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IFAD

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REPORT AND RECOMMENDATION OF THE PRESIDENT

TO THE EXECUTIVE BOARD ON A PROPOSED LOAN TO THE

REPUBLIC OF SENEGAL

FOR THE

PROMOTION OF RURAL ENTREPRENEURSHIP PROJECT – PHASE II

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CURRENCY EQUIVALENTS

Currency unit	=	CFA franc (XOF)
USD 1.00	=	XOF 500
XOF 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 hectare
1 hectare (ha)	=	2.47 acres

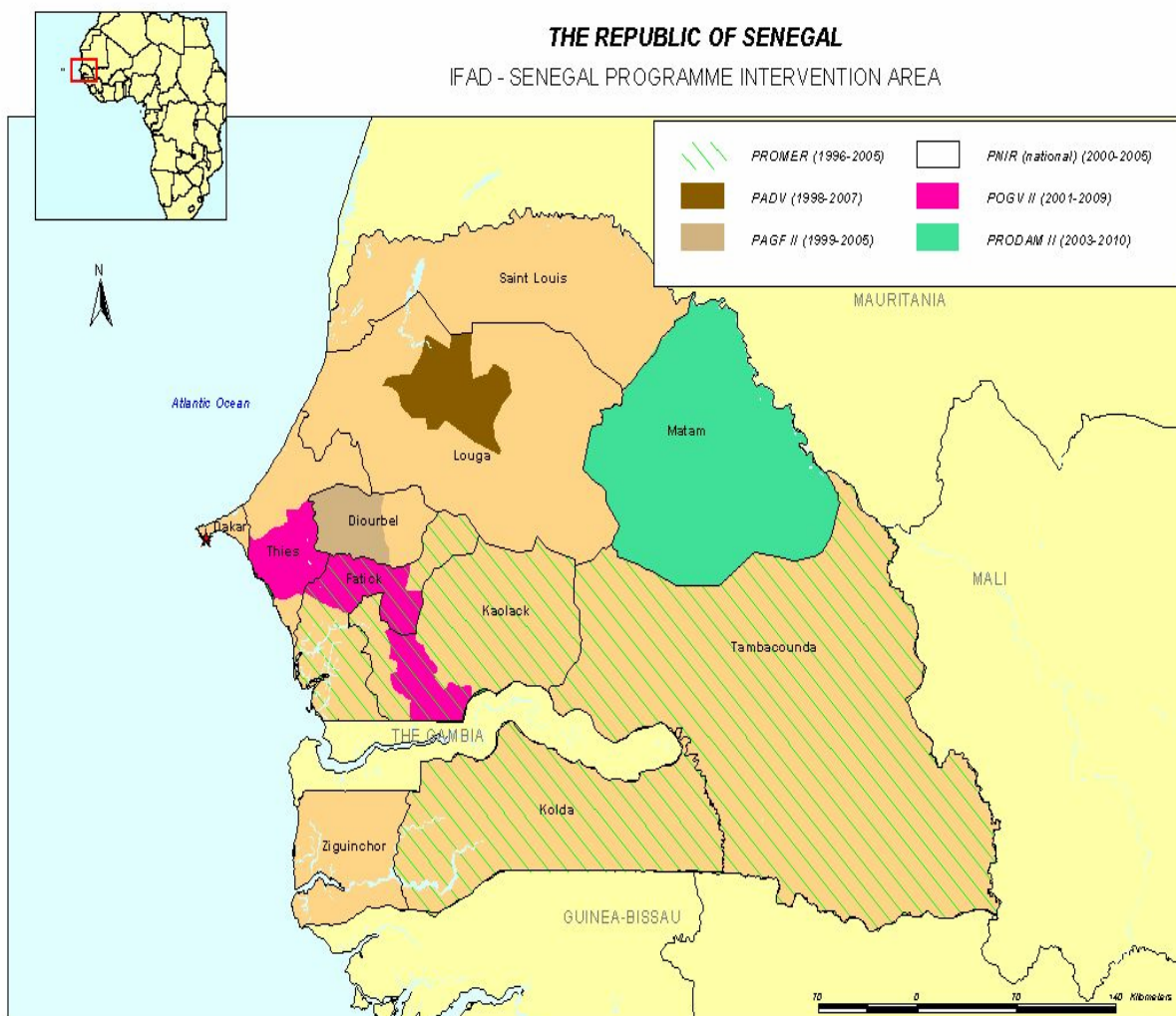
ABBREVIATIONS AND ACRONYMS

APIMEC	National Organization of Microfinance Institutions <i>(Association professionnelle des institutions de microfinance d'épargne et de crédit)</i>
AT/CPEC	Ministry of Economy and Finance's technical assistance support unit to the federation of credit and savings unions <i>(Assistance technique/caisses populaires d'épargne et de crédit)</i>
BOAD	West African Development Bank
COSOP	country strategic opportunities paper
GRET	Research and Technological Exchange Group
ILO	International Labour Office
M&E	monitoring and evaluation
MEF	Ministry of Economy and Finance
MFI	microfinance institution
MSE	micro- and small enterprise
PMU	project management unit
PRSP	poverty reduction strategy paper
RIMS	results and impact management system
SAFIR	rural finance support unit
SITEC	business information centre
UNCDF	United Nations Capital Development Fund

GOVERNMENT OF THE REPUBLIC OF SENEGAL**Fiscal Year**

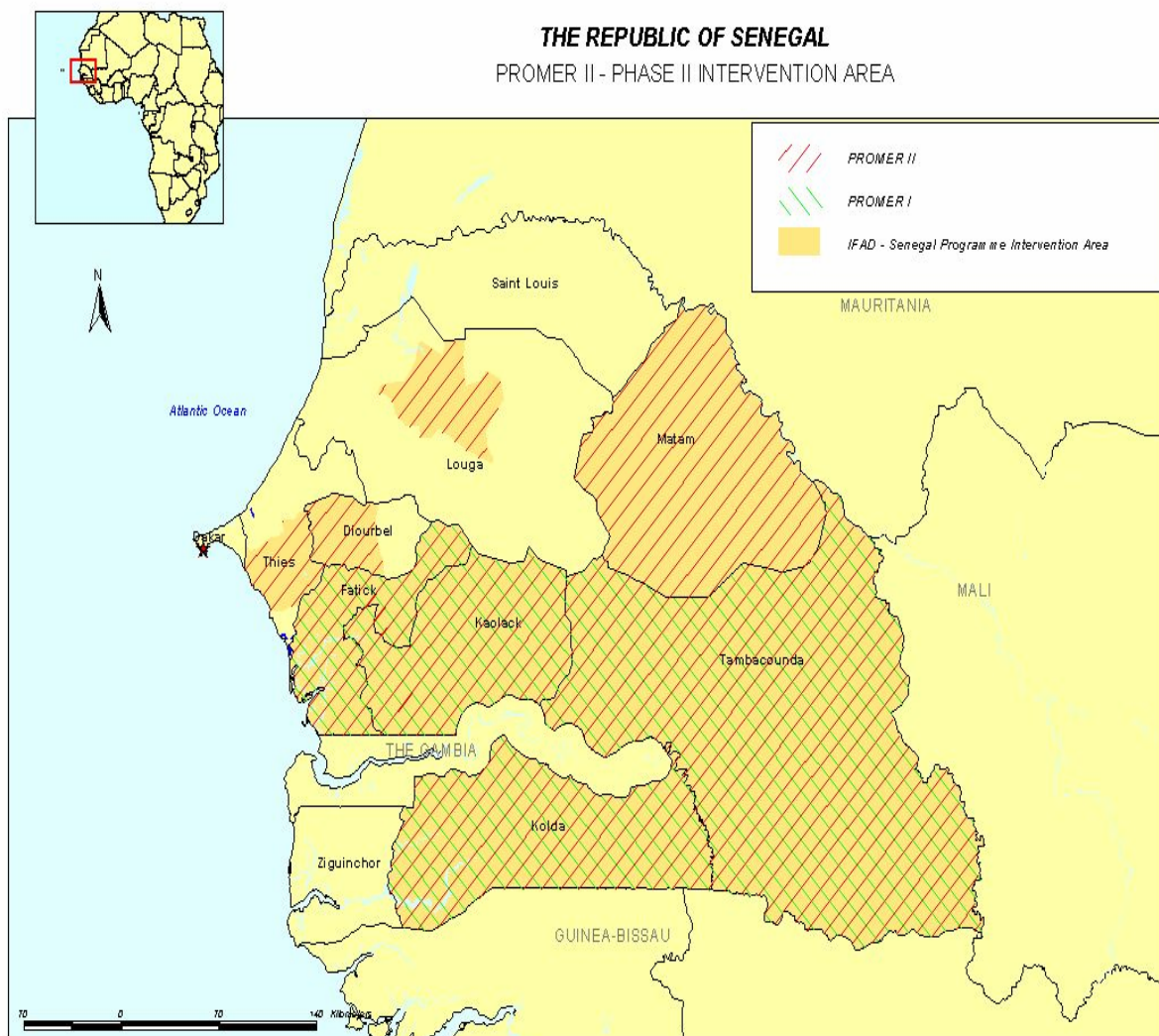
1 January-31 December

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.



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REPUBLIC OF SENEGAL

PROMOTION OF RURAL ENTREPRENEURSHIP PROJECT – PHASE II

LOAN SUMMARY

INITIATING INSTITUTION:	IFAD
BORROWER:	Republic of Senegal
EXECUTING AGENCY:	Ministry of Agriculture and Water Resources
TOTAL PROJECT COST:	USD 18.75 million
AMOUNT OF IFAD LOAN:	SDR 8.70 million (equivalent to approximately USD 13.08 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
COFINANCIER:	West African Development Bank
AMOUNT OF COFINANCING:	USD 2.03 million
TERMS OF COFINANCING:	To be determined
CONTRIBUTION OF BORROWER:	USD 2.19 million
CONTRIBUTION OF BENEFICIARIES:	USD 1.45 million
APPRAISING INSTITUTION:	IFAD
COOPERATING INSTITUTION:	West African Development Bank

PROJECT BRIEF

Who are the beneficiaries? The beneficiaries of the Promotion of Rural Entrepreneurship Project, the second phase of the Rural Micro-Enterprises Project (PROMER), are members of particularly vulnerable rural households: (i) rural unemployed people who are interested in self-employment, but who lack the necessary skills, technologies, market access and initial capital; (ii) people with rudimentary skills, but who need both training in entrepreneurship development and initial capital to set up their own businesses; and (iii) existing owners of micro- and small enterprises who require better skills and technologies and easier access to markets in order to improve and expand their businesses. To foster synergies and complementarities, the project will pay special attention to the beneficiary households of IFAD-financed agricultural and community development projects. It will also focus on reaching socially disadvantaged categories such as women and women's groups, unemployed and underemployed youth, and rural households with limited or no access to land and other production factors.

