create a sustainable dynamic of development. Project implementation will be based on the principle of sub-contracting (i.e. rather than undertake implementation directly, project management will enter into contractual agreements with operators already present in the area). Several NGOs, training institutions and some private companies have been identified as potential partners. A third basic principle of the project is its demand orientation which implies that RME promoters themselves will be identifying and developing their own business ideas. The models developed during project formulation for the purpose of assessing costs are therefore only indicative of the possible scope and opportunities for RME development and should not serve as a blueprint for planning project implementation.

C. Components

18. Local capacity-building. In the current situation, the promotion and development of RMEs in Burkina Faso calls for paying attention to all aspects of enterprise promotion and specialized expertise, at both institutional and individual levels of intervention. The project therefore includes a crucial component on local capacity-building which will comprise the following activities: (a) awareness-raising and sensitization of all stakeholders (public and private, project staff, partner organizations, target group members, etc.); (b) training of beneficiaries, RME promoters, and staff of the project and its operating partners; and (c) development and testing of training aids and procedures for supporting RMEs (training modules, guidelines, manuals, RME profiles, evaluation formats and awareness-raising materials). At start-up, an awareness-raising campaign will be launched throughout the project area, to inform the population about the project’s objectives and target group, its activities and the range of services (training, technical support, financial services) to be offered in response to demand expressed by existing and potential microentrepreneurs.

19. Beneficiary training will cover managerial as well as technical aspects, and will involve both apprenticeships (20% of beneficiaries per year) and formal courses at a training centre (30% of beneficiaries per year). In addition to refresher courses, the training will be reinforced through the

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2 See Appendix III, Logical Framework.
organization of periodic meetings at which beneficiaries and other stakeholders can exchange and
discuss their experiences and make proposals for adjustments. Training in entrepreneurial skills will
be delivered locally. RME promoters will also have opportunities to participate in study tours and
visits within both the country and the region. During the first year, provisions for project staff
training include a one-week inception course for the national coordinator and heads of area focal
points and liaison offices, followed by annual refresher courses. The provincial animators will benefit
from similar training arrangements. In addition, since the first years of operation are expected to lead
to the identification of new product lines, a provision is made for the services of a short-term
technical assistant to provide related specialist training to RME promoters. In order to strengthen
RMEs’ capacity to market their products, resources will be available to set up stands at national and
regional trade fairs and to launch advertising campaigns for goods and services produced by them.

20. The component will provide the human and financial resources required for sensitization,
training and promotion activities, including logistics support, sub-contracts with specialized
institutions and resource persons, equipment, and training and publicity materials.

21. **Technical support to RMEs.** Under this component, decentralized structures will be
established in the project area and charged with the responsibility for guiding and coordinating the
supply of a broad range of support services, including product and market studies; technology
research and development; identification of new products, services and market opportunities;
assessment of training needs; and regular business advisory services. Project support will be made
available at all steps of the production and marketing process (e.g. raw material supply, processing
technologies, quality control, packaging and product promotion). The project beneficiaries
themselves will identify their needs and request specific support from the project, in line with the
demand-oriented approach underlying the project concept (paragraph 17).

22. The decentralized structure will consist of two area focal points (AFPs) and four liaison offices
(LOs), to cover all parts of the project area; field activities will be ensured by provincial animators
and self-employed village-level advisors (paragraph 24). Specific tasks will be entrusted to
specialized agencies, institutions and resource persons, in order to cover all possible fields of
required support. RMEs will be supported by the project from the identification of their activities
onwards and for two years after the launching of the enterprise, by which time they will have gained
sufficient knowledge and experience to access commercial support services when needed.

23. Under this component, financing will be provided for the establishment of the AFPs and LOs
and their operations throughout the seven-year project life; for vehicles, salaries and equipment; and
for subcontracts with operational partners and resource persons, including short-term technical
missions.

24. **Access to financial services.** This component aims to facilitate the access of IFAD’s target
group to the financial services needed to establish/develop RMEs. This includes: strengthening of a
principal financial partner (PFP) institution; training in RME financing and preparation of bankable
business proposals; establishment of a risk fund to share the risk — generally considered high by
financial institution standards — of lending to IFAD’s target group; and credit lines to finance the
short and medium-term needs of RMEs. The synergies created through the activities envisaged under
the first two components will significantly enhance both the impact and sustainability of financial
support. Implementation will be entrusted to the RCPB and the PFP will be charged with managing
credit lines and the risk fund. The RCPB network will be strengthened by creating four new member
banks and consolidating four banks recently created in the project area. Provision is also made for
promoting the development of two regional unions. About 90 RCPB field officers will receive
specialist training to upgrade their entrepreneurial skills and knowledge of the principles of RME
financing, to prepare them for the task of sensitizing and training RME promoters, and generally
facilitating their relations with the banks. Youths willing to act as self-employed village-level advisors and enter the new profession of *rédacteur* (editor of project proposals) will receive additional specialist training in the skills of writing up business plans and preparing loan applications on behalf of illiterate or poorly-educated clients. This will improve the quality of business proposals submitted for project support and RCPB financing, thus reducing the risk of business failures. Moreover, these young village-level advisors will be available to offer RMEs business advice in subsequent years.

25. The component covers all costs related to supporting the PFP, credit lines and the risk fund, as well as training 190 young village level advisors and 90 PFP field officers.

26. **Management, organization, monitoring and evaluation (M&E).** This component serves to coordinate and harmonize the activities covered by the three technical components described above. A small national project coordination unit (NPCU) will be established, staffed by a national project coordinator, a chief accountant, an M&E officer and support staff. They will benefit from short technical missions, particularly in the fields of computerized accounting and management information systems, impact evaluation, and sub-contracting arrangements. Project management staff at all levels will benefit from AMTA-type management training.

