



IFAD
INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT
Executive Board – Sixty-Seventh Session
Rome, 8 - 9 September 1999

PLANNED PROJECT ACTIVITIES
1999-2000

Since document EB 99/67/R.23 was dispatched to Executive Board Directors, two additional projects have reached a sufficiently advanced stage of preparation to warrant inclusion in the Annex A portion of the document. The relevant project summaries are attached.

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Region: Africa I	Country: Niger
Programme Name: Rural Financial Services Development Programme (PDSFR)	Per capita GNP¹: 200
Programme Cost (USD million): 24.6	Population (million)¹: 9.8
IFAD Loan (USD million): 11.7	Leading External Financier²: IFAD
Proposed Terms: Highly concessional	Cofinanciers: French Development Agency. Discussions ongoing with the World Bank and Canadian Cooperation.
Present Status: Under appraisal	Appraising Institution and Loan Administrator: IFAD and to be determined

Programme Background and Objectives

Niger, one of the poorest countries in the world, is beset by severe environmental constraints and overwhelming political, social and economic difficulties that have led to widespread poverty. Limited access to financial services for credit and savings is one of the main factors contributing to the incidence of poverty and prevents the poor from developing poverty-alleviation strategies. Since closure of the formal rural agricultural banks, about 50 local credit projects have been initiated. However, the active population has very limited access to them. IFAD's country strategy emphasized the development of rural financial services as a means for IFAD's target group to seize existing economic opportunities. The objective of the programme is therefore to improve the access of the rural population, including the poor, to financial services through the establishment of viable microfinance institutions. To this end, the programme will aim at strengthening Niger's microfinance sector as a whole and promoting the extension of rural finance networks, with special emphasis on addressing the demand from the poorest.

Programme Beneficiaries

Two thirds of rural population in Niger is poor and 35% are very poor. The programme will be national in scope and its target group will be the rural population (about 80% of the total population, or some 8 million people). An estimated 670 000-900 000 of the active poor people will benefit from the programme, and the needs of women and other vulnerable groups (e.g. pastoral communities) will be addressed. The target groups of other IFAD projects in Niger will also benefit from the expanded outreach of the microfinance scheme.

Programme Components

(a) Microfinance Sector Professionalization

Institutional support will be provided to relevant offices in the Ministry of Finance and the Ministry of Agriculture and Livestock, and to the Professional Association of the Decentralized Financial Systems (APDSF) in order to establish a policy dialogue among the various institutions involved in the microfinance subsector and implement appropriate legal and regulatory standards and

¹ 1997 data; gross national product (GNP) in United States dollars.

² The external financier that, at the request of the Government, takes the lead in project design, preappraisal processing and the mobilization of external resources.



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a suitable framework under which the microfinance institutions (MFIs) will operate. A resource centre, comprising four national professionals supported by long-term technical assistance, will be created and charged with training, sector animation, technical implementation of the programme instruments and providing support to MFIs and others.

(b) Consolidation and Development of MFIs

Six existing MFIs will be strengthened and developed through reorganization, training activities and enhancement of their technical and management capacities. Training for grass-roots users will also be emphasized. Once the MFIs have been restructured, their networks and activities will be extended in terms of area coverage, clients and products. In the second and third phases of the programme, new systems that were tested during the first phase will be developed.

(c) Research and Development (R&D)

New approaches specifically targeting the rural poor will be developed. Activities to be tested in the first phase and fully implemented in subsequent phases will include rural financial services (particularly savings) that target the poorest or vulnerable regions for funding agriculture and livestock activities. Test operations and in-field impact follow-up and evaluation will be carried out, along with scientific back-up in conjunction with a university or research institute.

(d) Programme Management

A small programme management unit (PMU) will be set up to manage programme funds, for the administrative and financial implementation of programme instruments, and for the central accounting, financial management and auditing of the programme.