Why are they poor? Although most farm households try to reduce their vulnerability to climatic risks by carrying out a wide array of agricultural activities, they have few income sources and their incomes have been drastically reduced by a major crisis within the agricultural sector. Farmers are constrained by low productivity and by lack of access to regional and national markets and to modern technologies. Rural craftsmen and entrepreneurs mainly lack access to credit, business advisory services, appropriate infrastructure, and an enabling legal and institutional environment. There is a close correlation between rural poverty and illiteracy. Rural women also have less access than men do to education, skills training, information, land and credit.

What will the project do for them? The project aims to boost employment, and hence incomes, among the most vulnerable groups by improving the profitability of non-farm micro- and small enterprises and – indirectly – by stimulating agricultural activities. In particular, it will help create and develop self-employment and wage-based jobs by providing rural micro- and small enterprises with appropriate and accessible good-quality and self-sustaining financial and non-financial business development services designed to: (i) stimulate the establishment or expansion of self-employment and job-providing micro- and small enterprises; (ii) strengthen the production techniques and management practices of existing micro- and small enterprises; (iii) improve the quality and packaging of micro- and small enterprise goods and services; (iv) improve access by micro- and small enterprises to sustainable regional and national markets; (v) improve their access to financing for working capital and investments; and (vi) improve the legal, political and institutional environment. The project will also help create an enabling environment for micro- and small enterprise development, both by fostering a self-sustaining network of business service providers, and by strengthening and/or expanding outreach by existing microfinance institutions.

How will the beneficiaries participate in the project? The beneficiaries will participate through a broad range of project-supported institutions and organizations, including: (i) providers of rural non-financial business development services; (ii) rural microfinance institutions; and (iii) professional and/or subsector organizations representing rural producers and entrepreneurs. Project beneficiaries, together with other stakeholders, will also participate actively in various consultation bodies to ensure that their constraints, problems and needs are taken into consideration in local and subsector development plans. To ensure sustainability, gradual cost recovery for service provision from beneficiaries will be sought from the very beginning of the project.

How was the project formulated? The design process started in 2002, with a country portfolio evaluation by the IFAD Office of Evaluation. Country portfolio evaluation findings and recommendations were discussed and validated at a workshop attended by all partners in July 2003. The validated country portfolio evaluation was the basis for the new country strategic opportunities paper, developed with the participation of stakeholders – including farmers' organizations – and approved by IFAD's Executive Board in April 2004. An interim evaluation of PROMER was conducted early in 2004, followed by an inception mission in March 2004. During the latter, the Government of Senegal and IFAD discussed and agreed upon the main strategic axes of the second phase of the project. The project was then formulated with the active participation of the PROMER project team and other stakeholders.

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TO THE EXECUTIVE BOARD ON A PROPOSED LOAN TO THE
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I submit the following report and recommendation on a proposed loan to the Republic of Senegal for SDR 8.70 million (equivalent to approximately USD 13.08 million) on highly concessional terms to help finance the Promotion of Rural Entrepreneurship 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 West African Development Bank as IFAD's cooperating institution.

PART I – THE ECONOMY, SECTORAL CONTEXT AND IFAD STRATEGY¹

A. The Economy and the Agricultural Sector

1. **General.** Situated on the Atlantic coast in West Africa, Senegal has a land area of 196 722 km². Its population of approximately 10 million is growing at an average annual rate of 2.7%, and nearly half the population is under 15. The urban population is growing at an annual rate of 4%. A high urbanization rate of 47% reflects strong rural exodus and especially the pull exerted by the capital, Dakar, where 20% of the population already live. Rural outmigration is primarily a phenomenon of young people.

2. **The economy.** Overall economic growth was slow until 1994, when the 50% devaluation of the CFA franc, higher aid flows and rigorous management of the economy combined to generate average annual GDP growth of about 5.5% in real terms. Financial management has also been good: in 2002, the primary budget surplus was equal to 1.9% of GDP; the overall budget deficit net of grants was 3.1%; and inflation had stabilized at 2.3%, account taken of the effects of a value added tax of 18% introduced in September 2001. The main contributor to national wealth is the tertiary sector, with 60% of GDP, reflecting Senegal's economic and commercial role in the subregion. Agriculture, which accounts for only 20% of GDP, remains the primary source of income for over 75% of the active population. The economy is weakly diversified. In rural areas, effective demand remains weak and the national economy is heavily dependent on exports of a narrow range of agricultural commodities for which world demand is declining (such as groundnuts and cotton).

3. **Agriculture and rural poverty.** The correlation between agriculture and poverty is strong, particularly in the centre, south and north-east areas where the vast majority of households rely on agriculture: from 72% to 88% of the country's rural households are poor against the national average of 54%. Although 70% of their expenditures are for food, most rural households are vulnerable to chronic or acute hunger. High rural poverty rates are attributable to the vulnerability of agriculture to external shocks (erratic rainfall, world prices) and to past urban bias in public investments. The situation has worsened because of a deep-seated crisis within the agricultural sector. Good macroeconomic performance has not had the anticipated poverty reduction impact due to the economy's limited ability to foster stable employment and to weak and inequitably distributed social spending. Nearly 75% of health workers are concentrated in Dakar and Thiès, and access by rural inhabitants to education is limited; the overall literacy rate in rural areas is 24%, compared with 57% in urban areas. With an estimated per capita GDP of USD 600 (2001), a life expectancy at birth of

¹ See Appendix I for additional information.

54 years and an adult literacy rate of less than 40%, Senegal's human development index in 2002 was only 0.4316, placing it 154th among 175 countries.

4. **Non-farm activities** provide most rural families with modest amounts of cash for additional food and daily expenditures; those run by women are often crucial to household coping strategies. Returns are generally low, due to dependence on traditional skills and rudimentary technologies. The poorest people lack the skills and capital to undertake the more lucrative activities such as crafts, market gardening or petty trading, and eke out a living by selling their labour.

5. **Micro- and small enterprises.** Most micro- and small enterprises (MSEs) operate in the informal sector (470 000, against 700 in the formal sector) where they provide employment to an estimated 1.3 million people. In rural areas, the vast majority are connected in some way with agriculture, and this is indeed their comparative advantage. Despite growing awareness that MSE development has an important potential impact on poverty reduction, these enterprises remain constrained by rudimentary skills and equipment, limited financial resources, lack of access to credit, and an unfavourable fiscal, legal and institutional environment. Yet, MSEs have considerable scope for development: the demand for non-farm and off-farm services in rural areas is rising; the development and structuring of their organizations is advancing steadily; local human and natural resources are most often not fully exploited; and promising new export markets have developed over the past decade (e.g. fair trade, organic products). Three types of rural MSEs exist according to the official MSE charter: (i) low-return, income-generating activities run mainly by women, singly or in groups; (ii) microenterprises employing 1-10 non-family workers, using rudimentary technologies in the home and generating a turnover of under XOF 15 million per year; and (iii) small enterprises employing 10-20 non-family members, using fairly modern equipment installed in a dedicated workplace and generating over XOF 15 million a year. The corresponding development needs in terms of technologies, credit and training are extremely heterogeneous.

6. **Rural finance.** Senegal has about 700 microfinance institutions (MFIs), including 200 in the proposed project area. Only a few are financing rural MSEs: the majority are located in urban or peri-urban areas; their products and services are generally not appropriate for rural MSE development and/or not competitive with subsidized schemes; and they lack access to sustainable refinancing sources to replace donor funding. The **four categories of MFIs** are: (i) informal savings and loans groups with no legal status and not subject to PARMEC law (a regional law that regulates mutual saving and credit activities in the region covered by the West African Economic and Monetary Union); (ii) savings and credit unions (MECs) with legal status, accredited by the Ministry of Economy and Finance (MEF) and subject to PARMEC law; (iii) networks of MECs (unions, federations, confederations) subject to bank law; and (iv) decentralized financial systems not subject to PARMEC law and operating under five-year framework conventions with MEF. Technical assistance and support is provided by two service providers: the national apex organization of MFIs, the National Organization of Microfinance Institutions (APIMEC); and the MEF technical assistance support unit to the federation of credit and savings unions (AT/CPEC). The rural finance components of ongoing IFAD projects have had only a marginal impact in terms of outreach, and no effective linkages with MFIs have yet been developed.

7. **Civil society.** Senegal's long history of democracy has resulted in increasingly strong and direct citizens' participation in decision-making, particularly at decentralized levels. In 1996, local governments were vested with new powers to manage natural resources and plan and implement development activities. Decentralization has not, however, had the anticipated impact on empowerment and MSE development, mainly because local governments lack the needed financial and human resources. The gap is being met by solidarity networks. These have increased rapidly over the past decade, particularly among women and in rural areas, offering hope of a sustainable response to poverty. Although organizations of MSEs exist (e.g. processors of cereals, milk and fish; makers of clothing, leather and jewellery; builders), they are weak, particularly those for trades dominated by women. However, the National Council for Rural Consultation and Cooperation, representing the farmers' association movement, is one of Africa's most dynamic representative organizations and has made farmer associations key partners for rural development. The growth of civil society and

professional organizations reflects the desire of the Senegalese people to address their own problems as full partners in development.