27. The component comprises the financing of setting up and operating the national coordination unit; technical support missions and training; and study tours, evaluations and audits.

**D. Costs and Financing**

28. **Costs.** Total project cost (see Table 1) is estimated at USD 12.89 million. This includes price contingencies calculated, in accordance with World Bank projections, as follows: 3% (project years 1 - 7) for costs in local currency and 1.3% (project year 1), 2.6% (project year 2), 2.7% (project years 3 - 4) and 2.5% (project years 5 - 7) for foreign exchange costs. Physical contingencies are calculated on the basis of 15% for civil works, 10% for vehicles and equipment, and 5% for training.

### TABLE 1: SUMMARY OF PROJECT COSTS

(USD ’000)

<table>
<thead>
<tr>
<th>Components</th>
<th>Local</th>
<th>Foreign</th>
<th>Total</th>
<th>% of Base Costs</th>
<th>% of Foreign Exchange</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local capacity-building</td>
<td>1 881.7</td>
<td>1 265.2</td>
<td>3 146.9</td>
<td>28</td>
<td>40</td>
</tr>
<tr>
<td>Technical support to RMEs</td>
<td>2 565.1</td>
<td>871.4</td>
<td>3 436.5</td>
<td>32</td>
<td>25</td>
</tr>
<tr>
<td>Access to financial services</td>
<td>2 945.5</td>
<td>114.8</td>
<td>3 060.4</td>
<td>27</td>
<td>4</td>
</tr>
<tr>
<td>Management, organization and M&amp;E</td>
<td>948.1</td>
<td>724.3</td>
<td>1 672.4</td>
<td>15</td>
<td>43</td>
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<tr>
<td><strong>Total base costs</strong></td>
<td>8 340.4</td>
<td>2 975.7</td>
<td>11 316.2</td>
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<td>26</td>
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<tr>
<td>Physical contingencies</td>
<td>215.1</td>
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<td>Price contingencies</td>
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<td>221.4</td>
<td>1 172.2</td>
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<tr>
<td><strong>Total project costs</strong></td>
<td>9 506.4</td>
<td>3 380.5</td>
<td>12 886.9</td>
<td>114</td>
<td>26</td>
</tr>
</tbody>
</table>

*a Discrepancies in totals are due to rounding.

29. **Financing.** The financing plan (see Table 2) envisages that IFAD will finance USD 9.38 million (73% of total project cost) with a loan on highly concessional terms. This contribution will cover expenditure (tax and duty-free) for equipment and materials, vehicles, training, studies, technical support missions, rehabilitation of offices, and salaries and operating costs. The IFAD loan will also include a contribution to the risk fund and the medium-term credit line, while RCPB will use its own resources for short-term credit and also contribute to the risk fund. RCPB’s cofinancing
will amount to USD 1.06 million. Beneficiaries will contribute USD 1.20 million under the access to financial services component, while the Government will finance all taxes and duties, as well as the costs related to the provision and operation of the project offices.

**TABLE 2: FINANCING PLAN**

(USD million)

<table>
<thead>
<tr>
<th>Components</th>
<th>IFAD Amt.</th>
<th>IFAD %</th>
<th>RCPB Amt.</th>
<th>RCPB %</th>
<th>Government Amt.</th>
<th>Government %</th>
<th>Beneficiaries Amt.</th>
<th>Beneficiaries %</th>
<th>Total Amt.</th>
<th>Total %</th>
<th>Foreign Amt.</th>
<th>Foreign %</th>
<th>Local (Excl. Duties and Taxes) Amt.</th>
<th>Local (Excl. Duties and Taxes) %</th>
<th>Local Duties and Taxes Amt.</th>
<th>Local Duties and Taxes %</th>
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<td>6</td>
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<td>-</td>
<td>3.62</td>
<td>28</td>
<td>1.44</td>
<td>1.98</td>
<td>1.98</td>
<td>1.98</td>
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<td>Technical support to RMEs</td>
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<td>-</td>
<td>-</td>
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<td>18</td>
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<td>-</td>
<td>3.91</td>
<td>30</td>
<td>1.00</td>
<td>2.47</td>
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<td>1.06</td>
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<td>-</td>
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<td>0.90</td>
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<td><strong>Total disbursement</strong></td>
<td><strong>9.38</strong></td>
<td><strong>73</strong></td>
<td><strong>1.06</strong></td>
<td><strong>13</strong></td>
<td><strong>1.25</strong></td>
<td><strong>10</strong></td>
<td><strong>1.20</strong></td>
<td><strong>9</strong></td>
<td><strong>12.89</strong></td>
<td><strong>100</strong></td>
<td><strong>3.38</strong></td>
<td><strong>8.65</strong></td>
<td><strong>8.65</strong></td>
<td><strong>8.65</strong></td>
<td><strong>0.86</strong></td>
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</tr>
</tbody>
</table>

*Discrepancies in totals are due to rounding.*

**E. Procurement, Disbursement, Accounts and Audit**

30. **Procurement.** Goods and services to be financed from the IFAD loan will be procured in accordance with the following procedures: (a) contracts for the purchase of vehicles will be the object of international competitive bidding; (b) contracts for equipment, local training, studies and sub-contracts costing over USD 40,000 will be the object of local competitive bidding; (c) contracts of less than USD 40,000 and more than USD 5,000 will be concluded on the basis of local shopping procedures; and (d) purchases of less than USD 5,000 will be made directly. As far as possible, vehicle purchases will be pooled in order to obtain favourable prices. All goods will be procured in accordance with IFAD guidelines. Consultants and partner organizations will be contracted using the procedures of the cooperating institution (CI).

