

a

IFAD
INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT
Executive Board – Eighty-eighth Session
Rome, 13-14 September 2006

REPORT AND RECOMMENDATION OF THE PRESIDENT

TO THE EXECUTIVE BOARD ON PROPOSED FINANCIAL ASSISTANCE TO THE

REPUBLIC OF THE GAMBIA

FOR THE

RURAL FINANCE PROJECT

For: Approval

Note to Executive Board Directors

This document is submitted for approval by the Executive Board.

To make the best use of time available at Executive Board sessions, Directors are invited to contact the following focal point with any technical questions about this document before the session.

Leopold Sarr

Country Programme Manager

tel.: +39-06-5459-2126

e-mail: l.sarr@ifad.org

Queries regarding the dispatch of documentation for this session should be addressed to:

Deirdre McGrenra

Governing Bodies Officer

tel.: +39-06-5459-2374

e-mail: d.mcgrenra@ifad.org

TABLE OF CONTENTS

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

APPENDICES

I. COUNTRY DATA	1
II. PREVIOUS IFAD FINANCING IN THE GAMBIA	2
III. LOGICAL FRAMEWORKS	3
IV. FLOW OF FUNDS	9
V. COSTS AND FINANCING	10
VI. ORGANIZATIONAL CHART	12

CURRENCY EQUIVALENTS

Currency unit	=	dalasi (D)
US\$1.00	=	D 28
D 1.00	=	US\$0.3571

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 hectare (ha)	=	2.47 acres ac

ABBREVIATIONS AND ACRONYMS

AWP/B	annual workplan and budget
BDS	business development services
DOSA	Department of State for Agriculture
GAMFINET	Gambia Microfinance Network
GAMSAVINGS	Gambia Microfinance Savings Company Limited
GAWFA	Gambia Women's Finance Association
IT	information technology
M&E	monitoring and evaluation
MFD-CBG	Microfinance Department of the Central Bank of the Gambia
MFI	microfinance institution
MFPC	Microfinance Promotion Centre
MIS	management information systems
NACCUG	National Association of Cooperative Credit Unions of the Gambia
NBFI	non-bank financial institution
PIWAMP	Participatory Integrated Watershed Management Project
PSC	project steering committee
PSU	project support unit
RFCIP	Rural Finance and Community Initiatives Project
RIMS	Results and Impact Management System (IFAD)
TSP	technical service provider
VISACA	village savings and credit associations

