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REPORT AND RECOMMENDATION OF THE PRESIDENT

TO THE EXECUTIVE BOARD ON PROPOSED FINANCIAL ASSISTANCE TO THE

REPUBLIC OF CHAD

FOR THE

BATHA RURAL DEVELOPMENT PROJECT

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CURRENCY EQUIVALENTS

Currency unit	=	CFA franc (XAF)
USD 1.00	=	XAF 550
XAF 1.00	=	USD 0.001818

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	=	0.405 hectare (ha)
1 ha	=	2.47 acres

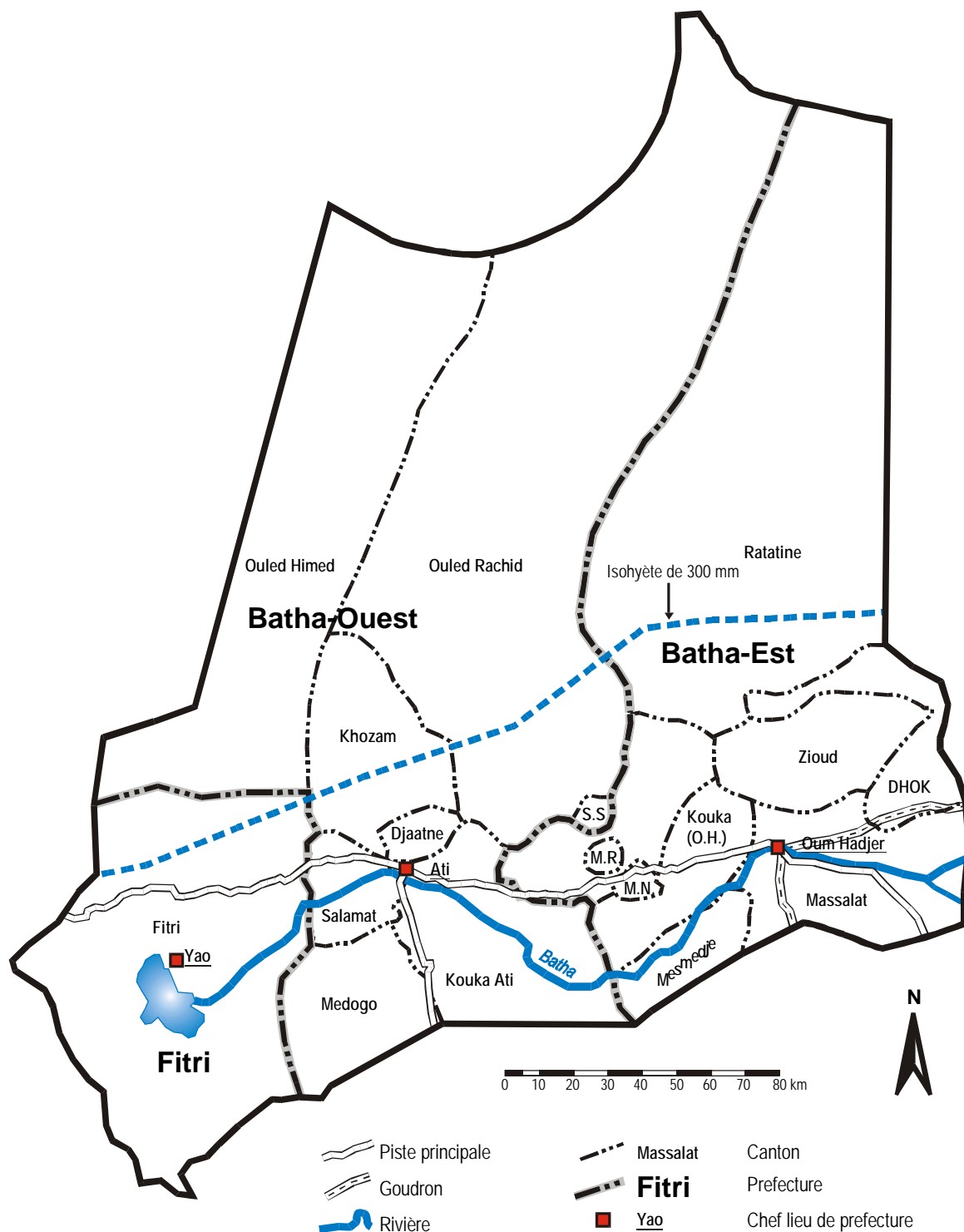
ABBREVIATIONS AND ACRONYMS

AWP/B	annual workplan and budget
CFA	self-managed funds (<i>caisses financières autogérées</i>)
M&E	monitoring and evaluation
PCU	project coordination unit
PRODER-K	Kanem Rural Development Project
PSANG	Food Security Project in the Northern Guéra Region
PSC	project steering committee
UNOPS	United Nations Office for Project Services

GOVERNMENT OF THE REPUBLIC OF CHAD**Fiscal Year**

1 January – 31 December

MAP OF THE PROJECT AREA



Source: Appraisal Report.

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

REPUBLIC OF CHAD
BATHA RURAL DEVELOPMENT PROJECT

FINANCING SUMMARY

INITIATING INSTITUTION:	IFAD
RECIPIENT:	Republic of Chad
EXECUTING AGENCY:	Ministry of Crop-based Agriculture
TOTAL PROJECT COST:	USD 15.0 million
AMOUNT OF IFAD FINANCING:	Loan: SDR 8.4 million (equivalent to approximately USD 12.8 million) Grant: SDR 270 000 (equivalent to approximately USD 400 000)
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 RECIPIENT:	USD 1.3 million
CONTRIBUTION OF BENEFICIARIES:	USD 541 000
APPRAISING INSTITUTION:	IFAD
COOPERATING INSTITUTION:	United Nations Office for Project Services

PROJECT BRIEF

Who are the beneficiaries? Project beneficiaries are the rural poor of the Batha region living in areas with serious problems of soil degradation and with limited access to resources (land in particular). Vulnerable groups comprise small subsistence farmers who depend for their livelihoods on rainfed farming activities. Women and youth are particularly vulnerable as they are traditionally excluded from decision-making processes and, compared with men, face greater difficulties in accessing resources and information.

Why are they poor? Low agricultural productivity, few income-generating activities and lack of access to financial services are the main causes of poverty in the project area. Local communities are rarely involved in decision-making. They also face other important constraints such as the lack of resources and weaknesses in the service delivery system.

What will the project do for them? The project will help strengthen the capacity of the rural poor in the project area (in particular, women, young people and farmers' groups, unions and communities). Once empowered, the rural poor will be able to analyse and identify their own development constraints, prioritize their problems and formulate and implement their own projects. The project will provide financial assistance to support microprojects that will be prepared and owned by the beneficiaries and will aim at improving agricultural productivity and protecting the environment. It will promote the development of a distribution system for agricultural inputs, in particular seeds. Furthermore, it will provide financial assistance so that communities can construct waterholes and boreholes, set up water-harvesting schemes for *berbéré* (lowland millet) and home-garden production, and rehabilitate a few key rural and feeder roads to allow access to high-potential production zones. The project will also support the development of an appropriate and sustainable rural financial system capable of providing financial services to the rural poor.

How will the beneficiaries participate in the project? Participatory diagnostic and planning processes will ensure that target beneficiaries, particularly women and youth, effectively participate in determining which microprojects should obtain project financing. Target communities and beneficiaries will plan and prioritize their needs and manage the resources received from the project. The managerial and technical capacities of farmers' groups, unions and communities will be strengthened and their negotiating skills reinforced.