31. **Disbursements.** Prior to the beginning of every implementation year, an annual work programme and budget (AWP/B), approved by the National Surveillance Committee (NSC) will be submitted to the CI and IFAD for comments and approval. Withdrawal applications will be cosigned by the national project coordinator and the chief accountant. Disbursements will be fully documented, except for expenditure covering operating costs, salaries and allowances, studies and contracts for local training, the medium-term credit line and the risk fund, which will be paid against certified statements of expenditures (SOEs).

32. In order to facilitate disbursements and project implementation, a **Special Account** in CFA francs will be opened by the borrower in the name of the project, in a commercial bank in Ouagadougou acceptable to IFAD. Upon effectiveness of the IFAD loan, the CFA franc equivalent of USD 500,000 (about six months of estimated expenditure) will be credited to this account, which will be managed on the principle of double signature (national project coordinator and chief accountant). A **Project Account** will also be opened in a financial institution in Ouagadougou and counterpart funds will be deposited in accordance with the rules in force in Burkina Faso. Following loan effectiveness, the Government will make a first deposit for the amount of XOF 61.9 million in this account. The account will be replenished on a three-monthly basis, according to project requirements. The inscription in the public budget of the counterpart funds needed for the first year is a condition of

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3 See Appendix V.
effectiveness of the IFAD loan. To facilitate the granting of medium-term loans to RME promoters, the respective amounts indicated in the AWP/B will be credited periodically to an account indicated by the RCPB. Contributions to the risk fund will be made on a case-by-case basis upon submission of documentary evidence.

33. **Accounts and audit.** The NPCU, the AFPs and all partner agencies will maintain separate detailed accounts of the use made of project funds. The decentralized project offices and partner organizations will receive advances against future expenditures, starting with a payment equivalent to forecasted operating costs for the first three months. They will submit monthly SOEs, with the original documentation, to the NPCU, which will replenish the accounts as appropriate. All expenditures incurred under the project will be consolidated, documented and certified by the national project coordinator and the chief accountant. The related documents will be kept at the offices of the NPCU and the AFPs, respectively, and made available to the CI and the auditing firm. The accounts will be examined on a regular basis and/or at the request of supervision missions. A financial and management audit will be conducted each year in accordance with internationally acceptable auditing principles and practices. The recruitment of the auditing firm to undertake the audit of the first year will have to be completed within 60 days of the IFAD loan becoming effective. The auditing firm will express its opinion on the tendering procedures, the legitimacy of the expenditure items charged against the Special Account, and the use of the goods and services financed by the project. It will also issue a separate opinion on the SOEs. Government will provide certified copies of the audit reports to IFAD and the CI within six months after the end of each fiscal year. The costs of the regular audits are covered by the IFAD loan.

**F. Organization and Management**

34. The project will be implemented over a seven-year period in two stages: a three-year pilot phase in two of the selected regions, followed by a four-year expansion and consolidation phase in all four regions, taking into account the results and recommendations of the Mid-Term Review (MTR) to be undertaken before the end of project year (PY) 3. Working under the umbrella of the Ministry of Economy and Finance and the direct responsibility of the DGEP, the project will follow the Government’s policy principles of decentralization and disengagement of the State. The NPCU in Ouagadougou will coordinate activities, prepare AWP/Bs, manage the IFAD loan and monitor project progress. At the level of the two sub-zones, AFP staff will ensure coordination, technical support and follow-up, putting emphasis on the sub-contracting of activities to selected operating partners (NGOs, projects, specialized institutions and agencies, resource persons). Preference will be given to organizations already active in the project area and to partners with specific expertise regarding the various technical, economic and social aspects of RME development. Field work will be organized at the level of the four target regions, through liaison offices and provincial animators. At village level, self-employed young advisors will ensure the link between support services and microentrepreneurs. Regional consultative committees (RCCs) chaired by the Directors of the DREPs of Bobo-Dioulasso and Tenkodogo, and comprising representatives of the local authorities, RCPB’s regional unions, professional associations and institutions/projects/individuals intervening in the RME sector, will ensure policy orientation and coordination of activities.

35. **Monitoring and evaluation (M&E)** will comprise two distinct but complementary operations to be carried out by the NPCU and independent consultants. The M&E officer of the NPCU will ensure internal monitoring of implementation and achievements by both component and for the project as a whole, using data collected at all levels and entered into the computerized management information system (MIS). External evaluations of project impact on the target group will be carried out every two years by independent consultants, using classical surveys as well as participatory methods (“self-evaluation”). The first evaluation will be conducted in PY 2, with a representative

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4 See Appendix V for details.
sample of the first group of RME promoters to be supported by the project. The main objectives of the evaluations will be to: (a) evaluate the attractiveness to the target group of the project’s approach and strategy; (b) assess the extent and quality of beneficiary participation in implementation; and (c) evaluate the impact of project assistance on the different categories of beneficiaries in terms of incremental income, employment opportunities, living conditions and commercial exchanges. The MTR scheduled for PY 3 (paragraph 34) will assess the performances and achievements, as well as the constraints, of the pilot phase, with a view to making concrete recommendations regarding the consolidation phase.

G. Economic Justification

36. The project aims to launch a process of sustainable RME development and put in place an adequate mechanism to support this process. It will be demand-oriented and respond to the proposals and requests of the target group, without imposing preconceived programmes and solutions. The type of micro-enterprises which will benefit from the project cannot therefore be defined a priori nor can the number of microentrepreneurs to be supported for any given sub-sector or activity be identified exactly at this stage. However, it can be assumed that the project will have a positive impact on the incomes and quality of life of over 3,000 poor rural households (over 30,000 persons); that the supply of goods and services in rural areas will improve; and that the rural exodus, especially of young people, will be reduced thanks to the availability of new sources of income and employment (e.g. service activities related to repairs, maintenance, milling, dehulling and multi-purpose village workshops). Moreover, 190 young literates will receive training in the preparation of business plans and financing proposals. The impact on women will be particularly beneficial. The project will assist them to (a) reduce their daily workload through the availability of labour-saving machines and services, and (b) increase their incomes by taking up or strengthening off-farm economic activities. About 70% of the RMEs are expected to be linked to agro-processing and 11% to small-scale trading, which are both sectors dominated by women. Access to credit will allow resource-poor women to buy raw materials and food during periods of abundance when prices are lowest. They will be trained in identifying and developing products that increase the value-added of locally-available raw materials and will have access to professional services for developing bankable business plans.