8. **Gender.** Due to cultural factors – and despite strong Government action – Senegal’s gender-related development index in 2002 was still only 0.420, giving the country a ranking of 128 out of 177 countries. Rural women make substantial contributions to the household economy in terms both of labour and cash generation, and their potential contribution to poverty reduction is revealed by data showing that only a third of woman-headed households are poor against over half of man-headed households. Access by women to factors of production is hampered by lack of access to education, information, innovation and finance. The Government recently created a special fund to deliver subsidized loans to women wanting to start up or expand a business (with interest rates of 7% against 15-18% charged by most MFIs).

B. Lessons Learned from Previous IFAD Experience

9. IFAD has financed 11 projects in Senegal for a total of USD 114 million since 1979. Cooperation was resumed in 1998, after nearly a decade of a partnership troubled by frequent changes in agricultural policy. IFAD has financed three area-based projects for village-level development, all of which are now closed. The six projects financed during the late 1990s and early 2000s expanded IFAD’s coverage to over half the country and added the objective of supporting non-farm activities. Three of the projects were second phases, building on positive experiences.

10. The country portfolio evaluation conducted in 2002/03 by IFAD’s Office of Evaluation examined in depth the Fund’s cooperation with Senegal since 1979. Its conclusions and recommendations were validated in July 2003 at a workshop attended by the Fund’s main partners, where consensus was reached on the need to: (i) articulate future projects within a coherent programme; (ii) intensify the approach to fighting poverty; (iii) strengthen the local development approach; (iv) promote empowerment of farmers’ organizations; (v) enable access to decentralized financial services; (vi) improve natural resource management through environmentally sound production; and (vii) strengthen instruments for strategically piloting the country programme.

11. The interim evaluation of the Rural Micro-Enterprises Project (PROMER), conducted early in 2004, recommended a second phase provided that it would: (i) direct support to subsectors with strong potential; (ii) expand the project area to optimize complementarities with other IFAD-financed interventions and focus on zones where economic activities were concentrated in order to generate the critical mass needed for sustainability; (iii) facilitate access by rural entrepreneurs to financial services; (iv) foster local networks of self-sustaining providers of non-financial business development services; (v) gear approaches to different types of activity; (vi) strengthen monitoring and evaluation (M&E) as a learning and management tool; and (vii) include an explicit exit strategy in project design.

C. IFAD’s Strategy for Collaboration with Senegal

Senegal’s Policy for Poverty Eradication

12. The poverty reduction strategy paper (PRSP) setting out the Government’s policies on poverty reduction (approved in December 2002) presents three main objectives: (i) double income per capita by 2015, by promoting strong, balanced and broad-based growth; (ii) assure universal access to essential social services, by accelerating the pace of basic infrastructure provision; and (iii) eradicate all forms of exclusion, including, in particular, on the basis of gender. The main strategic thrusts are: (a) wealth creation, particularly in agriculture, but also in rural non-farm subsectors; (b) capacity-building and promotion of basic services, understood to include not only education, health, safe water and sanitation, but also good governance and sustainable natural resource management; (c) improved living conditions of vulnerable groups such as children, women, the elderly and youths; and (d) increased participatory implementation and monitoring in the framework of close partnerships with all stakeholders (e.g. citizens and civil society, the private sector, and local and central government). Efforts are coordinated by an interministerial task force in collaboration with steering

committees at national and regional levels. A decentralized M&E system is run by a unit within MEF monitoring the national poverty reduction strategy.

Poverty Eradication Activities of Other Major Donors

13. Potential partners already engaged in promoting rural MSE development include several bilateral agencies (Canada, France, Germany and the United States of America); multilateral agencies such as the African Development Bank, European Union, International Labour Organization (ILO), United Nations Capital Development Fund (UNCDF), United Nations Development Programme (UNDP), and World Bank; and a broad range of national and international NGOs. In accordance with IFAD's local development approach stressing the need to take advantage of local expertise and complementarities, future projects will be proactive in seeking out and exploiting opportunities for synergies.

IFAD's Strategy in Senegal

14. IFAD's overarching goal in Senegal is to assist in pursuing the Millennium Development Goals, particularly the first goal to halve poverty and hunger by 2015. The IFAD country strategic opportunities paper (COSOP), adopted in 2004, recommends a strong focus on initiatives that will raise household incomes and improve rural living conditions in ways that promote gender equity. The COSOP envisages financing, by either loan or grant, various mutually coherent projects that are in line with regional and corporate initiatives. Projects must comply with national rural and poverty reduction policies and the Fund's poverty reduction mandate; pursue common goals within a common strategic approach; support local interventions to generate learning and dialogue on national policies; and encourage harmonization of donor approaches and the generation of synergies through exchanges and dialogue.

15. **IFAD's country programme** focuses on three main thrusts of the PRSP: (i) wealth creation; (ii) capacity-building and basic services; and (iii) improved living conditions for vulnerable groups. It is inspired by IFAD's main rural poverty reduction goals in Western and Central Africa: (a) building the capacity of the rural poor and their organizations by promoting more enabling rural development policies and institutions; (b) increasing the returns to agriculture; (c) raising rural incomes by improving access to capital and markets; and (d) reducing the rural poor's vulnerability to the main risks affecting their livelihoods.

Project Rationale

16. Rapidly rising population pressures and a deep-seated crisis in the traditional agricultural sector have generated an urgent need for alternative livelihood sources in the rural areas of Senegal, where the vast majority of the people continue to depend on natural resources and where access to land and water is increasingly difficult. A decade of high GDP growth has not impacted significantly on poverty, particularly in rural areas where the incidence of poverty ranges from 72% to 88%. The experiences of PROMER are sufficiently promising to justify scaling up (from micro- to small- or even medium-scale enterprises) and geographic expansion. In line with Senegal's policy directives for rural development and rural poverty reduction, the Promotion of Rural Entrepreneurship Project, the second phase of PROMER, will: (i) foster rural entrepreneurship; (ii) assist the rural poor in diversifying and boosting their incomes; and (iii) promote employment creation in rural areas. It will pay special attention to reaching the most vulnerable groups, particularly women and youths, responding more fully to their needs and enhancing the sustainability of project benefits by: (a) outsourcing the provision of non-financial business development services to a network of highly qualified private and public operators on a cost-sharing basis; (b) outsourcing the responsibility for delivering rural financial services to selected MFIs and creating a unit to advise ongoing IFAD-financed projects on rural finance matters; (c) establishing a network of locally based information centres to provide information to rural producers and MSEs on markets and technologies; and (d) promoting the interests of the rural poor and their MSEs in institutions and policy-making bodies at local, regional and national levels.

PART II – THE PROJECT

A. Project Area and Target Group

17. **The project area** comprises the four regions covered by PROMER (Fatick, Kaolack, Kolda and Tambacounda) together with the four regions covered by ongoing IFAD-financed projects (Diourbel, Louga, Matam and Thiès). In each region, PROMER-II will focus on developing a critical mass in target areas, which more than geographical areas are areas with high economic potential. Local governments and communities will also be actively involved in identifying target areas, mobilizing local stakeholders and creating an enabling local environment for rural MSEs, notably in terms of infrastructure needs.

18. **Target group and targeting.** The priority target group comprises women, unemployed and underemployed youths and rural poor people with little or no land. The majority are already engaged in a low-return, non-farm economic activity, and sometimes even more than one. The project may also assist a limited number of peri-urban enterprises, that create employment for local people or provide crucially important services to rural MSEs (e.g. suppliers, distributors, traders and transporters). The project will create the basis for a demand-led approach to targeting through information and sensitization campaigns designed to raise interest in project activities among the priority target groups. It will also adopt positive discrimination to ensure that at least half the assisted businesses are run by women or their groups; promote activities where women enjoy comparative advantages; and facilitate women's access to credit and information, and their participation in decision-making. Project support to professional organizations and other partners will therefore include the promotion of gender-sensitive policies and strategies. The project will put in place mechanisms to ensure that target groups are well represented in leadership and decision-making bodies, at workshops and meetings, and in the professional staffing of the project itself.

B. Objectives and Scope²

19. The **overall goal** of PROMER-II is to promote, in a gender-equitable way, the sustainable diversification of rural poor people's livelihoods and income sources. Its **specific objectives** are to: (i) foster and consolidate profitable rural MSEs able to offer stable jobs in the target areas; (ii) strengthen and professionalize the rural entrepreneurial subsector in those areas; and (iii) improve the overall political, legal and institutional environment for rural MSEs.

20. **Scope.** Over a period of seven years and building on the experience of PROMER, the project will increase the profitability of about 3 000 MSEs located in selected target areas. More specifically, it will: (i) foster self-sustaining networks of providers of non-financial and financial services; (ii) assist rural MSEs in identifying new markets and more profitable technologies; (iii) strengthen their local and apex organizations; (iv) enhance the 'voice' of the rural poor in policy dialogue with the Government and MSE professional organizations; and (v) improve all stakeholders' access to relevant information for rural MSE development. The project will identify in each target area high-potential commodity chains, new products and markets, market channels and commercial innovations, and enable linkages among all actors, including women. It will combine general business training with training in specific technical and commercial skills, and financial assistance with capacity-building. To optimize impact, the project will promote the development of integrated *filières* (commodity chains) to exploit the comparative advantages of the different target areas. It will do so by assisting operators in identifying market openings, and by developing market penetration strategies and supporting their implementation. The project will also enhance the impact of IFAD-financed projects for agricultural/community development by creating an MSE-development window and a unit to support MSE rural finance operations. This measure should generate strong synergies among IFAD projects in Senegal.

² A logical framework analysis showing the linkages, verifiable indicators, and assumptions is attached as Appendix III.

C. Components

21. The components of the proposed project will be: (i) access to non-financial business development services; (ii) promotion of rural financial services; (iii) strengthening of professional organizations and political, legal and institutional environments; (iv) development of business information services; and (v) coordination and management.