How was the project formulated? Project formulation has been highly participatory. A workshop was held in Ati, during which preliminary findings were presented to concerned stakeholders. Participants included: regional and departmental staff from the Ministries of Crop-based Agriculture, Livestock, and Water Resources and the Environment; beneficiaries; and local government and other local entities (traditional leaders, non-governmental organizations, farmers' organizations and the private sector). There was also significant consultation with donors, including the European Union, the Food and Agriculture Organization of the United Nations, the French Development Agency, the German Agency for Technical Cooperation, the United Nations Development Programme, the World Bank and the World Food Programme.

**REPORT AND RECOMMENDATION OF THE PRESIDENT OF IFAD
TO THE EXECUTIVE BOARD ON PROPOSED FINANCIAL ASSISTANCE TO THE
REPUBLIC OF CHAD
FOR THE
BATHA RURAL DEVELOPMENT PROJECT**

I submit the following report and recommendation on proposed financial assistance to the Republic of Chad, comprising a loan of SDR 8.4 million (equivalent to approximately USD 12.8 million) on highly concessional terms and a grant of SDR 270 000 (equivalent to approximately USD 400 000) to help finance the Batha Rural Development Project. The loan will have a term of 40 years, including a grace period of ten years, with a service charge of three fourths of one percent (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 the Agricultural Sector

1. Chad has considerable agricultural development potential: it has an estimated 20 million hectares (ha) of arable land (of which only about 6% is actually cultivated) and 350 000 ha of irrigable land (of which only 7 000 ha are currently irrigated). Cereals are the main foodstuffs, while grain production levels depend mainly on climatic conditions. Livestock development has great potential, and livestock has an important social and economic role for about 40% of the population. The main constraints to agricultural development are adverse climatic conditions (for the Sahelian regions); lack of infrastructure; insufficiently productive and diversified agro-forestry, farming and livestock systems; degradation of natural resources due to high vulnerability to drought; and lack of or inadequate agricultural services, including rural finance.

2. The agricultural and service sectors dominated the country's economy before the arrival of oil production. These two sectors represented 39% and 49% of GDP, respectively. Furthermore, the agricultural sector and informal activities accounted for 70% of GDP. The structure of Chad's economy has now changed: with oil revenues, GDP growth is expected to be around 45.1% in 2004. A 1999 law stipulates that direct revenues from oil will be deposited in an escrow account, and that 80% of oil resources will be used for main priority sectors (health, education, infrastructure, rural development, environment and water). With oil resources, per capita GDP was expected to increase from USD 184 in 2000 to USD 321 in 2004. Before the arrival of oil, agricultural products (cotton and livestock, in particular) provided about 80% of Chad's export revenues.

3. Women are often marginalized – this, despite the fact that they outnumber men and play an important role in the rural economy. Customary power is still discriminatory towards women and limits their access to information, technology, training and financial resources. The main constraints facing women in rural areas are their high illiteracy rates, heavy workloads and considerable social and family responsibilities.

¹ See Appendix I for additional information.

B. Lessons Learned from Previous IFAD Experience

4. To date, IFAD has approved four loans to Chad for a total amount of SDR 29.8 million: the first and second phases of the Food Security Project in the Northern Guéra Region (PSANG I and II); the Ouadis of Kanem Agricultural Development Project (PDAOK); and the Kanem Rural Development Project (PRODER-K). PSANG I was closed on 30 June 2001 and PDAOK on 30 June 2002. In addition to loans, Chad has received a significant amount of grant funds, including two Belgium Survival Fund Joint Programme (BSF.JP) grants totalling about BEF 240.4 million, a supplementary grant of about USD 1 million from the Italian Government and IFAD grants to the tune of about USD 732 000.

5. **Lessons of experience.** Although IFAD's experience in Chad is recent (the first project became effective in 1992), a number of lessons can be drawn from the various project evaluation and review exercises:

- (i) Competent public institutions and services are lacking in the rural areas where IFAD projects are located. As a result, these projects have worked to strengthen the capacities of producer groups and unions.
- (ii) Demand for appropriate financial services is high. Despite this, when implementing its financial services component, PDAOK only managed to establish a small number of self-managed financial institutions. The lesson is that the establishment of any financial system should be well thought-out and adapted to the local context in order to ensure sustainability. In terms of credit reimbursement, women's groups outperformed men's groups. Consequently, every effort should be made to streamline institutional arrangements, improve the capacities and skills of women in particular, and promote greater decentralization.
- (iii) If empowered, beneficiaries – especially women farmers – participate effectively in planning, design and implementation processes. Functional literacy is therefore essential. Providing support to grass-roots organizations and strengthening their capacities (through, for example, functional literacy training) are key ways to ensure local involvement in village-level activities. Functional literacy and nutrition training have contributed to the improvement of child nutrition in the PDAOK project area.
- (iv) Traditional forms of credit provision are neither adaptable nor sustainable. To ensure sustainability, a financial service should be built up from the grass roots with full beneficiary participation. The four self-managed financial services established by PDAOK are effectively owned by the beneficiaries themselves.

C. IFAD's Strategy for Collaboration with Chad

6. **Chad's policy for poverty eradication.** With a gross national income per capita of about USD 210 (2002), Chad is one of the poorest countries in the world. Due to mortality and male migration, the ratio of women to men is exceptionally high: about 23% of all households are woman-headed. Some 54% of the country's population live below the poverty line and poverty affects every region of Chad. The central areas, where both ongoing IFAD-financed projects are located, are more exposed to food insecurity. In the southern zone, although school enrolment is higher, health indicators are lower.

7. The prevalence of poverty is high among woman-headed households. Women in rural areas are also economically and socially more vulnerable since they have limited access to land, financial resources and knowledge. They are the backbone of the rural economy in Chad and play an important

role in agriculture. They are also responsible for practically all work on the household fields. In addition to agricultural labour, women are exclusively responsible for most household chores (except house construction), including caring for children, cooking and fetching water and firewood. All social indicators are skewed against women. Moreover, public support services tend to focus on men and are largely staffed by men.

8. The Government's policy and strategy for rural and agricultural development are outlined in the revised version of a development plan called Preparing Chad to meet the Challenges of the Twenty-First Century. The Government's strategy for rural development is to: (i) increase production and agricultural productivity; (ii) promote competitive crops; (iii) ensure better natural resource management, including the valorization and protection of natural resources; and (iv) enable rural communities to actively participate in and lead their own development. The strategy also stresses the need to improve public-sector efficiency and to create a synergy between the extension service and training and research.

9. An interim poverty reduction strategic paper was prepared in June 2003. Chad is qualified for assistance under the Debt Initiative for Heavily Indebted Poor Countries, to which IFAD contributes about USD 1.1 million.

10. **Poverty eradication activities of other major donors.** Some interventions in the proposed project area support the implementation of the decentralization process. These include two projects financed by the World Bank: (i) the newly launched Agricultural Services and Producer Organizations Project (PSAOP), which aims to develop private operators and support services (public or private); and (ii) the Local Development Program Support Project (PROADEL), which directs support particularly to rural communities. A number of water wells for livestock projects have been planned or are under way in the region. These projects include: (i) the Pastoral Cattle Breeding System Project (PASEP) financed by the African Development Bank; (ii) a project for the development of livestock wells financed by the Arab Bank for Economic Development in Africa and the Kuwait Fund for Arab Economic Development; and (iii) the *Projet Tchad Central* financed by the French Development Agency, which aims at constructing 40 livestock wells and rehabilitating 75 water points. The Swiss Agency for Development and Cooperation is financing a training centre at Ati. The Special Programme for Food Security financed by the Food and Agriculture Organization of the United Nations is testing a number of approaches in the areas of auxiliary veterinaries and agricultural input networks, and construction of small irrigation schemes.

