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IFAD

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

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REPORT AND RECOMMENDATION OF THE PRESIDENT

TO THE EXECUTIVE BOARD ON A PROPOSED LOAN TO THE

RWANDESE REPUBLIC

FOR THE

RURAL SMALL AND MICROENTERPRISE PROMOTION PROJECT – PHASE II

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CURRENCY EQUIVALENTS

Currency Unit	=	Rwandan franc (RWF)
USD 1.00	=	RWF 500
RWF 1.00	=	USD 0.002

WEIGHTS AND MEASURES

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

ABBREVIATIONS AND ACRONYMS

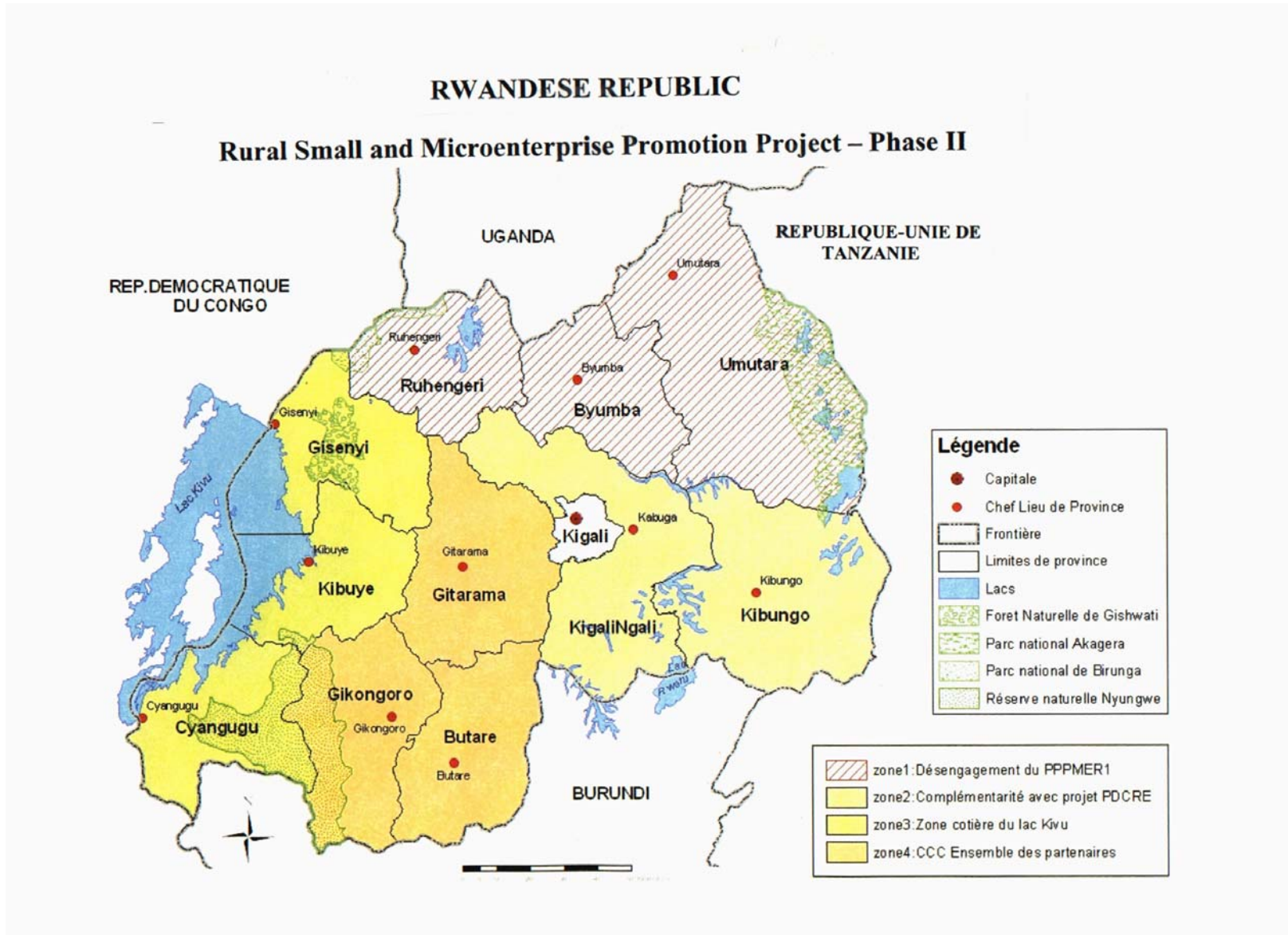
AfDB	African Development Bank
AWP/B	Annual Work Programme and Budget
BRD	Banque rwandaise de développement (Rwanda Development Bank)
GTZ	German Agency for Technical Cooperation
LFC	Local Financial Centre
M&E	Monitoring and Evaluation
MFI	Microfinance Institution
MINICOM	Ministry of Commerce, Industry Investment Promotion, Tourism and Cooperatives
NGO	Non-Governmental Organization
PCU	Project Coordination Unit
PO	Professional Organization
PSO	Private Sector Operator
RSMEPP	Rural Small and Microenterprise Promotion Project
SME	Small Microenterprise
UBPR	Union des banques populaires de Rwanda (Union of People's Banks of Rwanda)

GOVERNMENT OF THE RWANDESE REPUBLIC

Fiscal Year

1 January - 31 December

MAP OF THE PROJECT AREA



Source: IFAD.

The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.

RWANDESE REPUBLIC

RURAL SMALL AND MICROENTERPRISE PROMOTION PROJECT – PHASE II

LOAN SUMMARY

INITIATING INSTITUTION:	IFAD
BORROWER:	Rwandese Republic
EXECUTING AGENCY:	Ministry of Commerce, Industry Investment Promotion, Tourism and Cooperatives (MINICOM)
TOTAL PROJECT COST:	USD 17.6 million
AMOUNT OF IFAD LOAN:	SDR 10.65 million (equivalent to approximately USD 14.9 million)
TERMS OF IFAD LOAN :	40 years, including a grace period of ten years, with a service charge of three fourths of one per cent (0.75%) per annum
COFINANCIERS:	None
CONTRIBUTION OF THE BORROWER:	Government: USD 2.7 million
APPRAISING INSTITUTION:	IFAD
COOPERATING INSTITUTION:	United Nations Office for Project Services (UNOPS)

PROJECT BRIEF

The project. The project aims to promote rural microenterprise development, with a view to: (i) improving the living standards of disadvantaged rural groups; and (ii) increasing the contribution of the secondary sector to the Rwandan economy.

Who are the beneficiaries? The project is targeted at small microenterprises (SMEs), which for programme purposes are divided into three groups: subsistence; emerging; and expanding SMEs. Subsistence SMEs are active or potentially active microentrepreneurs with less than Rwandan franc (RWF) 15 000 in savings or working capital. Emerging SMEs are more dynamic, often seasonally active enterprises with RWF 15 000 - 150 000 in savings or working capital, characterized by a reliance on artisanal and/or traditional skills. Expanding SMEs are full-time, specialized and more modern enterprises with growth potential and RWF 150 000 - 1.5 million in savings or working capital. Particular attention will be paid to very vulnerable groups, which include women, especially woman-headed households (22% at the national level); uneducated and/or under or unemployed rural youth; households headed by children and orphans; the rural landless; families affected by Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome (HIV/AIDS); and former soldiers resettled in rural areas.

What will the project do for them? Focusing on dynamic collaborators among the poorest vulnerable groups and with particular attention to gender issues, the project will: (i) promote the development of viable SMEs; (ii) train individuals with entrepreneurial potential; (iii) provide demand-driven support to local-level initiatives; (iv) strengthen the capacity of grass-roots organizations and of other stakeholders; and (v) provide the poorest segments of the rural population with access to financial services. The main purpose is to assist SMEs in becoming reliable sources of supplementary income for rural groups, particularly in areas with high population density and land pressure, and to contribute to diversifying Rwanda's economy by promoting the secondary and service sectors. Due to growing demands on both these sectors, opportunities for self-employment are increasing significantly, especially in areas such as petty commerce, repair shops and handicrafts. Project support activities, including credit, will be tailored to suit the different operational categories (subsistence, emerging and expanding SMEs). In the case of new entrants and subsistence SMEs for example, apprenticeship programmes will be used to facilitate skill transfer from experienced established entrepreneurs to new entrepreneurs.

How will beneficiaries participate in the project? Beyond the direct provision of support to entrepreneurs, the project aims to create an enabling environment for SME development. Implementation will be demand-driven and determined by beneficiary priorities in all phases of the project, from identification of activities, to planning, implementation, and monitoring and evaluation. A major project component will be the promotion of literacy and empowerment with an emphasis on raising beneficiaries' awareness of local development issues. Functional adult literacy training will provide the strategy and entry point for working with poorer groups. The project will respond to the demands of rural groups and their grass-roots organizations, and will establish local financial institutions in collaboration with them, which will be managed by the beneficiaries themselves.

**REPORT AND RECOMMENDATION OF THE PRESIDENT OF IFAD
TO THE EXECUTIVE BOARD ON A PROPOSED LOAN TO THE
RWANDESE REPUBLIC
FOR THE
RURAL SMALL AND MICROENTERPRISE PROMOTION PROJECT – PHASE II**

I submit the following Report and Recommendation on a proposed loan to the Rwandese Republic for SDR 10.65 million (equivalent to approximately USD 14.9 million) on highly concessional terms to help finance the Rural Small and Microenterprise Promotion Project – Phase II. 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 United Nations Office for Project Services (UNOPS) as IFAD's cooperating institution.

PART I - THE ECONOMY, SECTORAL CONTEXT AND IFAD STRATEGY¹

A. The Economy and Rural Sector

1. Rwanda is a resource-poor, overpopulated country. Its population of about eight million is predominantly rural (90%) and growing at approximately 3% per year. The genocide of 1994 resulted in the destruction of much of the country's social and economic infrastructure, human resource base and institutional capacity. The situation returned to normal with the restoration of peace and the return of refugees in 1995/96. The gross domestic product (GDP) in 1996 stood at only 72% of the 1990 level. Per capita income, which was USD 250 in 1993, fell to USD 180 in 1996 but had risen to USD 230 by 2001. Following the Government's policy reforms to stimulate economic recovery, growth has been sustained. Fiscal balances improved substantially as a result of tax reform, prudent fiscal policies, recovery of exports and massive inflows of external grants and loans on highly concessional terms. The external value of the Rwandan franc has remained relatively stable. Nonetheless, low coffee prices and high petroleum prices have exerted significant pressure on the balance of payments.

2. Farming is the principal economic activity of the Rwandan people and agriculture is practised on all land types, including land of marginal quality and steep slopes. Rwanda's agricultural growth of 0.5% per annum in the 1980s dropped to minus 3.9% in the 1990s. While production of the main crops has increased, yields have in many cases fallen. Much of the production increase has been achieved through expanding the cultivated area rather than through improved productivity. The slow economic growth in the agricultural sector reflects a constrained resource base, declining soil fertility and little use of modern inputs. Recognizing the limited opportunities for further employment in agriculture, the Government has adopted a policy of stimulating off-farm non-agricultural activities to increase rural income levels.

