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INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT
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REPORT AND RECOMMENDATION OF THE PRESIDENT

TO THE EXECUTIVE BOARD ON A PROPOSED LOAN TO THE

REPUBLIC OF BENIN

FOR THE

RURAL DEVELOPMENT SUPPORT PROGRAMME

TABLE OF CONTENTS

| | |
|--|------------|
| CURRENCY EQUIVALENTS | iii |
| WEIGHTS AND MEASURES | iii |
| ABBREVIATIONS AND ACRONYMS | iii |
| MAP OF THE PROGRAMME AREA | iv |
| LOAN SUMMARY | v |
| PROGRAMME BRIEF | vi |
| PART I – THE ECONOMY, SECTORAL CONTEXT AND IFAD STRATEGY | 1 |
| A. The Economy and the Agricultural Sector | 1 |
| B. Lessons Learned from Previous IFAD Experience | 3 |
| C. IFAD’s Strategy for Collaboration with Benin | 4 |
| PART II – THE PROGRAMME | 5 |
| A. Programme Area and Target Group | 5 |
| B. Objectives and Scope | 6 |
| C. Components | 6 |
| D. Costs and Financing | 8 |
| E. Procurement, Disbursement, Accounts and Audit | 8 |
| F. Organization and Management | 9 |
| G. Economic Justification | 9 |
| H. Risks | 10 |
| I. Environmental Impact | 10 |
| J. Innovative Features | 11 |
| PART III – LEGAL INSTRUMENTS AND AUTHORITY | 11 |
| PART IV – RECOMMENDATION | 12 |
| ANNEX | |
| SUMMARY OF IMPORTANT SUPPLEMENTARY ASSURANCES INCLUDED IN THE NEGOTIATED LOAN AGREEMENT | 13 |

APPENDIXES

| | |
|---|-----------|
| I. COUNTRY DATA | 1 |
| II. PREVIOUS IFAD FINANCING IN BENIN | 2 |
| III. LOGICAL FRAMEWORK | 3 |
| IV. FLOW OF FUNDS | 7 |
| V. COSTS AND FINANCING | 8 |
| VI. ORGANIZATION AND MANAGEMENT | 10 |

CURRENCY EQUIVALENTS

| | | |
|---------------|---|-----------------|
| Currency unit | = | CFA franc (XOF) |
| USD 1.00 | = | XOF 545 |
| XOF 1.00 | = | USD 0.001837 |

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 (ha) |
| 1 ha | = | 2.47 ac |

ABBREVIATIONS AND ACRONYMS

| | |
|--------|---|
| AWP/B | annual work programme and budget |
| CDP | <i>commune</i> development plan |
| CNOS | National Steering and Monitoring Committee |
| COSOP | country strategic opportunities paper |
| CPE | country programme evaluation |
| CRP | regional steering committee |
| DPP | Planning and Policy Department |
| FSA | financial services association |
| IGA | income-generating activity |
| LGU | local government unit |
| MAEP | Ministry of Agriculture, Livestock and Fisheries |
| MB | micro-business |
| MFE | Ministry of Finance and the Economy |
| MFI | microfinance institution |
| OCS | Observatory on Social Change |
| OPA | rural producer organization |
| PADER | Rural Development Support Programme |
| PADPPA | Participatory Artisanal Fisheries Development Support Programme |
| PAGER | Income-Generating Activities Project |
| PCU | programme coordinating unit |
| PDRT | Roots and Tubers Development Programme |
| PROMIC | Microfinance and Marketing Project |
| PRSP | Poverty Reduction Strategy Paper |
| VDC | village development committee |
| VDP | village development plan |

GOVERNMENT OF THE REPUBLIC OF BENIN**Fiscal Year**

1 January – 31 December

MAP OF THE PROGRAMME 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.

REPUBLIC OF BENIN

RURAL DEVELOPMENT SUPPORT PROGRAMME

LOAN SUMMARY

| | |
|---------------------------------------|---|
| INITIATING INSTITUTION: | IFAD |
| BORROWER: | Republic of Benin |
| EXECUTING AGENCY: | Ministry of Agriculture, Livestock and Fisheries |
| TOTAL PROGRAMME COST: | USD 14.79 million |
| AMOUNT OF IFAD LOAN: | SDR 6.95 million (equivalent to approximately USD 10.00 million) |
| TERMS OF IFAD LOAN: | 40 years, including a grace period of ten years, with a service charge of three fourths of one per cent (0.75%) per annum |
| COFINANCIERS: | None |
| CONTRIBUTION OF BORROWER: | USD 1.90 million |
| CONTRIBUTION OF BENEFICIARIES: | USD 2.88 million |
| APPRAISING INSTITUTION: | IFAD |
| COOPERATING INSTITUTION: | United Nations Office for Project Services |

PROGRAMME BRIEF

Who are the beneficiaries? The beneficiaries of the Rural Development Support Programme (PADER) will be vulnerable rural households at risk of further impoverishment due to rising land pressures, declining productivity and low-return non-farm income sources. The target population comprises the inhabitants of 280 villages, about 200 of which were once or are now covered by previous and ongoing IFAD-supported projects. Within these communities, the target group is defined as comprising: (a) people lacking skills, technologies, finance and access to markets; (b) people with basic skills but lacking the rest; and (c) existing operators unable to expand for want of access to training, technologies, finance and markets. Special attention will be given to reaching socially disadvantaged women and their groups, unemployed and underemployed young people and landless households. About 56 000 persons, at least half of them women, will benefit directly from support to 830 groups and 350 micro-businesses. Membership in financial services associations (FSAs) will increase by about 43 000 by the end 2010, bringing the total to about 100 000.

Why are they poor? Rural poverty in Benin is due mainly to the narrow range of livelihood sources, aggravated by rising pressure on natural resources. The poor are increasingly forced to work as casual wage-labourers because they lack skills, or are locked into low-return activities for want of knowledge of markets and improved technologies, or of access to finance. Benin's rural producers have not been able to take advantage of rising purchasing power in the urban areas, where poverty has actually declined. For social and cultural reasons, women and young people are particularly disadvantaged in terms of access to livelihood resources.

What will the programme do for them? The programme will help reduce rural poverty by assisting groups and individuals in starting or expanding mainly non-farm income-generating activities (IGAs) that can increase their incomes, create employment and improve local living and working conditions. The FSA network initiated by two IFAD-supported projects will be expanded and endowed with the apex body needed to enhance their ability to deliver financial services effectively and in a self-sustaining manner. The capacity of IGA groups and village development committees (VDCs) to address their own development constraints and opportunities will be strengthened. Programme efforts will be fully integrated within the ongoing decentralization process, with a view to ensuring that beneficiary villages will have the knowledge and skills to participate actively in deciding what is to be done, how and by whom.

How will the beneficiaries participate in the programme? Beneficiaries will participate in decision-making and implementation at all stages, from the planning and prioritization of activities to assessing their impact on people's lives. Through their organizations (VDCs, FSAs, IGA groups) and the related apex bodies, they will have a strong voice in matters that concern them. Mandatory participation of beneficiary representatives in periodic consultation forums, participatory evaluations, etc. will allow them to lobby on behalf of their constituencies and ensure that the priority constraints, problems and needs of the latter are placed high on the agenda of decision-making bodies that influence their lives.

How was the programme formulated? The participatory approach adopted for the design included the organization of a national workshop with a broad range of stakeholders from the public and private sectors, as well as two regional workshops where proposals were discussed with representatives of prospective beneficiaries and validated by them. The design takes account of the recommendations of a country programme evaluation and an interim evaluation of the first IFAD-financed project to introduce the FSA concept. It complies with the country strategic opportunities paper (COSOP) that was approved by the Executive Board in September 2005 (document EB 2005/85/R.13).

**REPORT AND RECOMMENDATION OF THE PRESIDENT OF IFAD
TO THE EXECUTIVE BOARD ON A PROPOSED LOAN TO THE
REPUBLIC OF BENIN
FOR THE
RURAL DEVELOPMENT SUPPORT PROGRAMME**

I submit the following report and recommendation on a proposed loan to the Republic of Benin for SDR 6.95 million (equivalent to approximately USD 10.0 million) on highly concessional terms to help finance the Rural Development Support Programme. The loan will have a term of 40 years, including a grace period of ten years, with a service charge of three fourths of one per cent (0.75%) per annum. It will be administered by the United Nations Office for Project Services as IFAD's cooperating institution.

PART I – THE ECONOMY, SECTORAL CONTEXT AND IFAD STRATEGY¹

A. The Economy and the Agricultural Sector

The Economy

1. Efforts to introduce macroeconomic reforms have been fairly successful since the Government launched its Structural Adjustment Programme and economic liberalization in the late 1980s. Economic growth has been restored, with GDP growth averaging 5.5% except for 1998, when the energy crisis curtailed it to the still-respectable level of 4.5%. Agriculture and services account for 36% and 49% of GDP, respectively, and for 2% and 3% of annual growth. The economy's weak link is its secondary sector, with only 13% of GDP and 0.5% of growth. Inflation is under control at 3-4% per year, and both the trade balance and debt service performances have improved: the ratio of debt to GDP (56% in 2001) is under the 60% threshold set by the West African Economic and Monetary Union. Despite significant macroeconomic achievements, Benin remains one of the world's poorest countries: average per capita income was only USD 380 (compared with USD 470 for sub-Saharan Africa) in 2001, when it ranked 158th out of 173 countries on the United Nations Development Programme (UNDP) Human Development Index. While the incentive framework is now more conducive to private investment and growth, the macroeconomic situation is far from stable and the economy remains extremely vulnerable to the performance of a single crop – cotton – for over 90% of export earnings.

2. **The decentralization process** launched in 1999 has created twelve departments and 77 *communes* with a view to fostering bottom-up pro-poor development, accountability and good governance. Local government units (LGUs) called *communes* were given a broad range of prerogatives and responsibilities, including the planning, implementation and monitoring of local development interventions designed to respond to locally identified needs and priorities. Elected authorities and civil servants at the *commune* level and below are to work together to plan and carry out development actions that will improve living standards within their constituencies. The first elections were held in December 2002 and many *communes* began formulating *commune* development plans (CDPs). Although steady progress has been made, the overall institutional set-up is still in its infancy. All levels of the system, but especially the *communes* and below, lack the capacity to deal with development and poverty-reduction issues.

¹ See Appendix I for additional information.

Sectoral Context

3. **Agriculture** remains the driving force of economic growth, accounting for 90% of internally generated export earnings (mostly cotton). Crops, livestock and fisheries are the main livelihood sources of most rural families. Benin's eight agro-ecological zones range from semi-arid and arid, with a single growing season, in the north; to a tropical humid climate with two growing seasons in the south. Crops are grown everywhere according to climate and soil conditions; livestock is crucially important in the north, and inland artisanal fisheries in the wetlands of the south. Production is heavily dominated by small family-run operations using extensive husbandry practices; rapid population growth is placing land-based activities under increasing pressure. About 30% of the arable land is cropped in any given year, and fallow periods are increasingly too short to restore fertility. Fishing grounds and rangelands are at serious risk of degradation. Rural producers throughout the country are anxious to develop alternative livelihood sources to compensate for the increasing scarcity of land. Rising land pressures are weakening the traditional communal land tenure systems that have always assured an inalienable right of access to land to all community members, including the poorest.

