



**IFAD**  
**INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT**

**Executive Board – Seventy-Sixth Session**

Rome, 4-5 September 2002

**PLANNED PROJECT ACTIVITIES**  
**2002 - 2003**

Since document EB 2002/76/R.24 was dispatched to Executive Board Directors, four additional projects have reached a sufficiently advanced stage of preparation to warrant inclusion in Annex A of the document. The relevant project summaries are attached.





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| <b>Region:</b> Western and Central Africa  | <b>Country:</b> Nigeria  |
| <b>Programme Name:</b> Community-Based Natural Resource Management Programme – Niger Delta | <b>Per Capita GNI<sup>1</sup>:</b> 260   |
| <b>Programme Cost (USD million):</b> 78.0  | <b>Population (million)<sup>1</sup>:</b> 126.9   |
| <b>IFAD Loan (USD million):</b> To be determined   | <b>Leading External Financier<sup>2</sup>:</b> IFAD  |
| <b>Proposed Terms:</b> Highly concessional   | <b>Cofinanciers:</b> To be determined  |
| <b>Present Status:</b> Formulation completed   |  |
|  | <b>Appraising Institution and Loan Administrator:</b><br>IFAD and the World Bank (International Development Association - IDA) |

### Programme Objectives

Despite the very large natural and human resource base of the Niger Delta, its potential for sustainable development remains unfulfilled, and its future is threatened by environmental degradation and deteriorating economic conditions. Present policies and programmes have failed to address these issues adequately. About 50% of the rural population in the Niger Delta are classified as poor, and 20% as food-insecure. Women play significant roles in rural economic activities, but continue to bear a disproportionate share of poverty because of their vulnerable socio-economic position. Unrest and conflict among young people are increasing because of the lack of employment opportunities, widespread poverty and socio-economic pressures in the region. The overall goal of the proposed programme will be to improve the quality of life of the rural poor in the Niger Delta, with special emphasis on women, youth and other vulnerable groups. More specifically, the programme will strengthen development institutions, expand village-level infrastructure, devise programmes managed by or accessible to the rural poor, and develop policies supporting poverty reduction and improved household food security while reducing conflict in the area.

### Programme Beneficiaries

Programme beneficiaries will comprise the rural poor and other vulnerable groups of nine states in the Niger Delta where poverty is widespread (Abia, Akwa Ibom, Bayelsa, Cross River, Delta, Edo, Imo, Ondo and Rivers). Rural women, youth and the poorest socio-economic groups will be the main programme beneficiaries. The programme will address the needs of rural youth by improving their income-earning opportunities and channelling their energies into natural resource management (NRM) and the development of sustainable livelihoods. An estimated 2.5 million people (or 416 600 families) will benefit directly from the community development fund, and indirectly from better service provision due to the programme's capacity-building activities at all government levels. Significant benefits will derive from support for sustainable NRM, and up to 25 000 micro- and small-scale enterprises will move progressively from low-income marginal activities to more dynamic and profitable ventures. At institutional level, the programme will strengthen the technical skills of regional, state and local government staff while introducing a more participatory approach to community development. Private-sector stakeholders will benefit from participation in training activities, both as trainees and trainers, and from an increase in the demand for their services within the community.

<sup>1</sup> 2000 data; gross national income (GNI) in United States dollars.

<sup>2</sup> The external financier who, at the request of the Government, takes the lead in project design, pre-appraisal processing and the mobilization of external resources.



## Programme Components

### (a) Institutional Strengthening

The programme will seek to develop the capacity of government, non-governmental organizations (NGOs), community-based organizations (CBOs) and civil society to support capacity-building proactively within the rural communities so that these communities can plan, implement, monitor and sustain the activities on which they depend. To this end, the programme will support: (i) **capacity-building**, including capacity and training needs assessments, and strengthening of the planning, implementation and monitoring capacities of institutions involved in agricultural and rural development programmes financed in parallel to the World Bank-supported capacity-building programme focusing on the Niger Delta Development Commission (NDDC); (ii) **the establishment of effective institutional linkages** among and within agencies for rural development, NRM and environmental management, control and enforcement. The programme will provide technical assistance and capacity-building to enable stakeholders to carry out their defined roles. It will also support rural development policies in the Niger Delta through agricultural and rural development consultative groups (an IFAD-supported initiative); and (iii) **internal and external communications** by encouraging dialogue and regular information exchange between the government (at federal, state and local levels) and NDDC staff, and by establishing a focal point to facilitate information dissemination and public awareness of NRM programmes.