Access to Non-Financial Business Development Services

22. This component will foster a network of about seven providers of business development services per target area (24 for the overall project area). It will assist business advisors trained by PROMER, consultants, companies, local representatives of professional organizations, members of the National Agency for Agricultural and Rural Support, MSEs and master craftsmen in developing appropriate services for rural MSEs, particularly those run by women and youths. It will also support a network of business development services that will provide tailored support to promoters and entrepreneurs in such areas as capacity-building, access to financing, market research and access to innovation. Later on, the project will provide potential clients with vouchers that they can use to reward their chosen services providers directly, thereby enhancing their voice with regard to the type and quality of services they prefer. A project-financed dedicated fund will initially cover a large share of the cost of business development services but clients will gradually bear an increasingly larger share. Access to technical and commercial innovations will be enabled on a demand-led basis, with the project helping MSEs to identify and obtain such innovations through an innovation fund. The Government will ensure the continuity of actions and benefits of these two funds after project completion. Financial and operational procedures will be determined during mid-term review. The project will also offer functional literacy training combined with thematic and skills training, notably in accounting.

23. The project will base the selection of target areas on: (i) presence of unexploited local potential (including crops, livestock, forests, fisheries) and high poverty rates; (ii) potential for developing MSEs that can respond to identified markets; (iii) prospects for developing self-sustaining networks of private-sector providers of financial and non-financial services; (iv) potential for creating wage employment, particularly for women and youths; (v) potential for raising local value added; (vi) potential synergies with other IFAD-financed projects; (vii) potential spin off effects upstream and downstream (supply, distribution, marketing); and (viii) accessibility. National consultants will conduct a detailed study to ascertain the suitability of the 24 target areas identified during project formulation.

Promotion of Rural Financial Services

24. A rural finance support unit (SAFIR) will be created to provide guidance and backstopping for the rural finance operations of all ongoing IFAD projects in Senegal. SAFIR will (i) facilitate linkages between MSEs and partner MFIs; (ii) build the capacity of partner MFIs to design and adapt products and services for rural MSEs; (iii) finance the creation of up to 16 new credit unions (buildings, equipment, training and non-reimbursable financial support) in regions not covered by existing MFIs; and (iv) assure capacity-building and institutional support to MFIs and their apex organizations (APIMEC, AT/CPEC). In addition, a long-term credit line financed and managed by the West African Development Bank (BOAD) will be available for MFIs to use for mid-term/long-term financing of MSEs. The long-term sustainability of SAFIR will be ensured either by it being handed over to APIMEC or by its transformation into a subregional microfinance advisory services provider. Operational modalities will be determined during the mid-term review.

Strengthening of Professional Organizations and Political, Legal and Institutional Environments

25. The project will help national professional organizations upgrade their local representations, improve networking among themselves, and enhance the voice of rural MSEs in their operations,

especially those run by women and youths. Training and capacity-building activities will be determined following a needs assessment, but are expected to cover the legal and institutional environment, and to provide guidance on, among other issues, how to identify and access new markets, promote the interests of member MSEs, and generate synergies and mutually beneficial partnerships within and between commodity chains and subsectors. The project will foster participatory mechanisms at all levels and for each subsector or target area. In efforts to improve the political, legal and institutional environment, it will be guided by an assessment of the operational context of rural MSEs including the presence or absence of non-financial and financial services, infrastructure, laws and regulations, markets, research and development. The project will also proactively work to develop a national strategic framework for rural MSEs, through policy dialogue at all levels, including at the local policy-making and planning levels.

Development of Business Information Services

26. The project will create four self-financing business information centres (SITECs) at Tambacounda (headquarters), Kaolack, Kolda and Matam, to collect and disseminate information relevant to rural producers and to provide producers with a channel for connecting with potential clients. Its support to these centres will draw on the experiences of IFAD's projects in Senegal and elsewhere, in close collaboration with FIDAfrique, the internet-based network linking IFAD-funded projects and other organizations in Western and Central Africa. The project will allocate funds for the production of periodic and annual reports, radio programmes, videos and thematic newsletters, which will investigate such issues as recent technological developments, market opportunities and constraints, laws, rules and regulations. It will carry out at start-up a baseline survey of existing rural information channels in Senegal and of the information needs of rural clients. After mid-term review in the fourth project year, the project will transfer responsibility for the SITECs to regional development agencies or trade associations, thus ensuring their long-term sustainability. The IFAD Information and Communication Division, FIDAfrique and the Research and Technological Exchange Group (GRET) will provide technical backstopping.

Coordination and Management

27. This component covers creation and operating costs of a basic project management unit (PMU), with four field offices – at Matam, Kolda, Kaolack and Louga – and a strong M&E unit to track achievements and guide project planning and implementation strategies. The PMU will be headed by a project manager recruited on the basis of competitive selection procedures acceptable to IFAD and the line ministry. He or she will be assisted by four senior staff with clearly defined responsibilities for components, accounting and M&E, and by support staff. A specialist in rural MSE development and marketing will head each field office assisted by a specialist in non-financial business development services and support staff. To ensure gender equity within the PMU, the project will give priority to recruiting qualified women professionals. It will also place special emphasis on the development of a participatory M&E system both for learning from, and managing, results in line with the requirements of the newly approved results and impact management system (RIMS).

D. Costs and Financing

28. Total project investment and operating costs, including price and physical contingencies, are estimated at USD 18.75 million over a period of seven years. The foreign exchange component will be USD 2.69 million (14%). IFAD will finance about 70% of the total cost through a loan of USD 13.08 million. BOAD will finance a further 11% through a loan of USD 2.03 million, mainly for strengthening financial institutions and partner structures. The Government's contribution equivalent to USD 2.19 million (12%), includes USD 1.72 million (9%) in waived taxes and duties and USD 470 000 (3%) from existing governmental funds for training and capacity-building activities. Beneficiaries will bear about 8% of the cost (USD 1.45 million). Tables 1 and 2 show the breakdown of costs by component and cofinancier.

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

Components	Local	Foreign	Total	% of Foreign Exchange	% of Base Costs
Access to non-financial business development services	9 057	599	9 655	6	53
Promotion of rural financial services	2 602	232	2 834	8	16
Strengthening of professional organizations and political, legal and institutional environments	728	314	1 042	30	6
Development of business information services	870	244	1 113	22	6
Coordination and management	2 358	1 171	3 529	33	19
Total base costs	15 615	2 559	18 174	14	100
Physical contingencies	139	41	181	23	1
Price contingencies	305	89	394	23	2
Total project costs	16 059	2 689	18 749	14	103

^a Discrepancies in totals are due to rounding.

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

Components	IFAD		BOAD		Government		Beneficiaries		Total		Foreign Exchange	Local Excluding Taxes	Duties and Taxes
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%			
Access to non-financial business development services	6 967	70.9	-	-	1 427	10.1	1 432	14.6	9 826	52.4	623	8 207	996
Promotion of rural financial services	692	24.1	2 030	70.6	139	4.8	16	0.6	2 877	15.3	239	2 499	139
Strengthening of professional organizations and political, legal and institutional environments	996	89.1	-	-	122	10.9	-	-	1 118	6.0	324	672	122
Development of business information services	1 066	90.0	-	-	118	10.0	-	-	1 184	6.3	256	810	118
Coordination and management	3 354	89.6	-	-	389	9.2	-	-	3 743	20.0	1 247	2 150	345
Total costs	13 075	69.7	2 030	10.8	2 194	11.7	1 448	7.7	18 749	100.0	2 689	14 339	1 720

^a Discrepancies in totals are due to rounding.

E. Procurement, Disbursement, Accounts and Audit

29. **Procurement of goods and services** will be undertaken by the PMU in accordance with procedures acceptable to IFAD. Purchases will be bulked wherever possible to reduce prices. International competitive bidding procedures will be adopted for purchases of vehicles costing more than USD 100 000 and for the procurement of goods and services costing more than USD 50 000. Procurements between these thresholds and USD 10 000 will be made by national competitive bidding. Local shopping procedures with at least three quotations will apply for goods and services costing less than USD 10 000.

30. **Disbursements** for civil works, machinery, vehicles, equipment and consultancy services will be fully documented. Withdrawals from the loan account will be made against detailed statements of expenditures for categories of expenditures jointly determined by the Government, IFAD and the cooperating institution. The project will retain all documentation relating to expenditures and make it available for inspection by supervision missions and auditors.

31. **Accounts and audits.** The Government will open a special account with a commercial bank in Dakar, in the name of the project, managed by MEF, and in which IFAD will make an initial deposit of USD 600 000 equivalent. The auditors' reports will include opinions on respect for procurement procedures, the legitimacy of expenditures and the use made of the goods and services procured. They will also provide a separate opinion on the accuracy of the statements of expenditure and on the management of the special account. The audited financial statements will be submitted to IFAD and the cooperating institution no later than six months after the end of each fiscal year.

F. Organization and Management

32. The lead agency will be the Ministry of Agriculture and Water Resources. A steering committee chaired by a representative of the Ministry of Agriculture and Water Resources, will meet twice a year to review the project's progress and impact, and to approve its annual workplan and budget. To ensure appropriate and timely coordination, the steering committee will include representatives of central government, relevant line ministries, representatives of the private sector and professional organizations, and other IFAD project coordinators. A technical committee formed by representatives of MSEs (women and men), MFIs and concerned technical line departments, all project implementing partners as well as any other person or institution involved in the promotion of rural MSEs, will assist the steering committee on policy-related matters. A PMU based in Tambacounda will coordinate day-to-day operations. In addition to guiding and supervising the operations of the four decentralized field offices, the PMU will create the four SITECs to collect and disseminate MSE-related information. SAFIR will be responsible for implementing the project's financial services component; its performance will be monitored by an orientation committee with representatives from IFAD-financed projects, APIMEC, AT/CPEC, ILO and the director of the microfinance unit of the Ministry of Women's Entrepreneurship and Microfinance.

33. In view of the project's innovative nature, IFAD will seek to obtain methodological support for the PMU from specialized institutions with extensive experience in the subregion and elsewhere through partnership agreements with: (i) ILO for capacity-building in business development services; and (ii) UNCDF regional microfinance unit for SAFIR implementation. These two organizations will be part of the technical committee and will contribute to M&E design and operation. With regards to access to information on methodological and commercial innovations and on professional organization strengthening, the project will seek assistance from GRET as well as other local specialized organizations (together with ILO). In accordance with IFAD procurement procedures, the project will issue contracts to experienced NGOs to carry out information and sensitization campaigns designed to develop demand for non-financial and financial services.