GOVERNMENT OF THE REPUBLIC OF THE GAMBIA**Fiscal Year**

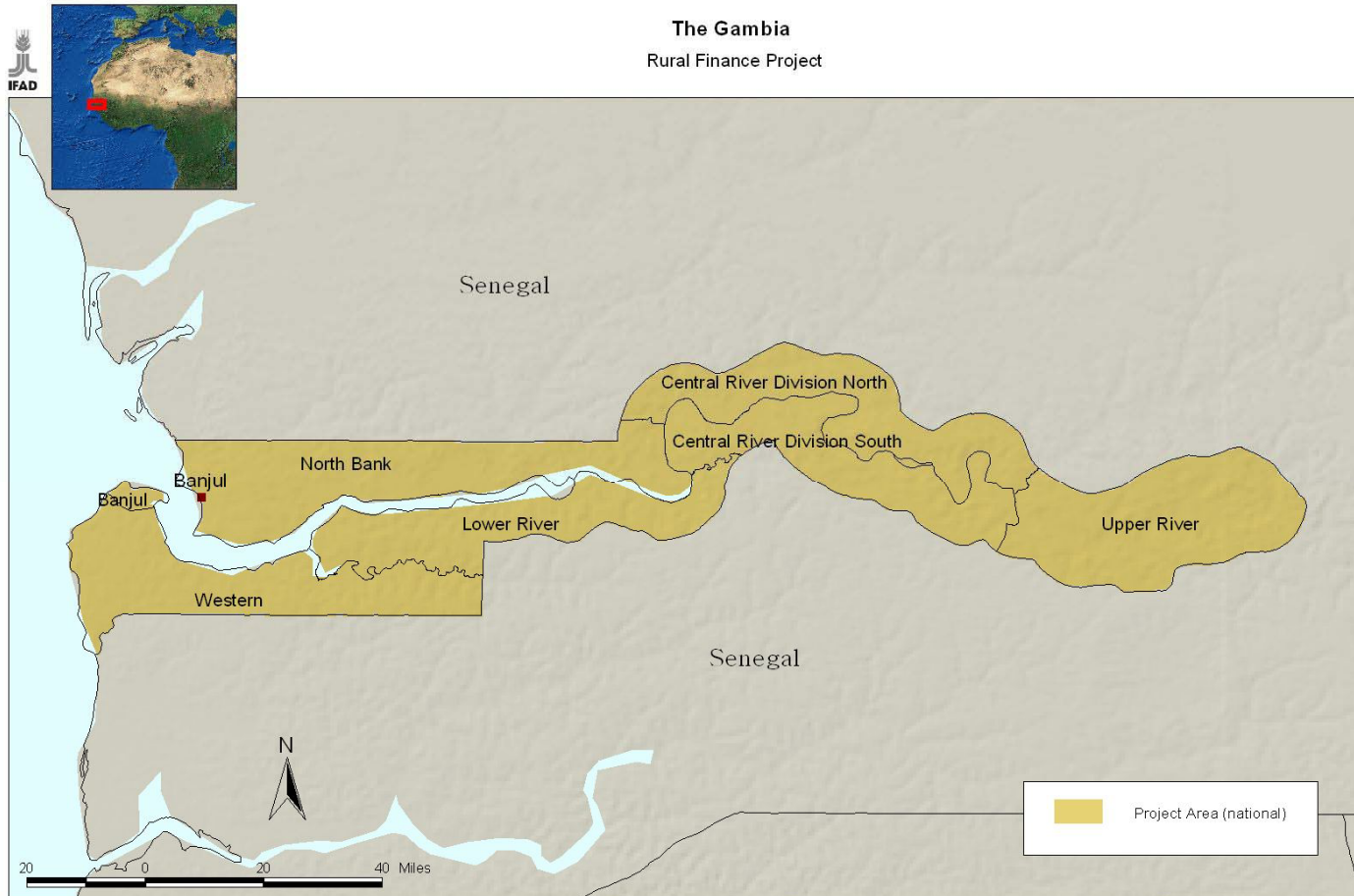
1 January - 31 December

RECOMMENDATION FOR APPROVAL

The Executive Board is invited to approve the recommendation for the proposed financial assistance to the Republic of the Gambia for the Rural Finance Project, as contained in paragraph 49.