### (b) Community Development Fund

Funds will be made available to support community initiatives in three main areas: (i) **development of village infrastructure**, based on rural communities' needs (e.g. water supply, schools, clinics, roads and landing stages). For investments exceeding the community/programme resources (e.g. electrification or roads), the programme will assist villagers in seeking development funding from the government or the NDDC; (ii) **improvements in sustainable livelihoods**, including development of fish processing and marketing, aquaculture and cage culture, improved processing and marketing of roots and tubers, sustainable use of mangrove/nypa palm and non-timber forest products, and micro, small and medium enterprise development; and (iii) **sustainable management of natural resources** by expanding communities' understanding of the relationships among NRM, livelihoods and poverty. The programme is expected to provide specific support for the development of a community-based fishing protocol, the improvement of soil fertility management and the sustainable management of mangrove and other forests. It may also support other types of community activities.

## Programme Implementation

This eight-year programme will be implemented by the existing institutions within the decentralized governance system. NDDC (and/or the programme coordinating unit within the Ministry of Agriculture and Rural Development) will be responsible for overall programme coordination, the provision of technical assistance to the states to ensure effective implementation, and monitoring and evaluation (M&E). The Ministry of Finance will transfer loan funds to the respective states, and supervise and monitor disbursements, loan recovery and repayments. The National Planning Commission (NPC), which is responsible for developing the Government's poverty policy, will help monitor the implementation of poverty-alleviation policies through the programme, identifying lessons learned that could be used to refine existing policies. Each state will have the autonomy to implement the programme within the guidelines and policies established. The state institutions will supervise and provide technical support to the local governments. At local level, the head of each local government will have overall responsibility for day-to-day programme management.



### **Important Features**

The programme will support the Government's efforts to address rural poverty by identifying and targeting the most vulnerable groups and empowering them to participate effectively in development activities. A flexible community development fund will finance activities requested by the poor, and especially by women and other vulnerable groups. The programme will also focus on building the capacity of federal, state and local government institutions, building on the decentralized administration system. In so doing, it will strengthen partnerships among donors, NGOs, CBOs and other agencies. The programme's main feature is that participating local governments will provide the bulk of the resources, with the IFAD loan covering only about 20% of total costs. Through the process-orientation of the programme, IFAD resources will be used to mobilize local resources, which will then be channelled to rural poverty reduction. This process will be instituted and is expected to become a model that can be adopted by other donors and even government institutions such as the NDDC.

### **Main Issues**

The following issues will be addressed during appraisal: (i) further review of targeting with particular attention to mechanisms for ensuring that the poorer segments of the rural communities participate in and benefit from programme activities; (ii) further analysis of the initial selection of participating local governments/communities vis-à-vis the programme's implementation capacity; (iii) review of activities so as to increase the opportunities of the rural poor to take part in decision-making; (iv) introduction of measures to promote sound NRM practices; (v) further review of the level of support required for microenterprises and sustainable livelihoods; and (vi) investigation of ways to enhance synergies with the World Bank programme.

### **Previous IFAD Operations**

IFAD has financed six projects in Nigeria for a total of SDR 73.06 million. Currently one project is under implementation. The Community-Based Agricultural and Rural Development Programme is expected to become effective in late 2002.