34. **Monitoring and evaluation.** The design of the M&E system will comply with IFAD's procedures – notably with its Practical Guide on Monitoring and Evaluation of Rural Development Projects and with RIMS – and with such framework documents as the Fund's country programme for Senegal (the COSOP) and the Government's PRSP. It will also be geared to the specificity of the assisted enterprises. The performance indicators to be developed for MSEs will be posted on the homepage of MIXMarket, a site for information exchange relating to the microfinance industry.

G. Economic Justification

35. **Beneficiaries.** Over a minimum of seven years, the project will provide assistance to about 3 000 businesses in the selected eight regions. Of these, some two thirds will be entirely new; and about 40% will be run by groups or associations and 60% by individuals. Direct project beneficiaries are expected to number about 35 000. Women or women's groups will run at least 50% of the businesses, and landless youths, 25%. Roughly 7 600 new jobs will be created. About 2 800 households will join one of the 16 credit unions to be created. Finally, most MSEs will be related in some way to agriculture, generating positive spin-off benefits in that sector and hence to the local economy as a whole. At least 1 600 persons, most of whom women, will take part in literacy training. The project will also strengthen the services of 160 non-financial providers of business development services and four MFIs.

36. **The economic benefits** of PROMER-II are expected to include: (i) a network of more dynamic and profitable rural MSEs generating higher rural incomes through the creation, upgrading, diversification and integration (vertically and horizontally) of jobs; (ii) fewer technical and financial constraints on rural MSEs thanks to a network of providers of critically important services (non-financial and financial) and to stronger professional organizations; (iii) creation of a durable mechanism for the dissemination of relevant information; (iv) reduced gender inequality through the strengthening of women's participation and voice in the MSE sector and in local decision-making; (v) a broader range of better-quality products available on local and national markets; (vi) greater awareness at local and central government levels of the need for local development programmes to take account of the constraints and opportunities facing rural MSEs; (vii) genuine empowerment of the MSE subsector thanks to stronger linkages between local businesses and other MSE stakeholders (such as professional and subsector organizations, different levels of government, donors). Through policy dialogue, the project will stimulate the formulation of relevant policies at regional and national levels.

37. The **internal rate return** is calculated at 17%. Sensitivity analyses based on both agricultural and non-agricultural activities, show the internal rate return to be robust, with reductions of benefits by 10% and 20%, reducing the internal rate return to 14% and 12% respectively. An increase of costs by 10% depresses the internal rate return to 15%. The assumption that about half the assisted MSEs will be operational after three years is considered to be sufficiently conservative.

H. Risks

38. The greatest risk the project runs is that existing MFIs may be unwilling to collaborate with it. As this would compromise the envisaged approach entirely, the design makes ample provisions for attractive benefits and close monitoring. Rural markets are notoriously weak, and the success of the project will depend heavily on how well it can help MSEs to identify and penetrate profitable new markets and whether rural MSEs can obtain and integrate new technologies in ways that will allow them to compete effectively with urban producers and imports. The poor quality of existing agricultural produce could impact negatively on the profitability of MSEs engaged in processing or marketing. The project will contribute to mitigating this risk by providing training in quality awareness and in linking closely with other production-oriented IFAD projects.

I. Environmental Impact

39. The project is not expected to have a major impact on the physical environment. Through the providers of non-financial business development services, it will introduce more environmentally friendly production techniques and products. It will also finance training sessions on environmental issues for these providers and, through them, for MSEs.

J. Innovative Features

40. The project is innovative in that it will: (i) help build a coherent country programme with a local development approach, ensuring that complementarities and synergies are strengthened among different projects; (ii) create a self-sustaining rural network of non-financial providers of business development services, which will be able to offer relevant and accessible services to MSEs; (iii) create for MSEs and other interested parties self-sustaining information services relating to technologies, markets, products and marketing; (iv) establish a rural-finance support unit to provide backstopping to all ongoing IFAD-funded projects and MFIs, including intermediation between the commercial banks and MFIs; (v) set up an M&E system adapted to the specificities of MSEs and linked to other M&E systems connected with the PRSP and IFAD's programme in Senegal; (vi) place strong emphasis on women entrepreneurs; and (vii) pay special attention, through a specific component, to policy dialogue so as to create an enabling environment for rural microenterprises.

PART III – LEGAL INSTRUMENTS AND AUTHORITY

41. A loan agreement between the Republic of Senegal 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.

42. The Republic of Senegal is empowered under its laws to borrow from IFAD.

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

PART IV – RECOMMENDATION

44. 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 Republic of Senegal in various currencies in an amount equivalent to eight million seven hundred thousand special drawing rights (SDR 8 700 000) to mature on or prior to 1 October 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.

Lennart Båge
President

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

(Loan negotiations concluded on 8 April 2005)

1. **Availability of loan proceeds.** The Government will make the loan proceeds available to the Ministry of Agriculture and Water Resources (the lead project agency) in accordance with the annual workplans and budgets (AWP/Bs) and customary national procedures for development assistance to carry out the project. The Government will also ensure that the proceeds of the BOAD loan are made available to the PMU in accordance with the AWP/Bs.
2. **Availability of supplementary resources.** The Government's contribution to the financing of the project is estimated at the local-currency equivalent of USD 2 194 000, which represents:
 - (a) all duties, taxes and levies on goods and services to be covered by the Government in the local-currency equivalent amount of USD 1 720 000 by means of exemption or through treasury cheques; and
 - (b) the contribution of the Government in the local-currency equivalent amount of USD 474 000 for training and support activities for rural MSEs, drawn on existing government funds or such other mechanism as may be appropriate.
3. **Pesticide management practices.** As part of maintaining sound environmental practices as required by IFAD, the Government will ensure that appropriate pest management practices are observed under the project and, to that end, will ensure that pesticides used 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. **Monitoring and evaluation.** The monitoring and evaluation (M&E) system implemented under the project will allow for measuring and monitoring project impact in accordance with the basic principles of IFAD's results and impact management system and the guidelines of the framework for measuring the performance of business support services, prepared in conjunction with the Committee of Donor Agencies for Small Enterprise Development, of which IFAD is a member. The system will be participatory and will include the rural MSEs, providers of non-financial support services and specific partners (ILO and other specialized local or international entities) in the collection and analysis of results, namely for the component to support rural MSEs, entrepreneurs and initiatives with potential. In line with IFAD's new guidelines on M&E and impact analysis, three surveys will be conducted during the life of the project (an initial baseline survey, a mid-term survey and a final survey). The rural finance support unit (SAFIR) will have an M&E system and performance and impact indicators that are specific to its activity, including indicators on project beneficiaries for whom certain data will be included in the project's M&E system. The rural finance support unit's M&E system will also take account of certain indicators defined under other IFAD projects. Furthermore, the data emerging from the rural finance support unit's M&E system will be published on the MIXMarket information exchange platform.
5. **Insurance of project staff.** The Government will ensure that project staff are insured against health and accident risks in accordance with its customary practices.
6. **Recruitment.** Project staff will be recruited through local calls for bids published in the national press, according to the Government's current procedures, on the basis of renewable, two-year contracts that may in no case extend beyond the duration of the project. The recruitment of the main

project officers – i.e. the manager of the PMU, the administrative and financial officer, the four officers responsible for the various components, and the staff of the rural finance support unit and the SITECs – as well as any decision to terminate their contract will be decided in agreement with IFAD. Project staff will be subject to performance evaluations as set forth in the accounting, administrative and financial procedures manual. Contracts may be terminated on the basis of the findings of these evaluations. Staff will be managed according to applicable procedures in Senegal.

7. **Equal treatment.** No form of discrimination based on gender, age, ethnic background or religious belief will be permitted during recruitment of project staff, in accordance with applicable legislation of Senegal. However, all other things being equal, the Government agrees to give preference to women candidates, especially for technical posts to be filled under the project.

8. **Sustainability of actions financed through support funds implemented under the project.** The support fund to strengthen rural MSEs and the support fund for innovation will be capitalized initially with loan proceeds. To ensure the sustainability of project actions and their continued integration within the pursuit of the Government's objectives, the project and the Government will assess – at the time of the mid-term review – practical ways of ensuring the sustainability of these funds.

9. **Conditions precedent to disbursement**

- (a) No withdrawal may be made for expenditures under any category until such time as:
 - (i) the director of the PMU, the administrative and financial officer, the three officers in charge of the components (development of non-financial services, information, and M&E) have been recruited; and
 - (ii) the draft manual of accounting, administrative and financial procedures has been prepared and submitted to IFAD.
- (b) Once the above two conditions have been met, an advance of 100 million CFA francs will be disbursed. The remainder of 200 million CFA francs may not be disbursed until such time as:
 - (i) the partnership agreements between the project and the ILO and between the project and the regional microfinance unit of the United Nations Capital Development Fund have been signed; and
 - (ii) the first AWP/B has been approved.

10. **Conditions precedent to effectiveness.** The following are specified as conditions precedent to the effectiveness of the loan agreement:

- (a) A favourable legal opinion, issued by the competent Senegalese authority and acceptable in form and content, has been forwarded by the Government to IFAD.
- (b) The PMU, the steering committee and the technical committee have been established by decree of the lead project agency.
- (c) The project manager and the administrative and financial officer have been selected.
- (d) The special account has been opened.
- (e) The project has been included in the national budget.