4. **Gender/age.** The findings of detailed analyses of the economic and social opportunities and constraints of rural women and men, conducted during formulation and appraisal, confirm that women and youths are experiencing even greater difficulty of access to land and factors of production. Women's ability to farm and earn cash is further limited by domestic duties, including child care, and by reliance on low-return activities using laborious and time-consuming technologies. Access by women to information, training and technical assistance is very limited; they are rarely members of decision-making bodies and have limited access both to social services and markets. Yet women who have benefited from support have almost always performed very well, often better than men. Close to half the membership of IFAD's financial services association (FSA) microfinance network are women; they have taken out 40% of the loans for income-generating activities (IGAs) and their repayment rates are excellent.

5. **Rural employment** in Benin is almost entirely linked to agriculture. About 70% of the country's labour force is employed in primary production (crops, herding, capture fishing), and the vast majority also earn cash through a range of petty trading and processing/manufacturing in the informal sector. Their earnings are low due to: (a) weak technical/managerial skills and rudimentary technologies; (b) limited self-financing ability and lack of access to credit; (c) limited access to non-local markets; and (d) a disabling legal and institutional environment. Their bargaining power with clients is weak, and the quality and prices of their outputs are not competitive with imports or urban producers. Their potential for development is, however, substantial in the light of the rising demand for food and goods in urban areas where poverty is declining, and even in rural areas both as a cause and an effect of poverty-reduction efforts. State disengagement from direct involvement in inputs supply, extension and marketing has created gaps that private-sector operators could fill, but their ability to do so needs to be strengthened through training, organizational backstopping, access to financial services and an enabling regulatory framework.

Relevant Institutions

6. The **main public institution** mandated to further rural and agricultural development in Benin is the Ministry of Agriculture, Livestock and Fisheries (MAEP), particularly its Planning and Policy Department (DPP). DPP's recently redefined role is to: (a) develop policies and strategies; (b) formulate projects and mobilize financing for them; and (c) collect and analyse information on the performance of the agricultural sector and develop forecasts.

7. **Village-level institutions**, including groups and village development committees (VDCs), have been fostered in most villages, through a lengthy process of awareness-building and hands-on support training by many projects or NGOs. VDCs are elected by and accountable to their village as a whole.

Through them, local actors have acquired useful skills (administrative, managerial, political) for playing an effective role in decision-making at the village and *commune* levels. Their role is to work closely with local leaders to formulate and coordinate the execution of local development projects; mobilize funds and in-kind contributions; monitor their execution and impact, etc. A new law being examined envisages the delegation of responsibility for works management and inspection to actors below the *commune* level. Although many VDCs suffer from weak organization and poor skills, lack of experience, and their informal legal status, they have substantial potential for furthering the decentralization programme and thereby contribute to durable rural poverty reduction. Rural development, key to the national poverty reduction thrust, is no longer the exclusive responsibility of the line departments, but also of the **rural producer organizations** (OPAs). Over 3 300 groups are members of 77 secondary unions, six unions at department level, and a national federation. Most OPAs are active only in marketing and inputs supply. Until recently, decision-making was guided rather more by the administration's goals than the interests of producers. The process of economic liberalization and state disengagement is opening up new opportunities for OPAs. The cotton-growers' network is the strongest, both through its long experience and because cotton is less "fungible" than food. The number of NGOs engaged in services delivery rose sharply after the Government decided to withdraw from direct involvement. Some of them have solid expertise in critical fields such as rural finance, organizational support to grass-roots institutions and empowerment through participation, literacy, environment, health, etc. IFAD's extensive experience (20 NGOs) indicates that most national NGOs can with time improve their performance, but that few have attained financial and technical autonomy. This trend is accompanied by a significant expansion of the **private service providers sector**, in which these operate as freelance consultants or small companies. Their capabilities tend to be significantly stronger than those of the NGOs, especially for highly specialized skills.

8. Benin's **rural financial institutions** are of two types: (a) commercial banks regulated by the Banking Act, and (b) microfinance institutions (MFIs) regulated by the PARMEC Act on the supervision of mutual savings and loan cooperatives. MFIs, which account for about 90% of the country's financial establishments, are more accessible to rural producers, yet their current membership of 670 000 corresponds to only 10% of the total population and less than half (40%) of all households. Benin's MFIs are of three types: (a) 18 networks of savings and loans (S&L) cooperatives with apex bodies; (b) six non-S&L financial institutions operating under special conventions; and (c) 25 credit operations run by projects or NGOs. IFAD has contributed to MFI outreach by fostering a network of 144 FSAs in rural areas, with an equity-based approach involving the sale of shares. They are covering 40% of country villages and 32% of MFIs in Benin. FSAs include 60 000 shareholders (47% men, 48% women and 5% groups), with total cumulative mobilized capital of USD 1.2 million (35% women). The amount of loans approved reached USD 13 million, representing more than 12 times the mobilized capital. The average recovery rate is about 97%. Two FSA regional forums have been set up to work out a strategy for creating an apex institution. The latter are needed both to win official recognition and to assure long-term sustainability. The Government is about to approve a **national microfinance policy** that will address the sector's institutional, regulatory and financial constraints.

B. Lessons Learned from Previous IFAD Experience

9. By June 2005, IFAD had financed **eight loans** (USD 91 million) on highly concessional terms to the Government of Benin, plus USD 265 000 in grants and about USD 7.0 million in debt relief under the Heavily Indebted Poor Countries (HIPC) initiative. The Fund also mobilized cofinancing for USD 87 million. The country programme evaluation (CPE) conducted in 2004 showed that PAGER (Income-Generating Activities Project) and PROMIC (Microfinance and Marketing Project) had increased household income by 65% and 64%, respectively; that training and backstopping provided by all the projects in the portfolio had improved grass-roots organizations' capabilities and that all of them had generated real improvements to women's economic and social status. The CPE

highlighted **six main lessons**: (a) the FSA approach to microfinance introduced by PAGER and PROMIC was a major institutional innovation that fostered another one, namely the creation of an information exchange system that allows FSAs and other MFIs to reduce lending risk by identifying applicants with outstanding debt who are habitual defaulters; (b) non-land-based IGAs are crucially important both to alleviate rising land pressures and to increase local value added: their profitability is limited by weak commodity chains linking suppliers, producers, processors, traders and exporters; (c) strategic collaborations that generate synergies and prevent duplication also improve coordination and thereby facilitate the Government's enabling role; (d) coordination with and among local authorities is a key aspect of grass-roots empowerment and hence of poverty reduction through both decentralization and democratization – the process is well launched, but LGUs and VDCs are still in their infancy; (e) beneficiary participation takes time to allow people to learn the skills needed to manage their own affairs. Group approaches, which allow projects to expand outreach to the poor, can become ways of stimulating individual dynamism as well; and (f) IFAD's lack of a country presence limits its ability to represent the interests of the poorest in policy dialogue.

C. IFAD's Strategy for Collaboration with Benin

Benin's Policy for Poverty Eradication

10. **Poverty and food security.** Analyses of over a decade of structural adjustment agree that Benin's success in redressing macroeconomic imbalances has not stopped rural poverty from rising. In 2000, an estimated 30% of the country's population were living in poverty. While urban poverty had dropped from 28.5% to 23.3%, rural poverty had actually increased from 25.2% to 33%. The country's rural producers had not benefited from rising purchasing power in the urban areas. Virtually every rural family in the north lives below the poverty line, but absolute numbers of poor people are highest in the rural areas of the densely populated south, where land pressures are rising. Benin is theoretically self-sufficient in food, yet a fifth of the rural population does not have access to sufficient food; 25% of children aged under five are stunted and 8% suffer from wasting.

11. **Benin's policy on poverty reduction** was adjusted in its second Poverty Action Plan (2001-06), then detailed in an articulated series of policy documents: e.g. the Poverty Reduction Strategy Paper (PRSP) adopted in 2003, the Policy Declaration on Rural Development, and numerous plans for sectoral development (agriculture, health, education, etc.) and cross-cutting issues (gender, environment, etc.). All recognize the need to associate ongoing efforts to consolidate economic growth with greater attention, inter alia, to improving the incomes and living standards of rural dwellers. This focus is obligatory considering that over two-thirds of the labour force, 80% of those living below the poverty line, and 19% of the "food-poor" live in the rural areas of Benin. The Government has identified empowerment through decentralization as a major instrument for poverty alleviation. Gender equity is also given prominent place in Benin's national policy on poverty reduction. The National Commission on Development and Poverty Alleviation has created an Observatory on Social Change (OCS) to assure close monitoring of poverty and the impact of poverty reduction efforts. OCS will create a database to compile and analyse the statistics provided by all actors in the poverty-reduction thrust, conduct external surveys and investigations, etc. It will monitor Benin's progress towards attaining its Millennium Development Goals, and disseminate that information along with analyses of best practices.

The Poverty Eradication Activities of Other Major Donors

12. **Opportunities for linkages with relevant poverty-reduction efforts by major donors** offer numerous opportunities for strategic partnerships as envisaged by the Paris Declaration on Aid Effectiveness of March 2005. Four main areas have been identified as promising for IFAD: (a) assistance for emerging entrepreneurs, in collaboration with the Agricultural Sector Support Programme and the Farming Systems Improvement and Diversification Project, financed by Danish

and French development cooperation, respectively; (b) training in functional literacy and basic French, supported by SwissAid; (c) support for agricultural sector development and farmers' organizations by a group of donors led by the World Bank, especially through the Agricultural Services and Farmer Organizations Support Programme; and (d) support for a community-led development programme recently approved by the World Bank. In all four areas, IFAD has significant experience and lessons to offer. As a member of the **Donor Group on Rural Development and Poverty Reduction**, the Fund will also continue to meet regularly with like-minded development partners to take advantage of their strong in-country presence and thereby enhance policy dialogue between the donor community and the Government. IFAD's contributions to policy dialogue will reflect its positive experiences and practices at field level.

IFAD's Strategy in Benin

13. IFAD's first **country strategic opportunities paper (COSOP)** for 1997-2002 adopted poverty reduction as the Fund's overall development goal. The instruments focused on enabling access by the poor to microfinancial services, associating this thrust with measures aimed at generating synergies (e.g. markets and marketing, gender equity, training and advisory services) and at enhancing sustainability (e.g. fostering of strong grass-roots organizations, environmental issues). The second COSOP (2006-10), approved in 2005, recognizes the continuing validity of poverty reduction as an overall development goal and underlines the need to comply with both the PRSP and other policy documents on poverty reduction, as well as IFAD's mandate and policies. It confirms the validity of the FSA approach to microfinance delivery and recommends further support aimed at consolidating the network by: (a) integrating it horizontally through expansion, and vertically through an apex institution; (b) forging partnerships with other MFIs; and (c) continuing policy dialogue on microfinance. The COSOP also recognizes that non-land-based rural IGAs will be increasingly important in order to alleviate pressures on scarce arable land, and recommends further support to the creation or consolidation of integrated commodity chains. Finally, strong emphasis is placed on the need for a proactive approach to forging strategic partnerships with a potential for generating synergies, and on the importance of empowering villagers and their organizations as an instrument for sustainable poverty reduction through decentralization.

Programme Rationale

14. Although Benin has recorded significant success in improving macroeconomic aggregates, its rural families are increasingly at risk of impoverishment. The Government's policy on rural poverty reduction is consistent with IFAD's mandate, and several interventions financed by the Fund have had and are having a positive impact on rural poverty. The proposed programme will both: (a) support the consolidation of the achievements of previous and ongoing IFAD-financed interventions; and (b) initiate a process that will eventually bring all the interventions supported by IFAD under the umbrella of a fully integrated framework programme for Benin. This will be done by building on the positive experiences acquired by IFAD and other stakeholders and by gradually drawing the ongoing projects of IFAD's portfolio closer together and harmonizing their approaches and practices.