11. **IFAD's strategy in Chad.** IFAD's strategy in Chad is spelled out in the 1999 country strategic opportunities paper for the country. The strategy aims to: (i) integrate more effectively the social and economic dimensions of IFAD interventions in order to improve the general social and economic status of the population. Food security remains one of the main objectives; (ii) empower local communities by consolidating grass-roots organizations and building effective local rural organizations. Women's empowerment is a key challenge; (iii) improve the rural poor's access to financial services by consolidating the systems started by ongoing projects so as to ensure their long-term viability; and (iv) improve natural resources management in order to secure long-term productive potential in the most vulnerable areas.

12. In terms of area and sectoral coverage, IFAD's strategy is twofold: (i) pursue operations using an area-based, integrated approach (combining economic, social, health and community development activities); and (ii) develop subsector activities, according to target group needs and IFAD's comparative advantage, in areas such as rural finance and natural resources management. The area-based integrated approach is currently implemented through IFAD's PSANG II and PRODER-K.

13. **Project rationale.** The Batha region, like Kanem and North-Guéra, is characterized by: (i) chronic food insecurity and a structural deficit in cereals due mainly to unfavourable climatic

conditions, which in turn results in low agricultural productivity; (ii) high pressure on natural resources; (iii) lack of organized institutions for the delivery of agricultural inputs; (iv) absence of locally adapted financial institutions; and (v) a dearth of income-generating activities.

14. Due to frequent climatic fluctuations and in order to minimize risks, smallholders have adopted a survival and coping strategy based, on the one hand, on a sequence of production activities in a given year and, on the other hand, on the complementarities between farm and non-farm activities. Furthermore, natural resources are not equally distributed within the country, the south being better endowed than the north. This causes high levels of seasonal migration, especially of men in search of work opportunities, and it is also a source of conflict between agriculturalist and pastoralist communities.

15. The proposed project will take account of the above constraints, while also building on a number of favourable factors. These include: (i) the existence of experienced farmers' organizations and a few unions, which, with support from previous projects, have gained technical experience in agricultural production, needs identification and credit management; (ii) the existence of high demand, in particular for cereals; (iii) the Government's policy and strategy for rural and agricultural development; (iv) the Government's Rural Development Action Plan, which puts farmers' organizations and their unions at the centre of rural development; and (v) the existence of two IFAD-financed projects in the same part of the country, which provides an opportunity to share experiences and foster complementarity and synergies.

16. The project will build on the experiences of the two previous IFAD-supported projects. With regard to targeting, it includes specific activities and tools to guarantee that vulnerable groups have access to financial and other resources. Its approach also takes fully into account the specific characteristics of the Batha region and the results of the previous IFAD project in North-Guéra, where conditions are similar.

17. The project is in line with IFAD's strategic framework and with the regional strategy of the Western and Central Africa Division, which has, among others, the following strategic objectives: (i) strengthening the capacity of the rural poor and their organizations; (ii) raising agricultural and natural resource productivity and improving access to technology; and (iii) improving the access of the rural poor to financial services and markets.

PART II – THE PROJECT

A. Project Area and Target Group

18. IFAD's target group in Chad consists mainly of smallholders engaged in rainfed agriculture and livestock; women, especially those who assume family responsibility alone; and unemployed rural youth. In terms of geographic targeting, project interventions will be concentrated in the southern part of the region.

B. Objectives and Scope

19. The general objective of the proposed project is to improve in a sustainable manner the incomes and food security of rural poor households in the Batha region. Its specific objectives are to:

- (i) strengthen the capacities (technical, managerial and financial) of rural populations (individuals, groups and communities) for self-development;
- (ii) promote economic investment, and farm and non-farm income-generating activities; and
- (iii) facilitate the access of the rural poor to financial services.

C. Components

20. The project will have four components: (i) support to rural capacity-building; (ii) support to rural investment; (iii) development of financial services; and (iv) project coordination and management.

21. **Support to rural capacity-building.** The objective of this component is to strengthen the capacity of farmers' groups, unions and communities to identify and prepare microprojects and ensure their implementation. More specifically, the project will: (i) disseminate information and raise awareness; (ii) identify, prepare and implement microprojects; (iii) build up the capacity of farmers' groups, unions and communities; (iv) consolidate farmers' groups and unions; and (v) raise awareness of HIV/AIDS-related issues. The project will sensitize local authorities, departmental technical staff, civil-society organizations, implementing agents and beneficiaries to the project's strategy, approach, goals and objectives. It will support participatory diagnoses to identify project constraints and opportunities. It will also assist the population in identifying microprojects and other economic activities. The capacities of farmers' groups, unions and communities will be strengthened in various areas, including financial and administrative management, organization, technical aspects, functional literacy, simplified accounting, and monitoring and evaluation (M&E). With project support, existing farmers' groups and unions will be consolidated; this will enable them to become financially and economically viable, and therefore sustainable. This component will be implemented by an implementing agent using a multidisciplinary team.

22. **Support to rural investment.** This component will finance: (i) the promotion of microprojects of farmers' groups and rural communities; and (ii) the rehabilitation and construction of community infrastructure (rural and feeder roads, waterholes and boreholes). A fund (the Batha Development Fund) will finance a range of activities as determined by farmers' groups, unions and communities. These will include: water-harvesting and home-garden production schemes; income-generating activities; and an input development and delivery network (for seeds, small farmers' tools and plant care and veterinary products).

23. In the area of veterinary products, the project will help promote and develop an existing, well-established network of auxiliary veterinarians set up by a Chadian NGO in the region. With regard to plant genetic resources, the project will finance the setting up of a community seed conservation and management scheme. For this purpose, a participatory survey will be undertaken using local knowledge to identify the cereal varieties currently grown in the region and determine farmers' needs. A small number of existing varieties that are well adapted and meet farmers' requirements will be selected for multiplication and distribution. To ensure sustainability, farmers' groups, unions and communities will be responsible for seed multiplication. The project will contract the Phytogenetic Resources Unit of the Malian Rural Economic Institute to carry out this activity. The project will also support the auxiliary veterinary network currently operating in the project area so as to expand their activities to cereal seeds. Further, it will finance income-generating activities undertaken by women's groups to improve women's access to resources and their economic power in the region. In the area of infrastructure, the project will finance the construction of small irrigation schemes for the production of lowland millet, ensuring that women have equal access to the improved land. It will also finance the rehabilitation of village waterholes and boreholes, and a few rural roads. Eligibility criteria to access Batha Development Fund resources will be spelled out in the project implementation manual.

24. **Development of financial services.** The objective of this component is to ensure that the rural poor have sustainable access to financial services. The project will support the creation of 16 self-managed financial services in high-potential zones. In addition, it will facilitate the credit access of small groups of poor women through a credit integration scheme, which will be accompanied by training and close monitoring. These short-term credits target poor women who

cannot access the *caisses financières autogerées* (CFAs) (self-managed funds) due to entry requirements. When well managed, the credit integration scheme will allow smallholder women to become members of CFAs. An experienced NGO will implement this component.

25. A number of activities carried out under this component will be financed through an IFAD grant. Specific grant objectives are to: (i) strengthen the capacity of the main rural financial service providers, especially those in IFAD-supported projects; (ii) organize, train and build up the capacity of some key informal rural financial service providers; and (iii) strengthen the institutional and political framework for rural microfinance.

26. **Project coordination and management.** Overall responsibility for project implementation will be with the Ministry of Crop-based Agriculture. A small independent project coordination unit (PCU), located in Ati, will ensure overall project coordination and management. The project sub-office in N'Djamena will be maintained and its staff strengthened through the recruitment of a financial expert, whose cost will be shared with the other two IFAD-supported projects in Chad.