APPENDIX I

COUNTRY DATA

SENEGAL

Land area (km² thousand) 2002 1/	197	GNI per capita (USD) 2002 1/	470
Total population (million) 2002 1/	10.01	GDP per capita growth (annual %) 2002 1/	-1.3
Population density (people per km²) 2002 1/	52	Inflation, consumer prices (annual %) 2002 1/	2.2
Local currency	CFA Franc BCEAO (XOF)	Exchange rate: USD 1 =	XOF 500
Social Indicators			
Population (average annual population growth rate) 1996-2002 1/	2.6	Economic Indicators	
Crude birth rate (per thousand people) 2002 1/	35	GDP (USD million) 2002 1/	5 037
Crude death rate (per thousand people) 2002 1/	13	Average annual rate of growth of GDP 1/ 1982-1992	2.3
Infant mortality rate (per thousand live births) 2002 1/	79	1992-2002	4.6
Life expectancy at birth (years) 2002 1/	52	Sectoral distribution of GDP 2002 1/	
Number of rural poor (million) (approximate) 1/	n/a	% agriculture	15
Poor as % of total rural population 1/	n/a	% industry	22
Total labour force (million) 2002 1/	4.41	% manufacturing	14
Female labour force as % of total 2002 1/	43	% services	63
Education			
School enrolment, primary (% gross) 2002 1/	75 a/	Consumption 2002 1/	
Adult illiteracy rate (% age 15 and above) 2002 1/	61	General government final consumption expenditure (as % of GDP)	14
Nutrition			
Daily calorie supply per capita, 1/	n/a	Household final consumption expenditure, etc. (as % of GDP)	76
Malnutrition prevalence, height for age (% of children under 5) 2002 3/	25 a/	Gross domestic savings (as % of GDP)	10
Malnutrition prevalence, weight for age (% of children under 5) 2002 3//	23 a/	Balance of Payments (USD million)	
Health			
Health expenditure, total (as % of GDP) 2002 1/	5 a/	Merchandise exports 2002 1/	1055
Physicians (per thousand people) 1999 1	n/a	Merchandise imports 2002 1/	1560
Population using improved water sources (%) 2002 3/	78 a/	Balance of merchandise trade	-505
Population with access to essential drugs (%) 1999 3/	50-79	Current account balances (USD million)	
Population using adequate sanitation facilities (%) 2002 3/	70 a/	before official transfers 2002 1/	n/a
Agriculture and Food			
Food imports (% of merchandise imports) 2002 1/	26	after official transfers 2002 1/	-478
Fertilizer consumption (hundreds of grams per ha of arable land) 2002 1/	162 a/	Foreign direct investment, net 2002 1/	93
Food production index (1989-91=100) 2002 1/	101	Government Finance	
Cereal yield (kg per ha) 2002 1/	694	Overall budget deficit (including grants) (as % of GDP) 2002 1/	-2.0 a/
Land Use			
Arable land as % of land area 2002 1/	13 a/	Total expenditure (% of GDP) 2002 1/	22 a/
Forest area as % of total land area 2002 1/	32 a/	Total external debt (USD million) 2002 1/	3 918
Irrigated land as % of cropland 2002 1/	3 a/	Present value of debt (as % of GNI) 2002 1/	49
		Total debt service (% of exports of goods and services) 2002 1/	13
		Lending interest rate (%) 2002 1/	n/a
		Deposit interest rate (%) 2002 1/	4

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

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

2/ UNDP, *Human Development Report*, 2000

3/ UNDP, *Human Development Report*, 2004

PREVIOUS IFAD FINANCING IN SENEGAL

Project Name	IFAD Approved Financing (USD '000)	Board Approval	Loan Signing	Loan Effectiveness	Current Closing	Project Completion Date	Cooperating Institution	Project Status
Integrated Rural Development Project of M'Bour Louga (Loan Number = 26-SE)	13 632	18/12/79	16/01/80	13/07/81	30/06/90	31/12/89	African Development Bank	Closed
Agroforestry Development Project (Loan Number = S15-SE)	11 130	30/11/88	30/01/89	07/11/89	30/06/98	31/12/97	BOAD	Closed
Second Small Rural Operations Project (Loan Number = S18-SE)	6 300	13/09/89	08/11/89	05/03/90	30/06/99	31/12/98	World Bank IDA	Closed
Agricultural Development Project in Matam (Loan Number = S30-SE)	16 090	11/12/91	23/01/92	27/04/93	31/12/00	30/06/00	BOAD	Closed
Village Organization and Management Project (Loan Number = 315-SE)	8 150	02/12/92	17/12/92	13/08/93	31/12/99	30/06/99	BOAD	Closed
Rural Micro-Enterprises Project (Loan Number = 40-SN)	7 340	06/12/95	18/01/96	03/01/97	31/03/05	30/09/04	BOAD	Ongoing
Rural Micro-Enterprises Project (Loan Number = S47-SN)	9 488	04/12/97	12/02/98	09/08/99	30/06/07	31/12/06	BOAD	Ongoing
Village Management and Development Project (Loan Number = 462-SN)	8 175	02/12/98	03/03/99	01/09/99	31/12/05	30/06/05	BOAD	Ongoing
Agroforestry Project to Combat Desertification – Phase II (Loan Number = 489-SN)	7 498	09/12/99	13/03/00	08/02/01	30/09/05	31/03/05	World Bank IDA	Ongoing
National Rural Infrastructure Project (Loan Number = 524-SN)	13 671	07/12/00	16/01/01	16/07/01	31/03/09	30/09/08	BOAD	Ongoing
Village Organization and Management Project – Phase II (Loan Number = 546-SN)	12 508	10/04/03	17/04/03	01/11/03	30/06/12	31/12/11	BOAD	Ongoing
Agricultural Development Project in Matam – Phase II (Loan Number = 608-SN)								
TOTAL Assistance: USD 114 million								

LOGICAL FRAMEWORK

Narrative summary	Objectively verifiable indicators (RIMS) and targets outputs (TOs)	Means of verification	Risks/hypotheses
1. OVERALL GOAL			
Contribute to the reduction of rural poverty by creating and/or consolidating MSEs able to offer stable employment and increase the incomes of rural households in a gender-equitable manner	<ul style="list-style-type: none"> • Evolution of basic indicators of socio-economic impact (RIMS) (e.g. wealth rank, malnutrition among under-fives) • No. of households receiving support (total, by component and by activity) 	<ul style="list-style-type: none"> • Baseline surveys PRODAM-II, PAGF-II, POGV-II, PADV • Longitudinal surveys PROMER-II • Impact assessments (baseline, mid-term and completion) PROMER II 	
2. SPECIFIC OBJECTIVES			
Consolidation or creation of profitable MSEs able to provide stable employment in the target areas of the project	<ul style="list-style-type: none"> • No. of MSEs created/strengthened (by type and by sector/chain) (TO= 1 800 micro-enterprises including IGAs and 1 200 small enterprises) • No. of MSEs still operating after 3 years (by type and by subsector (<i>filière</i>)) (TO= at least 70% of assisted MSEs) • Evolution of No. of jobs created or consolidated by assisted MSEs (by gender, by sector) (TO= at least 7 600 stable jobs created or consolidated) • Evolution of turnovers of assisted MSEs (by gender) • Evolution of value-added of assisted MSEs by sector (by gender) • Evolution of profitability of assisted MSEs by subsector (by gender) 	<ul style="list-style-type: none"> • Impact assessment reports (M&E Unit) • Project activity reports • Statistics from trades associations (<i>chambres consulaires</i>) • Statistics from Ministry for Agriculture and Hydraulics and Ministry for Development of MSEs, Women's Businesses and Micro finance • Accounts of assisted MSEs 	<p><u>Hypotheses</u></p> <ul style="list-style-type: none"> • The micro-economic environment will not be negative for the development of rural MSEs • Public and private institutions already supporting the development of small and medium enterprises are willing to develop and adopt specific approaches for rural MSEs • Local governments are willing to take on the role of promoting economic activities and rural MSEs, and have the necessary means to do so <p><u>Risks</u></p> <ul style="list-style-type: none"> • Competition by cheap imports may prevent MSEs from penetrating profitable markets
Structuring and strengthening of the professionalism of the rural enterprise sector along selected subsectors (<i>filières</i>) and niches	<ul style="list-style-type: none"> • No. and % of rural MSEs joining trades federations 	<ul style="list-style-type: none"> • Impact assessment • Project activity reports 	<ul style="list-style-type: none"> • Trades federations are willing to take account of the specific needs of rural MSEs and to define the interests of the latter
Improve the political, legal and institutional environment for the creation and development of rural MSEs	<ul style="list-style-type: none"> • No. of new rural MSEs (by type, by activity) • Evolution of turnover and profitability of assisted MSEs (by subsector) 	<ul style="list-style-type: none"> • Statistics from Ministry of Women's Entrepreneurship and Microfinance • Periodic project reports 	<ul style="list-style-type: none"> • Government will enact policies for introducing the necessary improvements

Narrative summary	Objectively verifiable indicators (RIMS) and targets outputs (TOs)	Means of verification	Risks/hypotheses
3. OUTPUTS			
Component A - Access to non-financial services for the development of rural MSEs			
<p>Rural MSEs and IGAs have access to non-financial services that are adapted to their needs and capacities</p> <p>A network of certified self-sustaining local providers of non financial services is created</p>	<ul style="list-style-type: none"> • No. of rural MSEs using the services (created or consolidated, and by subsector) • Resources withdrawn from the Fund to support the strengthening of MSEs/IGAs (by type of enterprise/activity and by zone) • Resources withdrawn from the Fund to support innovation, quality and marketing practices (by type of enterprise and by zone) • No. of non-financial services providers (by zone, by type of service and by status) • Evolution of turnovers of non-financial services providers (trends of no. of days spent providing support to MSEs) 	<ul style="list-style-type: none"> • Monitoring reports (M&E Unit) • Periodic project reports • Statistics from trades associations and government • National Budget (Finance Law) 	<p><u>Hypotheses</u></p> <ul style="list-style-type: none"> • Public and private institutions already supporting the development of small and medium enterprises are willing to develop or adopt specific approaches for rural MSEs • A demand for non-financial services exists among rural MSEs <p><u>Risks</u></p> <ul style="list-style-type: none"> • Potential services providers may not be interested in operating in rural environments • Government may not replenish the support funds as agreed
Component B - Access to financial services			
<p>Rural MSEs and target groups have access to adapted financial services</p>	<ul style="list-style-type: none"> • No., type and volume of loans delivered by partner MFIs to MSEs including IGAs (by type of activity, newly created or consolidated, by gender, by region and by type of beneficiary) 	<ul style="list-style-type: none"> • Monitoring reports (M&E Unit) • Periodic project reports • Statistics from AT/CPEC Unit • Accounts of assisted MSEs • Activity reports of MFIs • Reports of APIMEC 	<p><u>Hypothesis</u></p> <ul style="list-style-type: none"> • Political meddling will be absent <p><u>Risks</u></p> <ul style="list-style-type: none"> • Profitability of MSE activities may be low • Financial conditions of certain MFIs may not be sustainable in the long term
Component C - Strengthening of professional organizations and improvement of policy, legal and institutional environment			
<p>Associations and federations of rural MSEs are structured and become active members of professional organizations</p> <p>The policy, legislative and institutional environment is an enabling one for rural MSE development</p>	<ul style="list-style-type: none"> • No. of women and MSE/IGA operators in membership and in decision-making bodies of professional organizations • No. of subsectoral consultation bodies (<i>cadres de concertation</i>) (TO= at least one per subsector or niche in each target area) • No. of inter-subsectoral consultation bodies (TO= at least one per target area) • No. of local representations of 	<ul style="list-style-type: none"> • Monitoring reports (M&E Unit) • Periodic project reports • Statistics of national federations and inter-professional organizations 	<ul style="list-style-type: none"> • Professional organisations are willing to take account of the specific needs of rural MSEs and to defend the interests of the latter • Government's commitment to the development of rural MSEs is clearly defined