37. Economic and financial analysis. Estimates for incremental production and incomes can only be approximate, due to the demand-oriented approach of the project. However, based on assumptions related to 20 possible RME models, it can be expected that the incremental value of annual production at full project development will amount to XOF 2.5 billion (USD 4.3 million).

38. The economic rate of return (ERR) has been calculated over 20 years, taking into account the following hypotheses: (a) adjustment of financial costs by eliminating taxes and credit lines; (b) application of conversion coefficients to reflect the real value to the economy of goods and services consumed by the project; (c) inclusion in economic costs of the operating and investment costs of the RMEs not taken into account in the project costs; (d) inclusion of replacement costs up to and including PY 7; and (e) use of reference prices collected in local markets. On this basis, the ERR is estimated at 18%. A sensitivity analysis suggests that an increase in costs of 10% would reduce the rate to 11.9% and a reduction of benefits by 10% would bring it down to 11.3%. A delay of one year in the benefits stream would reduce the ERR to 11.2%.

H. Risks

39. Despite the good potential of the subsector, the development of RMEs is related to a number of social and economic risks. The success of the project depends above all on the interest and initiative of the prospective beneficiaries. Awareness-raising, sensitization and training organized by the project will help to minimize the risk of weak participation and ensure that qualified new and existing microentrepreneurs actively take up the opportunities offered by the project. In terms of the market
for RME products, microentrepreneurs will have to compete with urban producers and importers; the related risk of non-competitiveness is addressed in the project through systematically undertaking market studies for products and enhancing the marketability of RME products through improvements in quality and packing, etc. Finally, as always, there is the risk that other development partners offer similar services on softer, non-sustainable conditions. This can only be addressed by ensuring a constant dialogue with local and external agencies involved in the sector, as is envisaged through the RCCs 5.

I. Environmental Impact

40. Project activities will not have a significant impact on the environment since RMEs will be very small and labour-intensive units using simple technologies. Moreover, each RME proposal will be assessed in terms of environmental impact (use of raw materials, increase in crop production, energy supply, etc.) prior to approval. No microenterprises will be supported by the project unless their environmental impact is considered positive or neutral. In order to sensitize microentrepreneurs to the related issues, their training will include such topics as the importance of proper disposal of pollutants, methods to avoid over-exploitation of natural resources and the use of alternative sources of energy.

J. Innovative Features

41. The project will be the first IFAD intervention in Burkina Faso dealing exclusively with the off-farm sector. While external donors and NGOs have offered rural microentrepreneurs technical and financial support on a selective basis, no consolidated attempt has been made so far to assist this increasingly important subsector. This project proposes a new type of intervention mechanism which (a) can cover extended parts of the country, (b) avoids any duplication of interventions, and (c) promotes complementarity and synergies of interventions. It also represents an innovative implementation approach by sub-contracting the execution of project activities on a decentralized basis. Its strong private-sector orientation distinguishes it from any previous intervention and vouches for its success and sustainability. Not only will private agencies, institutions and enterprises play a crucial role during the implementation period, but it is also foreseen that, after the seven-year investment phase, all support activities will be taken over by the private sector, in particular by former project personnel and partners who will thus ensure continuity without reliance on public funds.

PART III - LEGAL INSTRUMENTS AND AUTHORITY

42. A Loan Agreement between Burkina Faso 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.

43. Burkina Faso is empowered under its laws to borrow from IFAD.

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

5 See Appendix V.
PART IV - RECOMMENDATION

45. 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 Burkina Faso in various currencies in an amount equivalent to six million nine hundred and fifty thousand Special Drawing Rights (SDR 6,950,000) to mature on and prior to 15 May 2039 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 22 April 1999)

1. The Ministry of Economy and Finance of Burkina Faso and IFAD will jointly review project implementation no later than the third year of the project (mid-term review). The Government of Burkina Faso provides assurances that the recommendations of the mid-term review will be implemented within a time frame acceptable to IFAD. It is agreed and accepted that these recommendations may modify documents related to the loan.

2. The national project coordinator (NPC) and the chief accountant of the NPCU will be recruited by the Ministry of Economy and Finance, and other personnel by the NPC, through national competition. A shortlist of the best candidates will be drawn up by an independent committee and submitted to IFAD for comments and approval. Once established, the NPCU will enjoy full management and financial autonomy, within the limits of the AWP/Bs.

3. The NPC must have confirmed experience in project management, communication skills and interpersonal relations, capacity to design the AWP/Bs and prepare progress reports, and good knowledge of rural development, microenterprises and information technology. The NPC will be recruited for a period of seven years on the basis of a renewable two-year contract. The NPC may not be dismissed by the Government of Burkina Faso without prior approval of IFAD. The NPC will be responsible for all project activities.