27. A project steering committee (PSC) will be responsible for approving the annual workplan and budget (AWP/B) and for harmonizing it with government policy and with the activities of other donors in the region. The PSC will be chaired by the Secretary-General of the Ministry of Crop-based Agriculture and will comprise representatives of the Ministries of Planning, Development and Cooperation; Finance; Livestock; and Water Resources and the Environment, and from various rural organizations and the private sector. In addition, it will have two parliamentary representatives from the Batha region.

D. Costs and Financing

28. The total cost of the project, which will be implemented over a period of seven years, is estimated at USD 15.0 million, including physical and price contingencies that represent 2% and 5% of base costs, respectively. Foreign exchange accounts for approximately USD 1.8 million, or 12% of the total cost. The proposed IFAD loan of USD 12.8 million will cover 85.1% of total project costs, and the IFAD grant of USD 400 000 will cover 2.7% of the total cost. The Government will contribute USD 1.3 million (8.7%) to cover all duties and taxes. Beneficiaries are expected to contribute about USD 541 000 (3.6%).

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

Components	Local	Foreign	Total	% of Foreign Exchange	% of Base Costs
Support to rural capacity-building	2 085.3	321.4	2 406.6	13	17
Support to rural investment					
Promotion of microprojects of farmers' groups and rural communities	4 363.6	-	4 363.6	-	31
Rehabilitation and construction of community infrastructure	2 408.0	263.7	2 671.6	10	19
Development of financial services	1 974.2	334.2	2 308.4	14	16
Project coordination and management	1 540.1	773.2	2 313.3	33	16
Total base costs	12 371.1	1 692.4	14 063.6	12	100
Physical contingencies	219.6	54.1	273.6	20	2
Price contingencies	644.8	68.3	713.1	10	5
Total project costs	13 235.5	1 814.8	15 050.3	12	107

^a Discrepancies in totals are due to rounding up.

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

Components	IFAD Loan		IFAD Grant		Government		Beneficiaries		Total		Foreign Exchange	Local (Excl. Taxes)	Duties and Taxes
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%			
Support to rural capacity-building	2 223.2	86.2	-	-	356.5	13.8	-	-	2 579.7	17.1	341.5	1 881.7	356.5
Support to rural investment			-	-	-	-							
Promotion of microprojects of farmers' groups and rural communities	4 169.7	90.0	-	-	-	-	463.3	10.0	4 633.0	30.8	-	4 633.0	-
Rehabilitation and construction of community infrastructure	2 361.0	81.0	-	-	476.9	16.4	77.7	2.7	2 915.7	19.4	287.7	2 151.1	476.9
Development of financial services	1 767.2	72.7	400.0	16.5	264.0	10.9	-	-	2 431.2	16.2	351.5	1 815.7	264.0
Project coordination and management	2 285.8	91.8	-	-	205.0	8.2	-	-	2 490.7	16.5	834.2	1 451.5	205.0
Total project costs	12 806.9	85.1	400.0	2.7	1 302.4	8.7	541.0	3.6	15 050.3	100.0	1 814.8	11 933.1	1 302.4

^a Discrepancies in totals are due to rounding up.

E. Procurement, Disbursement, Accounts and Audit

29. **Annual workplan and budget.** The AWP/B will be prepared by the PCU in close collaboration with the regional committees, on the basis of the perceived demand of the target group, participative M&E and implementing agents' reports. The AWP/B will show detailed activities, unit costs and monitoring indicators, as well as the modality of implementation. Once the AWP/B has been finalized, the PCU will submit it to the PSC for review and, subsequently, to UNOPS and IFAD for approval.

30. **Procurement.** Under both the loan and the grant, procurement will be undertaken in accordance with IFAD procurement guidelines. Vehicles and equipment costing the equivalent of more than USD 100 000 will be procured through international competitive bidding. Vehicles, equipment and materials costing between USD 20 000 and USD 100 000 will be procured through national competitive bidding. Contracts costing less than USD 20 000 for other goods and services, including civil works and training, will be procured locally, based on quotations from at least three suppliers. Microprojects, including those dealing with civil works, will be implemented by beneficiary groups in accordance with procedures set out in the implementation manual and after the consultation of at least three suppliers. Contracts for civil works costing in excess of USD 20 000 will be procured through local competitive bidding procedures, whereas those for less than USD 20 000 will be procured locally, based on quotations from at least three suppliers. Recruitment of service providers will be carried out through national competitive bidding procedures. Recruitment of consultants will be carried out in accordance with procedures acceptable to IFAD.

31. **Disbursement.** The PCU will open and maintain a special account in CFA francs (XAF) at a commercial bank acceptable to IFAD. An initial deposit of XAF 400 million will be made into the special account. IFAD will replenish the special account against submission of withdrawal applications by the recipient to the cooperating institution in line with operations of the special account. Expenditures will be fully documented, except those specified in the financing agreement. In the latter case, the PCU will keep original documentation for inspection by supervision and audit missions.

32. The Government will open a project account in a commercial bank acceptable to IFAD, into which it will deposit its counterpart contribution of taxes and duties that are not directly deductible at the time of procurement. The Government's contribution will amount to the equivalent of USD 1.3 million, representing duties and taxes, and will be made available to the project through standard governmental procedures. The Government will make an initial deposit in CFA francs into the project account, amounting to the equivalent of USD 15 000, to cover the first year's expenses. The Government's contribution from the second year to the end of the project will be determined on the basis of the AWP/B for each year.

33. **Accounts.** Withdrawals may be made from the loan account against statements of expenditure for categories of expenditures jointly determined by the Government, IFAD and the cooperating institution. The relevant documentation justifying such expenditures will be retained by the PCU and made available for inspection by supervision missions and external auditors. All other withdrawals from the loan account will be based on full supporting documentation.

34. **Audit.** The PCU and all implementation partners will establish and maintain separate accounts consistent with internationally accepted accounting principles. These accounts will be audited annually by a reputable external auditor according to terms of references agreed to by IFAD. The auditor will formulate a specific opinion on the use of the special account, statements of expenditure, operations of the implementation partners, and the procedures for budgeting and for procurement applied by the PCU and partners. It will also recommend eventual modifications to the implementation manual if so required.

F. Organization and Management

35. The project's organizational framework will entail a division of tasks and responsibilities among different entities.²

36. **Institutional responsibility for the project.** Responsibility for project coordination at the national level will rest with the Ministry of Crop-based Agriculture, which will delegate authority to the PCU for: project management, implementation and coordination; administration and supervision of technical assistance; coordination of service providers and monitoring of their performance; creation of organizational committees; and M&E. The PCU will ensure appropriate monitoring and report regularly on the project's impact on targeted villages and groups, and on women and youth. It will also establish and maintain links with other partners operating in the area, including local authorities and NGOs.

37. **National-level supervision and coordination.** The PSC will oversee project implementation. It will meet once a year and the PCU will act as its secretariat.

38. **Regional coordination.** The regional coordination of development activities will be ensured by the Government's newly established Regional Action Committee, based in Ati, and three departmental action committees. Activities related to infrastructure are expected to be approved by the departmental action committees. The PCU and main implementing agents will be members of both the regional and departmental action committees.

39. **Support services.** Project activities will be implemented by the PCU through contractual arrangements involving private, public and NGO service providers. The project will promote farmers' groups and/or organizations as implementing partners and provide capacity-building support to service providers as needed. The delivery of services will be based on a business-oriented approach.

40. **Partnership with other projects.** Close coordination will be encouraged with other projects operating in the region, in particular support to the Agricultural Services and Producer Organizations Project financed by the World Bank; the water development project to be financed by the European Union from 2005; and a pastoral water management project financed and/or to be financed by the French Development Agency, the African Development Bank, the Arab Bank for Economic Development in Africa, and the Kuwait Fund for Arab Economic Development.