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| <b>Region:</b> Western and Central Africa                                 | <b>Country:</b> Senegal   |
| <b>Project Name:</b> Agricultural Development Project in Matam – Phase II | <b>Per Capita GNI<sup>1</sup>:</b> 490                              |
| <b>Project Cost (USD million):</b> 22.8 million                           | <b>Population (million)<sup>1</sup>:</b> 9.5                        |
| <b>IFAD Loan (USD million):</b> 12.5                                      | <b>Leading External Financier<sup>2</sup>:</b> IFAD                 |
| <b>Proposed Terms:</b> Highly concessional                                | <b>Cofinanciers:</b> West African Development Bank (BOAD)           |
| <b>Present Status:</b> Formulation completed                              | <b>Appraising Institution and Loan Administrator:</b> IFAD and BOAD |

## Project Objectives

Because of the success of the Agricultural Development Project in Matam, beneficiaries and the Government have repeatedly requested a second phase of the project. An interim evaluation, which included a beneficiary evaluation and a nutrition survey, confirmed the project's positive results and recommended a second phase. The overall objective of the second phase will be to assist targeted rural populations in developing their own capacities to improve their living conditions on a sustainable basis. Specific objectives will be to improve the capacity of beneficiary groups to undertake and manage collective activities, and to promote members' interests; encourage the participation of women and young people in community decision-making; increase the potential for agropastoral production in a sustainable manner; and improve and diversify the revenue of vulnerable groups.

## Project Beneficiaries

Returnees from Mauritania and the social groups assisting them were the primary target group of the project's first phase. One result of this targeting, however, was the exclusion of several communities in the project area. Available data indicate that only 24% of the rural population have access to health services, 36% to a school within 3 km, and 43% to a source of clean water. The target group for the second phase, while remaining in the same project area, will be selected according to criteria of exclusion and marginalization (women and young people), and poverty and vulnerability (farmer households without access to irrigated land). The project will provide support to 24 village communities in Walo and 38 rural communities in Ferlo.

The exclusion of women and young people is characterized by their lack of access to (or ownership of) landholdings and their very limited participation in community decision-making. Their social marginalization is further accentuated by their economic dependence on husbands or other family members. The project will seek to develop the capacities of women and youth, in particular through literacy and training programmes. It will promote economic independence through income-generating activities (mostly for women) and through the creation of employment opportunities for young people.

The most vulnerable rural households are those that subsist mainly on rainfed crops. For households living in Walo, the project will provide access to irrigated land through a system of incentives. For households in Diéri and Ferlo, it will adopt a wide-ranging approach, including measures to improve the productivity of rainfed crops, plans for flood recession and/or market gardens, and more-targeted support for non-agricultural income-generating activities.



## Project Components

### (a) Development of Beneficiaries' Organizational Capacities

This component will have two sub-components: (i) the development of grass-roots organizations; and (ii) support for umbrella organizations and coordination staff. Under the first sub-component, the project will provide three different capacity-building packages corresponding to the levels of development in existing or planned beneficiary organizations. Each package will provide assistance for the participatory diagnosis of local development problems, and for literacy, management and technical training. In addition, it will provide support to economic interest groups (EIGs) in village irrigation schemes, pastoral associations, women's groups and youth organizations. Under the second sub-component, the project will contribute to the development of an enabling institutional infrastructure to consolidate *Kawrai Nguénar e Boseya*, a federation in Walo composed of 42 EIGs in village irrigation schemes and 13 women's groups. The project will make an institutional diagnosis and devise an institutional development strategy. It will also provide logistic and staffing support, and promote coordination among member organizations and with other partner institutions in the project area. The federation will contribute to recurrent expenditures beginning in the third project year (PY), and will assume full funding responsibilities by PY 6.

### (b) Basic Rural Infrastructure Programme

Under this component, the project aims to improve the living conditions of the rural population in the project area and increase their productive potential through the provision of basic infrastructure. The component has three sub-components: (i) the access roads programme; (ii) the development of irrigation schemes; and (iii) the rehabilitation and establishment of pastoral infrastructure. Despite the apparent density of the road system along the river, river villages and zones with high agricultural potential remain largely inaccessible. The lack of rural roads interrupts marketing channels (for both inputs and outputs), affecting the livelihoods of both farmers and EIGs. The project will finance about 100 km of roads between Matam and Oréfondé. Support under the second sub-component will consolidate first-phase achievements, developing about 60 new, economically viable village irrigation schemes in about 13 villages. Before structural work begins, the responsible EIG will discuss and formally accept the terms and conditions for the management and maintenance of these new schemes. Under the third sub-component, the project will provide support for the rehabilitation of two existing wells and the development of two new sites in the Ferlo pastoral zones, the management of which will eventually be turned over to beneficiaries organized into EIGs.