4. The credit component will be realized in collaboration with the RCPB on the basis of a memorandum of agreement between the NPCU and RCPB, previously submitted to IFAD for approval. This agreement will stipulate the respective contributions of the parties, the time frame for their availability and the responsibilities of each of the signatories. Medium-term credits disbursed to rural microenterprises will be financed from a credit line made available to RCPB under the terms of a subsidiary agreement signed by the Government and RCPB, and submitted to IFAD for approval. Short-term credit needs will be met from RCPB’s own resources and RCPB will apply its standard conditions. A risk fund will be set up by RCPB to mitigate as much as possible the risks related to extension of credit to rural microenterprises. The amount of the risk fund will be established in line with actual short and medium-term credits, and on the basis of a risk factor of 15%. In the case of outstanding payment, IFAD will contribute from its loan funds up to 30% of the risk fund total, and RCPB will contribute the remaining 70%.

5. The Government will insure project personnel against health and accident risks, in line with prevailing legislation in Burkina Faso and acceptable to IFAD.

6. The loan will only become applicable once the following conditions have been met:

   (a) the NPC and an accountant, whose candidatures have been approved by IFAD, have been nominated by the Ministry of Economy and Finance;

   (b) the project has been registered in the Public Investment Programme (PIP); and

   (c) counterpart funds for the first year of the project have been registered in the state budget.
7. Loan funds will not be disbursed until the following conditions have been met:

(a) the NPC and the chief accountant have effectively taken up their posts, and heads of local branches have been recruited;

(b) a shortlist of partners who will supply provincial animators has been submitted;

(c) the AWP/B for the first year has been approved;

(d) the sum of XOF 61.9 million, equivalent to counterpart fund needs for the first year of the project, has been credited to the project account; and

(e) with respect to the ‘medium-term credit’ disbursement nature of the loan, a first version of the subsidiary agreement between the Government and RCPB has been approved by IFAD, and the final version signed by the two parties, with no substantial modifications to the version approved by IFAD, certified by the competent authorities of the Ministry of Economy and Finance, and resubmitted to IFAD; and the foregoing prior conditions for effectiveness, in addition to those contained in the loan documents, have been met.
## COUNTRY DATA

### Burkina Faso

| Land area (km² thousand) 1995 1/ | 274 | GNP per capita (USD) 1996 2/ | 230 |
| Total population (million) 1996 1/ | 11 | Average annual real rate of growth of GNP per capita, 1990-96 2/ | -0.1 |
| Population density (people per km²) 1996 1/ | 40 | Average annual rate of inflation, 1990-96 2/ | 7.1 |
| Local currency | CFA Franc BCEAO (XOF) | Exchange rate: USD 1 = | XOF 580 |

### Social Indicators
- Population (average annual population growth rate) 1980-96 1/: 2.7
- Crude birth rate (per thousand people) 1996 1/: 45
- Crude death rate (per thousand people) 1996 1/: 98
- Infant mortality rate (per thousand live births) 1996 1/: 46
- Number of rural poor (million) 1/: n.a.
- Poorest % of total rural population 1/: n.a.
- Total labour force (million) 1996 1/: 6
- Female labour force as % of total, 1996 1/: 46.8

### Economic Indicators
- GDP (USD million) 1996 1/: 2 538
- Average annual rate of growth of GDP 1/: 3.7
- Average annual rate of growth of GDP per capita, 1990-96 2/: 2.8
- Sectoral distribution of GDP, 1996 1/: % agriculture: 34.8, % industry: 25.2, % manufacturing: 19.0, % services: 40.0

### Education
- Primary school gross enrolment (% of relevant age group) 1995 1/: 38.0
- Adult literacy rate (% of total population) 1995 3/: 19.2

### Nutrition
- Daily calorie supply per capita, 1995 3/: 2 248
- Index of daily calorie supply per capita (industrial countries=100) 1995 3/: 71
- Prevalence of child malnutrition (% of children under 5) 1990-96 1/: 33.0

### Health
- Health expenditure, total (as % of GDP) 1990-95 1/: 5.5
- Physicians (per thousand people) 1994 1/: n.a.
- Percentage population without access to safe water 1990-96 3/: 22
- Percentage population without access to health services 1990-95 3/: 10
- Percentage population without access to sanitation 1990-96 3/: 63

### Agriculture and Food
- Food imports as percentage of total merchandise imports 1996 1/: n.a.
- Fertilizer consumption (hundreds of grams per ha of arable land) 1994-96 1/: 69
- Food production index (1989-91=100) 1994-96 1/: 121

### Land Use
- Agricultural land as % of total land area, 1994 4/: 34.5
- Forest area (km² thousand) 1995 1/: 43
- Forest area as % of total land area, 1995 1/: 15.6
- Irrigated land as % of cropland, 1994-96 1/: 0.7

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

## PREVIOUS IFAD LOANS TO BURKINA FASO

<table>
<thead>
<tr>
<th>Loan No.</th>
<th>Project Title</th>
<th>Initiating Institution</th>
<th>Cooperating Institution</th>
<th>Terms of Loan</th>
<th>Approval Date</th>
<th>Effectiveness Date</th>
<th>Actual Closing Date</th>
<th>Loan Amount 1 SDR million</th>
<th>SDR million</th>
<th>%</th>
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<td>BOAD</td>
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<td></td>
<td></td>
<td>28 800 000</td>
<td>17 279 707</td>
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<td></td>
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<td></td>
<td></td>
<td></td>
<td>46 050 000</td>
<td>19 959 878</td>
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1. Original IFAD loan in SDR equivalent at exchange rate on approval date. Percentage of disbursement is calculated on the basis of the original IFAD loan.
2. Closed loans (SDR).