41. **Monitoring and evaluation.** The project will develop an M&E system that will fully incorporate the results and impact management system in order to report adequately and regularly on project results and impacts; it will provide technical support to that end. The M&E system will form part of the project's overall coordination and management capacity. Through the active participation of beneficiaries and the project coordination team, M&E information will be collected relating to the status of project implementation and the project's impact on both the target group and the environment. With technical support, a participatory baseline anthropometric and socio-economic survey will be undertaken at project start-up to determine the initial level of a set of qualitative, quantitative and institutional indicators. These include: (i) the nutritional status of children under five years of age; (ii) the household asset index as an income indicator; and (iii) environmental indicators. Indicators will be disaggregated by gender whenever feasible; specialized thematic studies and case studies will be also conducted for that purpose. The survey will be repeated at project mid-term and completion in order to assess the project's impact on the target population. Key staff of the concerned ministries will also monitor project implementation and participate in follow-up missions, for which provision has been made. An environmentalist will also monitor the project at critical times to ensure the implementation of impact mitigation measures and evaluate the project's environmental impact.

² The project organizational chart is given in Appendix IV.

G. Economic Justification

42. Beneficiaries' livelihoods are expected to improve as a result of increased agricultural production. Higher productivity levels will mainly result from the use of improved cereal seeds and increased irrigated lowland millet production. Project-supported farmers' groups, unions and communities will be empowered to prepare sound microprojects. The capacity of rural poor women will be strengthened and their social and economic power increased through the use of the specifically tailored credit integration scheme. An independent, private agricultural input delivery network will be promoted in the region, thus facilitating farmers' access to improved inputs, which in turn will increase regional agricultural production and reduce the lean period.

43. It is expected that some 7 000-11 000 households (about 10-20% of the region's households) will become members of the CFA and consequently have improved access to financial services. Women will account for 60% of CFA membership. In addition, 30 000-50 000 poor women will benefit from the credit integration scheme. To strengthen their capacities and empower them, the project will provide training to these women in functional literacy, financial management and other relevant areas.

44. By participating in decision-making processes, women and youth will have strengthened roles in resource management and in the promotion of development activities. This, in turn, will allow them to develop their economic activities, increase their incomes and improve their status within the community.

H. Risks

45. The promotion of a private agricultural input network may be hampered by the existence of public or NGO-supported project input delivery networks in the region. However, the likelihood that such networks exist is marginal.

46. The fact that some previous agency loans have not been reimbursed may serve as a bad precedent, thus jeopardizing CFA viability. However, this risk will be minimized by ensuring a close and regular follow-up of the CFAs.

47. The viability of the CFAs will depend on the competence of their managers to put in place a transparent financial management service that responds adequately to the needs of their members. To that end, the project will offer a comprehensive training programme tailored to CFA managers and clients.

48. Although it is difficult at this stage to assess the impact that Doba oil resources may have on smallholder agriculture, this could be important if Chad decides to rely more on food imports to meet its national demand. However, this risk is minimized since the Government and the World Bank have agreed that 80% of oil resources should be allocated to priority sectors (health, education, roads and rural development). Nevertheless, a close monitoring on the effective implementation of this agreement is necessary.

I. Environmental Impact

49. The activities of the proposed project will directly or indirectly affect the Lake Fitri Ramsar wetland, an area of international interest, which has been classified a United Nations Educational, Scientific and Cultural Organization biosphere reserve. Traditional fishing is practised in the area, which also includes pastures and flooded cultivated plains. All project activities will be directed to small-scale agriculture and will be aimed at strengthening natural resource management. The project will not introduce new agricultural techniques and thus will have little impact on the environment.

However, the access to Yao with the opening of a road passing across flood plains may have an impact as this will improve access to Lake Fitri's natural resources. An environmental impact evaluation was carried out in the project zone, and mitigation measures have been taken to ensure the efficient management of Lake Fitri's natural resources. These include: (i) setting up an M&E system for environmental impact assessment; (ii) training beneficiaries on environmental issues; (iii) promoting microprojects on natural resources; and (iv) carrying out specific thematic studies (water availability and quality and impact studies).

J. Innovative Features

50. The project, which is innovative in terms of its implementation approach, will build on the experience gained through the two other IFAD-supported projects in the area of microfinance. To ensure sustainability, animators will be recruited within farmers' groups, unions and communities. At project completion, these experienced animators will reintegrate with and continue to assist their respective groups, unions and/or communities. This will ensure that these groups have sufficient capacity to conduct and manage their own affairs without external assistance.

51. Another innovative feature of the project is the use of credit as a means of increasing marginalized and poor women's participation in the financial system, thus facilitating their access to financial resources. The credit integration scheme will help these women become CFA members. Small farmers' groups, once trained, will help each other and make initial savings deposits into the CFA, thus allowing them to become members. With this feature, it is expected that a large number of women will become CFA members. Their integration into the financial system will empower them and improve their economic status in the region.

PART III – LEGAL INSTRUMENTS AND AUTHORITY

52. A financing agreement between the Republic of Chad and IFAD constitutes the legal instrument for extending the proposed financial assistance to the recipient. A summary of the important supplementary assurances included in the negotiated financing agreement is attached as an annex.

53. The Republic of Chad is empowered under its laws to borrow from IFAD.

54. I am satisfied that the proposed financial assistance will comply with the Agreement Establishing IFAD.

PART IV – RECOMMENDATION

55. I recommend that the Executive Board approve the proposed financial assistance in terms of the following resolution:

RESOLVED: that the Fund shall make a loan to the Republic of Chad in various currencies in an amount equivalent to eight million four hundred thousand special drawing rights (SDR 8 400 000) to mature on or prior to 15 February 2045 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.

RESOLVED FURTHER: that the Fund shall provide a grant to the Republic of Chad in various currencies in an amount equivalent to two hundred and seventy thousand special drawing rights (SDR 270 000) and 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 FINANCING AGREEMENT**

(Negotiations concluded on 4 March 2005)

1. The Government of the Republic of Chad (the Government) will make the loan and the grant proceeds available to the PCU in accordance with the AWP/B and usual national procedures for development assistance, for purposes of carrying out the project.
2. The Government's contribution to financing of the project is valued at USD 1 302 400. This amount represents all duties, taxes and levies on goods and services to be defrayed by the Government by means of exemption or through treasury cheques. The amount also represents the counterpart contribution of the Government to taxes on minor expenditures and on those for which treasury cheques cannot be used. Accordingly, the Government will make available to the PCU an amount in local currency equivalent to USD 15 000 to cover the requirements of the first year of the project. Subsequently, the Government will replenish the project account each year by depositing the counterpart funds therein as set forth in the respective AWP/B. These counterpart funds will be included in the Government's investment programme.
3. As part of maintaining sound environmental practices as required by IFAD, the Government will ensure that appropriate pest management measures are taken under the project and, to that end, will ensure that pesticides procured under the project do not include any pesticide proscribed by the Food and Agriculture Organization of the United Nations or the World Health Organization.
4. To ensure efficient monitoring of environmental considerations, the project will finance updated mapping of the project area. The national research support centre will undertake this task. Environmental activities will be monitored by the M&E officer in the PCU and by the Ministry of Water Resources and the Environment. A specialized service provider will be hired to conduct a baseline survey and to assess the project's environmental impact at mid-term and at project completion. To analyse and attenuate the negative impact of large-scale works on the environment, the project studies will include an evaluation of environmental impacts and will identify appropriate actions or measures to minimize any negative impact during construction and subsequent operation.
5. The project will put in place an M&E system in accordance with the results and impact management system (RIMS) in order to monitor implementation and measure the project's impact on the rural population in Batha overall and on the target group in particular.
 - (a) The internal M&E system will be a unit within the PCU and will be run by an M&E officer. Specifically, the system will: (i) monitor the execution of programmes; (ii) monitor project performance; (iii) monitor rural organization; and (iv) conduct a financial evaluation of investment costs and beneficiary participation. The system will be simple, streamlined and limited to realistic, attainable objectives and indicators. It will draw on and reflect the findings of opinion surveys and conclusions of village M&E meetings with a specific view to preparing the mid-term evaluation.
 - (b) The Directorate for Studies, Programmes and Projects of the Ministry of Crop-based Agriculture, the M&E unit of the Ministry of Finance, the Directorate for Cooperation and Monitoring of Development Projects and Programmes of the Ministry of Planning, Development and Cooperation, the Ministry of Water Resources and the Environment, and the central bank will take part in project monitoring missions and will ensure the external M&E required by the relevant ministry and the monitoring function of the Rural Development Action Plan. A local multidisciplinary consulting firm will be hired under a