### (c) Revenue Improvement and Diversification

The project will promote sustainable and economically viable agricultural production systems and reduce the vulnerability of the target population by diversifying their income sources. Activities under this component have been organized under four sub-components: (i) support for agricultural development; (ii) support for pastoral development in Ferlo; (iii) support for income-generating activities; and (iv) facilitation of access to financial services. The project will provide technical support for agricultural production systems, including rice farming, mixed farming, small market gardens, animal husbandry and animal health. It will support marketing activities, including produce marketing and input procurement. The project will also support the development of range management plans and the ecological monitoring of the rangelands. It will provide technical and management training to enhance income-generating initiatives, coupled with information on market opportunities. Finally, under this component, the project will expand and facilitate the targeted population's access to financial services, providing information and training (in local languages) to individuals applying for financial services. It will also seek to strengthen the network of savings banks and credit unions put in place under phase one of the project.



(d) **Coordination and Monitoring of Implementation**

A project management and coordination unit will be set up in Matam to coordinate project activities.

**Project Implementation**

This eight-year project will be implemented under the overall responsibility of the Ministry of Agriculture and Livestock. A steering committee will be established to guide project activities and to facilitate inter-institutional coordination. It will approve annual workplans and budgets. A financially and administratively autonomous project coordination unit will be responsible for day-to-day project implementation. Beneficiary organizations will be responsible for implementation of activities at the village level.

**Important Features**

The project is structured to be fully participatory, and to provide technical and financial support on demand. Although the broad categories of this support have already been determined, the beneficiaries will decide on the scope and scale of the activities. A project exit strategy has been established, based on the capacity-building of beneficiary groups, leading to their gradual assumption of responsibility for the management of their organizations and common assets. Full exit will occur at the latest by the end of PY 7. The financial commitment required of the beneficiaries will contribute to the sustainability of project activities. Beneficiaries will be responsible for choosing the type of village irrigation schemes to set up in Walo, with the project playing an advisory and facilitating role. Activities targeted specifically to women and youth groups are expected to improve their participation in decision-making and increase their access to productive resources.

**Main Issues**

The following issues will need to be addressed during appraisal: (i) an analysis of alternatives for setting up village irrigation schemes; (ii) the institutional set-up of the project; (iii) definition of the respective responsibilities of the various participants; and (iv) eligibility criteria for project support.

**Previous IFAD Operations**

The Fund has financed ten projects in Senegal for a total of SDR 64.8 million. Five of these projects are currently under implementation.





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| <b>Region:</b> Asia and the Pacific                   | <b>Country:</b> China   |
| <b>Programme Name:</b> Rural Finance Sector Programme | <b>Per Capita GNI<sup>1</sup>:</b> 840  |
| <b>Programme Cost (USD million):</b> 21.3             | <b>Population (million)<sup>1</sup>:</b> 1 262.5  |
| <b>IFAD Loan (USD million):</b> to be determined      | <b>Leading External Financier<sup>2</sup>:</b> IFAD   |
| <b>Proposed Terms:</b> Highly concessional            | <b>Cofinanciers:</b> None   |
| <b>Present Status:</b> Formulation completed          | <b>Appraising Institution and Loan Administrator:</b><br>IFAD and United Nations Office for Project Services<br>(UNOPS) |

## Programme Objectives

In 2000, IFAD undertook a thematic study of rural finance in IFAD-financed projects in China. While recognizing the advantages and disadvantages of channelling IFAD credit to farmers through project management offices (PMOs) and finance bureaux, the study concluded that rural credit cooperatives (RCCs) should be responsible for credit programmes in IFAD projects. RCCs play an important role in the provision of financial services in rural areas, constituting the most extensive network providing services at the farm gate. However, past operations and present policies have made the sustainability of the RCC network questionable. In line with China's incremental reform strategy, policy and institutional reforms will initially be undertaken in selected provinces on a limited geographical scale (e.g. at county level) and then scaled up.