3. In its Vision 2020 and the Poverty Reduction Strategy, the Government identified six key objectives. In the context of this project the most pertinent are: rural and agricultural development to generate income outside agriculture and introduce new technologies; private sector promotion, including encouraging the formal organization of informal enterprises; human resource development; raising education levels and addressing HIV/AIDS issues (with a particular focus on gender); and improved governance, including decentralization and sectoral strategies.

¹ See Appendix I for additional information.

B. Lessons Learned from Previous IFAD Experience

4. The main lessons learned in Rwanda since the reactivation of IFAD operations in 1996 are summarized as follows: (i) local community capacity needs strengthening to ensure that communities are capable of operating and maintaining facilities developed by projects; (ii) project beneficiaries must have ownership of development activities and be empowered to plan activities based on their identified needs and priorities; (iii) the Government's decentralization activities are progressing rapidly, providing new opportunities for the lower echelons of local government and civil-society organizations at the community level, and for associating non-governmental organizations (NGOs) with private enterprise in the development process through the outsourcing of contracts; and (iv) issues of credit and adequate linkages to market opportunities have become central to the poverty reduction process.

5. The lessons drawn from the first phase of the Rural Small and Micro-enterprise Promotion Project (RSMEPP) form the basis for the proposals formulated in the second project. Experience in Rwanda shows that the following elements are needed for small microenterprises (SMEs) to emerge: (i) improved technology to increase productivity, more profitable management of activities and the adoption of adequate quality standards to capture market opportunities; (ii) improved professional capacities of microentrepreneurs, entailing training in essential business, management and advanced technical skills to modernize the sector; (iii) awareness among rural producers of the need to organize themselves so that they can better look after their interests; (iv) existence of a market for SME products (in turn determined by the purchasing power of the local population); and finally, (v) improved access to credit for rural producers (by providing support to viable microfinance institutions so that they can offer appropriate financial services in rural areas).

C. IFAD's Strategy for Collaboration with Rwanda

6. **Rwanda's policy for poverty eradication.** The project will reflect and support IFAD corporate strategy in at least two main areas. First, its decentralized approach enables beneficiaries to participate in the planning and implementation processes; while the development activities of the professional organizations will empower entrepreneurs to establish and conduct market relations with a variety of economic agents. In terms of government and private sector agencies, local capacity will be enhanced at the national, provincial, district and local level, through the project's institutional strengthening activities. Second, as the project serves as a vehicle for establishing a broader sectoral programme, it will support the Government in developing an enabling policy environment for rural (micro) enterprises and finance.

7. **Poverty eradication activities of other major donors.** In total, donors are expected to disburse USD 1 478 million during 2001-2005, of which USD 219 million is destined for rural development. The principal donors providing support for agriculture, industry and commerce are the World Bank, the African Development Bank (AfDB), IFAD, the United States, the European Union, Belgium, The Netherlands and the United Nations Development Programme. Partnerships between IFAD and donors active in rural SME development will be strengthened to facilitate coordination and complementarity of activities. IFAD will actively participate in and support the ongoing harmonization and decentralization process in Rwanda.

8. **IFAD's strategy in Rwanda.** The *Strategic Framework for IFAD 2002-2006* stipulates three strategic objectives: strengthening the capacity of the rural poor and their organizations; improving access to productive natural resources and technology; and increasing access to financial services and markets. Within IFAD's Strategic Framework, the regional strategy for eastern and southern Africa was developed, based on a comprehensive assessment of rural poverty in the region. Four major regional strategic thrusts were identified: (i) promoting efficient and equitable marketing linkages; (ii)

developing rural financial systems; (iii) improving access to and management of land and water; and (iv) creating a better knowledge, information and technology base.

9. The Country Strategic Opportunities Paper (COSOP) approved in December 2002 indicates three basic themes for interventions, namely: (i) emphasis on institutional developments that empower the target group's organizations and enhance their role; (ii) exploitation of all potential means for increasing the income of the rural poor, including measures to increase food and cash crop production, reduce the impact of market imperfections and improve the incentive system faced by rural producers; and (iii) more focus on potential synergies among different IFAD projects ongoing in the country.

10. **Project rationale.** The project conforms to government and IFAD policy and will contribute to poverty reduction, improved food security, increased incomes for the rural poor and sustainable natural resource management. It aims to address the numerous constraints to which SMEs are subjected and support the development of the asset base of the rural poor. With strong beneficiary participation, the project will implement a coherent sequence of interrelated and interdependent activities that will facilitate market access and generate higher, more stable incomes for the most disadvantaged rural producers and establish a national platform for policy discussions on SMEs. As a result, the Government will have mechanisms at its disposal for the implementation of its poverty reduction policies through concrete field-level activities beneficial to the rural poor.

PART II - THE PROJECT

A. Project Area and Target Group

11. **Project area.** The project aims gradually to cover the entire country and will particularly seek complementarity with other IFAD and donor-funded projects active in rural areas. From the outset, special attention will be given to developing the capacity of local professional organizations and the private sector will be mobilized to assume responsibility for sustainable service delivery to SMEs.

12. Due to the heterogeneous nature of the intervention area, project approaches will vary in each zone. **Zone 1** covers the provinces of Ruhengeri, Byumba and Umutara. Building on the achievements of the first phase of RSMEPP, the project will gradually withdraw from this zone, fully transferring SME service delivery to professional organizations. This experience will serve as the basis on which to develop the project's exit strategy for the other provinces. **Zone 2:** In the provinces of Kibungo and Kigali Ngali (Rural Kigali), activities will complement the Smallholder Cash and Export Crops Development Project and particularly support agroprocessing and diversification of income-generating activities. **Zone 3** takes in the provinces of Kibuye, Gisenyi and Cyangugu, which border part of Lake Kivu. Due to its high proportion of vulnerable people, priority will be given to Kibuye. Starting from year three in Gisenyi and Cyangugu, the project will cooperate with projects funded by AfDB and planned by the Swiss Agency for Development and Cooperation. **Zone 4** covers the provinces of Butare, Gikongoro and Gitarama (from year three). Coordination, cooperation and complementarity of activities will be observed with all development partners, especially with the German Agency for Technical Cooperation (GTZ), which has joined the NGO Forum and complements artisanal support activities. The approaches developed will serve as a model for the other project zones.

13. The **main target group** consists of the rural poor and their organizations with particular attention to vulnerable groups², which include: (i) women and woman-headed households; (ii) uneducated rural youth; (iii) children and orphans who are household heads; (iv) the landless rural poor; (v) families affected by HIV/AIDS; and (vi) former soldiers resettled in rural areas.

B. Objectives and Scope

14. To improve the living standards of the most disadvantaged rural groups, the project will focus on promoting rural microenterprises, (particularly for vulnerable groups); developing professional organizations capable of providing services to SMEs; and supporting the development of a national policy and dialogue platform for SMEs.

15. Specifically, the project objectives are to: (i) promote the development of viable SMEs and their professional organizations so that they can respond to the needs of the target group; (ii) improve the performance and productivity of SMEs through access to sustainable non-financial services; (iii) promote the use of appropriate technology, the observance of acceptable quality standards and better access to markets; (iv) enhance access to financial services adapted to the requirements of SMEs; and (v) improve the institutional and legal framework of SMEs.

16. The main purpose of the project is to assist SMEs in becoming important sources of supplementary income for rural groups, particularly in areas with high population density and land pressure, and to help diversify Rwanda's economy by promoting the secondary and service sectors. Due to growing demands on both these sectors, opportunities for self-employment are increasing significantly, especially in areas such as petty commerce, repair shops and handicrafts.

17. For programme purposes, SMEs are divided into three groups: subsistence, emerging and expanding SMEs. Project support activities, including credit, will be fine-tuned according to the specific needs of each operational category. In the case of new entrants and subsistence SMEs, an apprenticeship programme will facilitate skill transfer from experienced established entrepreneurs to new entrepreneurs.

C. Components

18. The project implementation period is seven years and is divided into three phases. The first two-year phase will deal with the establishment of operations, the second three-year phase will cover expansion, replication and consolidation. The third phase of two years will entail a gradual handing-over to local institutions.

Capacity-Building (Component 1) (USD 2.1 million)

19. This component comprises three sub-components. **Awareness-raising and community mobilization** will consolidate the entrepreneurial capacities of SME operators and their organizations, especially those belonging to the subsistence SME category. Awareness-raising and community mobilization activities will start during the first year of the project in order to lay the groundwork for implementation. This sensitization process, combined with a participatory diagnostic assessment, will deepen understanding of project objectives by local authorities, technical partners (external service providers) and the beneficiary communities involved.

² Groups characterized by the absence or shortage of means or capacities that would allow them to take preventive measures or respond appropriately to events endangering the meeting of their essential needs or aspirations towards an improved livelihood.

20. **Basic capacity-building** will develop a sustainable service delivery system for SMEs. Following the diagnostic assessment, beneficiaries will be trained and assisted in starting up SMEs and developing associations. Beneficiaries will be supported through specialized training and functional adult literacy programmes, provision of information/documentation, structuring of joint liability groups, exchange visits and assistance with the legal framework of the associations. In addition, support will be provided to the professional organizations (federations, chambers) to strengthen their organizational capacity, management and negotiation skills, and prepare them to assume responsibility for service delivery to SMEs. These professional organizations are key to the project and represent the principal service delivery mechanisms for SMEs on a cost-recovery basis.

21. **Policy support for SMEs.** The project will support the Ministry of Commerce, Industry Investment Promotion, Tourism and Cooperatives (MINICOM) in the establishment of a national stakeholder platform that will enable the exchange of information and advice on policy, institutional and legal issues relevant to SME development.

Support to Rural SMEs (Component 2) (USD 6.4 million)

22. Component 2 will support three sub-components. **Support to management and technical skills training.** A range of training programmes will be developed to support SME development. Successful participants from the sensitization and training activities under Component 1 are eligible to enter into an apprenticeship programme, which will teach the required technical/professional skills to starting entrepreneurs. Management and accounting training will be conducted in separate, successive courses for new and more advanced entrepreneurs. Training in loan application and credit management will develop entrepreneurs' capacity to draft loan applications and to manage/repay their loans. Technical training in appropriate technology and in-country and international study tours will be organized for more advanced SMEs to improve their techniques and the quality of their products and services.

23. **Marketing support.** Among the variety of activities offered under this sub-component, producers will receive support for their organizational development so that they can become more competitive and agree on a pricing system. Marketing courses include: (i) establishment of quality standards for certain products (carpentry, basket-weaving, dry-season activities); (ii) innovation in product diversification and packaging; and (iii) packaging, pricing, distribution and advertising. Trade halls will be constructed in the districts and provinces, and one such centre in Kigali will allow artisans to promote their products on the market. The project will support the participation of target group members at provincial and international trade fairs. To deepen understanding of the markets, selected marketing studies will be carried out at the sub-sector and commodity chain level. An information system for SMEs will also be developed.