Note: hc = highly concessional
## LOGICAL FRAMEWORK

<table>
<thead>
<tr>
<th>Performance Indicators</th>
<th>Source of Information</th>
<th>Assumption / Risks</th>
</tr>
</thead>
</table>
| 1.1. To increase and diversify sources of incomes of the rural population through promotion and development of sustainable Rural Microenterprises (RMEs) related to off-farm activities in four selected regions in Burkina Faso. | - Increase in number of persons earning an income from off-farm activities in the regions selected  
- General improvements in access to services (training, financing, information and improved technology) by the target groups engaged in RMEs | - Availability of an increasing demand for goods and services produced by RMEs  
- Active participation of all the target groups in project activities implemented, and selection of appropriately qualified and motivated personnel to implement project activities. |
| 2. OBJECTIVES | | |
| 2.1. Develop and implement a sustainable mechanism to support the promotion and development of RMEs in our regions in Burkina Faso | - Predefined number of RMEs functioning (2 600) over a period of 6 to 7 years  
- A mechanism through which support services become accessible to target groups at provincial and village level  
- Network of coordinated partner organizations/animators, editors of project reports participating in the implementation project activities | - Emergence of rural microentrepreneurs who express need for technical and financial support  
- Active participation of beneficiaries in support programmes, improvement of technologies used by their enterprises  
- Availability of animators at provincial level and editors to be trained at village level |
| 2.2. Creation of additional employment opportunities (seasonal or permanent) and thus additional income for the rural population in off-farm activities | - Increase in number of seasonal and permanent jobs created in the regions selected | - Equal access of women and men to the support services initiated by the project |
| 2.3. Increase of production of goods and services available in the rural economy, particularly through promotion and development of backward and forward linkage activities of the agriculture sector | - Product sectors identified and promoted (existing and new)  
- Estimates of value of production and sales of the RMEs supported | - Availability of known technologies  
- Research and development (R&D) facilities available locally and availability of markets for RME products and services |
| 2.4. Reduce rural out-migration, particularly of youths, by creating attractive employment opportunities in off-farm activities in the village | - Employment opportunities created for youths in the rural areas | - Availability of trained/ trainable youths and appropriate training programmes; off-farm activities promoted are attractive to youths |
### 3. OUT PUTS

<table>
<thead>
<tr>
<th>Performance Indicators</th>
<th>Source of Information</th>
<th>Assumption /Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1. A functional, specialized institutional support system/mechanism to promote and develop Rural Microenterprises (RMEs)</td>
<td>Rural microentrepreneurs in the four regions are aware and familiar of an organized system through which they can obtain advice and support for RMEs at village, provincial and regional level</td>
<td>Visits to sites, surveys and interviews with beneficiaries, project progress reports</td>
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<td></td>
<td>Experts and trained staff in place</td>
<td>Mission reports</td>
</tr>
<tr>
<td></td>
<td>Rural microentrepreneurs have developed good capacity to market knowledge, RME management skills and appropriate technology</td>
<td></td>
</tr>
<tr>
<td>3.2. Better RME access to financing through a strengthened Decentralized Financial System (DFS) (RCPB and FAARF)</td>
<td>DFS agents trained</td>
<td>Field visits, project progress reports</td>
</tr>
<tr>
<td></td>
<td>Capacity of the RCPB to intervene in financing RMEs is strengthened (buildings, logistics and administrative costs)</td>
<td>Reports from the DFS, contract documents and protocol agreements with the DFS</td>
</tr>
<tr>
<td></td>
<td>Special Guarantee Fund created</td>
<td>Increased number of RME members in the DFS</td>
</tr>
<tr>
<td></td>
<td>Credit line for RMEs provided through the RCPB</td>
<td></td>
</tr>
<tr>
<td>3.3. A functional organizational, management, monitoring and evaluation system for the project</td>
<td>Staff in place</td>
<td>Field visit reports</td>
</tr>
<tr>
<td></td>
<td>Working methods and systems, work plans, meetings and implementation of decisions taken</td>
<td>Project progress and evaluation reports</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Mission reports</td>
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</tbody>
</table>