PART II – THE PROGRAMME

A. Programme Area and Target Group

15. The Rural Development Support Programme (PADER) will be national in scope, starting with the 56 *communes* covered by PAGER and PROMIC. It will cover 280 villages, including: 200 villages covered by PAGER, PROMIC, PDRT (Roots and Tubers Development Programme) and PADPPA (Participatory Artisanal Fisheries Development Support Programme), and 80 new villages. Eligibility of the latter will be conditioned by potential for generating critical mass by exploiting synergies and complementarities.

16. The **target population** comprises all the households in the 280 villages making up the programme area as defined above, including an estimated 20 000 households in the 80 new villages. Its **target group** will be the poorest categories within this target population, i.e. the landless or near-landless farmers, small herders and fishers, and unemployed and underemployed rural populations in general. Special attention will be paid to women and youths who are particularly disadvantaged in terms of access to land, financial services, information and training. A gender development strategy will influence implementation of all activities. By virtue of the programme's strong emphasis on consolidating the achievements of past and ongoing projects, villages with groups and businesses supported by PAGER, PROMIC, PDRT and PADPPA will have priority of access (170 villages for PAGER/PROMIC, 30 villages for PDRT/PADPPA).

B. Objectives and Scope²

17. The programme's **development goal** will be "to help reduce rural poverty by increasing the incomes of rural households". Its **specific objectives** will be to: (a) support the further development of rural IGAs groups and micro-businesses (MBs); (b) support the consolidation and expansion of the FSA network as a self-sustaining rural microfinance system that meets the needs of the rural poor, notably women; (c) build up the capacity of village-level institutions and actors in decision-making by their LGUs; and (d) participate in policy dialogue and strategic partnerships on rural poverty issues by means of a highly qualified programme management team. The **implementation strategy** will operate on multiple fronts: (a) gradual transformation of IFAD's portfolio into a framework programme, by fostering closer collaboration in the field and generating critical mass and by harmonizing practices and approaches wherever possible, e.g. monitoring and evaluation (M&E) tools and procedures, joint procurement; and (b) full compliance with the indications laid down in the PRSP and regular despatching, to the OCS, of updated databases on the operations and impact of all IFAD-supported interventions.

C. Components

18. As seen in the logical framework attached as Appendix III, four components will be carried out over a period of five years: (a) support to rural IGA groups and MBs; (b) access to rural microfinance; (c) support to village-level institutions; and (d) coordination and strategic partnerships. These components will be implemented as part of a framework programme incorporating the activities of PDRT and PADPPA and in partnership with other interventions wherever possible. Field work will be carried out by implementing agencies under contract. OPAs with the required expertise may be eligible (e.g. for training, access to information, marketing).

Component 1: Support to Rural Income-Generating Activity Groups and Micro-Businesses

19. This component will enable existing and new IGA groups and MBs in 280 villages to increase their returns. Rather than petty trading or primary production, support will focus on post-harvest handling and marketing, the aim being to foster commodity chains that can increase value-added, diversify and raise incomes, and create employment. The three-pronged approach envisaged focuses on developing human resources, resolving marketing constraints and providing essential infrastructure. Beneficiary villages will have access to a support package closely tailored to their level of maturity: only new villages and groups will have access to subsidies. A pilot voucher system allowing beneficiaries to select their own service providers will be introduced on a pilot basis. The strong focus on marketing will involve both training and the creation of a **marketing initiatives fund** to finance the cost of studies, participation in trade fairs, etc. identified by the IGAs/MBs, themselves. A system for collecting and disseminating information on prices will be set up in collaboration with strategic partners; and the ability of OPAs and their unions to provide marketing services will be

² See logical framework attached as Appendix III.

strengthened by involving them wherever possible. A **community investment fund** will be set up to subsidize the construction of collective infrastructure not covered by other projects.

Component 2: Access to Rural Microfinance

20. This component will facilitate access by IGA groups and MBs to microfinance services by consolidating and expanding the FSA network and creating the apex structure they need in order to qualify for official recognition and to undertake critically important policymaking, technical and financial support roles. Consolidation of the 144 first-generation FSAs will involve training and backstopping, as well as assistance in developing new financial products, linking up member FSAs with other MFIs, and attracting new shareholders. Up to 60 new FSAs will be fostered in response to demand, adopting the procedure developed by previous projects. The new FSAs will be fostered during the first two years so that they have time to acquire needed skills and experience. Priority will be given to applications from villages in the areas covered by PDRT and PADPPA, in order to foster inter-project synergy. An initial apex body will be created by the network of FSAs and charged with the three tasks of an apex body, namely: policymaking/lobbying, technical support (training, inspections, new financial products), and financial backing (audits, inter-FSA transfers of excess liquidity, bank refinancing). After an in-depth assessment of performance at mid-term review, a second apex body might be created to take over the financial functions. The mid-term review mission will examine the opportunity of enhancing integration within the MFI sector by giving it the status of a share company and allowing outsiders to buy shares. The initial apex body will remain in charge of policymaking, representation and technical support. One of the tasks of the apex body will be to ensure that the consolidated results of the FSA network are posted on the Internet, e.g. on the website run by the Consultative Group to Assist the Poorest (MIX Market).

Component 3: Support to Village-level Institutions

21. This component is designed to enhance the impact and sustainability of programme activities by strengthening village-level capabilities and by creating opportunities to interact with other villages, with the *commune*, and with providers of technical services and financial assistance. The understanding and lobbying skills of existing VDCs and other local actors will be upgraded through training and backstopping. New VDCs will be fostered in up to 80 villages and will receive literacy training from appropriately trained and supervised local men and women. Every village in the programme will elect a woman to be trained as an information, education and communication focal point, both to enable access by village women to information and to build broad awareness of the negative impact of certain practices. VDCs will receive specialized assistance in translating the terms of their CDPs into their own village development plans (VDPs), mobilizing funds for actions they cannot finance themselves, working smoothly with administrative and technical services, and undertaking joint efforts with other villages or *communes*.

Component 4: Programme Coordination and Strategic Partnerships

22. A small, highly qualified programme coordinating unit (PCU) will be created at Abomey-Calavi, in the premises built by PAGER, and three regional support units will be created at Parakou, Natitingou and Bohicon. The PCU will be staffed by a coordinator, assisted by highly qualified specialists in the areas of administration/finance, M&E, and the three technical components, as well as support staff. Provision is also made for the allowances of a highly qualified officer within DPP/MAEP, charged with the task of monitoring IFAD's portfolio as a whole, in close consultation with the programme coordinator.

D. Costs and Financing

23. The total programme cost over a five-year period is estimated at USD 14.8 million, including physical and price contingencies (Table 1). The shares of foreign exchange and taxes/duties are 9% and 8% respectively. The programme will be financed by IFAD, the Government and beneficiaries. The IFAD loan of USD 10 005 000 will finance 68% of the total cost, including contingencies. The Government will finance USD 1.9 million (13%), representing duties and taxes. The beneficiaries will finance USD 2 881 000 (19%). The programme costs and financing plan are detailed in Tables 1 and 2 below. Expenditure accounts by financier are presented in Appendix V, Table 1.

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

| Components | Local | Foreign | Total | % of Foreign Exchange | % of Base Costs |
|---|---------------|--------------|---------------|-----------------------|-----------------|
| Support to Rural IGA Groups and MBs | 3 311 | 170 | 3 481 | 5 | 25 |
| Access to Rural Microfinance | 5 461 | 492 | 5 953 | 8 | 42 |
| Support to Village-level Institutions | 2 195 | 178 | 2 373 | 8 | 17 |
| Programme Coordination and Strategic Partnerships | 1 815 | 399 | 2 214 | 18 | 16 |
| Total base costs | 12 782 | 1 239 | 14 021 | 9 | 100 |
| Physical contingencies | 50 | 25 | 75 | 33 | 1 |
| Price contingencies | 687 | 5 | 692 | 1 | 5 |
| Total programme costs | 13 519 | 1 269 | 14 788 | 9 | 105 |

^a Discrepancies in totals are due to rounding.

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

| Components | IFAD | | Government | | Beneficiaries | | Total | | Foreign | Local (Excl. Taxes) | Duties and Taxes |
|---|---------------|-----------|--------------|-----------|---------------|-----------|---------------|------------|--------------|---------------------|------------------|
| | Amt. | % | Amt. | % | Amt. | % | Amt. | % | Exch. | | |
| Support to Rural IGA Groups and MBs | 2 949 | 79 | 532 | 14 | 243 | 7 | 3 724 | 25 | 171 | 3 211 | 342 |
| Access to Rural Microfinance | 2 971 | 48 | 558 | 9 | 2 615 | 42 | 6 145 | 42 | 507 | 5 314 | 323 |
| Support to Village-level Institutions | 2 272 | 89 | 271 | 11 | 22 | 1 | 2 565 | 17 | 183 | 2 292 | 90 |
| Programme Coordination and Strategic Partnerships | 1 814 | 77 | 541 | 23 | - | - | 2 355 | 16 | 409 | 1 599 | 347 |
| Total costs | 10 005 | 68 | 1 902 | 13 | 2 881 | 19 | 14 788 | 100 | 1 269 | 12 417 | 1 102 |

^a Discrepancies in totals are due to rounding.

E. Procurement, Disbursement, Accounts and Audit

24. **Procurement** will be in accordance with the IFAD loan agreement. Equipment, materials and vehicles will be purchased in bulk as far as possible. Contracts for vehicles will be subject to international competitive bidding (ICB) procedures. Contracts for goods and equipment exceeding USD 50 000, up to a total of USD 100 000, will be subject to local competitive bidding (LCB) procedures. For contracts valued at less than USD 50 000, but more than USD 10 000, prudent shopping based on at least three quotations will apply. The civil works, being in scattered locations, are unlikely to be attractive to international bidders. Contracts for buildings and civil works will be subject to LCB procedures. Consultancy contracts will be awarded pursuant to internationally acceptable standards.

25. **Disbursements** for vehicles, equipment and consulting services will be fully documented. Those for civil works, local training and operating costs, salaries and local contractors will be made

against certified statements of expenditures (SOEs). Documentation for withdrawals under SOEs will be retained by the programme for inspection during supervision missions. A special account for the programme will be opened in a commercial bank in Cotonou, or public treasury, on terms and conditions acceptable to IFAD. An initial amount of USD 500 000 will be deposited into the special account, upon effectiveness and submission of a withdrawal application to IFAD. Replenishment of the special account will follow established IFAD procedures. In addition, a programme account with an initial deposit of XOF 50 million will be opened in the public treasury in Cotonou for receipt and disbursement of the borrower's counterpart funds. The programme will be included in the Government's Priority Investment Programme to ensure that it is adequately funded in a timely manner by the Government of Benin. The programme will have an implementation period of five years from the date of effectiveness.

26. **Accounts and audit.** All implementing agencies involved in the programme will keep separate accounts of expenditures for their activities funded through the programme. The financial controller within the PCU will ensure that all accounts are kept in accordance with prevailing government practices, which are acceptable to IFAD, and will prepare six-monthly consolidated statements of account as an integral part of the programme's management information system. The consolidated annual accounts will be audited by an independent auditor acceptable to IFAD. All implementing agencies will grant the auditor access to the accounts for the component(s) they implement. The audited accounts and the auditor's report, the latter with a separate opinion on the SOEs, will be forwarded to IFAD no later than six months after the end of each fiscal year.