24. **Technical support and assistance.** The Technology Development Fund under RSMEPP-I will become a sub-component for technical support to assist artisans in the use of appropriate technologies and in technology improvement. It will also provide training in simple and innovative technologies. The project will work with local and/or international research institutes.

Support to Microfinance Institutions (Component 3) (USD 3.0 million)

25. The project will have three lines of credit: (i) seed capital (RWF 15 000 - 200 000) through local financial centres or existing microfinance institutions (MFIs); (ii) regular credit through existing institutions (RWF 150 000 - 1 500 000); and (iii) investment credit for more advanced SMEs (RWF 1 000 000 - 5 000 000). Activities under this component hinge on the project facilitating the 'graduation' of SMEs from a lower to a more advanced operational category. The proposed financial services will be situated within the wider framework of the target group's apprenticeship process. This process is based on a phased progression in terms of credit provision and savings mobilization, which

at all times should constitute 20 to 30% of the amount of the latest loan taken out. For apprentices, this minimum may be lowered, and appropriate alternative incentives found for the poorest entrepreneurs.

26. **Support to banks and formal MFIs.** The project will categorize activities by credit type: (i) for seed capital funds, the project will support initiatives such as those of the Union of People's Banks of Rwanda (UBPR) and the Financing Centre for Entrepreneurs networks, to establish service points (tellers) within the districts; (ii) for regular credit, the objective is to create a sustainable partnership between expanding SMEs and the MFIs present in the provinces and districts. Activities will focus on the elaboration of credit products for SMEs (appropriate to their technical characteristics and training), and on creating access to credit lines that transfer part of the credit risk to the financial partner; (iii) for investment credit and MFI refinancing, activities will be carried out either with the Rwanda Development Bank (BRD) or with commercial banks. The primary objective of this is to facilitate access to credit by leader SMEs, as these are no longer assisted by the UBPR or similar institutions (with a loan ceiling of RWF 3 million). A further objective is to help viable local financial service centres and registered MFIs to access refinancing capital so that they can be integrated into the national banking system, and to develop their capacity to match project resources and member savings with commercial credit.

27. **Support to local financial centres.** Based on the specific needs of SMEs, local financial centres (LFCs) will be developed to promote savings and disburse credit in rural areas. The project will support existing organizations in opening new branches and/or help existing branch offices improve their operations. Where existing organizations cannot be used or expanded, the project will support the establishment of new LFCs on a cooperative basis. Particularly with regard to savings, the legal and regulatory position of the local financial centres will be set within the framework of the recent Microfinance Instruction issued by the National Bank of Rwanda (NBR). A small team of national experts will be in charge of drafting procedures and trainer guidelines, data analysis, external audits, advisory studies and contact with the NBR. Costs will initially be borne by the project and when proven viable, LFCs will gradually pay for the services themselves.

Project Coordination and Management (Component 4) (USD 3.2 million)

28. Project management will be conducted through a decentralized management structure with one project coordination unit (PCU) and six decentralized offices. The PCU will be responsible for the coordination, management, and monitoring and evaluation (M&E) of activities. The PCU will be staffed by a coordinator, three component heads, an M&E specialist, an accountant and an information specialist. The project will establish decentralized offices at the provincial level to guide implementation and to integrate the target group and other members of civil society into the SME approval and implementation process. To ensure the support and monitoring of local activities, there will be a provincial office with a core staff comprising one head of office/M&E expert, and SME and microfinance specialists.

D. Costs and Financing

29. Total project costs are estimated at USD 17.6 million, including price and physical contingencies. The project will be financed by an IFAD loan of USD 14.9 million. The total cost estimate does not include beneficiary contributions as these cannot be estimated in advance. However, such contributions will mainly consist of cofinancing investment costs (if possible in cash, or else in kind, e.g. local labour for construction or raw materials) and maintenance costs, which will be entirely borne by the SMEs, associations and professional organizations. The estimated total project cost also excludes beneficiary contributions to the working capital and operational costs of the MFIs. Government counterpart funding is estimated at USD 2.7 million and will cover all taxes and duties.

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

Components	Local	Foreign	Total	% of Foreign Exchange	% of Base Costs
1. Capacity-building					
Awareness-raising and mobilization	153.6	115.8	269.4	43	2
Basic capacity-building	1 197.0	257.1	1 454.1	18	10
Policy support for SMEs	129.2	226.8	356.0	64	2
Subtotal	1 479.8	599.7	2 079.5	29	14
2. Support to rural SMEs					
Support to management and technical skills training	1 529.5	655.5	2 185.0	30	15
Marketing support	549.4	249.6	799.0	31	5
Technical support and assistance	1 036.4	2 343.7	3 380.2	69	23
Subtotal	3 115.3	3 248.8	6 364.2	51	43
3. Support to microfinance institutions					
Support to banks and formal MFIs	878.0	64.0	942.0	7	6
Support to local financial centres	1 592.7	516.1	2 108.9	24	14
Subtotal	2 470.7	580.1	3 050.9	19	21
4. Project coordination and management					
PCU establishment	1 587.2	254.8	1 842.0	14	13
Provincial offices	1 162.8	211.7	1 374.5	15	9
Subtotal	2 750.0	466.5	3 216.5	15	22
Total base costs	9 815.9	4 895.2	14 711.1	33	100
Physical contingencies	509.5	345.6	855.1	40	6
Price contingencies	1 670.7	329.3	2 000.0	16	14
Total project costs	11 996.1	5 570.1	17 566.2	32	119

^aDiscrepancies in totals are due to rounding.

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

	Government		IFAD		Total		For. Exch.	Local (Excl. Taxes)	Duties and Taxes
	Amount	%	Amount	%	Amount	%			
1. Capacity-building									
Awareness-raising and mobilization	59.2	18.0	269.5	82.0	328.7	1.9	131.9	137.6	59.2
Basic capacity-building	311.1	17.8	1 433.2	82.2	1 744.3	9.9	298.8	1 134.4	311.1
Policy support for SMEs	73.8	18.0	336.1	82.0	409.9	2.3	254.0	82.1	73.8
Subtotal	444.0	17.9	2 038.8	82.1	2 482.8	14.1	684.7	1 354.1	444.0
2 Support to rural SMEs									
Support to management and technical skills training	498.7	18.0	2 271.8	82.0	2 770.5	15.8	775.1	1 496.7	498.7
Marketing support	178.9	18.0	815.0	82.0	993.9	5.7	289.1	525.9	178.9
Technical support and assistance	692.0	18.0	3 152.5	82.0	3 844.5	21.9	2 624.1	528.4	692.0
Subtotal	1 369.6	18.0	6 239.3	82.0	7 608.9	43.3	3 688.3	2 551.0	1 369.6
3. Support to microfinance institutions									
Support to bank and formal MFIs	16.9	1.6	1 056.5	98.4	1 073.4	6.1	72.8	983.7	16.9
Support to local financial centres	307.4	12.2	2 215.1	87.8	2 522.5	14.4	590.3	1 624.9	307.4
Subtotal	324.2	9.0	3 271.6	91.0	3 595.9	20.5	663.1	2 608.6	324.2
4. Project coordination and management									
PCU establishment	286.4	12.8	1 955.8	87.2	2 242.3	12.8	291.4	1 664.5	286.4
Provincial offices	227.8	13.9	1 408.6	86.1	1 636.4	9.3	242.8	1 165.8	227.8
Subtotal	514.3	13.3	3 364.4	86.7	3 878.7	22.1	534.1	2 830.3	514.3
Total	2 652.1	15.1	14 914.1	84.9	17 566.2	100.0	5 570.1	9 344.0	2 652.1

^a Discrepancies in totals are due to rounding.



E. Procurement, Disbursement, Accounts and Audit

30. **Procurement.** The project will comply with the procedures and guidelines of the Government and IFAD. Overall responsibility for procurement and the signing of contracts will rest with the PCU. Specifically, all vehicles, goods and equipment costing more than USD 100 000 will be procured through international shopping procedures. Goods with a value of between USD 100 000 and USD 20 000 will comply with National Competitive Bidding (NCB). Civil works over USD 20 000 will follow NCB procedures. Goods and civil works below USD 20 000 will be procured by obtaining bids from at least three reputable suppliers. Technical assistance will be acquired on terms and conditions satisfactory to IFAD. Discussions are ongoing with the National Tender Board on tender procedures and decentralization, and IFAD has recently joined the Government/donor group, which is working on harmonization and decentralization.

31. **Disbursement.** The loan proceeds will be disbursed over seven years. To facilitate project implementation a United States dollar-denominated Special Account will be opened and operated in a commercial bank acceptable to IFAD. The authorized allocation will be USD 1 million. IFAD will deposit the amount of USD 600 000 into the Special Account and the balance of the authorized allocation will be disbursed when the overall project disbursement has reached SDR 1 000 000. Withdrawals from the IFAD loan account will be made in accordance with IFAD disbursement procedures, using certified statements of expenditure (SOEs) as agreed by the borrower, IFAD and the cooperating institution. Documentation in support of SOEs will be retained for examination during supervision missions and the annual audit of project accounts.

32. **Accounts and audit.** A central project account (in RWF) will be opened to receive funds both from the Special Account and the Government's counterpart contribution. An initial disbursement will be made by the Government of USD 30 000 equivalent and regularly replenished in line with workplan and budget requirements. Project accounts will be subject to an independent annual audit conforming to IFAD guidelines.

F. Organization and Management

33. The Ministry for Finance and Economic Planning will be responsible for overseeing the project and will delegate responsibility for coordination and management to MINICOM. A National Project Steering Committee (NPSC) will be established. Coordination at the provincial level will be ensured by the Provincial Project Coordination Committee. With the support of six provincial offices, the PCU will be responsible for project coordination and overall management. The new provincial offices will follow a schedule of establishment, expansion of operations, consolidation and phasing-out. Private sector operators (PSOs) will be contracted to provide the required services under components 1 and 2. For component 3, suitable MFIs, NGOs and commercial banks will be contracted for microfinance, supported by a small project unit attached to the PCU and provincial offices. The PSOs will recruit rural enterprise advisors (REAs) for the training of trainers. Each REA will cover 150-200 SMEs and will advise/train microenterprises and local professional organizations (POs). The POs are federations, associations and professional chambers and the project will build their capacity to provide the services required by SMEs. Drawing on the most successful SMEs, the POs will select enterprise advisors (EAs) who will carry out advisory duties and implement apprenticeship programmes while continuing the management of their own SMEs. They may advise SMEs on management, technology and marketing. Initially, the EAs will receive some payment from the project but once activities expand this support will be discontinued and the EAs will charge a fee to the SMEs.

34. **Sustainability and exit strategy.** From the outset, the project will focus on helping the POs provide services at a cost to the microenterprises. Based on the performance of the POs, the provincial offices will be phased out gradually and responsibility for the continued provision of services to

SMEs will be transferred to the POs/PSOs. This process builds on experience from the first phase, where POs and EAs are already taking up responsibilities, and from collaboration with GTZ in Butare. Phasing-out of the current project office in Byumba (also covering Ruhengeri) is underway and in two years all functions will be transferred to the POs/PSOs, providing a model for other provinces. The project will recruit an expert for one year to support the POs in Byumba and Ruhengeri in fully assuming their tasks. Based on this experience, a strategy will be developed for use in the other provinces.