### 4. ACTIVITIES

<table>
<thead>
<tr>
<th>Inputs</th>
<th>Verifiable indicators</th>
<th>Assumptions and risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.1 Training of beneficiaries, project staff and implementing partners, consultants, project editors (consultants, writers), etc.</td>
<td>Assessment study of training needs, specific short-term technical assistance, training materials and logistics</td>
<td>Number of trained staff and beneficiaries by region</td>
</tr>
<tr>
<td></td>
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<td>Contracts implemented by training institutions, study tours and training material and logistics</td>
</tr>
<tr>
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<tr>
<td>4.2 Development and introduction of training aids, methodological instruments to support RMEs</td>
<td>Short-term technical assistance, service contracts with local experts, printing of material</td>
<td>Training aids and documents available</td>
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<tr>
<td></td>
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</tr>
<tr>
<td>4.3 Awareness-raising and sensitization of development partners, public, project staff and beneficiaries</td>
<td>Logistic support, organizational and technical support for workshops and seminars</td>
<td>Awareness material, reports</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Contacts established with development partners, requests for support from potential RMEs</td>
</tr>
<tr>
<td>II. Technical Support for RMEs</td>
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<tr>
<td>--------------------------------</td>
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</tr>
<tr>
<td>4.4. Establishment of decentralized, institutional intervening mechanism to support RMEs in the four regions selected</td>
<td>- Two Area Focal Points (AFPs) and four Liaison Offices (LOs) by the DREPs, 10 national experts in RME promotion and support staff - Two Regional Consultative Committees (RCC), short-term technical assistance and information and documentation units in two focal points - Salaries, allowances, office equipment, transport facilities and logistics - Functional regional focal points and liaison offices - Experts and support staff in place, meetings of the Consultative Committees and follow-up action - Mission reports, accounts, log books and activity reports, selection criteria procedures of beneficiaries, periodic work plans - The four regional DREPs will provide office space - National experts specialized and motivated in RME promotion and development are available</td>
<td></td>
</tr>
<tr>
<td>4.5. Establishment of the field extension services support system at provincial and village levels in the regions selected</td>
<td>- Animators in the provinces recruited through partner organizations and trained editors at village level Service contracts, transport and other logistic support - Animators posted to provinces and editors trained - Contracts with partner organization - Partner organizations and animators available to serve in the regions selected - Adequately educated youths available in the villages to be trained as editors</td>
<td></td>
</tr>
<tr>
<td>4.6 Specific technical support and studies for RMEs selected</td>
<td>- Expertise and funding - Subcontracts with market research specialists - Documents and mission reports, lists and profiles of new products to be promoted - Suppliers of inputs and technologies identified - Model packaging introduced, improved product quality - Expertise available locally</td>
<td></td>
</tr>
<tr>
<td>4.7 Information and market promotion</td>
<td>- Information and documentation units set up in the project focal points - Funding for trade fair participation and publicity for RME products and services - Records of information supplied to beneficiaries, regular market reports - Publicity programmes (radio and television), trade fair evaluation reports - Market potential of RME products in Burkina Faso and abroad not yet fully exploited</td>
<td></td>
</tr>
<tr>
<td>4.8. Facilitation of access to technology, research and development (R&amp;D) and product testing facilities</td>
<td>- Contracts with R&amp;D, institutions - Support for testing and quality improvement of RME products - Contract documents, product testing reports - Activity reports - Availability of local R&amp;D institutions and testing facilities</td>
<td></td>
</tr>
<tr>
<td>III. Access to Financial Services</td>
<td>4.9. Institutional strengthening/support to DFS</td>
<td>4.10. Training of DFS agents/animators in RME financing</td>
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<tr>
<td>----------------------------------</td>
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<tr>
<td></td>
<td>Support for establishing four new units and for four recently-created units in the regions selected</td>
<td>On-site assessments</td>
</tr>
<tr>
<td></td>
<td>On-site assessments</td>
<td>Contract documents, activity reports and trainee survey</td>
</tr>
<tr>
<td></td>
<td>Training reports, trip reports, accounts, contract documents, reports</td>
<td>Adequate monitoring system, short-term support missions, contracts for external evaluation</td>
</tr>
</tbody>
</table>
## COÛTS ET FINANCEMENT

Résumé des coûts par composante

(USD '000)

<table>
<thead>
<tr>
<th>Renforcement des capacités locales</th>
<th>Appui technique aux MERS</th>
<th>Accès aux services financiers des MER</th>
<th>Gestion, organisation, Suivi et Evaluation</th>
<th>Total</th>
<th>Physical Contingencies</th>
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<tbody>
<tr>
<td><strong>I. Investment Costs</strong></td>
<td></td>
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</tr>
<tr>
<td>A. GENIE CIVIL</td>
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<td>2. Motos</td>
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<td>F. APPUI FINANCIER ET CREDIT</td>
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<td>H. SUIVI ET EVALUATION</td>
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<td>5.0</td>
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<td>1 459.4</td>
<td>3 060.4</td>
<td>8 443.0</td>
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</tr>
</tbody>
</table>

| II. Recurrent costs              |                         |                                      |                                          |       |                        |
| A. SALAIRES ET INDEMNITÉS       |                         | -                                    | 423.8                                    | 1 309.8 | -                     |
| B. ENTRETIEN ET FONCTIONNEMENT   |                         | -                                    | 58.3                                     | 211.8 | 5.0                    |
| Fonctionnement Véhicules         | -                      | 380.7                                | 139.0                                    | 519.7 | 5.0                    |
| Fonctionnement motos             | 81.9                   | -                                    |                                          | 81.9  | 5.0                    |
| Fonctionnement bureaux           | -                      | 186.2                                | 72.4                                     | 258.6 | 5.0                    |
| Frais divers                     | 370.7                  | -                                    | 120.7                                    | 491.4 | 5.0                    |
| **Subtotal Entretien et Fonctionnement** | 81.9                   | 1 091.2                              | 390.3                                    | 1 563.4| 5.0                   |
| **Total Recurrent COSTS**        | 81.9                   | 1 977.1                              | 814.1                                    | 2 873.2| 5.0                   |
| **Total BASE LINE COSTS**        | 3 146.9                 | 3 436.5                              | 3 060.4                                  | 11 316.2| 5.0                   |
| Physical Contingencies           | 142.9                  | 153.9                                | 33.8                                     | 398.5 | -                      |
| Price Contingencies              | 330.1                  | 322.1                                | 375.9                                    | 1 172.2 | 2.7                   |
| **Total PROJECT COSTS**          | 3 619.8                 | 3 912.5                              | 3 470.1                                  | 12 886.9| 5.0                   |
| Taxes                            | 202.6                  | 436.7                                | 35.1                                     | 852.8 | 7.1                    |
| Foreign Exchange                 | 1 437.9                | 1 003.5                              | 131.2                                    | 3 380.5| 5.8                    |