MAP OF THE PROJECT AREA

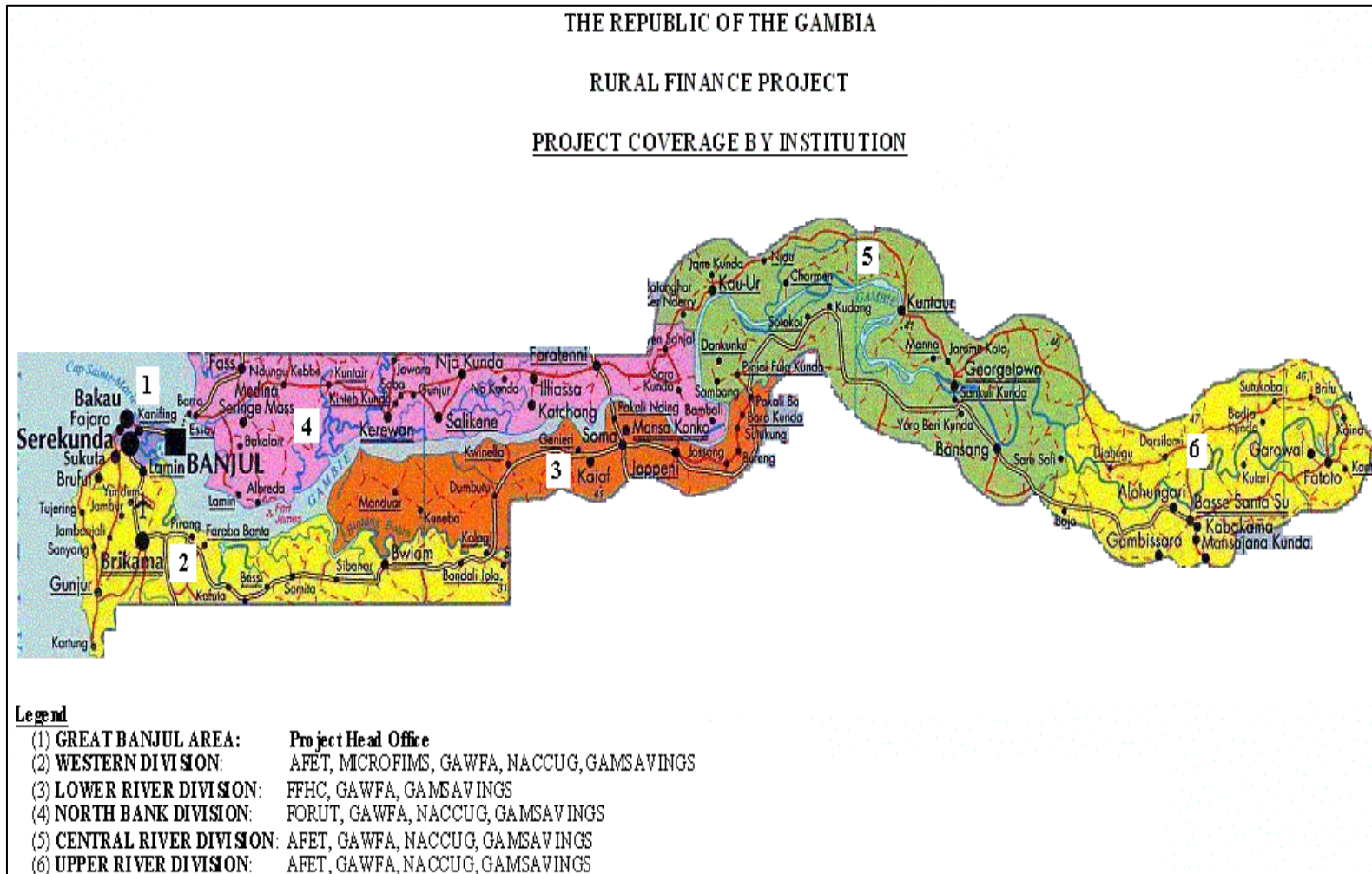
Project Area



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

Source: IFAD

Locations of Key Microfinance Institutions in the Gambia



Source: Government of the Gambia website

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 THE GAMBIA

RURAL FINANCE PROJECT

FINANCING SUMMARY

INITIATING INSTITUTION:	IFAD
RECIPIENT:	Republic of the Gambia
EXECUTING AGENCY:	Department of State for Agriculture
TOTAL PROJECT COST:	US\$8.73 million
AMOUNT OF IFAD FINANCING:	Loan: SDR 4.15 million (equivalent to approximately US\$6.12 million) Grant: SDR 280,000 (equivalent to approximately US\$400,000)
TERMS OF IFAD LOAN:	40 years, including a grace period of ten years, with a service charge of three fourths of one per cent (0.75%) per annum
COFINANCIERS:	None
CONTRIBUTION OF RECIPIENT:	US\$952,000
CONTRIBUTION OF BENEFICIARIES:	US\$382,000
OTHER (FORMER LINE OF CREDIT):	US\$873,000
APPRAISING INSTITUTION:	IFAD
COOPERATING INSTITUTION:	Directly supervised by IFAD

PROJECT BRIEF

Who are the beneficiaries? By the end of the new project, 180 rural branches of microfinance institutions (MFIs) and 2,276 Gambia Women's Finance Association groups will deliver financial services to rural clients. The services of village savings and credit associations and three non-bank financial institutions (the Gambia Women's Finance Association, National Association of Cooperative Credit Unions of the Gambia and Gambia Microfinance Savings Company Limited) will provide appropriate financial services to about 180,000 clients, over half of whom are women. Current outreach by the four key MFIs (109,200) will be increased by 70,800 clients. Although the direct beneficiaries of the project will be the MFIs themselves, the project aims to strengthen their ability as instruments for meeting the needs for financial services (savings and loans, insurance, etc.) of the rural poor. To avoid weakening the focus of MFIs in the pursuit of operational and financial self-sufficiency, an innovative approach will be adopted to mobilize the traditional and ubiquitous village groups (*kafos*) with a strong solidarity ethos as mentors in mainstreaming IFAD's target group of poor rural men, women and youths as clients of the MFIs.

Why are they poor? In 1998, 47% of all Gambians lived in poverty and 30% in extreme poverty. A survey conducted by the World Food Programme in 2003 found that little had changed. Poverty is essentially a rural phenomenon, with about 91% of the extremely poor and 72% of the poor working in subsistence-oriented agriculture. The main causes of rural poverty are: (i) rising land pressures, including low and declining soil fertility; (ii) low productivities and high vulnerability to climatic vagaries; (iii) weak access to productive assets (land, water, credit, and training and advisory services); (iv) poorly functioning input and output markets; (v) low world prices for groundnuts, the traditional export crop; (vi) poor governance in rural areas; and (vii) lack of basic social services.