35. **Project planning, monitoring and evaluation.** The project coordinator and M&E specialist will have final responsibility for planning and M&E. However, the development of the annual work programmes and budgets (AWP/Bs) will engage all staff, contracted service providers and beneficiaries. Using participatory review and planning methodologies and past experience, specific plans will be prepared for all provinces and institutions involved in the project, and for the PCU.

36. The M&E system aims to assist project management, service providers and beneficiaries in effectively executing the project and verify if targets and objectives are being met. The logical framework, regularly reviewed and updated, together with the AWP/Bs, will be the main tools to facilitate project M&E. Every three months, the project will conduct per province participatory workshops, each time in a different district. A diagnostic needs assessment will be conducted at the end of the first phase to serve as a planning base during the start-up period. Effective project monitoring will involve continuous critical observation of progress in terms of outputs achieved, activities needed to achieve the outputs, provision of resources required, and the required budgets and actual expenditure for these activities. A key output will be the timely preparation of comprehensive quarterly, half-yearly and annual progress reports. After the second year a Mid-Term Review will be conducted to assess the success of the approaches and the achieved outputs and impact. In addition, a system of regular internal and external evaluation will be established using national consultants and institutions.

G. Economic Justification

37. A variety of economic benefits and project impacts, both direct and indirect, are expected. In addition to handover operations in 11 RSMEPP-I districts, over seven years, the project will cover approximately 48 districts (out of 98) in the 11 provinces. About 50% of locally elected representatives and district mayors in the project area will be trained on participatory approaches and on local development. Each district involved will be able to make use of a consultative platform bringing together SMEs (represented by collectives, professional bodies and federations), locally elected representatives and the administrative authorities. Women will constitute at least 30% of the direct beneficiaries and will be represented in the same proportion in decision-making bodies. Sustainable national and local SME and MFI support structures, and representative organizations of SMEs (federations, collectives or professional bodies) will be established. In total, it is expected that 10 000 SMEs (including the 3 200 SMEs currently covered under the first phase) will receive support and that some 100 000 rural dwellers will directly or indirectly benefit from the combined impact of project activities. In addition, the capacity and asset base of the financial sector will be strengthened so that it can manage savings and provide loans to SMEs. Access to finance in remote rural areas will be promoted through the establishment of 80 financial centres.

38. While it is difficult to measure the economic impact of a demand and process-driven project such as this, a series of enterprise profiles for representative activities has been developed and the sensitivity of the activities assessed. Fifteen typical enterprises have been analysed and their financial rate of return varied from 10-91%. A tentative estimate on the number of enterprises in each category arrived at an economic return of 33%. Internal financial returns vary widely and are highly sensitive, therefore an eight per cent increase in cost reduces the economic return to 12%. During project implementation, SME performance will be monitored (component 2) and entrepreneurs will be helped

to improve their performance and reduce risks. New entrepreneurs will be informed of profiles and financial returns so that they can make informed viable choices.

H. Risks

39. Six risks that could compromise project performance have been identified: (i) difficulty in implementing a participatory approach and developing demand-responsive solutions; (ii) possible rivalry between local administrative authorities and professional institutions/federations, which could delay reaching a consensus in the elaboration process of the Participatory Planning Diagnostic Assessments and selecting eligible SMEs for project support; (iii) potential problems with the sustainable transfer of responsibilities for SME service delivery to professional organizations; (iv) possible inflexibility by the BNR in accepting the proposed mechanism for establishing and supporting local financial centres, especially regarding savings; (v) possible problems in the partnership with the UBPR to test the credit system and rural outlets; and (vi) inadequate collaboration between the banks and MFIs in the follow-up and establishment of a viable credit disbursement and loan recovery system. These risks have been taken into consideration in the design of project activities and approaches. The participatory approach and substantial training programmes are expected to attenuate some of the risks. Furthermore, the BNR has expressed its willingness to support the proposed approach and the creation of LFCs on a pilot basis and it will review and monitor performance during implementation.

I. Environmental Impact

40. Project interventions will cover a variety of land types making it difficult to predict, *a priori*, environmental impact; as a result the project has been classified as category B. The SMEs to be supported will be subjected to an (simplified) environmental impact analysis during both their feasibility study and their establishment and ex-post evaluation. Positive environmental impact will constitute a criterion for SME selection. Furthermore, community mobilization, training and technical support for the conception and monitoring of grass-roots activities will all take into account sustainable natural resource management issues. Specific measures will be promoted to prevent or redress negative environmental impact; for example, where SMEs are concerned with charcoal production, reforestation will be compulsory. The project will establish contacts with the Ministry for Lands, Resettlement and Environment for specific environmental studies.

J. Innovative Features

41. In line with IFAD's strategy, the project will adopt an innovative, participatory and demand-driven approach, firmly linking project implementation to beneficiary priorities rather than to the meeting of physical and predetermined objectives. This approach builds on experience gained in Africa through the implementation of land management, local development and rural financial service programmes. It is based on: (i) a strong component promoting functional adult literacy (as the entry point to reaching poor potential entrepreneurs) and training; (ii) beneficiary participation in all phases of the project, awareness-raising of the need for sustainable self-reliant development, project responsiveness to the demands of local groups and effective support in developing their grass-roots and professional organizations; (iii) support to local financial institutions, established and managed by rural people; (iv) contract-based support to PSOs and other local service providers; (v) a legally autonomous rural financing mechanism, independent of technical ministries, which strengthens consultation and partnerships among the major donors; (vi) emphasis from the start on transferring responsibility for service provision from temporary project mechanisms to POs; and (vii) the strengthening of decentralization and coordination among development partners in Rwanda's rural areas, and promoting a legislative, policy and strategic framework for SMEs.

PART III - LEGAL INSTRUMENTS AND AUTHORITY

42. A loan agreement between the Rwandese Republic 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. The Rwandese Republic is empowered under its laws to borrow from IFAD.
44. I am satisfied that the proposed loan will comply with the Agreement Establishing IFAD.

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 the Rwandese Republic in various currencies in an amount equivalent to ten million six hundred and fifty thousand Special Drawing Rights (SDR 10 650 000) to mature on or prior to 15 December 2043 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.

Lennart Båge
President

**SUMMARY OF IMPORTANT SUPPLEMENTARY ASSURANCES
INCLUDED IN THE NEGOTIATED LOAN AGREEMENT**

(Loan negotiations concluded on 10 July 2003)

1. The Government of the Rwandese Republic (the Government) will make loan proceeds available to the PCU in accordance with the AWP/Bs and with its usual national procedures for development assistance for purposes of project implementation.
2. During the project execution period, the Government will also make available to the PCU, as the counterpart contribution, a total of USD 2 652 100, representing all taxes, duties and levies on all locally procured goods and services necessary for the project, except for customs duties on imported goods, for which an exemption will be granted. At the request of the PCU and based on the AWP/Bs, the Government will deposit an initial amount of USD 30 000 in the project account to cover the needs of the first year of the project. The project account will be replenished regularly by the Government in accordance with the AWP/Bs. The counterpart funds will be included in the public investment programme.
3. With a view to ensuring sound environmental practices, the Government will take the necessary pesticide-management measures under the project and, to this end, will ensure that all pesticides furnished under the project do not include any pesticide proscribed by the International Code of Conduct on the Distribution and Use of Pesticides of the Food and Agriculture Organization of the United Nations (FAO), as amended, or listed in Table 1 (extremely hazardous) or Table 2 (hazardous) of the 1996-1997 Recommended Classification of Pesticides by Hazard and Guidelines to Classification of the World Health Organization, as amended.
4. The M&E system will be reviewed and adjusted during Phase II of the project in order to ensure: (i) monitoring of the progress and performance of the activities called for in the AWP/Bs and carried out by the associations, professional bodies, federations, microfinance institutions and external service providers or rural enterprise advisors; (ii) assessment of the relevance of the implementation approaches and strategies and the specific arrangements for coordination and monitoring of the project components; (iii) evaluation of actual beneficiary involvement in all stages of implementation; and (iv) the impact of activities on beneficiaries. The system will be built around the baseline situation established for each zone before project start-up (panorama of enterprises by district and provincial case studies). M&E data will be presented by social group, by gender and in the aggregate.
5. No discrimination of any kind will be allowed during the recruitment of project staff. Recruitment will be effected through a local call for bids published in the national press, in accordance with current procedures of the Government and on the basis of fixed-term contracts. Recruitment of the main project officers, i.e. the coordinator of the PCU, the administrative and financial officer, the component support officers, the M&E officer and the officers responsible for the regional units – including, as applicable, any decision to cancel their contracts – will be decided upon in accordance with IFAD. Project staff will be subject to annual performance evaluations, and their contracts may be terminated based on the findings of those evaluations. Recruitment and oversight of support staff (secretaries, drivers, guards) will be subject to procedures in force in the Rwandese Republic. As an exception, the Government will conduct an evaluation of the performance of the main officers recruited during phase I of the project. Upon conclusion of that evaluation, and in consultation with IFAD, the Government will decide whether or not to extend those contracts.
6. The Government will ensure that all project staff are insured against illness and accident in accordance with usual practices in force in the Rwandese Republic.

7. In cases where candidates present similar skills and qualifications, the Government undertakes to give preference to female candidates, especially for the technical posts to be filled under the project.
8. The following conditions are specified as conditions precedent for disbursement:
 - (a) No withdrawal may be made under any disbursement heading until such time as the Government has deposited the amount of USD 30 000 in the project account, corresponding to the first payment of counterpart funds.
 - (b) No withdrawal may be made under the “credit fund” disbursement heading until such time as a subsidiary loan agreement has been signed with a commercial bank.
 - (c) No withdrawal may be made under the “capitalization fund” disbursement heading until such time as a contract has been concluded with each of the microfinance institutions involved.
9. The following conditions are specified as conditions precedent for effectiveness:
 - (a) The project coordinator has been recruited and IFAD has given its non-objection thereto.
 - (b) The specifications for the local call for bids to recruit the other main officers have been prepared.
 - (c) A favourable legal opinion, issued by the Ministry of Justice or any other authority legally vested with that power, acceptable in both form and content, has been forwarded by the Government to IFAD.