ANNEX

call for bids to conduct two beneficiary evaluations in preparation for the mid-term review and the completion report.

- (c) To ensure better monitoring of project activities and an analysis of the project's impact on the target group, the M&E unit will perform the following activities, with technical support: (i) a socio-economic survey in accordance with the RIMS at project start-up, mid-term and completion in order to assess inter alia the project's impact on the incomes and food security of the target group; and (ii) an anthropometric survey to measure the project's impact on the nutritional status of children under 5; the survey will be conducted in year 1, at mid-term and at completion. The survey findings will help to track changes in the nutritional status of children under 5 in project households.

6. The Government will insure project staff against illness and accidents in accordance with usual practice in the country.

7. All PCU staff will be selected through local competitive bidding in a manner that excludes all forms of discrimination. The process will be open to candidates from both the private and the public sectors, although the latter – if selected – must relinquish any public office they may hold. The recruitment or replacement of project staff will be decided in agreement with IFAD. Recruitment will be on the basis of an initial fixed-term contract for a period of two years, subsequently renewable for the duration of the project and subject to a six-month probationary period. All PCU staff will undergo performance evaluations each year.

8. The following condition is specified as a condition precedent for disbursement:

No withdrawal may be made in respect of expenditures under any category until such time as the administrative, accounting and financial procedures manual has been approved by IFAD.

9. The following conditions are specified as conditions precedent to effectiveness:

- (a) the project coordinator and financial controller have been recruited and the other members of the PCU have been selected;
- (b) the project account has been opened at a bank acceptable to IFAD and the amount of USD 15 000 in CFA franc equivalent, representing the first payment of counterpart funds, has been deposited therein;
- (c) the project has been included in the Government's investment programme for 2005-2007; and
- (d) a favourable legal opinion, issued by the Supreme Court or other competent legal authority of Chad and acceptable in form and substance, has been forwarded by the Government to IFAD.

APPENDIX I

COUNTRY DATA

CHAD

Land area (km² thousand), 2002 1/	1 259	GNI per capita (USD), 2002 1/	210
Total population (million), 2002 1/	8.34	GDP per capita growth (annual %), 2002 1/	6.7
Population density (people per km²), 2002 1/	7	Inflation, consumer prices (annual %), 2002 1/	5
Local currency	CFA franc (BEAC) (XAF)	Exchange rate: USD 1.00 =	XAF 550
Social Indicators		Economic Indicators	
Population (average annual population growth rate), 1996-2002 1/	3.1	GDP (USD million), 2002 1/	2 002
Crude birth rate (per thousand people), 2002 1/	45	Average annual rate of growth of GDP 1/	
Crude death rate (per thousand people), 2002 1/	16	1982-1992	5.4
Infant mortality rate (per thousand live births), 2002 1/	117	1992-2002	2.8
Life expectancy at birth (years), 2002 1/	48	Sectoral distribution of GDP, 2002 1/	
Number of rural poor (million) (approximate) 1/	n/a	% agriculture	38
Poor as % of total rural population 1/	n/a	% industry	17
Total labour force (million), 2002 1/	4.05	% manufacturing	15
Female labour force as % of total, 2002 1/	45	% services	45
Education		Consumption, 2002 1/	
School enrolment, primary (% gross), 2002 1/	73 a/	General government final consumption expenditure (as % of GDP)	8
Adult illiteracy rate (% age 15 and above), 2002 1/	54	Household final consumption expenditure, etc. (as % of GDP)	86
Nutrition		Gross domestic savings (as % of GDP)	6
Daily calorie supply per capita,	n/a	Balance of Payments (USD million)	
Malnutrition prevalence, height for age (% of children under 5), 2002 3/	29 a/	Merchandise exports, 2002 1/	180
Malnutrition prevalence, weight for age (% of children under 5), 2002 3/	28 a/	Merchandise imports, 2002 1/	780
Health		Balance of merchandise trade	-600
Health expenditure, total (as % of GDP), 2002 1/	3 a/	Current account balances (USD million)	
Physicians (per thousand people), 2002 1/	n/a	before official transfers, 2002 1/	n/a
Population using improved water sources (%), 2002 3/	27 a/	after official transfers, 2002 1/	n/a
Population with access to essential drugs (%), 1999 3/	0-49	Foreign direct investment, net 2002 1/	n/a
Population using adequate sanitation facilities (%), 2002 3/	29 a/	Government Finance	
Agriculture and Food		Overall budget balance (including grants) (as % of GDP), 2002 1/	n/a
Food imports (% of merchandise imports), 2002 1/	n/a	Total expenditure (% of GDP), 2002 1/	n/a
Fertilizer consumption (hundreds of grams per ha of arable land), 2002 1/	49 a/	Total external debt (USD million), 2002 1/	1 281
Food production index (1989-91=100), 2002 1/	156	Present value of debt (as % of GNI), 2002 1/	31
Cereal yield (kg per ha), 2002 1/	671	Total debt service (% of exports of goods and services), 2002 1/	n/a
Land Use		Lending interest rate (%), 2002 1/	18
Arable land as % of land area, 2002 1/	3 a/	Deposit interest rate (%), 2002 1/	5
Forest area as % of total land area, 2002 1/	10 a/		
Irrigated land as % of cropland, 2002 1/	1 a/		

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

1/ World Bank, *World Development Indicators* database CD ROM 2004.

2/ United Nations Development Programme, *Human Development Report*, 2004.

PREVIOUS IFAD FINANCING IN CHAD

(USD '000)

Project Name	Initiating Institution	Cooperating Institution	Lending Terms	Board Approval	Loan Effectiveness	Current Closing Date	Currency	Approved Loan Amount	Disbursement (as % of approved amount)
Food Security Project in the Northern Guéra Region	IFAD	AfDB	HC	11 Dec 91	28 Jul 92	30 Jun 01	SDR	7 950	71
Ouadis of Kanem Agricultural Development Project	IFAD	UNOPS	HC	20 Apr 94	01 Nov 94	30 Jun 02	SDR	4 100	96
Food Security Project in the Northern Guéra Region – Phase II	IFAD	UNOPS	HC	03 May 00	12 Dec 01	30 Jun 10	SDR	500	
Food Security Project in the Northern Guéra Region – Phase II	IFAD	UNOPS	HC	03 May 00	12 Dec 01	30 Jun 10	SDR	8 250	18
Kanem Rural Development Project	IFAD	UNOPS	HC	10 Apr 03	13 Nov 04		SDR	9 500	