F. Organization and Management

27. The lead agency for the programme will be the Planning and Policy Department of the Ministry of Agriculture, Livestock and Fisheries, which already has this role for the three ongoing projects. A National Steering and Monitoring Committee (CNOS) will be set up to guide and oversee the whole IFAD portfolio comprising this programme, PDRT and PADPPA. Three regional steering committees (CRPs) will be created to guide and oversee the work of the regional support units. Day-to-day management will be assured by a PCU headed by a coordinator. A coordinator of IFAD's programme will be seconded by the borrower to the Ministry of Agriculture, Livestock and Fisheries. His allowances and daily subsistence allowance will be financed by PADER and his salary will be paid by the Government of Benin. The PCU will work through three decentralized offices staffed by a regional support unit head, an accountant-secretary and support personnel. Staff recruitment procedures will be open and transparent, based on predefined job profiles and selection procedures.

28. Monitoring and evaluation of agricultural and rural development efforts has been persistently weak in Benin. The programme will seek to correct this shortcoming in two ways: (a) by promoting better coordination between the interventions that make up IFAD's portfolio; and (b) by upgrading the ability of DPP/MAEP to fulfil its oversight role with regard to the portfolio. IFAD's results and impact measurement system (RIMS) will be installed in all three projects. Participatory evaluations will be conducted annually at the village level.

G. Economic Justification

29. **Beneficiaries.** Over a five-year period, about 56 000 persons living in 280 villages will benefit directly under the programme. This total includes 16 000 additional members of IGA groups and MBs in the villages already covered by PAGER and PROMIC, as well as 40 000 persons in the 80 new villages where no such groups exist or those that do exist are non-functional. A total of 830 IGA groups and 350 MBs are expected to benefit directly. Training and backstopping will be provided to 2 630 VDC members and leaders, 900 leaders of 60 new FSAs and 2 160 leaders of the 144 existing FSAs. Over half the beneficiaries are expected to be women, thanks to the inclusion of this goal as an integral part of annual work programmes and budgets (AWP/Bs).

30. The **main quantifiable benefits** may be summarized as follows: (a) higher incomes and better living standards from existing and new employment and from a broader range of remunerative activities; (b) strengthened capacity among local businesses to identify, explore and penetrate new markets, adapt their products to demand, reduce production costs, etc.; (c) strengthened capacity among local businesses to identify, obtain and use improved technologies to foster productivity and product quality, reduce costs, etc.; (d) improved access by rural producers to nearby and adapted financial services both through the FSA network and by linking up with other MFI systems and banks; (e) creation of a strong apex institution able both to allow the FSA network to win official recognition and to provide services needed to assure long-term sustainability; (f) expansion of FSA operations, with shareholdings rising from XOF 0.59 billion in 2004 to XOF 1.22 billion in 2010; and lending operations from XOF 1.0 billion in 2004 to XOF 3.0 billion in 2010; and (g) incremental revenues of at least XOF 6.8 billion to borrowers from the FSAs.

31. The main **non-quantifiable benefits** include: (a) a significant contribution to the ongoing decentralization thrust and hence to poverty reduction, thanks to better local governance; (b) enhanced confidence and self-esteem among stakeholders at the grass-roots level, especially the more vulnerable categories that make up IFAD's target group; (c) a more enabling environment for the development of rural non-farm businesses that can fill the gap created by State disengagement from the provision of goods and services; and (d) enhanced synergies as the result of programme efforts to forge strategic partnerships both within the IFAD portfolio and with the work being done by other stakeholders.

32. The internal rate of return (IRR) was calculated on the basis of the following assumptions: (a) 70% of the IGA groups and small- and medium-sized enterprises will succeed; (b) about 29 000 borrowers from existing FSAs and 10 000 borrowers from new FSAs will increase their incomes by 2% per month (equivalent to 50% of the averages attained in the past); (c) the FSAs and their apex institution will become fully self-sustaining; (d) conversion factors of 90% for the programme as a whole and 80% for family labour; and (e) full cost recovery with regard both to the running and maintenance of infrastructure and equipment and to the costs of essential services. The IRR of 15% over 15 years is fairly robust, remaining unchanged if assumption (a) is reduced to 60%, and dropping to 11% if production costs rise by 20% and to 10% if benefits decrease by 20%. The IRR is more sensitive to a halving of the profitability of IGAs/MBs. Increasing the returns by 20% raises the IRR to 18%, and reducing costs by 20% raises it to 19%.

H. Risks

33. The impact of the programme and hence of IFAD's portfolio in Benin will be subject to a number of risks that have been addressed as follows: (a) village-level capacity to contract and supervise works contracts will be upgraded through multi-stage training and backstopping programmes tailor-made to address local strengths and weaknesses; (b) the PCU will work closely with the Ministry of Finance and the Economy (MFE) with a view to ensuring that the reformed procedures for disbursements, procurement, reporting on expenditure, etc. are streamlined; (c) an awareness-building campaign will be launched to expedite the creation of the FSA apex body by member FSAs and enhance the propensity of both categories to engage services providers specialized in microfinance; and (d) the specificity and merits of the FSA concept, where financial resources are collected by selling shares rather than savings, will be given high visibility through awareness-building.

I. Environmental Impact

34. The programme will have a negligible direct impact on the environment and a positive indirect impact. Although wood will continue to be the main source of energy, the introduction of fuel-efficient technologies will reduce unit consumption by half; pressure on forests will be alleviated by

promoting woodlots and nurseries (as IGAs/MBs). The programme's impact on land pressures will be minimal due to its primary focus on post-harvest handling and on activities that require little or no land. Water consumption will not increase significantly and impact on human health will be reduced by transferring activities outside the concessions and dwellings, and by ensuring that the procedures for production, recycling and waste disposal are safe. Overall, the programme is classed in Category B.

J. Innovative Features

35. The main programme innovations are rooted in the strong foundations built over the past ten years. The **framework approach** will enhance coherence and complementarity both between IFAD projects and with other donor-financed projects. As the umbrella programme for IFAD's portfolio, PADER will assure **M&E** for all IFAD-supported operations, analyse IFAD's contribution towards the MDGs and poverty reduction and supply the findings to the OCS. **Economies of scale** will be fostered by integrating and rationalizing the financial, administration and human resources functions of IFAD's projects and a single national steering committee will oversee the portfolio. Both the CPE and the COSOP recommend a permanent **country presence** in Benin, to enhance IFAD's influence on policymaking and enhance advocacy for the rural poor. Until IFAD's new business model is approved by the Executive Board, the programme coordinator will represent IFAD's programme in policy dialogue with particular reference to the Donor Committee on Rural Development.

36. Due consideration is also given to innovative approaches to several cross-cutting themes, including: (a) **gender mainstreaming** (promotion of durable access by rural women to factors of production and employment; strengthening of their capacity to use their resources to best advantage and develop self-confidence; and gender training for staff as well as designing M&E requiring breakdown and analysis by gender; and (b) **knowledge management** aimed at testing and capitalizing on innovations that work, identifying and disseminating best practices. Backed by well-documented experience, and with the support of like-minded strategic partners, PADER will be well placed to engage proactively in scaling up innovations and pro-poor policy dialogue.

PART III – LEGAL INSTRUMENTS AND AUTHORITY

37. A loan agreement between the Republic of Benin and IFAD will constitute 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.

38. The Republic of Benin is empowered under its laws to borrow from IFAD.

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

PART IV – RECOMMENDATION

40. 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 Benin in various currencies in an amount equivalent to six million nine hundred and fifty thousand special drawing rights (SDR 6 950 000) to mature on or prior to 15 September 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**

(Negotiations completed on 23 November 2005)

1. The Government of Benin (the “Government”) will make the loan proceeds available to the Ministry of Agriculture, Livestock and Fisheries (the “lead programme agency”) in accordance with the provisions of the annual work programmes and budgets (AWP/Bs) and with its customary national procedures for development assistance in order to implement the programme.
2. The Government will also make available to the lead programme agency a contribution to the financing of the programme, in local currency, equivalent to USD 1 902 000, which amount will represent:
 - (a) all duties, levies and taxes on goods and services to be covered by the Government, for the local currency equivalent of USD 1 102 000, through exemption or treasury cheques; and
 - (b) the contribution of the Government in the amount of USD 800 000, as the counterpart contribution, to taxes on minor expenditures and those for which treasury cheques cannot be used. To this end, the Government will make available to the PCU the local currency equivalent of USD 90 000 to cover the needs of programme year 1. Thereafter, the Government will replenish the programme account each year by depositing the counterpart funds therein as set forth in the respective AWP/B. The programme will be included in the public investment programme.
3. As part of maintaining sound environmental practices, the Government will ensure that appropriate pest management practices are observed under the programme. To that end, it will ensure that pesticides procured under the programme do not include any pesticide either proscribed by the International Code of Conduct on the Distribution and Use of Pesticides of the Food and Agriculture Organization of the United Nations, as amended from time to time, or listed in Tables 1 (Extremely Hazardous) and 2 (Highly Hazardous) of the World Health Organization’s Recommended Classification of Pesticides by Hazard and Guidelines to Classification 1996-1997, as amended from time to time.
4. The programme will implement a monitoring and evaluation (M&E) system to ensure the desired synergy under the programme for all development support actions undertaken by IFAD and which will entail in practice: (a) periodic transmittal to the programme – by the PDRT and PADPPA – of the management chart prepared by their M&E units; (b) the consolidation of data and indicators at the programme level, which will synthesize them; (c) the joint preparation of M&E situation assessments; (d) harmonization of data gathering and processing tools; and (e) participation by the programme in consensus-building sessions organized with the DPP and the partners on the subject of support for the lead programme agency’s M&E system. In addition, quarterly meetings of the M&E units of the IFAD projects will be organized by the programme’s M&E unit with a view to following up on achievements, consolidating M&E data and taking all decisions concerning rationalization of the M&E system and its effectiveness. The programme will set up a system to provide real-time decision-making support at the various levels of intervention and will define the tools for processing and making optimal use of the data processed. It will be designed to operate at both the central level (PCU) and the decentralized level (regional support units and partner operators) and should facilitate implementation and the monitoring of services provided by the various actors under the programme.
5. Within the framework of its Results and Impact Management System (RIMS), IFAD has identified – for each type of project – a set of key indicators to be furnished by the projects. The Government undertakes to ensure that baseline surveys are conducted and that these indicators are

taken into account in the preparation of the questionnaires. Follow-up surveys will be conducted under the PDRT and PADPPA to collect any missing baseline data, such as nutritional status of children and aspects linked to the prevalence of infectious diseases.

6. The Government will ensure that programme personnel are insured against health and accident risks in accordance with customary practice in Benin.

7. The Government will ensure that programme personnel are recruited through local competitive bidding published in the national press, in accordance with its current procedures and on the basis of one-year contracts that may be renewed but may not, in any case, extend beyond the duration of the programme. The recruitment of the key programme officers – i.e. the programme coordinator, the administrative and financial officer, the M&E officer, the officers responsible for individual components (income-generating activities/microenterprises, rural financing, support for grass-roots institutions) of the PCU, the unit heads, the accounting clerk/administrative assistants of the regional support units – and any decision to terminate their contracts – will be decided in agreement with IFAD. Programme personnel will undergo annual performance reviews according to modalities to be defined in the administrative, financial and accounting manual, and their contracts may be terminated on the basis of the findings of such reviews. Personnel will be managed in accordance with applicable procedures in force in Benin.

8. The Government will ensure that no form of discrimination based on sex, age, ethnic background or religious affiliation is permitted in the recruitment of programme personnel, in accordance with applicable legislation of Benin. All other things being equal, the Government will give preference to women candidates, especially to fill technical posts under the programme.