COUNTRY DATA

RWANDA

Land area (km² thousand) 2001 1/	25	GNI per capita (USD) 2001 1/	220
Total population (million) 2001 1/	7.93	GDP per capita growth (annual %) 2001 1/	4.5
Population density (people per km²) 2001 1/	352	Inflation, consumer prices (annual %) 2001 1/	3
Local currency	Rwanda Franc (RWF)	Exchange rate: USD 1 =	RWF 500
Social Indicators		Economic Indicators	
Population (average annual population growth rate) 1995-2001 1/	5.5	GDP (USD million) 2001 1/	1 703
Crude birth rate (per thousand people) 2001 1/	44	Average annual rate of growth of GDP 2/	
Crude death rate (per thousand people) 2001 1/	22	1981-1991	1.6
Infant mortality rate (per thousand live births) 2001 1/	96	1991-2001	1.9
Life expectancy at birth (years) 2001 1/	40	Sectoral distribution of GDP 2001 1/	
Number of rural poor (million) (approximate) 1/	n/a	% agriculture	40
Poor as % of total rural population 1/	n/a	% industry	22
Total labour force (million) 2001 1/	4.72	% manufacturing	10
Female labour force as % of total 2001 1/	49	% services	38
Education		Consumption 2001 1/	
School enrolment, primary (% gross) 2001 1/	119 a/	General government final consumption expenditure (as % of GDP)	12
Adult illiteracy rate (% age 15 and above) 2001 1/	32	Household final consumption expenditure, etc. (as % of GDP)	86
Nutrition		Gross domestic savings (as % of GDP)	2
Daily calorie supply per capita, 1997 2/	n.a.	Balance of Payments (USD million)	
Malnutrition prevalence, height for age (% of children under 5) 2001 3/	43 a/	Merchandise exports 2001 1/	85
Malnutrition prevalence, weight for age (% of children under 5) 2001 3/	24 a/	Merchandise imports 2001 1/	250
Health		Balance of merchandise trade	-165
Health expenditure, total (as % of GDP) 2001 1/	5 a/	Current account balances (USD million)	
Physicians (per thousand people) 2001 1/	n/a	before official transfers 2001 1/	-328
Population using improved water sources (%) 2000 3/	41	after official transfers 2001 1/	-118
Population with access to essential drugs (%) 1999 3/	0-49	Foreign direct investment, net 2001 1/	2 a/
Population using adequate sanitation facilities (%) 2000 3/	8	Government Finance	
Agriculture and Food		Overall budget deficit (including grants) (as % of GDP) 2001 1/	n/a
Food imports (% of merchandise imports) 2000 1/	n/a	Total expenditure (% of GDP) 2001 1/	n/a
Fertilizer consumption (hundreds of grams per ha of arable land) 2000 1/	3	Total external debt (USD million) 2001 1/	1 283
Food production index (1989-91=100) 2001 1/	110	Present value of debt (as % of GNI) 2001 1/	40
Cereal yield (kg per ha) 2001 1/	1 000	Total debt service (% of exports of goods and services) 2000 1/	11
Land Use		Lending interest rate (%) 2001 1/	n/a
Arable land as % of land area 2000 1/	36	Deposit interest rate (%) 2001 1/	n/a
Forest area as % of total land area 2000 1/	12		
Irrigated land as % of cropland 2000 1/	..		

a/ Data are for years or periods other than those specified.

1/ World Bank, *World Development Indicators* CD ROM 2003

2/ UNDP, *Human Development Report*, 2000

3/ UNDP, *Human Development Report*, 2003

PREVIOUS IFAD FINANCING

Project/Programme	Initiating Institution	Cooperating Institution	Lending Terms	Board Approval	Loan Effectiveness	Current Closing Date	Loan/Grant Acronym	Denominated Currency	Approved Loan/Grant Amount	Disbursement (as % of approved amount)	
79	Byumba Rural Development Project	IFAD	AfDB	HC	17 Dec 81	1 Apr 83	30 Jun 90	G-I-86-RW L-I-79-RW	SDR SDR	920 000 9 080 000	100% 99%
150	Birunga Maize Project	IFAD	World Bank: IDA	HC	11 Sep 84	9 Oct 85	31 Dec 98	L-I-150-RW	SDR	3 750 000	87%
232	Gikongoro Agricultural Development Project	IFAD	World Bank: IDA	HC	30 Nov 88	22 Dec 89	30 Jun 01	G-I-528-RW L-I-232-RW	USD SDR	22 000 8 350 000	64% 100%
264	Byumba Agricultural – Phase II Development Project	IFAD	AfDB	HC	01 Oct 90	5 Nov 91	30 Dec 01	G-I-528-RW L-I-264-RW	USD SDR	22 000 6 350 000	50% 76%
314	Intensified Land Use Management Project in the Buberuka Highlands	IFAD	UNOPS	HC	02 Dec 92	23 Jul 96	30 Jun 04	L-I-314-RW	SDR	6 750 000	73%
500	Rural Small and Micro-enterprise Promotion Project	IFAD	UNOPS	HC	17 Apr 96	2 Mar 98	31 Dec 03	L-I-411-RW	SDR	3 750 000	69%
1059	Rwanda Returnees Rehabilitation Programme	IFAD	UNOPS	G	11 Sep 97	24 Oct 97	30 Jun 01	G-I-377-RW G-I-528-RW	SDR USD	2 100 000 22 000	100% 64%
1149	Umutara Community Resource and Infrastructure Development Project	IFAD	UNOPS	HC	04 May 00	5 Dec 00	30 Jun 11	G-I-45-RW G-I-96-RW L-I-537-RW	USD USD SDR	100 000 100 000 11 850 000	97% 91% 11%
1222	Umutara Community Resource and Infrastructure Development Twin Project	IFAD	UNOPS	HC	06 Dec 01	26 Sep 02		L-I-573-RW G-I-135-RW	SDR USD	9 400 000 100 000	17%
1232	Smallholder Cash and Export Crops Development Project	IFAD	UNOPS	HC	11 Dec 02			L-IL596-RW	USD	12 300 00	

Source : Country Strategic Opportunities Paper (COSOP), December 2003

LOGICAL FRAMEWORK

Descriptive Summary	Objectively Verifiable Indicators	Source	Risks (R) / Assumptions (A)
1. MAJOR OBJECTIVE			
1.1. Promotion of rural microenterprises for the vulnerable, to develop professional organizations to provide services to SMEs and to support the development of a national policy and dialogue platform for SMEs.	<ul style="list-style-type: none"> - Increases in rural incomes - Diversification of rural income sources - Improvements in rural livelihoods, particularly among the rural poor and women 	<ul style="list-style-type: none"> - National statistics - MINICOM statistics - Ministry for Finance and Economic Planning (MINECOFIN) studies and impact assessments - Project studies and impact assessments - UNOPS supervision reports - Project progress reports 	<ul style="list-style-type: none"> A. Stable socio-political and economic climate A. Effective decentralization policy A. Private sector incentives applied A. Legal recognition of SME professional organizations A. Synergy with other national and sectoral programmes R. Difficulties targeting the poorest R. Project objectives hijacked by local pressure groups
2. SPECIFIC OBJECTIVES			
2.1. To promote SMEs and set up a network of private sector operators and professional organizations for SMEs in the provinces to provide demand-driven services, focusing in particular on vulnerable groups.	<ul style="list-style-type: none"> - Number of new SMEs - No. of organized unions/associations - No. of organized federations - No. of concerned provinces (out of 11) - No. of concerned districts (out of 98) - No. of organized/registered Solidarity Credit Groups - No. of professional organizations capable of taking over project activities - No. of groups capable of providing support to SMEs 	<ul style="list-style-type: none"> - Activity reports of federations - Activity reports of SME associations - National statistics - Specific project reports/studies - Supervision reports - Consultancy reports - Project progress reports 	<ul style="list-style-type: none"> A. Government political initiative R. Poor capacity of private sector service providers A. Services provided to SMEs are transparent, simple and useful R. Low level of training of associations R. Focus on local pressure groups R. Support services exert too strong an influence R. Political interests dominate within POs
2.2. The technical, non-financial services supplied to SMEs have improved the technical capacities of enterprises and the quality and diversification of products	<ul style="list-style-type: none"> - Extent of appropriate technology uptake for improving production - Extent of new technology uptake for diversifying activities - Evolution of the financial profitability of activities - Number of available technologies included in the Technical Reference Guide in Kinya-Rwanda - Number of new technologies used by beneficiaries 	<ul style="list-style-type: none"> - National statistics - Studies and impact assessment reports - Regular project reports - Regular External Service Provider (ESP) reports - Supervision reports - Project progress reports - Technical Reference Guide 	<ul style="list-style-type: none"> A. Services provided to SMEs are transparent, simple and useful A. Improved literacy of the target group R. High production costs R. Resistance in adopting new technology
2.3. Technology promotion to improve quality of SME products			
2.3. Technology promotion to improve quality of SME products	<ul style="list-style-type: none"> - Increased production and sales - Diversification of activities - Increased quantity and quality of SME products - Adoption of improved technologies - Improved profitability 	<ul style="list-style-type: none"> - Activity reports of the public service sector - Activity reports of private bodies - National statistics - Regular project reports - Supervision reports - Consultancy reports - Project progress reports 	<ul style="list-style-type: none"> A. Possibility of increasing output and quality of production A. Adequate availability of inputs and a competitive pricing structure A. Increasing purchasing power R. Marketing capacity R. Negative price development for SME products and services R. Competition from imported products

2.4. Improved and increased financial services available to SMEs and POs	<ul style="list-style-type: none"> - Number of MFIs/banks providing services to SMEs - Number of loans to SMEs - Loan amount - No. of Solidarity Credit Groups - Savings deposited - Loans to vulnerable groups and women - Credit repayment 	<ul style="list-style-type: none"> - Activity reports of the public service sector - Reports from banks and MFIs - National statistics - Specific project reports/studies - Consultancy reports - Project progress reports 	<ul style="list-style-type: none"> A. Political will at the national and provincial level A. Transparent, simple and effective financial service delivery R. Low level of professionalism R. Inadequate presence and capacity by MFIs R. Inadequate capacity of POs
2.5. An operational system has been established that is capable of ensuring a diversified and lucrative market (internal and external) for SME products	<ul style="list-style-type: none"> - Demand for SME products and services exceeds the supply - Diversification of SME activities - Quantitative and qualitative progress of SME product development 	<ul style="list-style-type: none"> - Public service statistics - Reports by SME associations - Regular project reports - Supervision reports - Project progress reports 	<ul style="list-style-type: none"> A. Quantity and quality of production is ensured A. Lucrative prices and the availability of inputs are ensured A. Improved purchasing power of the local population R. Weak capacity and cohesion of associations R. Weak markets R. Price trends for SME products and services are negative
2.6. Development of a national stakeholder platform to exchange information and advise on policy, institutional and legal issues.	<ul style="list-style-type: none"> - Stakeholder platform established - Representatives selected and meetings held - Results of platform 	<ul style="list-style-type: none"> - Information reports, - Project progress reports 	<ul style="list-style-type: none"> A. Political support for platform A. Stakeholder willingness to participate. R. Unrepresentative participation R. Development from exchange platform into policy advisory function.