The programme's goal will be to support the rural financial services sector in effectively contributing to poverty reduction in rural areas. Its main objectives will be to: (i) ensure that rural households have better access to financial services and effectively use them to improve their living standards; (ii) test RCC policy reforms by implementing the reforms in IFAD-financed projects and elsewhere; and (iii) strengthen the institutional and operational management capacities of RCCs by improving cost-effectiveness and profitability.

## Programme Beneficiaries

The programme's ultimate target group will be the poor households in the pilot counties. The choice of the pilot counties ensures that programme benefits will flow to a population that largely qualifies as poor. Policy reforms will improve poor households' access to lending instruments, particularly to micro-lending, group lending and loan programmes for women. They will also strengthen the efficiency and sustainability of RCCs, which allow rural poor people to make formal deposits and are their only source of loans. However, as a sector programme, benefits will go beyond the RCCs and rural credit cooperative unions (RCCUs) directly involved in implementation, reaching other RCCUs in the same provinces or beyond.

Individual households will benefit from collateral-free loans provided under the new policies. According to the thematic study, 50-80% of RCC loans drawn by households in 1999 were used for investments in crop and livestock production, 10-20% for services and about 10% for processing activities. Average household loan sizes for crop and livestock activities varied between USD 85 and USD 183, while loans for services and processing averaged USD 427.

## Programme Components

### (a) Policy Development

The programme will support policy reforms by assisting in ongoing or already planned policy adjustments, helping to refine implementation modalities, and ensuring that new policies have clear

gender and poverty dimensions. Support will focus in particular on the liberalization of interest rates, microfinance and group lending, and lending to women. In a later stage, the programme will support the development of other new products.

**(b) Institutional Development**

Many RCCs have not adequately maintained buildings and replaced or procured essential equipment. The programme will provide funds to each RCC to carry out urgent repairs and maintenance work, and to procure essential office equipment and one vehicle for each RCCU. It will also put in place a systematic and rigorous training programme for RCC staff, including modules for RCC managers, credit officers, accountants and administrative staff. RCCU staff and staff of provincial branches of the People's Bank of China (PBC) will also benefit from a training programme. In addition, the programme will help establish or upgrade provincial PBC training centres to be used for RCC and RCCU staff training and for workshops. Finally, the programme will provide limited technical assistance to each RCCU to analyse institutional and governance issues, and the financial and operational implications of changes in legal status (township RCCs) and of policy reforms.

**(c) Operational Development**

Programme support under this component will include technical assistance to review the accounting system presently in use in RCCs and RCCUs in order to bring it more in line with international practices. Computerized accounting systems may need to be designed to achieve this, using the existing system as a starting point. In addition, a separate consultancy will be undertaken to analyse current accounting policies and to propose adjustments, in consultation with the Internal Revenue Department. Issues to be reviewed include the policies on provisioning, accruing interest incomes, rescheduling loans and writing off non-performing assets. The programme will also assist in analysing the effects of the present incentive system – its impact on the cost-effectiveness of operations, on overall financial results, and on staff morale and motivation, making proposals for adjustments to the system if warranted.

**(d) Financing**

RCC lending resources consist of deposits and refinancing from the PBC. The programme will provide additional credit lines for the further expansion of microfinance, group lending and women's programmes. The flow of such funds and the onlending procedures are being discussed with the Ministry of Finance, the provincial finance bureaux and the PBC. The possibility of transforming a part of IFAD loan funds into capital grants to RCCs is being explored.

**(e) Programme Management**

The four-year programme will be implemented by the PBC, but day-to-day management will be assigned to the directors of the RCCUs in the pilot counties. The director of the coordination and monitoring unit in the Cooperative Finance Department of the PBC head office will have overall responsibility for programme implementation.

**Programme Implementation**

The programme will be implemented in four provinces. Two have been selected because of the presence of a provincial-level association of RCCs: Ningxia province and Chongqing municipality (formerly part of Sichuan province). In the other two provinces, Anhui and Shanxi, the programme will support the establishment of such an association. While programme support will focus on individual counties, it is essential that policy reforms be in line with national considerations.