9. The following are specified as conditions precedent to withdrawal. No withdrawals may be made in respect of any category until:

- (a) the local-currency equivalent of USD 90 000 – corresponding to the initial deposit of counterpart funds – has been deposited in the programme account;
- (b) the draft administrative and financial procedures manual has been prepared and forwarded to IFAD;
- (c) the draft M&E manual and the baseline situation of the programme have been prepared and forwarded to IFAD; and
- (d) the first AWP/B has been approved and is accompanied by a procurement plan.

Once these conditions have been fulfilled, an initial disbursement of USD 700 000 will be effected.

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

- (a) a favourable legal opinion, issued by the competent authority of Benin and acceptable in form and substance, has been forwarded by the Government to IFAD;
- (b) the national steering and monitoring committee, the PCU and the regional support units have been created by decree of the lead programme agency;
- (c) programme personnel have been selected; and
- (d) the special account, the special sub-account and the programme account have been opened.

APPENDIX I

COUNTRY DATA

BENIN

| | | | |
|--|-----------------------|---|---------|
| Land area (km² thousand) 2003 1/ | 111 | GNI per capita (USD) 2003 1/ | 440 |
| Total population (million) 2003 1/ | 6.72 | GDP per capita growth (annual %) 2003 1/ | 2.2 |
| Population density (people per km²) 2003 1/ | 61 | Inflation, consumer prices (annual %) 2003 1/ | 2 |
| Local currency | CFA Franc BCEAO (XOF) | Exchange rate: USD 1 = | XOF 545 |
| Social Indicators | | Economic Indicators | |
| Population (average annual population growth rate) 1997-2003 1/ | 2.6 | GDP (USD million) 2003 1/ | 3 476 |
| Crude birth rate (per thousand people) 2003 1/ | 38 | Average annual rate of growth of GDP (%) 1/ 1983-1993 | 2.5 |
| Crude death rate (per thousand people) 2003 1/ | 13 | 1993-2003 | 5.2 |
| Infant mortality rate (per thousand live births) 2003 1/ | 91 | Sectoral distribution of GDP 2003 1/ | |
| Life expectancy at birth (years) 2003 1/ | 53 | % agriculture | 36 |
| Number of rural poor (million) (approximate) 1/ | n/a | % industry | 14 |
| Poor as % of total rural population 1/ | n/a | % manufacturing | 9 |
| Total labour force (million) 2003 1/ | 3.06 | % services | 50 |
| Female labour force as % of total 2003 1/ | 48 | Consumption 2003 1/ | |
| Education | | General government final consumption expenditure (as % of GDP) | 14 |
| School enrolment, primary (% gross) 2003 1/ | 109 a/ | Household final consumption expenditure, etc. (as % of GDP) | 81 |
| Adult illiteracy rate (% age 15 and above) 2003 1/ | 60 a/ | Gross domestic savings (as % of GDP) | 5 |
| Nutrition | | Balance of Payments (USD million) | |
| Daily calorie supply per capita | n/a | Merchandise exports 2003 1/ | 541 |
| Malnutrition prevalence, height for age (% of children under 5) 2003 3/ | 31 a/ | Merchandise imports 2003 1/ | 758 |
| Malnutrition prevalence, weight for age (% of children under 5) 2003 2/ | 23 a/ | Balance of merchandise trade | -217 |
| Health | | Current account balances (USD million) | |
| Health expenditure, total (as % of GDP) 2003 1/ | 5 a/ | before official transfers 2003 1/ | n/a |
| Physicians (per thousand people) 2003 1/ | n/a | after official transfers 2003 1/ | n/a |
| Population using improved water sources (%) 2002 2/ | 68 | Foreign direct investment, net 2003 1/ | 51 |
| Population with access to essential drugs (%) | n/a | Government Finance | |
| Population using adequate sanitation facilities (%) 2002 2/ | 32 | Cash surplus/deficit (as % of GDP) 2003 1/ | n/a |
| Agriculture and Food | | Total expenditure (% of GDP) 2003 1/ | n/a |
| Food imports (% of merchandise imports) 2003 1/ | 24 a/ | Total external debt (USD million) 2003 1/ | 1 828 |
| Fertilizer consumption (hundreds of grams per ha of arable land) 2000 1/ | 188 a/ | Present value of debt (as % of GNI) 2003 1/ | 28 |
| Food production index (1999-01=100) 2003 1/ | 134 | Total debt service (% of exports of goods and services) 2003 1/ | 8 a/ |
| Cereal yield (kg per ha) 2003 1/ | 1 173 | Lending interest rate (%) 2003 1/ | n/a |
| Land Use | | Deposit interest rate (%) 2003 1/ | 4 |
| Arable land as % of land area 2003 1/ | 23 a/ | | |
| Forest area as % of total land area 2003 1/ | 24 a/ | | |
| Irrigated land as % of cropland 2003 1/ | 0 a/ | | |

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

1/ World Bank, *World Development Indicators* database CD ROM 2005

2/ UNDP, *Human Development Report*, 2005

PREVIOUS IFAD FINANCING IN BENIN

| Project/Programme Name | IFAD Approved Financing (USD '000) | Board Approval | Loan Signing | Loan Effectiveness | Current Closing | Project Completion Date | Cooperating Institution | Project Status |
|--|---|-----------------------|---------------------|---------------------------|------------------------|--------------------------------|--------------------------------|-----------------------|
| Borgou Province Rural Development Project (PDRB 61-BE – 61) | 13 998 | 22.04.81 | 18.06.81 | 09.03.82 | 30.06.89 | 31.12.88 | World Bank: IDA | Closed |
| Atacora Province Rural Development Project (PDRA 101-BE – 101) | 9 000 | 14.09.82 | 16.11.82 | 23.06.83 | 31.12.90 | 30.06.90 | World Bank: IDA | Closed |
| Second Borgou Rural Development Project (PDRB-II 210-BE – 210) | 10 500 | 02.12.87 | 29.06.88 | 06.12.88 | 31.12.94 | 30.06.94 | World Bank: IDA | Closed |
| Second Atacora Rural Development Project (PDRA-II 289-BE – 289) | 8 518 | 11.12.91 | 23.06.92 | 30.09.92 | 31.12.99 | 30.06.99 | UNOPS | Closed |
| Income-Generating Activities Project (PAGER 399-BJ – 488) | 12 000 | 06.12.95 | 13.09.96 | 13.03.97 | 30.06.05 | 31.12.04 | UNOPS | Closed |
| Microfinance and Marketing Project (PROMIC 470-BJ – 1028) | 12 168 | 22.04.98 | 03.07.98 | 04.05.99 | 31.12.06 | 30.06.06 | IFAD | Ongoing |
| Roots and Tubers Development Programme (PDRT 530-BJ – 1127) | 13 114 | 03.05.00 | 20.06.00 | 23.07.01 | 31.03.09 | 30.09.08 | BOAD | Ongoing |
| Participatory Artisanal Fisheries Development Support Programme (PADPPA 570-BJ – 1211) | 10 009 | 06.12.01 | 20.02.02 | 19.02.03 | 30.09.11 | 31.03.11 | AfDB | Ongoing |
| Total Assistance: USD 89 307 000 | | | | | | | | |

LOGICAL FRAMEWORK

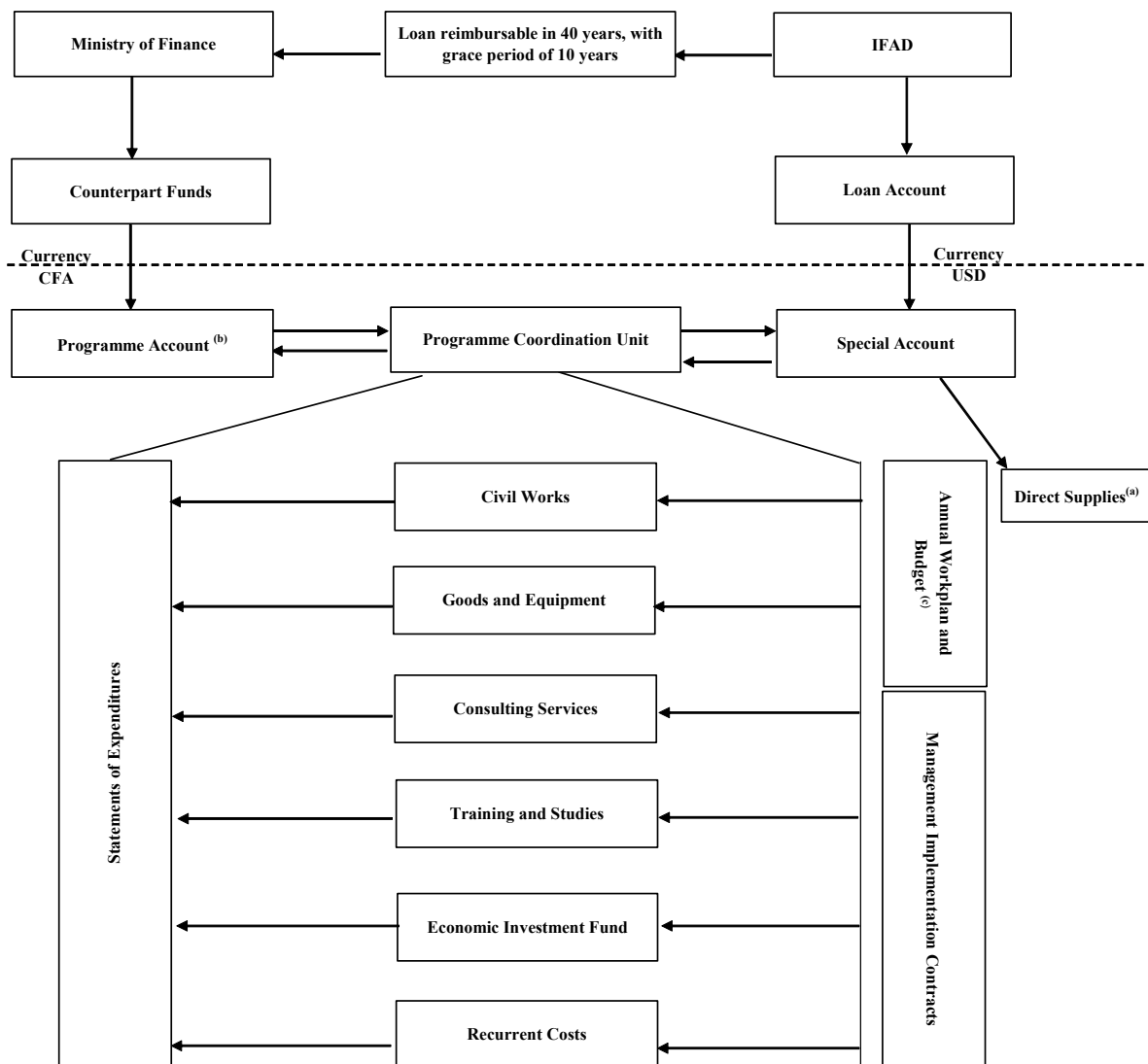
| NARRATIVE DESCRIPTION | OBJECTIVELY VERIFIABLE INDICATORS (by gender where feasible) | SOURCE OF VERIFICATION | HYPOTHESES AND RISKS |
|---|---|---|---|
| <p>Development Goal: Help reduce rural poverty sustainably by increasing household incomes and improving community-level organizations</p> <p>Specific Objectives: 1) Earnings obtained directly and indirectly through group IGAs and Micro-Businesses (MBs) increased sustainably</p> <p>2) Network of FSAs sustainably consolidated and expanded to provide financial services that respond to needs of the poor and women</p> <p>3) Capacity of village-level organizations and actors (VDCs and IGA groups) sustainably strengthened and fully representative</p> <p>4) Strengthen policy dialogue on rural development and forge strategic partnerships</p> | <ul style="list-style-type: none"> - Index of household assets - Nutrition status of under fives - Increased purchasing power of poor rural households - Women's situation improved - Household food security - No. of IGAs /MBs created and/or consolidated - No. and % of IGAs /MBs still viable after three years - No. of jobs created by MBs - Volume/value of products by IGAs & MBs - Gross margins by type of activity - No. of financially viable FSAs - Apex bodies in place - Degree of institutional and financial autonomy of apex bodies - No. of VDCs with VDPs integrated in CDPs - Breakdown of leadership of VDCs and groups by gender and literacy level and occupation - Committee of partners (<i>comité de concertation</i>) in place and functioning well - No. of actions carried out in synergy with partners | <ul style="list-style-type: none"> - Baseline surveys - Survey of socio-economic impact (RIMS), - Anthropomorphic and nutritional surveys - Project completion and final evaluation reports - Poverty survey - Impact assessments by DPP and OCS using PRSP and MDG indicators - Progress reports by projects in IFAD portfolio - Documents on decentralization process | <ul style="list-style-type: none"> - Political stability will permit economic growth - Decentralization process will continue properly - Target groups will enter the programme - Synergies/complementarities are possible with other projects/ programmes - Inflation remains low - Proceeds from IFAD's loan and Government's counterpart funds will be mobilized rapidly |
| EXPECTED OUTPUTS | | | |
| <p>Output 1: <i>Returns to IGA groups and MBs are positive and stable over time</i></p> <p>Output 2: <i>FSA network and apex bodies are formally recognized and delivering appreciated financial services to shareholders</i></p> | <ul style="list-style-type: none"> - 830 IGA groups showing profit at the end of the programme - 350 MBs showing profit at the end of the programme - No. of FSAs created/upgraded - No. of FSAs fully autonomous - Apex bodies in place to assure policy-making, technical and financial support - FSA network formally recognized - Viable lending operations (by gender, term, type of activity) | <ul style="list-style-type: none"> - Quarterly reports by M&E unit - Semestrial reports by PCU - Reports by services providers - Reports by supervision missions - Annual reviews of AWP/B performances - Mid-term Review - Annual surveys of selected IGA/MB performances - Technical/financial analyses (earnings / margins) | <ul style="list-style-type: none"> - Economic context will be favourable for investment in IGAs and MBs - FSA network can become fully self-sustaining - Inputs/ raw materials will be available - Prices will be profitable - Activities will not be endangered by bad weather, pests or diseases - Services providers have required human resources |