*Total PROJECT COSTS: 3 619.8 USD '000, Taxes: 202.6 USD '000, Foreign Exchange: 1 437.9 USD '000.*
<table>
<thead>
<tr>
<th>Synthèse des coûts</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>I. Investissement Costs</strong></td>
</tr>
<tr>
<td><strong>A. GENIE CIVIL</strong></td>
</tr>
<tr>
<td><strong>B. MOYENS DE TRANSPORT</strong></td>
</tr>
<tr>
<td>1. Véhicules</td>
</tr>
<tr>
<td>2. Motos</td>
</tr>
<tr>
<td><strong>Subtotal Moyens de Transport</strong></td>
</tr>
<tr>
<td><strong>C. EQUIPEMENT ET MATERIEL</strong></td>
</tr>
<tr>
<td>1. Equipement et/ matériel de formation</td>
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<td><strong>Subtotal Equipement et Materiel</strong></td>
</tr>
<tr>
<td><strong>D. FORMATION</strong></td>
</tr>
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<td><strong>E. ETUDES</strong></td>
</tr>
<tr>
<td><strong>F. APPUI FINANCIER ET CREDIT</strong></td>
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<tr>
<td>1. Fonds de Risque</td>
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<td>2. Contributions Bénéficiaires</td>
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<td>3. Ligne de Crédit</td>
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<td><strong>Subtotal Appui Financier et Crédit</strong></td>
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<tr>
<td><strong>G. ASSISTANCE TECHNIQUE</strong></td>
</tr>
<tr>
<td>1. Assistance Technique Internationale</td>
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<td>2. Assistance technique locale</td>
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<td><strong>Subtotal Assistance Technique</strong></td>
</tr>
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<td><strong>H. SUIVI ET EVALUATION</strong></td>
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<td><strong>Total INVESTMENT COSTS</strong></td>
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<td><strong>II. RECURRENT COSTS</strong></td>
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<tr>
<td><strong>A. SALAIRES ET INDEMNITES</strong></td>
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<tr>
<td><strong>B. ENTRETIEN ET FONCTIONNEMENT</strong></td>
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<td>Entretien des Equipements</td>
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<td>Fonctionnement des motos</td>
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<td><strong>Subtotal Entretien et Fonctionnement</strong></td>
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<tr>
<td><strong>Total Recurrent Costs</strong></td>
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<td><strong>Total BASELINE COSTS</strong></td>
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<td>Physical Contingencies</td>
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<tr>
<td>Price Contingencies</td>
</tr>
<tr>
<td><strong>Total PROJECT COSTS</strong></td>
</tr>
</tbody>
</table>
ORGANIZATION AND MANAGEMENT

1. Organization and Management Mechanisms. Three committees will be responsible for monitoring project implementation. At sub-zone level, two RCCs will ensure policy orientation and coordination of project activities. The RCCs will be chaired by the respective Directors of the West Region (Bobo-Dioulasso) DREP and the Central-East Region (Tenkodogo) DREP. The heads of the AFPs of the two sub-zones will act as secretaries to the RCCs. The committees will comprise representatives from local authorities (including the four DREP-covered by the project); regional RCPB unions; professional associations; public and private institutions providing support to the RME sector; and other bodies, including projects, dealing with this sector. The RCCs will review/approve AWP/Bs before their submission to the national project coordinator for consolidation.

2. At national level, the National Surveillance Committee (NSC) will oversee project implementation and provide policy guidance. It will be chaired by the Director-General of DGEP and comprise representatives from the relevant ministry departments and main implementing partners. The heads of the AFPs and the LOs will be invited to the quarterly meetings of the NSC, while the national project coordinator will act as its secretary. The responsibilities of the NSC include review and approval of AWP/Bs before submission to IFAD and the CI.

3. Day-to-day management and coordination of the project will be entrusted to the NPCU, to be established by ministerial decree and to work under the umbrella of the Ministry of Economy and Finance. The main responsibilities of the NPCU will be to: (a) coordinate project activities; (b) prepare AWP/Bs; (c) negotiate, sign and monitor (directly or through the AFP) the execution of contracts with implementing partners and any agreements with other institutions, organizations and resource persons; (d) collaborate closely with decentralized project staff; (e) foster active involvement of partner institutions and NGOs, beneficiaries and local authorities in the design and implementation of project activities; (f) undertake all procurement activities; (g) keep project accounts; (h) ensure internal monitoring and management information systems (MIS); and (i) ensure the timely preparation and submission of progress reports. The positions of the key project staff will be advertised nationally and nominations submitted to IFAD and the CI for approval.

4. Project Implementation Arrangements. AWP/Bs will be prepared by the national project coordinator on the basis of proposals submitted by project staff and implementing partners. The AWP/B of the first year will be finalized with the assistance of a Facilitator financed with Special Operations Facility (SOF) resources; subsequent AWP/Bs will be based on a critical analysis of the physical and financial performances of the previous year. The AWP/Bs will refer to the projections of the Appraisal Report and include planned activities, projections of procurements and disbursements, training programmes for staff and beneficiaries, and all administrative and operational budget items. The consolidated AWP/Bs will include all activities planned at central, sub-zonal, regional, provincial and village level during the respective year and will guide project staff and operating partners during the period. The responsibility for working directly with rural microentrepreneurs will be entrusted to experienced organizations (e.g. NGOs, projects, training institutions, private companies or government agencies) working under contract with the project. Preference will be given to organizations already active in the project area. The project will thus have several operating partners, especially for the technical support component for RMEs. All partners will enjoy autonomy of operation within the context of their AWP/Bs.
5. Training and Technical Assistance. Training is a key feature of the project and will contribute significantly to the longer-term sustainability of activities. It will be carried out during practically the entire duration of the project and will be provided to: (a) project personnel, (b) staff of operating (including financial) partners, (c) the directors of DREPs; (d) provincial animators; (e) village level advisors; and above all (f) participating microentrepreneurs. Training programmes will be organized and conducted by project staff, specialized partner institutions and resource persons. RME promoters will also have the possibility of receiving apprenticeship training under master craftsmen and participate in visits to RMEs, in both Burkina Faso and neighbouring countries.

6. No permanent technical assistance is envisaged. However, the NPCU will receive backstopping through appropriate short-term missions, *inter alia* for the following purposes: (a) the introduction of computerized internal monitoring and accounting systems; (b) external evaluations of project impact; and (c) screening of partner institutions and NGOs. Special short-term technical assistance is envisaged to address issues related directly to the promotion of RMEs: e.g. for subsector studies, identification of product lines, technology development, organizational and promotional support, etc.