Therefore, a programme monitoring unit in the PBC head office will coordinate the programme at the national level. The unit will harmonize policy reform proposals, worked out with programme support at RCCU levels, before implementation.

### **Important Features**

The major feature of this programme is its sectoral support to rural financial services with national implications, as opposed to previous project-specific interventions. As a testing ground for reform of the rural financial sector, the programme will provide IFAD with a vehicle for the active support of reform of the sector. It addresses one of IFAD's strategic objectives: enabling the rural poor to overcome their poverty by increasing access to financial services and markets. It will enhance the Fund's catalytic impact by "helping to establish institutional and policy frameworks in support of the poor". The programme is also in line with the regional strategy, which announced a shift in emphasis towards projects and programmes with the strategic potential to influence policies and to generate 'ripple effects'.

### **Main Issues**

Issues regarding the phasing of project activities in two of the provinces need to be resolved. It also needs to be determined whether a programme duration of five years instead of four should be considered. Procedures for the management of IFAD loan funds need to be established, and draft agreements drawn up. A sample survey of RCCs and two RCCUs should be completed to define more clearly the required physical and financial interventions.

### **Previous IFAD Operations**

IFAD has financed 16 projects in China for a total of SDR 305.39 million. Five projects are currently under implementation.

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| <p><b>Region:</b> Latin America and the Caribbean</p> <p><b>Project Name:</b> Market Strengthening and Livelihood Diversification Project in the Southern Highlands</p> <p><b>Project Cost (USD million):</b> 26.0</p> <p><b>IFAD Loan (USD million):</b> 16.0</p> <p><b>Proposed Terms:</b> Ordinary</p> <p><b>Present Status:</b> Appraisal underway</p> | <p><b>Country:</b> Peru</p> <p><b>Per Capita GNI<sup>1</sup>:</b> 2 080</p> <p><b>Population (million)<sup>1</sup>:</b> 25.7</p> <p><b>Leading External Financier<sup>2</sup>:</b> IFAD</p> <p><b>Cofinanciers:</b> to be determined</p> <p><b>Appraising Institution and Loan Administrator:</b><br/>IFAD and the Andean Development Corporation (CAF)</p> |
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## Project Objectives

The Peruvian economy suffered a setback in 2001 as a result of political instability. According to a recent survey<sup>3</sup>, poverty affects about 55% of the population, of which 24% are extremely poor. Poverty levels are particularly high in the southern highlands where 88% of the population are considered poor. The main constraints faced by the poor are their lack of access to rural services, limited access to financial services, and inadequate infrastructure. Moreover, they lack competitiveness because of the poor quality of their products; and inequalities and discrimination further exacerbate their situation. Within this context, the overall goal of the proposed project will be to enhance the human, natural, physical, financial and social assets of agricultural producers and small-scale entrepreneurs (both men and women) in the southern highlands of Peru. Specific objectives will be to: (i) strengthen market access; (ii) increase income-generating opportunities; (iii) enhance the productive natural resource base; and (iv) capture deepen and disseminate beneficiary knowledge.

## Project Beneficiaries

The project area will cover 16 provinces in five departments in the southern highlands of Peru (Arequipa, Cusco, Moquegua, Puno and Tacna) with a population of about 120 000 families. Some 87% of the population are poor or extremely poor. Most rural inhabitants are from the Aymara or Quechua indigenous groups. Project beneficiaries will include members of traditional peasant communities, high-altitude herders, small-scale farmers, and micro- and small-scale entrepreneurs in villages and small urban centres. The project will directly benefit about 15 000 families. It will benefit woman-headed households and women in general through the provision of technical assistance services and a savings programme.