| NARRATIVE DESCRIPTION | OBJECTIVELY VERIFIABLE INDICATORS (by gender where feasible) | SOURCE OF VERIFICATION | HYPOTHESES AND RISKS |
|--|---|--|--|
| <p>Output 3: Village-level organizations and actors participate actively and substantively in planning, implementation, monitoring of development at village and commune levels as envisaged by decentralization law</p> <p>Output 4: PADER is implemented cost effectively, M&E is carried out efficiently by all projects in IFAD portfolio and DPP, and strategic partnerships are forged with similar projects and programmes</p> | <ul style="list-style-type: none"> - No. of IGA groups trained - No. of VDCs fostered/trained - No. of VDPs integrated in CDPs - No. of collective infrastructure built - PCU and URAs in place, staffed and equipped - M&E Unit of PCU operating efficiently - M&E Unit of DPP operating efficiently/sending data to OCS - Strategic partnerships | <ul style="list-style-type: none"> - Feasibility studies and business plans - Evaluation of training - Training materials - Contracts - Technical designs | <ul style="list-style-type: none"> - DPP accepts assistance/backstopping - Disbursements will be made in compliance with procedures and in timely fashion |
| ACTIVITIES: | | | |
| <p>1.1 Foster and/or strengthen existing and new IGA groups and MBs, by contracting specialized services providers to assist with feasibility studies and business plans, training in technological, managerial and marketing skills, provision of advisory services and backstopping</p> <p>1.2 Collection of data on markets and prices in collaboration with IGA groups and MBs and dissemination by local radio</p> <p>1.3 Establish market initiatives fund (e.g. surveys, participation in trade fairs)</p> <p>1.4 Establish Village-level Infrastructure Fund to subsidize up to 90% of cost of collective infrastructure for new groups and villages (storage, markets, collection points, wells for market gardening)</p> | <ul style="list-style-type: none"> - No. of services provision contracts - Training modules and materials - No. of business plans by type of activity and gender - IGA groups: 332 courses on managerial and technological skills; 6 640 members trained, 32 200 days of training - MBs: 70 courses on business skills, entrepreneurial spirit and technological skills, 1 400 persons trained; 8 400 days of training - MBs: 201 courses on marketing, 4 020 persons trained, 16 780 days of training - IGA groups & MBs: 9 440 days of advisory services - Data collection systems in place - No. of local radio stations - No. of broadcasts - Villages reporting reception - No. and type of requests for financing of marketing initiatives received/ approved - Requests received/ approved - No. and type of facility built (16 storage, 10 markets, 80 wells) - Area irrigated/cropped - No. of gardeners | <ul style="list-style-type: none"> - Contracts - Reports by services providers - Quarterly reports by M&E unit of PADER - Semestrial reports by PCU - Periodic performance evaluations by M&E unit - Periodic surveys of IGA/MB viability - Monitoring of local radio broadcasts - Surveys of penetration by IGAs/MBs (by gender) - Reports and proceedings on marketing initiatives - Applications submitted - Works contracts - Reports by M&E unit of PADER and DPP | <ul style="list-style-type: none"> - Economic activities of IGA groups and MBs can generate attractive returns - Services providers with required skills are available - Information on markets and prices arrives in villages and markets in time to allow IGA groups and MBs to adapt their strategies. - Marketing initiatives will open up new markets - Processing of applications will be done transparently - Designs will be well done - Implementation deadlines will be respected |
| <p>2.1 Engage private-sector specialists to assist FSAs in strengthening, consolidating and expand FSA network by increasing memberships (particularly of women), improving management hence returns (dividends), creating new FSAs, promoting active participation of women, etc.</p> | <ul style="list-style-type: none"> - No. of services provision contracts - 144 existing FSAs fully viable - 60 new FSAs well launched - 25 000 new shareholders (>50% women) - Accounts of FSAs closed and audited on time - At least 95% of FSAs pay dividends every year | <ul style="list-style-type: none"> - Annual statements of FSAs - Annual audits of FSAs - Reports by PADER - Supervision reports - Reports by services providers - Certifications by MFE | <ul style="list-style-type: none"> - Legal environment is favourable for microfinance - Ceiling rates set by PARMEC law may remain restrictive |

| NARRATIVE DESCRIPTION | OBJECTIVELY VERIFIABLE INDICATORS (by gender where feasible) | SOURCE OF VERIFICATION | HYPOTHESES AND RISKS |
|---|---|---|---|
| <p>2.2 Support the development of new services and products, including financial and non-financial intermediation with other MFIs</p> <p>2.3 Foster an effective and viable apex structure (AS) as a representative policy-making, lobbying, technical backstopping and financial support institution, with the possibility - after MTR - of transferring the financial support function (refinancing, inter-FSA transfers of excess liquidity, etc.) to a share company (SA) to be created and owned both by FSAs and external investors</p> | <ul style="list-style-type: none"> - No. and volume of lending operations (by type of loan and activity) - Risk portfolio (>1 month) < 3% on average (by gender of defaulters) - Variations of social capital (no. of shareholders, average shares held) - No. and type of new products/ services tested/ introduced by FSAs and/or other MFIs - No. of shareholders receiving MT/LT loans from other MFIs (by type of loan, purpose) - AS created and recognized by MFE - SA created and recognized by MFE - No. of shares in SA held by non-FSA shareholders - AS and SA have detailed articles of association, internal rules and procedures - AS and SA are financially self-sustaining by end of PADER - Risk portfolio <1% at level of SA - Volume of refinancing obtained through SA - Transfers of excess liquidity - No. of meetings attended by AS - Pro-poor microfinance policies | <ul style="list-style-type: none"> - Articles of association, procedure manuals published by AS and SA - Annual reports by AS - Annual reports by SA - Proceedings of meetings and seminars on microfinance attended by AS - Evolution of policy and legislation on microfinance | <ul style="list-style-type: none"> - Services providers exist and will be willing to provide close technical support - Election of women to leadership positions will be actively promoted by support staff and services providers - Other MFIs will accept to provide refinancing - All FSAs will recognize merits of having an apex body - All FSAs will be financially able to buy shares and bear part of the costs of apex bodies - Apex bodies will be managed competently and transparently - Macro-economic environment will enable bank refinancing of SA |
| <p>3.1 Engage services providers, including MAEP's decentralized centres for the promotion of agriculture at regional and <i>commune</i> levels (CeRPA and/or CeCPA), to assist in strengthening village-level capacities to plan, execute, manage and monitor local development in compliance with CDPs</p> <p>3.2 Upgrade literacy skills of villagers, particularly IGA group members and women</p> <p>3.3 Promote active participation of women in village-level decision-making</p> | <ul style="list-style-type: none"> - No. of services provision contracts - No. and type of village institutions fostered/ strengthened - No. of fully autonomous VDCs (training modules D & E) - No. of VDPs prepared and validated locally - No. of VDPs integrated in CDP <i>commune</i> - No. of village literacy instructors trained - No. of literacy courses organized - No. of trainees by age and sex - % of trainees passing tests <p>No. and % of women elected to leadership positions on VDCs and IGA groups</p> | <ul style="list-style-type: none"> - Quarterly reports by M&E - Semestrial reports by PCU - Annual review of AWP/Bs - Reports by supervision missions - Reports by services providers - Quarterly reports by field offices of PADER - Proceedings of annual participatory evaluation workshops - VDPs and CDPs - Results of literacy tests | <ul style="list-style-type: none"> - VDCs will be representative, with clearly defined roles - Qualified services providers can be found - Populations will recognize merits of better organization - Strong harmonious relations can be fostered between villages and <i>commune</i>-level authorities - Local youths will be willing to become literacy instructors - There is a demand for literacy training, particularly among women - Services providers and |