Programme Implementation

The programme steering committee, chaired by a representative of the Ministry of Finance, will be composed of 10 representatives from the Ministry of Agriculture and Livestock, the Ministry of Planning, the Central Bank, the Banks' Professional Association, APDSF, donors and clients of the MFIs or rural organizations. The committee will be responsible for approving the annual programme of work and budget and for the evolution of programme strategy. Responsibility for the technical side of implementation will lie with the resource centre (to be merged with APDSF during the second cycle of the programme) while the PMU will undertake administrative and financial execution. The PMU's performance will be monitored by the monitoring and evaluation unit.

Important Features

The programme will be implemented over a period of 10 years in accordance with the flexible lending mechanism procedure and will be organized in three cycles; a first cycle of four years followed by two three-year cycles. The phased approach will make it possible to (i) reorganize the entire sector (MFIs and national-level institutions) during the first phase as a pre-condition for its development and expansion; (ii) smoothly adapt to the rapidly evolving microfinance sector; (iii) test innovative and robust systems under the R&D components in the first phase in order to fully implement them during the following phases; and (iv) concentrate on capacity building in the first phase to ensure effective social and economic viability of microfinance services.



Main Issues

The following issues will be addressed at appraisal: (i) country arrears with IFAD should be settled before presentation of the programme to the Executive Board, due account being taken of the settlement plan approved by IFAD; (ii) formal commitments should be sought from the Government regarding the restructuring and rationalizing of the microfinance sector; and (iii) cofinancing arrangements should be settled.

Previous IFAD Operations

Niger has so far benefited from six loans for four projects (three of which were initiated by IFAD) for a total of SDR 34.5 million. Three of the loans were funded from the Special Programme for Sub-Saharan African Countries Affected by Drought and Desertification. Two projects are closed and two are currently under implementation.

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Region: Latin America and the Caribbean	Country: Nicaragua
Project Name: Technical Assistance Fund (TAF) Project, Departments of León and Chinandega	Per capita GNP¹: 410
Project Cost (USD million): 16.0	Population (million)¹: 4.7
IFAD Loan (USD million): To be determined	Leading External Financier²: IFAD
Proposed Terms: Highly concessional	Cofinanciers: World Bank and Swiss Development Cooperation
Present Status: Formulation completed	Appraising Institution and Loan Administrator: IFAD and World Bank

Project Background and Objectives

In Nicaragua, one of Latin America's poorest countries, almost three quarters of the population live below the poverty line. Of the rural population, estimated as half the national population, 80% is considered poor. Small and medium-size agricultural producers in Nicaragua face a series of constraints that limit their possibility to access and use technical assistance services leading to improved and sustainable productivity and production levels. At present, only 15-30% of the 230 000 small and medium-size agricultural producers in need of technical assistance services are covered by government programmes, rural development projects and the private sector. Within this context, the overall goal of the proposed project, which has been developed in parallel and as a part of the broader World Bank-supported Agricultural Technology and Training Programme (ATTP), will be to improve the productive and marketing capacity of rural small-scale and medium-size producers and rural small-scale entrepreneurs in order to improve the income and living conditions of their families. The project's specific objective will be to ensure small-scale farmers' and rural entrepreneurs' access to technical assistance services in a sustainable manner, based on a competitive supply of services and in accordance with beneficiary-identified needs.

Project Beneficiaries

The project will initiate its operations in the arid tropical region of Nicaragua where the bulk of the country's poor are located. Initially, 12 municipalities in the northern part of the Departments of Chinandega, León and Managua will be covered. The project will transfer financial resources directly to organized beneficiary groups. Eligibility criteria for the target group beneficiaries (approximately 20 000 farm families) will be established based on size of land parcels, income and location. It is estimated that 13 000 farm families will benefit from different forms of technical assistance. It is expected that 30-40% of the requests for assistance will come from women-headed households.

Project Components

(a) Promotion and Organizational Development

In view of the beneficiaries' limited capacity to identify specific technological needs, the project will initially support the establishment of farmer and rural entrepreneur groups and assist them in identifying their needs, the potential of available resources and of group members. Promotional activities to be funded should be of a demand-driven nature, either identified by community leaders or



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reflected in groups' community plans. These activities may include participatory diagnosis of productive potential of farming, livestock and marketing activities and development of impact evaluation studies. Support will be also provided to bring together producers and assistance providers.