Descriptive Summary	Objectively Verifiable Indicators	Source	Risks/Assumptions
3. RESULTS			
Component 1			
R1 There is ample commitment to the project's SME development activities on the part of local groups and other stakeholders R2 All project partners appreciate the targeting of the most disadvantaged groups R3 Project methodology is understood and accepted by all partners	<ul style="list-style-type: none"> - Number of communities, cells and sectors wishing to participate in project activities - No. of partners from the public and private sector wishing to participate in project activities - No. of communities that have identified the most disadvantaged groups for receipt of project support - Percentage of SMEs that are part of the target groups 	<ul style="list-style-type: none"> - National statistics - Activity reports of the public service sector - Activity reports of private bodies - Regular project reports - Supervision reports - Consultancy reports - Project progress reports 	<ul style="list-style-type: none"> A. Enabling government policy A. Planned project activities are transparent, simple, and understandable A. ESPs are available and skilled A. Local teams & local project agents are effective A. Solid understanding of the project's objectives and approach on the part of professional organizations and local stakeholders R. Marginalization of the most disadvantaged population groups
R4 The mobilization of pre-selected communities has allowed communities to carry out diagnostic assessments and come to a preliminary identification of SMEs R5 Literacy levels of target groups have improved and contribute to better SME management -	<ul style="list-style-type: none"> - No. of SMEs identified for project funding - No. of functional adult literacy trainees - No. of trainees capable of reading and writing after the sessions - No. of apprentices trained in management - Activity reports of federations - No. of communities that have carried out an SME diagnostic assessment - No. of pre-selected communities - No. of diagnostic assessments carried out 	<ul style="list-style-type: none"> - Activity reports of associations - Regular project reports - Supervision reports - Consultancy reports - Project progress reports 	<ul style="list-style-type: none"> A. External Service Providers are available and skilled A. Solid understanding of the project's objectives and approach by professional organizations and local stakeholders R. Support services exert too much influence on community decisions A. Active beneficiary participation in functional adult literacy training R. Low levels of participation in functional adult literacy training by women and vulnerable groups

R6 Project activities have contributed to strengthening the management capacities of local institutions and locally elected representatives with respect to local development initiatives	<ul style="list-style-type: none"> - Number and frequency of provincial and district fora, themes, no. of participants - No. and frequency of national workshops, themes, no. and profile of participants - Extent to which these workshops and fora contribute to smooth project implementation 	<ul style="list-style-type: none"> - Activity reports of the public service sector - Activity reports of private bodies - Regular project reports - Supervision reports - Consultancy reports - Project progress reports 	<ul style="list-style-type: none"> A. Local institutions are committed to project objectives A. Planned project activities are transparent, simple, and understandable A. External Service Providers are available and skilled A. Solid understanding of the project's objectives and approach on the part of professional organizations and local stakeholders
R7 Project activities have contributed to ESP capacity-building with respect to SME support services	<ul style="list-style-type: none"> - Number of ESPs identified - No. of operational ESPs - No. and quality of ESP services provided 	<ul style="list-style-type: none"> - ESP activity reports - Regular project reports - Supervision reports 	<ul style="list-style-type: none"> A. Planned project activities are transparent, simple, and understandable A. ESPs are available and skilled
R8 Project activities have contributed to the emergence of professional organizations and to the strengthening of their capacities	<ul style="list-style-type: none"> - Number of registered professional organizations - No. of operational professional organizations - No. of SME support activities - No. of associations applying what they have learned during training sessions 	<ul style="list-style-type: none"> - Activity reports of federations - Activity reports of associations - Regular project reports - Supervision reports - Consultancy reports - Project progress reports 	<ul style="list-style-type: none"> A. Planned project activities are transparent, simple, and understandable A. Solid understanding of the project's objectives and approach on the part of professional organizations and local stakeholders R. Marginalization of the most disadvantaged population groups
R9 Project activities have contributed to the establishment of Community Solidarity Groups	<ul style="list-style-type: none"> - Number of Community Solidarity Groups registered - No. of Community Solidarity Groups operational - No. of Community Solidarity Group members who are MFI clients - No. of loans backed up by Community Solidarity Groups 	<ul style="list-style-type: none"> - ESP activity reports - Regular project reports - Supervision reports 	<ul style="list-style-type: none"> A. Planned project activities are transparent, simple, and understandable A. Solid understanding of the project's objectives and approach on the part of professional organizations and local stakeholders R. Marginalization of the most disadvantaged population groups

Descriptive Summary	Objectively Verifiable Indicators	Source	Risks /Assumptions
Component 2			
R10. SMEs earmarked for support have been identified on the basis of needs expressed during a participatory process in rural areas that targets the most disadvantaged groups	<ul style="list-style-type: none"> - Number of SMEs assisted compared to the proposals emerging from the community diagnostic assessments (by province and district) - Volume of investment requested per SME and total investments - Categorization of SMEs and investments requested by type/sector of activity 	<ul style="list-style-type: none"> - Regular project reports - Supervision reports - Consultancy reports - ESP activity reports - Project progress reports 	<ul style="list-style-type: none"> A. Enabling government policy A. Transparency and simplicity of the methodology R. Weaknesses of professional organizations R. Support services exert too much influence on decisions by professional organizations
R11. Investments identified at the grass-roots (SMEs) benefit from technical and financial support from the project	<ul style="list-style-type: none"> - Number and percentage of SMEs financed with respect to the no. and percentage of SMEs requesting financing and investments - Categorization of SMEs and investments funded by type/sector of activity - Average time the project takes to respond and average time it takes to implement - Quantity and quality of technical assistance to SMEs - No. and categories of in-/direct SME beneficiaries 	<ul style="list-style-type: none"> - National statistics - Activity reports of the public service sector - Activity reports of private bodies - ESP activity reports - Regular project reports - Supervision reports - Consultancy reports - Project progress reports 	<ul style="list-style-type: none"> A. Transparency, simplicity and usefulness of the services provided to SMEs R. Public and private support service providers are not very professional R. MFIs provide little support R. Weaknesses of professional organizations R. Support services exert too much influence on decisions by professional organizations
R12. There is substantial participation by communities and their organizations in the implementation of activities	<ul style="list-style-type: none"> - Nature and percentage of community contributions to SME financing (by SME category) - Number of SMEs established by local population groups and their professional organizations alone - Implementation of work by type of implementing body - Degree of participation of professional 	<ul style="list-style-type: none"> - MINICOM statistics - Activity reports of the public service sector - Activity reports of private bodies - ESP activity reports - Regular project reports - Supervision reports - Consultancy reports 	<ul style="list-style-type: none"> A. Enabling government policy A. Transparency and simplicity of the methodology R. Weaknesses of professional organizations R. Support services exert too much influence on decisions by professional organizations R. Weak mobilization of local contributions within the timeframe and norms agreed upon

	<p>organizations, youth and women in the implementation and management of SME activities</p> <ul style="list-style-type: none"> - Nature of the contribution of local institutions and locally elected representatives to implementation 	<ul style="list-style-type: none"> - Project progress reports 	<p>R. Low interest and qualifications of small local entrepreneurs</p>
<p>R13. Methodology and training activities have created the necessary conditions for practical SME replication</p>	<ul style="list-style-type: none"> - Number of new SMEs established and/or replicated spontaneously following project activities 	<ul style="list-style-type: none"> - ESP activity reports - Regular project reports - Supervision reports 	<p>A. Enabling government policy A. Transparency and simplicity of the methodology</p>
<p>R14. Cross-cutting activities and other support measures contributing to SME development have been carried out</p>	<ul style="list-style-type: none"> - Number of study themes and action-research protocols for SME development - Nature and volume of information provision services and other marketing support activities 	<ul style="list-style-type: none"> - Activity reports of the public service sector - Activity reports of private bodies - ESP activity reports - Regular project reports - Supervision reports 	<p>A. Transparency and simplicity of the methodology A. Partners in SME development are skilled</p>
<p>R15. The promotion of new and appropriate technologies has contributed to improving SME performance and activity diversification</p>	<ul style="list-style-type: none"> - Evolution of the financial profitability of activities following the uptake of new & adapted technologies - No. of SMEs by commodity chain/subsector that have adopted new technologies - No. and nature of new production technologies fine-tuned and disseminated - No. of new SME activities resulting from adoption of other technologies - No. of crafts persons and institutes supported by technical assistance - Quantities sold and prices of SME products 	<ul style="list-style-type: none"> - ESP activity reports - Regular project reports - Supervision reports - Consultancy reports - Project progress reports 	<p>A. Transparency and simplicity of the methodology A. Availability of the Technical Reference Guide R. Weaknesses of professional organizations R. Support services exert too much influence on decisions by professional organizations</p>

Descriptive Summary	Objectively Verifiable Indicators	Source	Risks/Assumptions
Component 3			
<p>R16. A network of new and strengthened existing MFIs is operational, financially viable and autonomous</p>	<ul style="list-style-type: none"> - Number of MFIs established and effective membership and evolution thereof - No. of new members and evolution of strengthened MFIs - Proportion of women in new MFIs - Relative membership (no. of members/target group) - Financial ratios of new MFIs 	<ul style="list-style-type: none"> - Reports of MFI supervisory bodies - M&E reports and activity reports of the BNR and BRD - Records kept by MFIs supported - Impact assessments - Regular project reports - Supervision reports 	<p>A. Registration procedures for MFIs are short A. Reliable financial partners exist A. Complementarity between project funding to MFIs and other credit sources</p>
<p>R17 POs improve the quality of the loan portfolio by supporting SMEs and MFIs</p>	<ul style="list-style-type: none"> - Level of training, loans and repayment - Solidarity groups established - Loan applications/issued - Repayment 	<ul style="list-style-type: none"> - Reports of MFI supervisory bodies - M&E reports and activity reports of MFIs/banks. - Regular project reports - Supervision reports 	<p>R. Inadequate support from enterprise trainers R. Inadequate attention to target group A. Capacity of technical assistance to provide adequate support</p>
<p>R18. Institutions specialized in microfinance are strengthened and national bodies functional</p>	<ul style="list-style-type: none"> - Number of institutions that have received project support - Emergence of new institutions - Functioning of national bodies 	<ul style="list-style-type: none"> - Reports of MFI supervisory bodies - Reports of the participating MFIs/banks - Regular project reports - Supervision reports 	<p>A. The MFI regulatory framework has been elaborated within a short timeframe and has been well adapted A. Specialized institutions are well qualified A. Registration procedures for MFIs are short A. Reliable financial partners exist</p>
<p>R19. Improved access by SMEs to savings and start-up credit</p>	<ul style="list-style-type: none"> - Increased capitalization of SMEs - Access to savings and credit 	<ul style="list-style-type: none"> - M&E reports and activity reports of the BNR and BRD - Regular project reports - Supervision reports 	<p>A. LFCs reach a membership of 30 000 and 60 000 start-up loans . R. Inadequate savings prevent the issuing of credit. R. Inadequate follow-up by LFCs.</p>
<p>R20. Access to normal credit by disadvantaged groups evolves</p>	<ul style="list-style-type: none"> - Rise in the number of beneficiaries - Proportion of women and youth among 	<ul style="list-style-type: none"> - Reports of MFI supervisory bodies - M&E reports and activity reports of the BNR and 	<p>A. Registration procedures for MFIs are short A. Reliable financial partners exist</p>