HC: Highly concessional

LOGICAL FRAMEWORK

	Rationale for intervention	Measurable indicators	Means of verification	Critical assumptions/risks
Overall objective	To contribute to a sustainable improvement in incomes and food security for 30 000 poor rural households in the region of Batha	Results and Impact Measurement System (RIMS) indicators: <ul style="list-style-type: none"> - Improvement in the rural household asset index - Reduction in the rate of chronic malnutrition in children under five years of age 	<ul style="list-style-type: none"> - Socio-economic reference surveys at mid-term and project completion - Anthropometric (nutritional) reference surveys at mid-term and project completion - Specific studies - Ex post evaluation 	
Specific project objective	A. To reinforce individual and collective self-promotion and management capacities among rural populations	<ul style="list-style-type: none"> - Groups, unions and federations strengthened, by gender - Actual participation by groups and unions in the local planning process, by gender - Number of economic initiatives prepared by rural populations 	<ul style="list-style-type: none"> - Monitoring and supervision - Revenue study - Specific surveys - Administrative reports (disputes, operators, etc.) 	<ul style="list-style-type: none"> - Political stability - Oil economy favours small-scale family farming - No episodes of extreme drought
	B. To favour productive investment and generation of farming and non-farming incomes.	<ul style="list-style-type: none"> - Availability of phytosanitary, veterinary and fishing inputs and improved seed in the project area - Cereal crop yields and production (by gender) - Yields and production of recessional crops and market gardening (by gender) - Number of microprojects (by gender) - Revenue distribution, by source and by gender - Food autonomy in cereals - Number of new permanent operators in private supply and consulting subsectors - Number of people with permanent access to safe drinking water and markets - Decrease in disputes between farmers and livestock breeders 		

	Rationale for intervention	Measurable indicators	Sources of verification	Critical assumptions/risks
Specific project objective	C. To facilitate access by rural populations to adapted financial services on a sustainable basis	<ul style="list-style-type: none"> - Number of people, particularly women, with access to financial services - Presence of an operational savings and loan system in the rural environment 		
Expected results	<p>Result 1: Self-promotion and management capacities of rural populations are improved on a sustainable basis</p> <p>1.1 Village-level groups, unions and federations have the capacity to formulate and implement their own projects</p> <p>1.2 Producers' organizations (POs), unions and federations are more numerous, better targeted and more autonomous</p>	<ul style="list-style-type: none"> - Number of people trained (by gender and type of training) - Number of groups, unions and federations strengthened - Number of rural organizations active in various activities (by gender) - Presence of women in decision-making structures - Number and development of umbrella organizations active and represented - Number of microprojects proposed for financing by POs (by gender) 	<ul style="list-style-type: none"> - Monitoring and supervision reports - Mid-term and final evaluations - Evaluations by individuals and organizations - Specific surveys 	
	<p>Result 2: Poor rural families have improved incomes and food security, and are less dependent on climate</p>	<ul style="list-style-type: none"> - Number of men/women in exodus under comparable conditions - Degree of food self-sufficiency at the regional level 	<ul style="list-style-type: none"> - Specific surveys - Participatory evaluations 	
	2.1 Improving yields and using short-cycle seed varieties	<ul style="list-style-type: none"> - Quality and result of participatory diagnostic of phytogenetic resources - Number of diversity fields treated - Number of groups involved in multiplying seed (presence of women) - Number of varieties selected by farmers (by gender) - Number of people trained (by gender) - Average duration of cycle for rainfed cereal crops - Percentage of households adopting new varieties (by gender) 	<ul style="list-style-type: none"> - Monitoring and supervision reports - Mid-term and final evaluations - Participatory evaluations 	<ul style="list-style-type: none"> - Farmers are open to innovation (interested in other varieties)
	2.2 Better use of water resources for <i>berbéré</i> (lowland millet)	<ul style="list-style-type: none"> - Number of microprojects - Number of POs involved - Length of mini-walls and mini-dams built - Additional area given over to <i>berbéré</i> (by gender) 	<ul style="list-style-type: none"> - Monitoring and supervision reports - Mid-term and final evaluations - Participatory evaluations 	

	Rationale for intervention	Measurable indicators	Sources of verification	Critical assumptions/risks
Expected results	2.3 Increase in area used for market gardening with better water management and higher yields	<ul style="list-style-type: none"> - Number of microprojects (by gender) - Additional area used for market gardening (by gender) - Number of market gardening wells - Availability of seed for market gardening (new varieties) 	<ul style="list-style-type: none"> - Monitoring and supervision reports - Mid-term and final evaluations - Participatory evaluations 	<ul style="list-style-type: none"> - Solvent demand for production exists
	2.4 A range of proximity suppliers of inputs (phytosanitary and veterinary inputs, seed, fishing inputs) are operational and contributing to better use of such inputs	<ul style="list-style-type: none"> - Number of microprojects (by gender) - Number of independent suppliers of inputs (village auxiliary type) - Number of auxiliaries trained in correct product use - Volume of sales by auxiliaries, by gender - Satisfaction of POs (by gender) 	<ul style="list-style-type: none"> - Monitoring and supervision reports - Mid-term and final evaluations - Participatory evaluations 	<ul style="list-style-type: none"> - Privatization of supply and consulting services is accepted and encouraged by the government and public institutions
	2.5 Access to safe drinking water improved	<ul style="list-style-type: none"> - Number of village wells built and operational - Number of water holes built and operational - Number of villages and families with better access to water - Number of management committees operational (role of women on committees) 	<ul style="list-style-type: none"> - Monitoring and supervision reports - Mid-term and final evaluations - Participatory evaluations 	<ul style="list-style-type: none"> - Other donors complement project efforts
	2.6 Rural sources of incomes are more diversified and less dependent on climate thanks to income-generating activities	<ul style="list-style-type: none"> - Number of new artisans and merchants of inputs operational commercially (by gender) - Number of microprojects (by gender) 	<ul style="list-style-type: none"> - Monitoring and supervision reports - Mid-term and final evaluations - Participatory evaluations 	<ul style="list-style-type: none"> - A clientele for AGRs exists
	2.7 In areas opened up, terms of trade are improved for rural families	<ul style="list-style-type: none"> - Number of km of roads treated and rehabilitated - Number of critical points treated - Number of management committees created and operational - Duration of access to villages in enclaves (especially Yao) 	<ul style="list-style-type: none"> - Monitoring and supervision reports - Mid-term and final evaluations - Participatory evaluations 	<ul style="list-style-type: none"> - Populations are involved in road maintenance
	2.8 Additional pastoral development has contributed to reducing disputes between farmers and livestock breeders	<ul style="list-style-type: none"> - Consultation mechanisms strengthened - Number of pastoral and collective developments (ponds and wells) - Number of management committees created (role of women on committees) 	<ul style="list-style-type: none"> - Monitoring and supervision reports - Mid-term and final evaluations - Participatory evaluations 	<ul style="list-style-type: none"> - Needs identified by other projects