## Project Components

### (a) Natural Resource Management

This component will be supported through two sub-components. The first is a **competitive fund transfer mechanism** already tested in Peru, in particular through the IFAD-financed Management of Natural Resources in the Southern Highlands Project (MARENASS) (Loan 386-PE). The mechanism will contribute to the (i) improvement of natural resources including large areas of natural rangelands, usually managed under common property regimes, in lower altitudes; (ii) more rational use of water resources; (iii) rehabilitation of terrace cultivation; (iv) improved livestock management; (v) introduction of organic cultivation; (vi) biological pest control; and (vii) improved management of native flora and fauna. The second sub-component, **farmer-to-farmer training**, will involve the provision of technical assistance, on a cost-sharing basis, in farmers' fields using a combination of modern and traditional knowledge and practices. The project will finance internships

<sup>3</sup> The national household survey conducted in 2001 by the National Institute for Statistics (INEI).

and study tours for participating farmers and technical assistance providers. Rural animators will support project implementation.

**(b) Strengthening of Local Markets**

This component will involve the **development of local businesses** through the provision of: (i) investment funds in the form of matching grants to enhance cultural assets and the cultural heritage, improve the business and trade environment, and strengthen communications to facilitate the dissemination of information on the availability of goods and services; and (ii) technical assistance, on a cost-sharing basis, to small-scale farmers and entrepreneurs in rural areas. Capacity-building activities will also be cofinanced. A second sub-component, **rural financial intermediation**, will be promoted through: (i) a matching grant mechanism, designed to encourage and reward low-income rural women who open a personal savings account. Promotional and social intermediation activities will also be supported; (ii) the establishment of an institutional initiatives facility to encourage and facilitate pro-rural poor institutional initiatives, reward pro-poor financial services, expand the rural outreach of the existing financial institutions (microfinance institutions and banks for small businesses), and support village banking and social intermediation.

**(c) Knowledge Management**

Financing will be provided for: (i) the systematization of unstructured and semi-structured knowledge using a previously tested participatory methodology (talking maps) aimed both at gathering and disseminating beneficiaries' knowledge and at seeking their commitment to improve management of their natural resources and monitor progress; (ii) sub-projects aimed at recovering, preserving and enhancing the cultural heritage, and creating a sense of belonging among inhabitants of rural towns and villages in the project area. This will be done through grants and matching grants; and (iii) workshops, specialized studies and publications geared to learning from the poor.

**Project Management**

This six-year project will be implemented by the National Fund for Social Compensation and Development (FONCODES). Implementation will be decentralized through the creation of six local project offices, coordinated by a central project implementation unit (PIU). The project steering committee will include representatives from FONCODES, the Ministry of Economy and Finance, and IFAD. Local resource allocation committees will be established in each of the six local areas.

**Important Features**

The project is in line with IFAD's strategy for Peru and also supports IFAD's strategy in the region in terms of furthering income-generating activities linked to the development of markets in favour of the rural poor, enhancing people's assets and supporting local development. It is also complementary to the main strategies of the Government of Peru. The project will build on the achievements and lessons learned during two earlier IFAD projects<sup>4</sup>. It will also strengthen the approach linking small urban centres being implemented in the Development of the Puno-Cusco Corridor Project. In addition, the project will introduce an innovative approach that recognizes the contribution of migrant associations to the development of their regions and localities of origin.

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<sup>4</sup> Promotion of Technology Transfer Project to Peasant Communities in the Highlands (Loan 297-PE) and MARENASS. An external assessment of the latter has been carried out.



## **Main Issues**

The following issues will be addressed during appraisal: (i) targeting and beneficiary issues, especially the competition-based targeting approach and the rural/urban balance of project support; (ii) further review of the concept of ‘matching grants’ to clarify how this will work in the project context; (iii) link between the proposed autonomous PIU and the ongoing decentralization process, and review of project management costs; (iv) local awareness-building of the funding support provided by the project; (v) design of the knowledge management component with specific attention to its link with existing IFAD regional programmes<sup>5</sup>; and (vi) design and strengthening of the M&E system.

## **Previous IFAD Operations**

IFAD has approved six projects in Peru (five initiated by IFAD and one by the International Bank for Reconstruction and Development) for a total of SDR 67.3 million. Currently two projects are under implementation.

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<sup>5</sup> Such as the Regional Unit for Technical Assistance (RUTA); the Regional Programme for Training in Rural Development (PROCASUR); the network of IFAD-supported projects in Latin America and the Caribbean, FIDAMERICA; and the Regional Support Programme for the Development of South American Camelids (PRORECA).