progressively as a result of the apprentice programme	beneficiaries - Amounts and volume of loans given out - Types of activities and sectors financed - No. of start-up capital loans given out and recovery rate - No. of Investment Fund loans given out & paid back	BRD - Records kept by supported MFIs - Impact assessments - Regular project reports - Supervision reports	A. Complementarity between MFI project funding and other credit sources A. Specialized institutions are well qualified R. MFIs are not available and weak
R21. The POs support the development of LFCs in credit start-up and savings	- Number of LFCs - Support provided by the POs	- Reports of the POs and LFCs - Regular project reports - Supervision reports	A. Establishment of 80 LFCs R Inadequate support from POs
R22 Sustainability of the LFCs, its Cooperative Union and technical services.	- The Cooperative Union approved by the BNR - The Permanent Support Institution (PSI) for technical support operational and self-sufficient - POs actively involved in monitoring LFCs - LFCs become self-sufficient	- Agreement with BNR - Progress report from PSI - Audits	R. Delay in finalizing the cooperative agreement R. Higher credit risks threatening sustainability R. Low productivity of SMEs threatening service payments
R23 Establishment of institutions delivering normal credit to SMEs	- Number of branches issuing normal credit to SMEs, - Number of loans issued	- Reports from banks, - Reports from POs - Project progress reports	R. Insufficient credit institutions and/or limited release of credit due to poor relations among banks/POs/SMEs.
R24. Investment credit to leader SMEs	- Number of banks (branches) involved, - Number of loans issued	- Reports from banks, - Reports from Pos - Project progress reports	R. Insufficient credit institutions and/or limited release of credit due to poor relations among banks/OPs/SMEs.
R25. Refinancing by banks of the LFCs	- Number of banks (branches) involved, - Number of loans	- Reports from LFCs and banks - Reports from PSI - Project progress reports	R. Insufficient credit institutions and/or limited release of credit due to poor relations among banks/POs/SMEs.
R26. Support measures (studies, assistance) have been implemented	- Number of studies carried out - Time needed to provide, and quality of, technical support services - Time needed and pace of MFI registration by BNR - Efficiency of the MFI supervisory system	- M&E reports and activity reports of the BNR and BRD - Impact assessments - Regular project reports - Supervision reports	A. Transparency and simplicity of relations with ESPs A. Partners active in SME development are well qualified

Descriptive Summary	Objectively Verifiable Indicators	Source	Risks/Assumptions
Component 4			
R 27. The resources, resource management and activity implementation mechanisms of the project have been fine-tuned and are operational	- No. and qualifications of human resources involved in project coordination and management (PCU and decentralized offices) - The management system and operations guidelines work well - Equipment and means to cover operational costs have been mobilized - Number of ESPs (and their qualifications) and consultants mobilized by topic, effectiveness and cost - Training activities at the PCU and beneficiary level - Observance of the activity implementation plan	- Regular project reports - M&E reports - Annual audit reports - Supervision reports - Consultancy reports - Project progress reports - National statistics - ESP activity reports	A. Human and physical resources are rapidly made available by IFAD and the Government A. Contract management is well organized A. Good division of responsibilities between the PCU and the decentralized offices A. Good cooperation with other ministries R. Poor qualifications of project officers R. Low commitment of officers to project activities R. Low degree of beneficiary participation in project activities
R28. The 'hardware' and 'software' for coordination and M&E are established and functional	- The system of coordination works well - The M&E system works well - Degree of activity by provincial and district fora - Degree of collaboration with other donors - Frequency of supervision missions	- Regular project reports - M&E reports - Annual audit reports - Supervision reports - National statistics - ESP activity reports	A. Contract management is well organized A. Good division of responsibilities between the PCU and the decentralized offices A. Good cooperation with other ministries R. Poor qualifications of project officers R. Low commitment of officers to project activities

			R. Low degree of beneficiary participation in project activities
R29. Decentralized offices are functional and project activities are increasingly decentralized	<ul style="list-style-type: none"> - Functioning of decentralized offices - Number of SMEs approved, funded and established by the decentralized offices - The system of coordination at the decentralized level works well - The M&E system at the decentralized level works well 	<ul style="list-style-type: none"> - Regular project reports - M&E reports - Annual audit reports - Project studies - Supervision reports 	<ul style="list-style-type: none"> A. Human and physical resources are rapidly made available by IFAD and the Government A. Good division of responsibilities between the PCU and the decentralized offices A. Provincial and district fora are effective R. Poor qualifications and commitment of project officer R. Low degree of beneficiary participation in project activities R. Weak cooperation and collaboration among decentralized line agencies
R30. The conditions for the withdrawal of project support and for the sustainability of activities correspond	<ul style="list-style-type: none"> - Number of sectors (by province) with good SME development, where SMEs work without project support - Degree of collaboration with other donors - Number of sectors (by province) with good SME development, where SMEs work with limited project support 	<ul style="list-style-type: none"> - Regular project reports - M&E reports - Annual audit reports - Supervision reports - Consultancy reports - Project progress reports - ESP activity reports 	<ul style="list-style-type: none"> A. Good collaboration with project partners R. Poor qualifications of project officers R. Low commitment of officers to project activities R. Low degree of beneficiary participation in project activities R. Weak capacity and cohesion of professional organizations
4. ACTIVITIES	Budget	USD	
A. Capacity-building	Component 1	2.08 million	
B. SME support	Component 2	6.4 million	
C. Rural MFI support	Component 3	3.05 million	
D. Project coordination and management	Component 4	3.2 million	
TOTAL		14.7 (17.6 million with contingencies)	

RURAL POVERTY, MAIN PROBLEMS TO BE SOLVED, GOVERNMENT AND IFAD PRIORITIES

Priority Areas	Government	IFAD	Major Issues	Actions Needed
Decentralization	High	High	<p>Very recent experience, in practice :</p> <ul style="list-style-type: none"> • Government and donor attention concentrated at the provincial and district levels, much less attention paid to the lower levels of local governments, which are much nearer to IFAD's target group. • Government and donor culture still induces excessive transfer dependency, peoples' priorities assessed using the concept of 'priority needs' impedes identification of effective demand and seizing of real stakeholder commitment. • Limited technical and managerial capacity of decentralized units of line ministries. • Inadequate training on how to operate more autonomously • Cultural resistance to bottom-up planning in certain circles • Relationships with provincial and district authorities and with central headquarters not well defined under decentralization • Role of development committees (cell, sector, and district) vis-à-vis decentralized units of line ministries still poorly defined • More progress on fiscal decentralization linked with improved expenditure control. 	<ul style="list-style-type: none"> • Design projects to help strengthen local government at the cell and sector level, develop the emerging self-help culture, minimize transfer dependency; and turn 'beneficiaries' into 'local development partners'. • Help cell and sector coordinators perform local government functions: mobilize peoples initiatives; promote self-help, common-interest group formation; plan rather than implement local projects of common interest groups; and facilitate access to external resources from all sources, including technical assistance to design microprojects. • Support service provision requested by local communities through cell and sector coordinators, insist on community contribution adequate to secure local commitment to operate and maintain supported micro projects. • Train decentralized units of line ministries to understand and apply effective participatory approaches. • Support central government in developing relationships with decentralized units that will lead to more autonomy in planning and implementing activities.
Support to microfinance institutions	Moderate	High	<ul style="list-style-type: none"> • Concentration of government and donor attention on the need for 'credit' results and inadequate attention to opportunities for rural savings mobilization by institutions that would invest in the areas where such savings are mobilized. • Absence of capillary structured rural financial markets in which microinstitutions provide financial services on a sustainable basis to local creditworthy clients and establish commercial relationships with commercial, development and people's banks. • Lack of an adequate, flexible, and realistic legal framework conducive to the development of a sustainable network of farmer-initiated and managed microfinance institutions. 	<ul style="list-style-type: none"> • Stop asking commercial, development and people's banks to do what they are not designed to do • Support any scheme that would promote the establishment of sustainable rural financial intermediaries with full participation by the people • Assist the Government in drafting adequate legislation to create an enabling environment for rural financial services, protect savings, make credit accessible to the poor at whatever interest they are willing to pay, and open the door to viable financial relationships among local microfinance institutions and commercial and development banks
Technology generation and transfer in cropping and livestock	High	High	<ul style="list-style-type: none"> • Still a top-down 'extension service'. • Limited staffing, too many vacant posts, inadequate training of the staff of the decentralized units of MINAGRI and insufficient operational resources at their disposal. • Not enough demand-driven research. • Poor evaluation of the impact of technical packages and inputs distributed to farmers. • Limited relationships between research and extension officers and generally loose coordination between research programmes and extension activities. 	<ul style="list-style-type: none"> • Introduce participatory diagnosis of farmers' problems. • Identify genuine innovators among farmers (including women) and work with them on their own innovations and to test technician-initiated innovations. • More demand-driven research on technologies that can be easily adopted by all farmers to solve the problems being experienced. • Ensure that farmers request solutions conducive to improved soil and soil-fertility conservation. • Complete range privatization on an equitable basis and with due attention to the current role of livestock in farming systems.
Promotion of rural small and microenterprises engaged in non-farming income-generating activities	Moderate	High	<ul style="list-style-type: none"> • A number of small projects of private NGOs and international donors support SMEs in different, often unsustainable ways and in an uncoordinated manner. • Limited knowledge about the current state, development 	<ul style="list-style-type: none"> • Improve activities initiated under the IFAD RSMEPP and spread them to other areas. • Coordinate SME promotion activities with development of rural financial markets and microfinance institutions and with measures

Priority Areas	Government	IFAD	Major Issues	Actions Needed
			<p>potential and needs of the subsector.</p> <ul style="list-style-type: none"> • Vague government development strategy for the subsector, lack of linkages with technical training programmes, policies to improve product markets, marketing skills and infrastructure, and programmes to develop rural financial markets. 	<p>aimed at improving market information, skills and organizations.</p> <ul style="list-style-type: none"> • Develop linkages with appropriate private operators that can provide innovative market linkages and methods
Support to community infrastructure	High	High	<ul style="list-style-type: none"> • Safe water supply is still a problem in many parts of the country. • People are ready to form water committees, contribute to investment and establish facility maintenance funds, but matching funds are inadequate to meet demand. • People are ready to pay for smaller quantities of water than those set by the Government as the standard for project design. • Insufficiently developed network of private enterprises stocking spare parts and providing other maintenance services. • Need for more health centres, sustainable policy to ensure adequate stock of medicines, and doctors and trained nurses. • Need for a fund to finance small infrastructure requested by the community on a matching grant basis, with full devolution of investment decisions to the community level. 	<ul style="list-style-type: none"> • Increase resources for water supply in support of policies aiming at investment cost-sharing with communities, and full recovery of operation and maintenance costs. • Make contracts for equipment supply to small water projects subject to establishment of a network of after-sale services by private suppliers. • Reduce government standards to match demand. • Support government policy in improving health care facilities sustainably, including support to private and NGO initiatives. • Increase national campaigns to fight AIDS. • Support local initiatives to develop community infrastructure with small matching grant funds devolved to community level, introducing the concept of using a list of non-eligible activities, and the principle of ex-post control to activate fund disbursement.
Gender	Moderate	High	<ul style="list-style-type: none"> • Inadequate training of gender officers at the provincial and district level • Insufficient basic education of rural women, limited support to poor women to access higher education • Lack of attention to specific needs of women for training in technical skills • Ineffective implementation of measures designed to increase women's participation and proactive role in development project activities 	<ul style="list-style-type: none"> • Train gender officers • Concentrate on those activities that women's groups consider most important • Outsource implementation of women-in-development activities to qualified NGOs • Build a truly 'equal opportunities' environment, rather than earmarking posts for women irrespective of their interests, motivations and qualifications • Support active women's groups in acquiring influence in local governments