Narrative summary	Objectively verifiable indicators (RIMS) and targets outputs (TOs)	Means of verification	Risks/hypotheses
	professional organizations <ul style="list-style-type: none"> ● No. of women attending consultation meetings ● No. of local electees/institutions trained on the role of MSEs in job creation and rural development (by gender) ● A strategic framework for promoting MSEs is formulated (TO= the small and medium enterprise Charter (<i>Charte des PME</i>) amended to take explicit account of IGAs and micro-enterprises) ● No. of consultation bodies with representations of local government (TO= at least one per region) ● Needs of rural MSEs reflected in LDPs (TO: MSE-specific needs are fully integrated in at least one LDP per region) 		
Component D - Communications and information			
An effective and self-sustaining platform is created to enable exchanges of information and capitalization of experiences	<ul style="list-style-type: none"> ● No. of business information services centres created (SITEC) (TO= 4 SITEC) ● No. of publications by subsector ● No. of information handouts, videos and posters produced ● No. of radio broadcasts ● No. of visits by clients to SITEC (by gender, by size of MSE and by region) ● No. of articles posted on Internet (FIDAFrique) 	<ul style="list-style-type: none"> ● Monitoring reports (M&E Unit) ● Periodic project reports ● Client satisfaction surveys 	<u>Risk</u> <ul style="list-style-type: none"> ● Information resources may be used for non-project purposes
Component E - Coordination, management, monitoring and evaluation			
Project resources are used effectively and in compliance with the goals and anticipated outputs	<ul style="list-style-type: none"> ● Disbursement rates (by component) ● Implementation of at least 75% of actions envisaged in annual work programme and budgets (AWPBs) ● AWPBs drawn up on schedule and using participatory methods ● Functional M&E system 		<u>Hypothesis</u> <ul style="list-style-type: none"> ● Government counterpart funds will be made available as envisaged in annual budgets

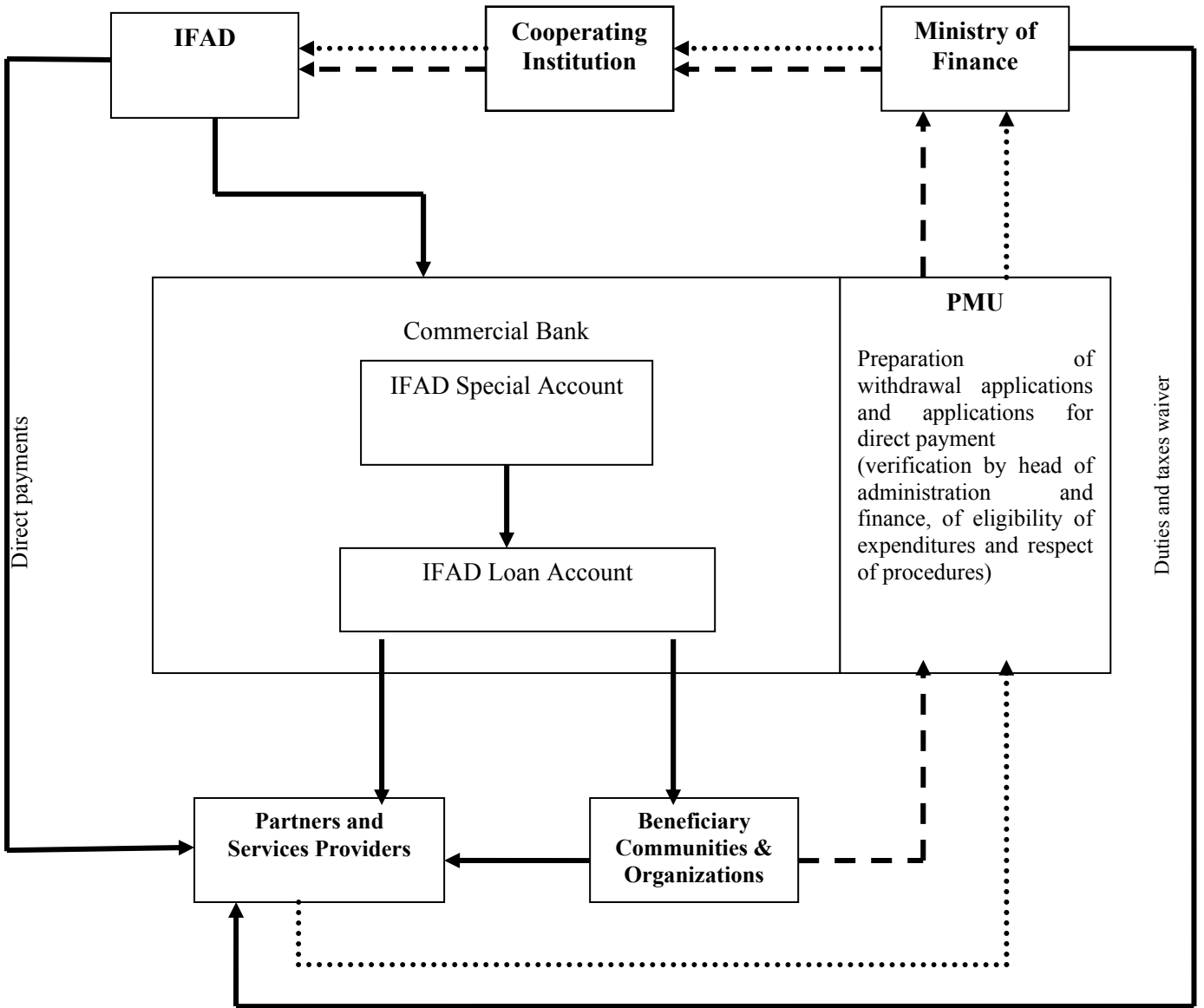
Narrative summary	Objectively verifiable indicators (RIMS) and targets outputs (TOs)	Means of verification	Risks/hypotheses
	<ul style="list-style-type: none"> ● Project committees in place and operating as intended (Steering Committee and Technical Committee for PMU; Orientation Committee for SAFIR, and Consultative Committees at local level) ● Staff recruited on schedule (18 persons for PMU; 24 persons for antennas; 9 persons for SAFIR and 3 persons for SITECs) ● Positive discrimination in favour of qualified women ● Investments made (13 vehicles, 3 motorcycles, 42 computers, including 15 replacement units for year 5, office furnishings, office construction or refurbishment) ● Partnerships for methodological support signed with ILO, GRET, UNCDF's rural micro finance unit ● Other partnerships signed as necessary ● Bi-annual evaluations of performances ● Reports (Activity, M&E and financial) are produced on schedule, are pertinent and usable ● Annual audits carried out 		
Activities			
Component A - Access to non-financial services for the development of rural MSEs			
<p>Capacities of MSE entrepreneurs and IGA operators are strengthened in response to real needs:</p> <ul style="list-style-type: none"> - Functional literacy - General advisory services - Specific advisory services - Ongoing support <p>Assisted MSEs and IGAs have access to technical, technological and marketing innovations:</p> <ul style="list-style-type: none"> - Apprenticeships - Technical training - New technologies 	<ul style="list-style-type: none"> ● At least 1 560 persons trained to read and write ● No. of persons/MSEs calling on general advisory services (by gender, age, type of support, type of enterprise/activity, subsector) ● No. of persons/MSEs calling on specific advisory services (by gender, age, type of support, type of enterprise/activity, subsector) ● No. of contracts for ongoing support signed between services providers and clients (by gender, region, type of enterprise/ activity, subsector) 	<ul style="list-style-type: none"> ● M&E reports ● Financial reports of services providers ● Financial reports of assisted MSEs ● Surveys by PROMER II ● Statistics from trades associations (<i>chambres consulaires</i>) ● Project activity reports ● Activity reports by training institutions 	

Narrative summary	Objectively verifiable indicators (RIMS) and targets outputs (TOs)	Means of verification	Risks/hypotheses
<p>- Marketing innovations - Alternative markets</p> <p>Project activities concentrated in zones with good potential for the development of MSEs and IGAs, and also of services providers</p> <p>Diversification of income sources promoted</p> <p>A network of self-sustaining local providers of non-financial services is developed</p> <p>Project-created support funds are permanent</p>	<ul style="list-style-type: none"> ● No. of enterprises having signed an apprenticeship agreement (by subsector) ● No. of apprentices (by gender, age, subsector, type of enterprise/activity) (TO: at least 50% of assisted MSEs/IGA operators) ● No. of persons undergoing technical training (by gender, age, subsector, type of enterprise/activity) ● No. of assisted MSEs participating in regional, national and international trade fairs (type of enterprise/activity and subsector) ● No. of MSEs and IGA operators trained to use new technologies (by gender, type of enterprise/activity, subsector) ● No. of MSE/IGA operators adopting innovations (by gender, type of enterprise/activity, subsector) ● No. of MSEs entering alternative markets and evolution of their turnovers ● At least three target areas are established for each region ● No. of MSEs and/or IGAs assisted in each of the 13 identified subsectors ● No. of providers of non-financial services assisted (by gender of personnel) (TO= at least 20 per region) ● No. of certified services providers still working with MSEs at end of project (TO= at least 2 per target area) ● Amounts of replenishments by Government 		