| NARRATIVE DESCRIPTION | OBJECTIVELY VERIFIABLE INDICATORS (by gender where feasible) | SOURCE OF VERIFICATION | HYPOTHESES AND RISKS |
|---|---|---|--|
| | | | project staff will encourage villagers and groups to elect women for leadership positions |
| <p>4.1 Establish guidance and oversight committees to cover the whole IFAD Portfolio (National Steering & Monitoring Committee [CNOS]) and decentralized activities of PADER (regional steering committee [CRP])</p> <p>4.2 Establish management structure with qualified staff and adequate logistics at central (PCU) and decentralized levels (regional support units)</p> <p>4.3 Efficient and cost-effective management of PADER by UCP</p> <p>4.4 Efficient and cost-effective execution of M&E activities by specialized unit within UCP</p> <p>4.5 Help strengthen the M&E capabilities of DPP/ MAEP to produce data required by OCS</p> | <ul style="list-style-type: none"> - 1 CNOS and 3 CRPs in place and operating - UCP and 3 URAs in place, well staffed and equipped - M&E unit within UCP in place, well staffed and equipped - AWP/Bs formulated on schedule and duly approved - At least 75% of AWP/Bs achieved - Baseline surveys completed - PADER database created and updated regularly using standard modules and procedures for data collection and processing - Same M&E procedures and terms adopted by all IFAD-supported interventions in Benin - M&E procedures and indicators in line with national system - Disbursement of IFAD loan by category of expenditures | <ul style="list-style-type: none"> - Minutes of CNOS/CRP meetings - Approved AWP/Bs - Semestrial reviews of AWP/B achievements - Supervision reports - PADER accounts and external audits - Report on baseline surveys - M&E reports by M/E unit of UCP - Manuals on M&E procedures and periodic evaluations of compliance - Reports by M&E unit of DPP/MAEP - Reports by OCS - Archives on disbursements (IFAD and MFE) | <ul style="list-style-type: none"> - Managers of all interventions in IFAD portfolio will adhere fully to the strategy of PADER - Certain tasks can be centralized without difficulty - Regional synergies can be fostered - The M&E unit of DPP/MAEP will operate efficiently and effectively - Reformed procedures for management of public expenditures may slow down procurements and disbursements |
| MEANS | USD '000 | | |
| <p>Component 1: Support to rural IGAs and MBs</p> <ul style="list-style-type: none"> - Identification/fostering of IGAs - Support for marketing - Collective infrastructures <p>Component 2: Access to rural microfinance</p> <ul style="list-style-type: none"> - Consolidation of first-generation FSAs - Expansion of FSA network - Creation of apex institutions <p>Component 3: Support to village-level institutions</p> <p>Component 4: Coordination and strategic partnerships</p> <ul style="list-style-type: none"> - UCP - Strategic partnerships <p style="text-align: right;">Total base costs</p> <p style="text-align: right;">Physical contingencies</p> <p style="text-align: right;">Price contingencies</p> <p style="text-align: right;">TOTAL PROGRAMME COST</p> | <p>3 481</p> <p>1 882</p> <p>719</p> <p>880</p> <p>5 953</p> <p>1 043</p> <p>788</p> <p>4 123</p> <p>2 373</p> <p>2 214</p> <p>1 575</p> <p>639</p> <p>14 021</p> <p>75</p> <p>692</p> <p>14 788</p> | <ul style="list-style-type: none"> - Statements of accounts - Audit reports - M&E reports - Management reports | |

FLOW OF FUNDS



Notes:

(a) Suppliers paid from Special account;

(b) Programme Account for local counterpart funds;

(c) Disbursement based on annual work programme, budget, and associated implementation contracts

COSTS AND FINANCING

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

| | Government | | Local Participation | | MFIs/Bank | | IFAD | | FSA Network | | Total | | For. Exch. | Local (Excl. Taxes) | Duties & Taxes |
|---|------------|------|---------------------|------|-----------|------|--------|-------|-------------|------|--------|-------|------------|---------------------|----------------|
| | Amount | % | Amount | % | Amount | % | Amount | % | Amount | % | Amount | % | | | |
| I. Investment Costs | | | | | | | | | | | | | | | |
| A. Civil Engineering | 204 | 34.0 | - | - | - | - | 198 | 33.0 | 198 | 33.0 | 600 | 4.1 | 28 | 482 | 90 |
| B. Transportation and Equipment | 391 | 38.8 | - | - | - | - | 615 | 61.2 | - | - | 1 006 | 6.8 | 500 | 116 | 391 |
| C. International Technical Support | 0 | - | - | - | - | - | 92 | 100.0 | - | - | 92 | 0.6 | 82 | 10 | - |
| D. Studies and National Technical Support | 182 | 17.0 | 21 | 2.0 | - | - | 869 | 81.0 | - | - | 1 073 | 7.3 | 50 | 841 | 182 |
| E. Training | 137 | 5.0 | 123 | 4.5 | - | - | 2 482 | 90.5 | - | - | 2 742 | 18.5 | 148 | 2 457 | 137 |
| F. Provision of Implementation Services | 282 | 10.0 | - | - | - | - | 2 539 | 90.0 | - | - | 2 822 | 19.1 | 130 | 2 692 | - |
| G. Funds | | | | | | | | | | | | | | | |
| Community Investment Fund | 333 | 35.0 | 95 | 10.0 | - | - | 523 | 55.0 | - | - | 951 | 6.4 | 44 | 765 | 143 |
| IGAs Support Fund | -0 | -0.0 | 26 | 10.0 | - | - | 237 | 90.0 | - | - | 263 | 1.8 | 12 | 251 | - |
| Capitalization Support Fund | 19 | 0.6 | - | - | 500 | 14.7 | 974 | 28.6 | 1 917 | 56.2 | 3 411 | 23.1 | 75 | 3 336 | - |
| Subtotal Funds | 352 | 7.6 | 121 | 2.6 | 500 | 10.8 | 1 734 | 37.5 | 1 917 | 41.4 | 4 625 | 31.3 | 130 | 4 352 | 143 |
| Total Investment Costs | 1 549 | 12.0 | 266 | 2.0 | 500 | 3.9 | 8 530 | 65.8 | 2 115 | 16.3 | 12 960 | 87.6 | 1 068 | 10 949 | 943 |
| II. Recurrent Costs | | | | | | | | | | | | | | | |
| A. Salaries and Mission Expenses | 194 | 13.9 | - | - | - | - | 1 198 | 86.1 | - | - | 1 392 | 9.4 | - | 1 392 | - |
| C. Operation and Maintenance | 159 | 36.5 | - | - | - | - | 277 | 63.5 | - | - | 436 | 2.9 | 201 | 76 | 159 |
| Total Recurrent Costs | 353 | 19.3 | - | - | - | - | 1 475 | 80.7 | - | - | 1 828 | 12.4 | 201 | 1 468 | 159 |
| | 1 902 | 12.9 | 266 | 1.8 | 500 | 3.4 | 10 005 | 67.7 | 2 115 | 14.3 | 14 788 | 100.0 | 1 269 | 12 417 | 1 102 |

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

| | Support to Rural IGA Groups and MBs | | | Access to Rural Microfinance | | | Support to village-level institutions | Programme Coordination & Strategic Partnerships | | Total |
|---|--|----------------------|--|--|------------------------------|-----------------------|---------------------------------------|---|------------------------|--------|
| | Support to the identification and implementation of IGA projects | Support to marketing | Implementation and management of economic infrastructure | Consolidation of first-generation FSAs | Horizontal network expansion | Creation of apex body | | Creation of UCP | Strategic partnerships | |
| | I. Investment Costs | | | | | | | | | |
| A. Civil Engineering | - | - | - | - | 600 | - | - | - | - | 600 |
| B. Transportation and Equipment | 4 | - | - | 138 | 153 | 212 | 151 | 324 | 25 | 1 006 |
| C. International Technical Support | - | - | - | - | - | 74 | - | - | 18 | 92 |
| D. Studies and National Technical Support | 415 | 216 | - | - | - | 130 | 37 | 105 | 169 | 1 073 |
| E. Training | 1 253 | 552 | - | - | - | 322 | 503 | - | 112 | 2 742 |
| F. Provision of Implementation Services | - | - | - | 916 | 100 | - | 1 806 | - | - | 2 822 |
| G. Funds | | | | | | | | | | |
| Community Investment Fund | - | - | 951 | - | - | - | - | - | - | 951 |
| IGAs Support Fund | 263 | - | - | - | - | - | - | - | - | 263 |
| Capitalization Support Fund | - | - | - | - | - | 3 411 | - | - | - | 3 411 |
| Subtotal Funds | 263 | - | 951 | - | - | 3 411 | - | - | - | 4 625 |
| Total Investment Costs | 1 935 | 768 | 951 | 1 053 | 853 | 4 149 | 2 496 | 429 | 324 | 12 960 |
| II. Recurrent Costs | | | | | | | | | | |
| A. Salaries and Mission Expenses | 69 | - | - | 71 | - | 18 | 69 | 799 | 366 | 1 392 |
| C. Operation and Maintenance | - | - | - | - | - | - | - | 436 | - | 436 |
| Total Recurrent Costs | 69 | - | - | 71 | - | 18 | 69 | 1 235 | 366 | 1 828 |
| | 2 004 | 768 | 951 | 1 124 | 853 | 4 167 | 2 565 | 1 664 | 690 | 14 788 |
| Taxes | 135 | 64 | 143 | 53 | 149 | 120 | 90 | 303 | 44 | 1 102 |
| Foreign Exchange | 92 | 36 | 44 | 110 | 109 | 288 | 183 | 367 | 41 | 1 269 |

ORGANIZATION AND MANAGEMENT

Organizational Arrangements

1. PADER has been designed as a framework programme for the whole of IFAD's portfolio in Benin. The **lead agency** for PADER will be the Ministry of Agriculture, Livestock and Fisheries (MAEP, *Ministère de l'Agriculture de l'Élevage et de la Pêche*) through its Department for Planning and Policy (DPP, *Direction de la Planification et de la Prospective*). The fact that DPP is already the lead agency for the other projects should not only facilitate coordination, harmonization and synergy-building, but also reduce the costs of certain services and thereby enhance the cost-effectiveness of all IFAD-supported interventions in the country. DPP has six services (Planning/Programming, Trend Analysis/Forecasting, Technical Cooperation, Statistics, Documentation, and Administration/Finance) as well as two specialized units (Monitoring and Evaluation, and Women in Agricultural and Rural Development).

2. **Guidance and oversight** will be assured by a National Steering and Monitoring Committee (CNOS, *Comité national d'orientation et de suivi*) with jurisdiction of the whole of IFAD's portfolio and by three Regional Steering Committees (CRP, *Comités régionaux de pilotage*) covering the decentralized field offices of PADER. Chaired by a qualified staff of MAEP appointed by the Minister, **CNOS** will have representatives from: (a) the ministries directly concerned by the IFAD portfolio (MAEP, the Ministry of Finance (MFE, *Ministère des Finances et de l'Économie*) and Planning/Development), (b) professional organizations of beneficiaries (President of the apex body of the FSA microfinance network, President of the Union of Village Organizations), and (c) specialized partner agencies (NGOs providing support to the FSAs and professional organizations, literacy training). It will be specially mandated to carry out periodic evaluations of the extent to which synergies and complementarities are being generated within IFAD's portfolio and with other operations. Chaired by the Coordinator of PADER, the **three CRPs** located in the same towns as the programme's decentralized field offices will have a membership comprising the Heads of the decentralized office as well as representatives from: (a) the decentralized offices of relevant line departments, notably those of MAEP, (b) the mayors of three representative *communes*, (c) professional organizations; (d) village-level institutions, (e) partner projects and (f) services providers. The CRPs of each project will hold workshops every six months to review progress and performances and make recommendations.

3. **Day-to-day management** will be assured by a PCU working through three regional support units (URA, *Unités régionales d'appui*). Their mandate and responsibilities will be defined in detail by a MAEP ministerial order. The **PCU** will be headed by a Coordinator with the capability and vision to sustain pro-poor advocacy in policy dialogue as representative of IFAD's portfolio in Benin, to ensure the harmonization of certain tasks, notably M&E and tendering/contracting of services providers, inter-project collaboration, planning, implementation and reporting; and to initiate strategic partnerships with like-minded stakeholders. The PCU will be housed in the offices built by a previous IFAD project (PAGER) at Abomey-Calavi near Cotonou. The Coordinator will be assisted by a staff of five professionals, including a Head of Administration and Finance, a Head of M&E, and the Heads of the three technical components (Promotion of IGA Groups and MBs; Rural Finance, and Village-Level Organizations). Its mandate will be to: (a) coordinate the implementation of PADER and the fostering of complementarities and synergies with PDRT, PADPPA and other interventions; (b) assure the administrative, financial and accounting management of PADER and promote procedure harmonization within IFAD's portfolio; (c) monitor and guide the work of the three URAs; (d) assure competent M&E in collaboration with PDRT/PADPPA and DPP; (e) foster and maintain relations with strategic partners, and (f) consolidate M&E for IFAD's portfolio and link it with the Observatory on Social Change (*Observatoire du Changement Social, OCS*).