PRIORITY NEEDS OF TARGET GROUPS AND PROJECT PROPOSALS

Typology of Local Partners	Expected Effective Demand	Project Response
Vulnerable households	<ul style="list-style-type: none"> • Off-season employment opportunities • Ways to increase own food production • Improved access to land • Access to social services • Access to assets other than land • Fuelwood 	<ul style="list-style-type: none"> • Support rural small and microenterprises • Involve vulnerable households in project activities (group participation) • Match investment contributions expected from vulnerable households to their effective capacity to share costs
Poor and average households	<ul style="list-style-type: none"> • Safe water supply • Access to education • Improved access to health care • Access to financial services • Fuelwood supplies 	<ul style="list-style-type: none"> • Support rural infrastructure • Provide functional literacy programmes (particularly for women) • Develop microfinance institutions based on savings mobilization and 'kick-start' grants • Promote private nurseries and agroforestry
Smallholder crop farmers	<ul style="list-style-type: none"> • Higher-yielding planting material for food crops • Ways to obtain better producer prices for surplus production • Linkages to markets for cash crops and inputs to increase cash-crop production • Technologies for soil and soil-fertility conservation that can be adopted under current economic conditions and land ownership fragmentation 	<ul style="list-style-type: none"> • Support private, improved seed multiplication • Promote seed marketing under accurate labelling • Design cash-crop promotion project based on farmers' associations and linkages with private enterprise • Introduce a new approach to technology generation and transfer • Support provincial agricultural research stations • Exchange information and experiences internationally and interregionally on successful agricultural technology development
Owners of large livestock	<ul style="list-style-type: none"> • Ways to improve productivity of grazing areas and to produce and conserve fodder without reducing other crop production • Access to grazing areas for cattle • Better animal health services • Assistance to improve cattle production potential (milk) • Access to better marketing and processing facilities 	<ul style="list-style-type: none"> • Establish adaptive research and technology testing • Support equitable range privatization • Support private paraveterinarians • Help Government enact adequate legislation regulating paraveterinarians
Small-stock owners (mostly women)	<ul style="list-style-type: none"> • Assistance in restocking • Better animal health care • Better animal production technology and access to inputs 	<ul style="list-style-type: none"> • Support private paraveterinarian services for women • Support women's groups in trading in inputs
Small family rural enterprises and medium-sized rural entrepreneurs	<ul style="list-style-type: none"> • Better access to markets • Technical training • Credit and other forms of start-up financial support 	<ul style="list-style-type: none"> • Extend RSMEPP activities • Advise on adapted technologies and support private technicians skilled in microproject preparation • Establish linkages with development of rural financial markets

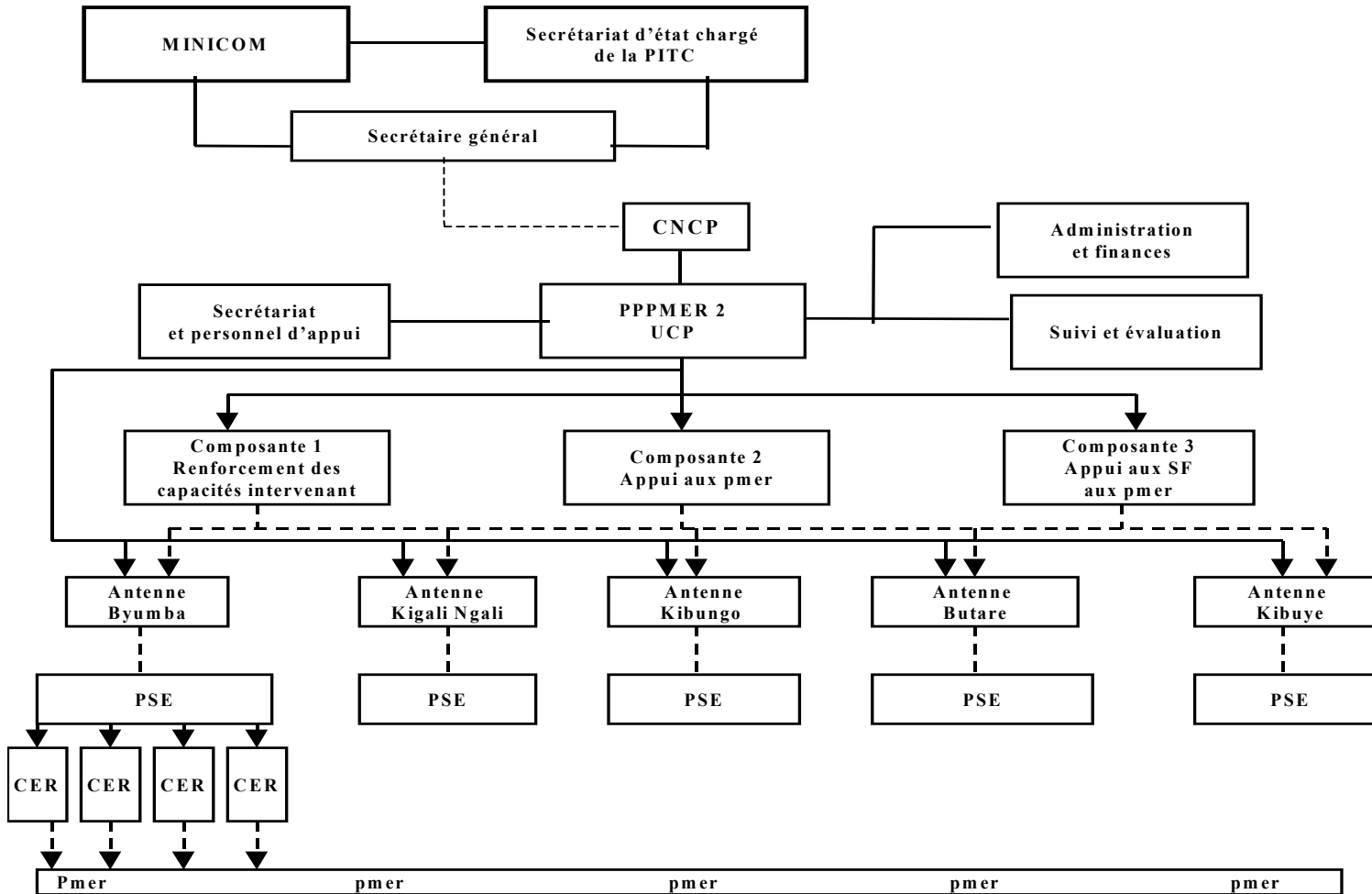
RESPONSIBILITY MATRIX FOR PROJECT IMPLEMENTATION

Who	Sensitization Information (SI)	Participatory Diagnostic Assessment	Planning for Priority SMEs	Implementation Priority SMEs
Rural population groups <ul style="list-style-type: none"> - SME promoters - Farmers - Different social groups - Associations - Grass-roots/professional organizations - ... 	<ul style="list-style-type: none"> - Setting up of SI sessions - Community mobilization - Active participation of local population groups in SI sessions 	<ul style="list-style-type: none"> - Mobilization of different groups - Setting up the participatory diagnostic assessment - Active participation of different representative groups - Ownership of the diagnostic assessment 	<ul style="list-style-type: none"> - Active participation of various groups - Preparation and ownership of SMEs by local groups - Identification of cash and in-kind contributions by local groups - Submission of requests for support to partners - Negotiations with partners 	<ul style="list-style-type: none"> - Mobilization of beneficiaries - Partnership organization - Work organization - Active participation in SME establishment - Ownership of implemented activities - Contributions (partial financing, work, local materials) - Internal monitoring and self-evaluation
Vulnerable groups <ul style="list-style-type: none"> - Women - Unemployed youth - Former army youth - Families affected by HIV/AIDS - Migrants - Rural landless poor 	<ul style="list-style-type: none"> - Setting up of SI sessions - Community mobilization - Active participation of local groups in SI sessions 	<ul style="list-style-type: none"> - Mobilization of various groups - Setting up the participatory diagnostic assessment - Active participation of different representative groups - Ownership of the diagnostic assessment 	<ul style="list-style-type: none"> - Active participation of various groups - Preparation and ownership of SMEs by local population groups - Identification of cash and in-kind contributions by local groups - Submission of requests for support to partners - Negotiations with partners 	<ul style="list-style-type: none"> - Mobilization of beneficiaries - Partnership organization - Work organization - Active participation in SME establishment - Ownership of implemented activities - Contributions (cofinancing, work, local materials) - Internal monitoring and self-evaluation
Specialized external partners <ul style="list-style-type: none"> - NGOS, associations - Beneficiaries, members of the private sector (consultants, crafts persons, etc.) - Projects 	<ul style="list-style-type: none"> - Facilitation - Methodological support - Implementation 	<ul style="list-style-type: none"> - Methodological support as requested by beneficiaries - Technical assistance by request 	<ul style="list-style-type: none"> - Methodological support by request - Technical assistance by request - Negotiations by request 	<ul style="list-style-type: none"> - Technical assistance by request - Partnership - Financing - M&E
Technical line agencies <ul style="list-style-type: none"> - MINICOM - MINECOFIN - MINAGRI - ... 	<ul style="list-style-type: none"> - Facilitation - Methodological support - 	<ul style="list-style-type: none"> - Methodological support as requested by beneficiaries - Technical assistance by request 	<ul style="list-style-type: none"> - Methodological support by request - Technical assistance by request - Negotiations by request 	<ul style="list-style-type: none"> - Technical assistance by request - Partnership - Financing - M&E
Local public administration <ul style="list-style-type: none"> - Provincial officers - District officers 	<ul style="list-style-type: none"> - Facilitation 	<ul style="list-style-type: none"> - Participation - Advice, relationship with provincial and district plans 	<ul style="list-style-type: none"> - Participation - Advice, relationship with provincial and district plans - Transmission to partners - Participation in negotiations 	<ul style="list-style-type: none"> - Administrative support - Legal support - Partnership - Monitoring
Locally elected representatives <ul style="list-style-type: none"> - District officers - Other local government bodies 	<ul style="list-style-type: none"> - Organizational support - Active participation 	<ul style="list-style-type: none"> - Active participation - Ownership 	<ul style="list-style-type: none"> - Active participation - Ownership - Search for funding - Negotiations 	<ul style="list-style-type: none"> - Active participation - Partnership - Cofinancing - Implementation - Internal monitoring

ORGANIGRAMME DU PROJET

PROJET POUR LA PROMOTION DES PETITES ET MICRO ENTREPRISES RURALES

ORGANIGRAMME DU PPPMER 2



PITC Promotion des investissements, du tourisme et des coopératives
 — Relations hiérarchiques
 - - - Relations non hiérarchiques