Narrative summary	Objectively verifiable indicators (RIMS) and targets outputs (TOs)	Means of verification	Risks/hypotheses
Component B - Access to financial services			
<p>SAFIR enables relations between MSEs and MFIs already operating in the project area</p> <p>SAFIR assists selected MFIs to establish new local branches (<i>caisses</i>) in the project area</p> <p>SAFIR enables relations between MFIs and beneficiaries of other IFAD-financed projects</p> <p>SAFIR helps MFIs in developing better adapted financial products and services for MSEs, IGA operators and beneficiaries of other IFAD-financed projects</p> <p>SAFIR helps MFIs in obtaining refinancing from commercial banks</p> <p>SAFIR strengthens the capacities of partner MFIs</p> <p>An MT credit line is created (BOAD financing) to finance MFIs with branches in the project area</p>	<ul style="list-style-type: none"> • No. of agreements between SAFIR and MFIs with branches in the project area • No., type et volume of loans issued to project beneficiaries (by gender, MFI, region, type of enterprise/activity) • Repayment rates (by type of enterprise/activity, MFI, region) • No. of partner MFIs receiving funds to establish new branches • No. of new branches created • No. of members of new branches (by gender and by branch) • Members' contributions to capital (by gender and by branch) • Project contribution to capital (by branch) • No. of active savings deposits (by gender and by branch) • Value of savings (by gender and by branch) • No. of active borrowers (by gender and by branch) • Gross value of lending portfolio and amount written-off • % of bad loans in portfolio (by branch) • % of operational self-sufficiency (by branch) • % of operating costs/loans portfolio (by branch) • No. of loans by loans officer • No. of agreements signed between MFIs and other IFAD projects • No., type and volume of loans given to beneficiaries of other IFAD projects (by gender, MFI, region and type of activity) 	<ul style="list-style-type: none"> • M&E reports of SAFIR • M&E reports of PROMER II • MFI financial reports • Financial reports of assisted MSEs • Financial reports of commercial banks • Financial reports of BOAD and of the institution charged with managing the BOAD-funded MT credit line • Finance Law • Activity reports of SAFIR, PROMER II, MFIs, commercial banks and partners • Activity reports of training institutions • Special reports • Consultants' reports 	

Narrative summary		Objectively verifiable indicators (RIMS) and targets outputs (TOs)		Means of verification		Risks/hypotheses	
		<ul style="list-style-type: none"> • Repayment rates for loans to beneficiaries of other IFAD projects (by MFI) • No. of new products/services developed (by MFI and by status (pilot, capacity building, expansion)) • No. and volume of MT/LT loans delivered (by MFI, gender, type of enterprise/ activity, subsector) • Value of MT/LT savings mobilized from beneficiaries (by MFI, region, gender) • No. of commercial banks with refinancing arrangements with partner MFIs • Amounts of refinancing (not including BOAD credit line) • No. of MFIs refinanced • Repayment rates • No. of representatives of partner institutions attending project-funded training (by gender and by institution) • No. of MFIs obtaining refinancing through the BOAD line and amounts obtained • Repayment rates 					
Costs and Financing							
Cost component	by	USD Million	Expenditure categories	USD million	Cofinancing	USD million	
Component A		9.826	Civil works	215	IFAD	13.079	
Component B		2.877	Equipment/vehicles	1.231	BOAD	2.027	
Component C		1.118	Training	1.971	Government	1.720	
Component D		1.184	Studies	533	Govt support Funds	474	
Component E		3.743	Contracts	737	Beneficiaries	1.448	
Total		18.749	Technical assistance	845			
			Support funds	8.139			
			Salaries /allowances	3.694			
			Other overheads	1.385			

FLOW OF FUNDS



- Financial flows
- - -→ Statement of Expenditures (invoices and accounts)
-→ Summaries of certified expenditures and withdrawal applications

COSTS AND FINANCING

Table 1 – Expenditure Accounts by Financiers (USD ‘000)

	FIDA		BOAD		Bénéficiaires		Fonds Nationaux		Gouvernement		Total		For. Exch.	Local (Excl. Taxes)	Duties & Taxes
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%			
I. Investment Costs															
A. Génie Civil															
Constructions et rehabilitation	36	16.7	130	60.5	16	7.6	-	-	33	15.3	215	1.1	43	139	33
B. Equipements et moyens de transport															
Equipements	474	74.4	62	9.7	-	-	-	-	101	15.9	637	3.4	422	114	101
Moyens de transport	433	72.9	14	2.4	-	-	-	-	147	24.7	594	3.2	439	9	147
Subtotal Equipements et moyens de transport	907	73.7	76	6.2	-	-	-	-	248	20.1	1 231	6.6	860	123	248
C. Formation, Etudes et Assistance technique															
Formation	1 638	83.1	61	3.1	-	-	-	-	271	13.8	1 971	10.5	199	1 500	271
Etudes et contrats	474	89.0	-	-	-	-	-	-	59	11.0	533	2.8	192	282	59
Conventions	684	92.8	-	-	-	-	-	-	53	7.2	737	3.9	107	577	53
Assistance technique	669	79.1	145	17.1	-	-	-	-	32	3.8	845	4.5	634	179	32
Subtotal Formation, Etudes et Assistance technique	3 465	84.8	206	5.0	-	-	-	-	415	10.1	4 085	21.8	1 133	2 538	415
D. Fonds d'appuis															
Fonds d'appui aux services non financiers	2 372	57.8	-	-	984	24.0	240	5.8	510	12.4	4 106	21.9	-	3 596	510
Fonds d'appui aux innovations	1 414	60.1	-	-	449	19.1	190	8.1	298	12.7	2 352	12.5	-	2 053	298
Fonds d'appui aux IMF	-	-	1 615	100.0	-	-	-	-	-	-	1 615	8.6	-	1 615	-
Fonds d'appui aux structures partenaires	66	100.0	-	-	-	-	-	-	-	-	66	0.4	-	66	-
Subtotal Fonds d'appuis	3 853	47.3	1 615	19.8	1 432	17.6	431	5.3	808	9.9	8 139	43.4	-	7 331	808
Total Investment Costs	8 260	60.4	2 027	14.8	1 448	10.6	431	3.1	1 503	11.0	13 670	72.9	2 036	10 130	1 503
II. Recurrent Costs															
A. Salaires et indemnités	3 694	100.0	-	-	-	-	-	-	-	-	3 694	19.7	-	3 694	-
B. Entretien et fonctionnement															
Entretien des bâtiments	59	85.0	-	-	-	-	-	-	10	15.0	69	0.4	17	42	10
Entretien des équipements	161	85.0	-	-	-	-	-	-	28	15.0	190	1.0	95	66	28
Entretien et fonctionnement véhicules	479	85.0	-	-	-	-	-	-	84	15.0	563	3.0	281	197	84
Frais divers de gestion	425	75.6	-	-	-	-	44	7.8	93	16.6	563	3.0	259	210	93
Subtotal Entretien et fonctionnement	1 124	81.2	-	-	-	-	44	3.2	217	15.6	1 385	7.4	653	515	217
Total Recurrent Costs	4 818	94.9	-	-	-	-	44	0.9	217	4.3	5 079	27.1	653	4 209	217
	13 078	69.8	2 027	10.8	1 448	7.7	474	2.5	1 720	9.2	18 749	100.0	2 689	14 339	1 720

Table 2 – Expenditure Accounts by Components - Totals Including Contingencies (USD '000)

	Services non financiers d'appui au développement des MPER		Accès aux services financiers		Renforcement des O.P. et dialogue sur les politiques	Service d'information aux entreprises	Coordination, Suivi et Évaluation		Total
	Renforcement des prestataires de services et des MPERs	Appui à l'innovation technologique, commerciale et promotion des filières	Mise en place du service d'appui à la finance rurale (SAFIR)	Renforcement des Institutions de micro-finance			Coordination et gestion financière	Suivi et évaluation	
I. Investment Costs									
A. Génie Civil									
Constructions et rehabilitation	-	-	-	172	-	-	42	-	215
B. Equipements et moyens de transport									
Equipements	139	-	27	68	-	162	219	22	637
Moyens de transport	-	-	54	19	-	-	521	-	594
Subtotal Equipements et moyens de transport	139	-	81	87	-	162	740	22	1 231
C. Formation, Etudes et Assistance technique									
Formation	323	274	14	58	951	267	63	19	1 971
Etudes et contrats	35	94	37	-	9	26	-	332	533
Conventions	159	-	577	-	-	-	-	-	737
Assistance technique	239	153	9	160	158	33	15	77	845
Subtotal Formation, Etudes et Assistance technique	757	521	638	218	1 118	327	78	428	4 085
D. Fonds d'appuis									
Fonds d'appui aux services non financiers	4 106	-	-	-	-	-	-	-	4 106
Fonds d'appui aux innovations	-	2 352	-	-	-	-	-	-	2 352
Fonds d'appui aux IMF	-	-	-	1 615	-	-	-	-	1 615
Fonds d'appui aux structures partenaires	-	-	66	-	-	-	-	-	66
Subtotal Fonds d'appui	4 106	2 352	66	1 615	-	-	-	-	8 139
Total Investment Costs	5 002	2 873	784	2 093	1 118	489	860	450	13 670
II. Recurrent Costs									
A. Salaires et indemnités	1 735	-	-	-	-	453	1 276	229	3 694
B. Entretien et fonctionnement									
Entretien des bâtiments	31	-	-	-	-	-	38	-	69
Entretien des équipements	62	-	-	-	-	-	123	5	190
Entretien et fonctionnement véhicules	-	-	-	-	-	-	563	-	563
Frais divers de gestion	123	-	-	-	-	242	198	-	563
Subtotal Entretien et fonctionnement	215	-	-	-	-	242	922	5	1 385
Total Recurrent Costs	1 951	-	-	-	-	695	2 199	234	5 079
	6 953	2 873	784	2 093	1 118	1 184	3 059	684	18 749
Taxes	641	355	64	75	122	118	306	40	1 720
Foreign Exchange	470	153	162	77	324	256	1 007	240	2 689

ORGANIZATION AND MANAGEMENT