	Rationale for intervention	Measurable indicators	Sources of verification	Critical assumptions/risks
	<p>Result 3: Proximity financial services are self-managed, moving towards autonomy and are providing credit</p> <p>3.1 Self-managed financial funds (SFFs) provide small farming and non-farming loans to poor rural families</p> <p>3.2 SFFs have acquired a pre-determined level of autonomy</p> <p>3.3 Women are significantly represented among members and leaders of microfinance institutions</p> <p>3.4 Credit instruments are accessible for lending beyond the capacity of SFFs</p>	<ul style="list-style-type: none"> - Market and implementation studies conducted - Selection of sites for SFFs - Number of start-up loans granted by gender, amounts outstanding and repayment rate by gender - Amount of interest compounded (start-up loans, personal loans) - Opinion of borrowers - Holding of general meetings (establishing, ongoing) - Profitability/viability of funds - Refinancing by banking sector - Medium-term bank credit - Amount of guarantees committed - Number of establishments created, number of members (individuals and groups) - Number of women having access to credit services, to leadership positions, and percentage of lending to women - Capitalization (by self-managed credit unions, by members) - Overall credit recovery rate - Accreditation of establishments obtained 	<ul style="list-style-type: none"> - Study report - District Agricultural Officer, contracts, borrower activity reports - Accounting centralization of PRODER-K - External evaluations - Support missions report - General meeting reports by SFFs - Establishing agreements - Accreditation and oversight documents - Operating account of SFFs - Financial statements of establishments and/or their umbrella organizations - Technical monitoring and documentation, audits - Evaluation of training level of responsible officers - Accreditation certificates 	<ul style="list-style-type: none"> - A specialized operator is available - Arrears in the area do not create an unfavourable situation for the project

	Rationale for intervention	Measurable indicators	Sources of verification	Critical assumptions/risks
Expected results	Result 4 : A national support programme for rural finance is developed	<ul style="list-style-type: none"> - A national strategy is developed - A validation workshop is held 	<ul style="list-style-type: none"> - Workshop proceedings 	Political commitment of the Government
	4.1 Capacities of rural IMF members are strengthened	<ul style="list-style-type: none"> - Number of IMF members trained (by IMF and by gender) - Number of exchange visits across projects taking place 	<ul style="list-style-type: none"> - Monitoring and supervision reports - Midterm and final evaluations - Participatory evaluations 	
	4.2 A conducive rural microfinance policy framework is developed	<ul style="list-style-type: none"> - Diagnostic study carried out - Local consultations are held with farmers groups 		

	Rationale for intervention	Measurable indicators	Sources of verification	Critical assumptions/risks
Expected results	Result 5: Organization, management and environmental monitoring of the project			
	5.1 Project funding management and activity implementation resources and mechanisms are finalized and operational	<ul style="list-style-type: none"> - The Fund's procedures manual is available - Human resources are mobilized to coordinate and manage the project - Equipment and operating resources are mobilized 	<ul style="list-style-type: none"> - Periodic activity and financial reports on PRODER -K - Internal M&E reports 	<ul style="list-style-type: none"> - The project's administrative and financial management autonomy is respected - Means of territorial administration are strengthened - Contracting constraints are reduced
	5.2 Coordination and M&E bodies and mechanisms perform well	<ul style="list-style-type: none"> - Effectiveness of participatory M&E systems at the level of communities affected - Level of activity and functionality of M&E system - Frequency of supervision missions by cooperating institution, quality of recommendations produced and quality of implementation monitoring - Effective participation by Plan of Action for Rural Development in evaluation missions 	<ul style="list-style-type: none"> - Supervision reports - Annual audits - Notes and recommendations by steering committee - Mid-term review - Completion reports - Final evaluation report 	
	5.3 The environmental monitoring system is operational	<ul style="list-style-type: none"> - Frequency and quality of M&E - Degree of degradation in the ecological system of Fitri and in the Batha 	<ul style="list-style-type: none"> - Activity reports by environmental operator - Internal M&E reports - Participatory evaluation 	<ul style="list-style-type: none"> - Pressures placed on the ecosystem by fishermen and livestock breeders do not increase

REPUBLIC OF CHAD BATHA RURAL DEVELOPMENT PROJECT

Explanatory Note on USD 400 000 Grant

Activities to be funded by the grant

1. As indicated in the President's Report (paragraph 25, Table 2, and Part IV), the USD 400,000 grant is earmarked for component 3: Development of Financial Services. The grant funds will be used for national and international technical assistance, studies, training and exchange visits for members of rural IMF across projects and regions.
2. The specific grant objectives are:
 - (i) Strengthen the capacity of the main rural financial service providers, especially those in IFAD-supported projects;
 - (ii) Organize, train and build the capacity of some key informal rural financial service providers;
 - (iii) Strengthen the institutional and political framework for rural microfinance.

Expected benefits

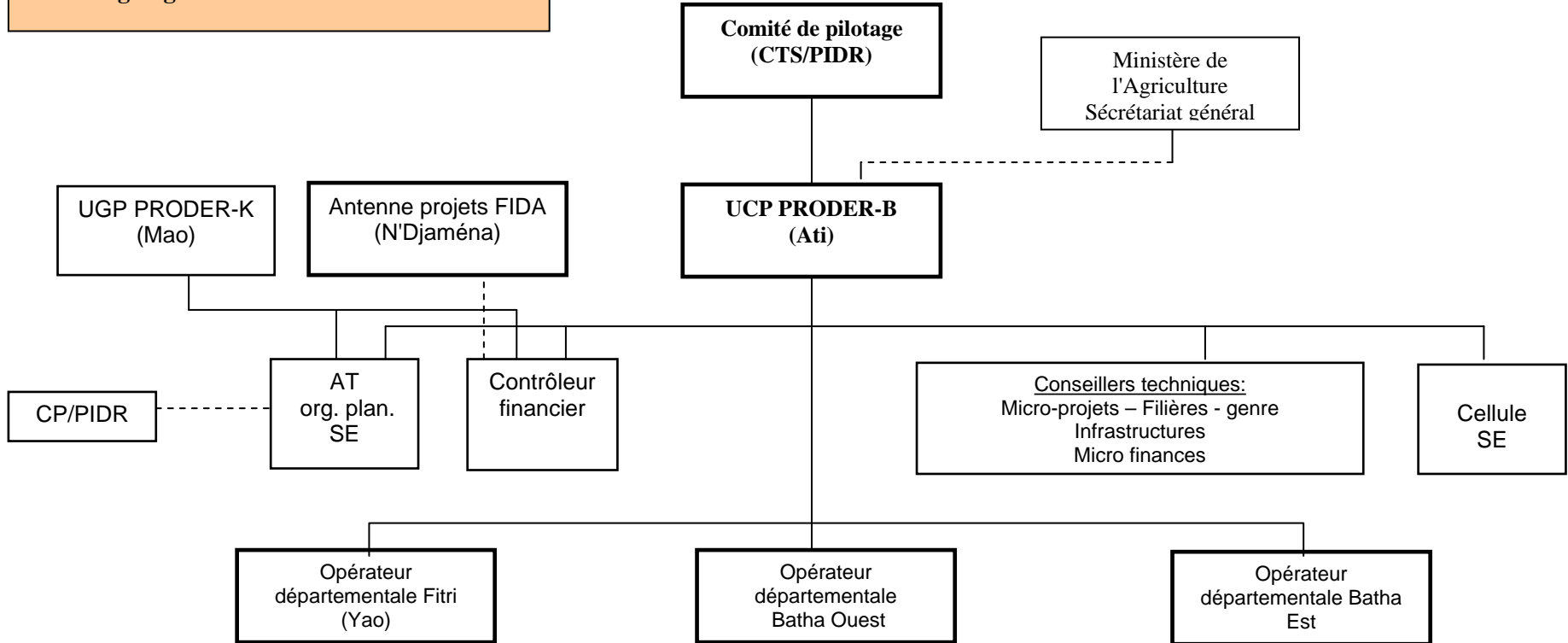
3. The benefits of the grant-funded activities are expected as:
 - (i) Capacity of rural IMF members, including those of IFAD-supported projects are strengthened;
 - (ii) Conducive Rural Microfinance Policy Framework is developed.

Logframe

4. Result 4 in the logframe refers to the expected outcome of grant activities.

ORGANIGRAMME

Organigramme du PRODER-Batha



Relation hiérarchique

Relation fonctionnelle

Relation contractuelle