What will the project do for them? The project will provide a broad range of carefully targeted support aimed at strengthening and consolidating the ability of existing MFIs to deliver financial services to the economically active rural poor, including training and technical assistance so that the beneficiaries can make the best possible use of those services. Key existing MFIs will be assisted in completing the coverage of rural areas in a manner that will promote healthy competition without placing them at risk of overcrowding. Capacity-building support to MFIs will include technical assistance for identifying and developing new financial products and improving management information systems logistics and intensive staff training. The ability of in-country technical service providers to supply advisory and business development services to rural clients will also be strengthened. The project will also foster the establishment of an apex body to support the village savings and credit associations and provide funds for training at all levels (ordinary members, management committees and cashiers). Access by local communities to social and economic infrastructure will be enabled by linking up with projects that offer matching grants, including the World Bank's Community-Driven Development Project.

How will the beneficiaries participate in the project? Both direct and indirect beneficiaries will be actively involved in planning, executing and monitoring the activities as well as in evaluating impact on their own clients. The voice of rural men and women will be enhanced through an annual participatory evaluation procedure involving village-level evaluations to generate findings that will be presented for peer review by representatives from other villages at division-level workshops. Each workshop will elect a man and a woman to represent their division at annual consultations where performances will be reviewed and recommendations made for the following year's activities.

How was the project formulated? The key MFIs worked closely with design missions that comprised several Gambian professionals with extensive experience in microfinance and community development. In addition to filling knowledge gaps by carrying out ad hoc surveys and studies, these professionals were able to involve key stakeholders in the formulation process literally on a day-to-day basis (e.g. ministries, technical and financial partners, national and international NGOs, and professional associations of rural producers of goods and services). The appraisal mission's conclusions were presented and validated at a stakeholder workshop attended by key stakeholders.

**REPORT AND RECOMMENDATION OF THE PRESIDENT OF IFAD
TO THE EXECUTIVE BOARD ON PROPOSED FINANCIAL ASSISTANCE TO THE
REPUBLIC OF THE GAMBIA
FOR THE
RURAL FINANCE PROJECT**

I submit the following Report and Recommendation on proposed financial assistance to the Republic of the Gambia comprising a loan of SDR 4.15 million (equivalent to approximately US\$6.12 million) on highly concessional terms to help finance the Rural Finance Project and a grant of SDR 280,000 (equivalent to approximately US\$400,000). The loan will have a term of 40 years, including a grace period of ten years, with a service charge of three fourths of one percent (0.75%) per annum. It will be directly supervised by IFAD.

PART I – THE ECONOMY, SECTORAL CONTEXT AND IFAD STRATEGY¹

A. The Economy and Agricultural Sector

1. The Gambia has an area of 11,300 km² and a population of 1.5 million; hence it is one of the most densely populated countries of Africa (over 130 inhabitants/km²). Although over half the population lives in urban areas, agriculture plays an important role in the livelihoods of over two thirds of its labour force. Land and vegetation resources are deteriorating rapidly under pressure of a high population growth rate (4%). At this rate, the population will double over the next 15 years and GDP per capita will have to grow by 8% per year in order to keep up. The Gambia has benefited from interim debt relief from the World Bank, African Development Bank and International Monetary Fund, but it has yet to reach completion point under the Debt Initiative for Heavily Indebted Poor Countries.

2. Per capita GDP was only US\$278 per annum in 2003, with agriculture contributing 30%; industry/manufacturing, 11%; and services, 59%. The economy is increasingly dependent on tourism for foreign exchange earnings (12%), although exports of groundnuts, the re-export trade and foreign assistance still play important roles. The Gambia is ranked 155 out of 177 countries on the United Nations Development Programme's (UNDP) Human Development Index (0.470 in 2003). Despite real improvements over the past decade, social indicators remain low, with an average life expectancy at birth of 55.7 years, and infant and under-five mortality rates of 84% and 135 per thousand, respectively. Malaria, acute respiratory infections, malnutrition and diarrhoea continue to account for 60–70% of morbidities and mortalities. Prevalence rates for HIV/AIDS are low but rising and there is evidence that official figures may be underestimated. Several international donors and NGOs are gearing up to support a concerted national response.

3. **Agriculture.** About 69,000 farm families depend on traditional rainfed practices to grow staples (coarse grains, rice and cassava), semi-commercial groundnuts and vegetables, and cotton. Erratic weather, increasing land pressures, inefficient marketing and storage, weak extension services, and lack of credit are underlying causes of declining productivities and hence incomes and food security. Domestically grown cereals cover barely half the national intake and imports will triple by 2015. Livestock husbandry is extensive. Rural families are increasingly forced to turn to economic activities that require little or no land. A joint study by the Food and Agriculture Organization of the United Nations and World Bank in 2005 classifies these activities under three headings: (i) production

¹ See Appendix I for additional information.