APPENDIX VI

4. The **three URAs** will be staffed by a Chief, an Accountant-Secretary and support personnel. The URA to be housed in the premises of PDRT at Parakou will have jurisdiction over Borgou and Alibori departments; the one to be housed in premises currently occupied by PROMIC at Natitingou will cover Atacora and Donga; and the one to be housed in premises provided by MAEP at Bohicon will cover the whole of the south of the country. Proximity with the management units of other projects will facilitate the pooling of staff and means and thereby enhance cost-effectiveness. The URAs will be mandated to: (a) coordinate the preparation of AWPBs and undertake M&E activities in close collaboration with partner agencies and the decentralized departments of MAEP at regional and *commune* levels (CeRPA, *Centre régional de promotion agricole*; CeCPA, *Centre communal de promotion agricole*); (b) supervise the work of services providers and implementing agencies; (c) represent the PCU at regional meetings and committees; (d) manage the URA's human, material and financial resources.

5. **Strategic partnerships** will be forged and maintained by the Coordinator with a broad range of like-minded institutions, including projects and programmes financed by other donors. Framework agreements will lay down the objectives and terms of collaboration, work plans, arrangements for M&E, etc. Where possible, the URA will be located in the offices of ongoing projects. Staff recruitment procedures will be open and transparent, based on pre-defined job profiles. Contractual partners may be from the public or private sector, polyvalent or specialized (e.g. microfinance and literacy).

6. Actual **delivery of support** to the villages, groups and individuals will be assured by qualified services providers working under contract with the PCU, with the relevant URA assuring close supervision in the field. This approach, which is based on the delegation of such responsibilities ("*faire-faire*"), was originally introduced by PAGER in 1997, and it has generated promising results in the context of PROMIC, PDRT and PADPPA. Under PADER, it will be combined with the "work together" ("*faire-avec*") approach originally introduced by PDRT, where the focus is on helping beneficiaries to work out their own plans and rely on their own resources to carry them out; identify potential sources of assistance; negotiate for that assistance; etc. The experience thus required is expected to upgrade their capacity to lobby for and defend their interests at higher levels, starting with *commune*-level development planning. The role of the implementing agencies and partners of PADER (and the other projects) will be to enable this bottom-up process, provide the training and backstopping needed to empower the beneficiaries, themselves, to do what they want to do. The implementing agencies may be polyvalent (e.g. for community-level institution building) or specialized (e.g. training and backstopping by microfinance specialists to the FSAs and their apex body; training and supervision of village literacy instructors; *ad hoc* studies; installation of management tools; training); they may be public line departments or private sector operators (NGOs, consultants). It is anticipated that MAEP's centres at regional and *commune* levels (CeRPA and CeCPA) will play an important role with regard to agricultural development.

Implementation Arrangements

7. A major innovation of PADER concerns the intention to make it a framework programme explicitly designed to generate synergies by exploiting every opportunity for collaboration and harmonization of efforts both within IFAD's portfolio and with other projects through strategic partnerships. The related procedures, including the roles and responsibilities of the steering committees (CNOS and CRP) will be worked out in detail at a meeting attended by the senior staff of all IFAD-supported projects, and representatives from MAEP/DPP. This meeting will be held as soon as possible after PADER becomes effective.

8. **Activity planning and budgeting.** PADER will provide the framework and resources for combining the planning, monitoring and evaluating of performances of all interventions undertaken as part of IFAD's portfolio in Benin. The preparation of AWPBs will start at the level of each URA,

where the staff of all projects will develop their proposals to be presented at a workshop chaired by the regional steering committee. At the workshop, they will identify the most promising opportunities for working together to exploit synergies at village level; calculate the resources to be mobilized and describe the results to be obtained in terms both of outputs and outcomes. The resulting regional AWPBs, disaggregated by *commune* and village, and indicating the costs to be borne by which project for each village, will be compiled by the PCU to produce the consolidated AWPB for PADER. The latter, as well as the AWPBs for PDRT and PADPPA, will be submitted to the CNOS for review and approval before forwarding to IFAD for approval. CNOS will pay particular attention to the extent to which the AWPBs of the different projects are really and truly inter-connected. AWPBs and progress reports will have a chapter highlighting these aspects.

9. **Harmonization of financial management.** PADER will also provide a framework and resources to introduce the same terms and procedures for keeping accounts (types of procurements and purchases, salaries and allowances, training costs, overheads, studies and surveys) and for tendering/contracting the services of implementing agencies. Tendering procedures, in particular, will be reviewed in the light of IFAD's Guidelines, in agreement with the procedures of MAEP and/or national norms as appropriate.

Beneficiary Participation and Empowerment

10. The procedures for furthering genuine beneficiary participation and empowerment will be harmonized on the basis of the lessons learnt by past and ongoing projects. In addition to promoting economic groups (IGAs, FSAs), all four IFAD-supported projects will assist villages in establishing or strengthening governance institutions and unions to enhance the effectiveness of their relations with *commune*-level stakeholders (elected, technical and administrative) and external partners (projects, NGOs, central government). PADER's programme area coincides with the areas that were/are covered by PAGER and PROMIC, with the possibility of adding communes/villages being supported by PDRT and PADPPA. The village-level organizations are of four types: (a) groups formed to undertake IGAs; (b) village development committees (*Comités de développement villageois* and *Comités villageois de concertation* for PAGER and PDRT, respectively), (c) inter-village associations (*Associations villageoises de commercialisation* for PROMIC) and (d) the network of FSAs for PAGER and PROMIC.

11. PADER will **capitalize on these achievements** by extending the approach developed and tested by PAGER to PDRT and PADPPA (which has no provisions for village-level institution-building) and by continuing to support the inter-village associations fostered by PROMIC. Members as well as leaders will be systematically involved in all stages of the identification, planning, execution, monitoring and evaluation of development actions, including the preparation of a VDP aimed at translating the proposals contained in the development plan of their *commune* into concrete action that will benefit their village. Differentiated approaches will be adopted for two types of village: (a) mature villages where support will focus on upgrading of skills (training module D) and implementation of an exit strategy (Module E); and (b) non-mature villages, where the whole sequence of modules A to E will be implemented. Each module will end with an examination supervised by the URA, to test effectiveness of learning and teaching.

12. **Participatory evaluations** will be conducted annually at village level; representatives designated by the village will present and discuss the findings at annual workshops at regional level, compare experiences with those of other villages, etc. Assuring the active participation of disadvantaged categories in these evaluations would be part of the terms of references of implementing agencies and staff. As from the third year of involvement in PADER, beneficiary villages would be asked to evaluate the impact of various actions on specific target groups (women, youths) and aspects like empowerment, wellbeing, vision of the future, etc.

Targeting and Gender

13. **Targeting.** Villages that have already benefited from PAGER and PROMIC will have priority of access to PADER, in order to strengthen and consolidate the capacities of their institutions. Eighty new villages will be identified by means of a diagnostic survey comprising 160 villages in the areas covered by PDRT and/or PADPPA. Their selection will involve a trade-off between poverty-related criteria and the importance of generating critical mass. At the level of each beneficiary village, the task of identifying the most vulnerable households and women, and ensuring that they are actively encouraged to participate in programme activities, will be vested in the community as one of the conditions of access to the support of PADER. Their performances in this regard will be carefully monitored by all staff as part of their normal duties.

14. **Gender.** PADER will adopt a “Gender and development” approach and promote its adoption as a cross-cutting objective of the whole IFAD portfolio. Women will be targeted not only as beneficiaries of support aimed at increasing their incomes, but also - and especially - as fully empowered participants in decision-making as members of their community, their group and their FSA, etc. Positive discrimination will be exercised in order to increase the chances that women will be recruited for professional positions within the PCU and URAs. The design process of PADER included the commissioning of detailed gender analyses of women and men’s opportunities and constraints with regard to participation in a broad range of activities (crops, livestock, fisheries, forests and natural resources management; processing, storage and marketing; and community affairs). PAGER, and especially PROMIC, were highly successful in attracting women to FSAs where they represent nearly 50% of the shareholders and close to 40% of the number and volume of loans. Like other ministries, MAEP has developed a coherent and pro-active gender strategy that will be supported by PADER. The monitoring of gender issues will be an integral part of the terms of reference of all staff, especially those engaged in M&E operations and decision-making.

Monitoring and Evaluation

15. A critically important role of PADER will be to improve M&E performances within IFAD’s portfolio and to assist DPP/MAEP in completing the ongoing restructuring process. PADER’s database will serve both as a management tool for PCU and the URAs, and as a source of information that can be used by the national observatory charged with monitoring poverty trends (OCS). PCU will organize regular meetings to: (a) promote full harmonization of methods, tools and indicators for each project and for the portfolio as a whole; and (b) develop standard procedures that will facilitate compilation, synthesis and analysis. PADER will work very closely with the M&E unit of DPP, which has recently been restructured, to assist in upgrading the M&E and computer skills of staff. The support and backstopping to be provided to M&E/DPP will be harmonized with that provided by other sources (e.g. World Bank). In practice: (a) all IFAD-supported projects will use the same methods and tools for planning and carrying out data collecting and processing (modules, tables, indicators); (b) their M&E units will meet every three months to review performances, write joint progress reports, identify skills gaps and training requirements; (c) PDRT and PADPPA will forward their data and analyses regularly to PADER for compilation and synthesis; (d) PADER will assist the M&E Unit of DPP in meeting OCS’s information demands; and (e) PADER will commission surveys or studies on cross-cutting issues with a view to completing the documentation of experiences and post the results on the Internet, on the websites of individual projects or on FIDAFRIQUE, the pan-African website initiated and supported by IFAD. The consolidated financial statements of the FSAs will also be posted on the MIX-Market website.

16. IFAD’s “**Results and Impact Monitoring System**” (RIMS) will be installed in all three projects and they will reach agreement on the indicators to be used. PADER includes provisions for funds to carry out additional surveys by PDRT and PADPPA (e.g. child nutrition, morbidity/mortality due to infectious diseases, etc.), and for training staff in using RIMS in a gender-sensitive and pro-

poor manner. Strong emphasis will be placed on ensuring that all staff fully understand the differences reflected by the three-tiered structure of indicators introduced by RIMS: (a) first-level results (outputs) in terms of quantities and percentages (e.g. number of wells installed); (b) second-level results (outcomes) reflecting how the outputs have resulted in functional improvements and behavioural change (e.g. number of wells being used for irrigation after two years); and (c) third-level results (impact) reflecting the effects on a broader scale (e.g. wells allow farmers to increase their productivity, leading to increased assets, improved nutrition of children). Wherever possible, the indicators will be disaggregated by gender.

17. **Reporting.** NGO partners and contracted services providers will be required to send monthly data sheets to their URA, for submission to the PCU as part of their quarterly progress reports. The PCU will use the sheets to compile tables for forwarding to relevant stakeholders (implementing partners, URA heads, CeRPA, CeCPA, PDRT, PADPPA, DPP) also on a quarterly basis. The PCU will write six-monthly reports on the progress of PADER and send copies to the same partners and to the steering committees at national and regional levels (CNOS and CRP). Strategic partners will receive data and reports on activities undertaken in collaboration with them.

ORGANIZATIONAL CHART