(b) Pre-Investment Financing

Financing will be provided for the preparation of feasibility and pre-feasibility studies leading to investments in productive and/or social projects (e.g. introduction of new horticultural crops under irrigation, construction of small processing plants, water storage and distribution systems for small communities, and preparation of business plans for credit purposes and for all basic infrastructure).

(c) Technical Assistance Services

Incentives will be provided to small-scale farmers and rural entrepreneurs to contract, through the market under a matching grant scheme, technical assistance services related to productive and marketing activities and for processing and transformation processes. The nature of technical assistance to be provided (e.g. integral, specialized and highly specialized) will depend on the degree of farmers' organization. Farmer groups will be expected to gradually assume more of the cost of the services.

(d) Capacity-Building Support

The aim of the component will be to strengthen the capacity of both providers of technical assistance services and groups demanding such services in order to ensure sustainability over the long term. Financing will be provided for horizontal exchange among producers' groups, updating organizational knowledge of administrative and accounting procedures, integration of rural women in rural economies, establishment and management of communication systems, utilization of marketing and pricing information, and client orientation.

(e) Technology Adoption through Small-Scale Investments

Funds will be provided to assist small-scale farmers in the adoption of new technologies, particularly those promoting food security, conservation and management of water resources, testing of new technologies, production of improved seeds and re-establishment of artificial insemination practices.

(f) Complementary Activities

The project will support a large-scale information and dissemination campaign during the initial implementation stage through experienced national and local institutions. Particular attention will be paid to the role played by women in agricultural production systems and their specific technical assistance needs.

Project Implementation

The 11-year project will be implemented in three phases in accordance with the Flexible Lending Mechanism, under the overall responsibility of the Ministry of Agriculture and Forestry. The Executive Committee of the future Council for the Nicaraguan System of Agricultural Technology (COSINTA) will function as the Board for TAF. Grants awarded by TAF will be supervised by the Nicaraguan Institute for Agricultural Technology (INTA) which is responsible for research and technology transfer activities. Fund management will be the responsibility of a fund management



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office consisting of area programme officers, an administration financial unit and a monitoring and evaluation unit. Projects submitted by requesting groups and organizations will be reviewed and approved by a local committee and a project technical evaluation committee.

Important Features

The project, together with the World Bank-supported national programme (ATTP), will contribute both to addressing the devastating effects of Hurricane Mitch and to supporting the Government in its objective to modernize the agricultural sector which is still a mainstay of the economy. It is expected that, through the project, Nicaragua's technology generation transfer system will become more demand-led and gender sensitive. It is also expected that technical content will be more relevant to the needs of beneficiary groups and that a market for the provision of technical assistance services will emerge.

Main Issues

The following issues will be addressed during appraisal: (i) establishment of the necessary autonomy of fund management within the context of the proposed insertion of TAF initially in the INTA structure and later under COSINTA; (ii) definition of how management of the Agricultural Technology Research Fund and TAF will be coordinated and the mechanisms needed to coordinate activities involving both funds; (iii) determination of the overall financing plan with the Government and the World Bank, and the supervision and triggering mechanisms for a flexible loan; (iv) establishment of the operational modalities for transferring funds directly to groups and organizations; (v) agreement with the Ministry of Agriculture and Forestry and the World Bank on the necessary institutional changes needed to transform INTA into a second-tier technological development institution responsible for the quality of services to be provided as well as a training institution and main research institute; (vi) identification of the mechanisms through which the ongoing IFAD projects in Nicaragua will adopt operational modalities suggested for this project; (vii) the project's relationship with ATTP, in particular training needs of technology transfer agents to be financed by a separate component of the ATTP (TAF) and TAF's long-term financial sustainability; and (viii) finalization of the organization structure and implementation arrangements, bearing in mind that TAF is an integral part of ATTP.

Previous IFAD Operations

Four projects (three IFAD-initiated and one cofinanced) have been approved for Nicaragua to date, for a total of SDR 35.4 million. Two projects are currently under implementation.