(manufacturing and crafts); (ii) services; and (iii) cross-cutting (marketing and trading). Most rural producers of goods and services, including farmers, do not have access to the finance they need to invest in more remunerative activities, nor to the necessary knowledge and skills.

4. **Social capital.** The decentralization process initiated in 1993 and interrupted by the coup of 1994 was resumed in 2002 and several donors, notably the World Bank and European Union, are providing strong support. The boundaries of the local government areas (LGAs) coincide with the administrative divisions except for Central River Division where the areas north and south of the river are separate LGAs. The development committees at village and ward levels are generally recognized as representative. The traditional, ubiquitous and highly inclusive village groups (*kafos*) remain important players in community affairs, as they have a particularly strong solidarity and collective action ethos, especially women's groups. The leading farmers' organizations are the National Women Farmers' Association, with a membership of over 48,000 women in 1,074 villages, and the Association of Farmers, Educators and Traders.

5. **Poverty.** A World Food Programme survey (2003) found that 31% of the Gambia's rural households were chronically vulnerable to food insecurity and that 20% met less than four months of their food requirements in any given year. The United Nations Children's Fund (UNICEF) and other sources report a sharp rise in the share of people living below the poverty line, from 58% in 1998 to 74% in 2003. Although households headed by women tend to be more vulnerable, over four fifths of the chronically food-insecure households are headed by men. Extreme poverty is most severe in rural areas and over 90% of the "food-poor" depend on agriculture. A large contrast between rural and urban living conditions is due to limited occupational and livelihood choices and heavy dependence on unimproved agriculture in the former.

6. Five main **types of institution** play a role in rural microfinance: (i) microfinance institutions (MFIs) as providers of financial services; (ii) their clients as individuals and through their *kafos*; (iii) the Microfinance Department of the Central Bank of the Gambia (MFD-CBG), which has a supervisory, regulatory and licensing role; (iv) technical services providers (TSPs) for backstopping and hands-on training, including the Microfinance Promotion Centre (MFPC) for training of trainers and the Gambia Microfinance Network (GAMFINET) for networking, advocacy and policy dialogue; and (v) the Department of State for Agriculture (DOSA), which is mandated to guide and oversee rural development in general. The Department of State for Finance and Economic Affairs is not actively involved in the development of rural microfinance. **Microfinance** is handled mainly by MFIs operating in the semi-formal market. The four main models are the IFAD-initiated village savings and credit associations (VISACAs); the network of mutualistic credit unions under the National Association of Cooperative Credit Unions of the Gambia (NACCUG); the group-lending approach of the Gambia Women's Finance Association (GAWFA); and the Gambia Microfinance Savings Company Limited (GAMSAVINGS), a private limited liability financial company. NACCUG, GAWFA and GAMSAVINGS are registered non-bank financial institutions (NBFIs). Eleven other MFIs are NGOs or agencies that channel project or Government funds to the poor.

7. The pre-appraisal **market share study** found that almost 109,200 people belonged to an MFI, with GAWFA leading the field (41.6% of members), followed by the VISACAs (38.3%) and the credit unions (20.1%). Total deposits held by MFIs in 2006 amounted to D 130 million (about US\$4.66 million). The four key MFI models held D 130 million (about US\$4.66 million), i.e. 99.6% of the total, with the credit unions holding 57.9%; the VISACAs, 30.9%; GAWFA, 8.1%; and GAMSAVINGS, 3.1%. In terms of deposits in the rural areas (D 49.82 million – about US\$1.78 million), the VISACAs led the field with 80.8% of the total, followed by GAWFA (12.1%), the credit unions (7.1%) and GAMSAVINGS (0%). In terms of the savings component of deposits (D 42.89 million – about US\$1.53 million), the VISACAs held 77.7%, followed by GAWFA with 14.1% and the credit unions with 8.2%. These findings and the distribution of the MFIs reflect a **striking complementarity**, with only moderate overlapping, hence low risk of overcrowding. The

VISACA system is the only one to work exclusively in rural areas and GAMSAVINGS operates only in urban areas. NACCUG and GAWFA operate in both areas. A large proportion, if not the majority, of MFI clients are women. Only 40% of the individual members of the VISACAs are women, but 50,000 or more additional women have access to credit through the member *kafos*. GAWFA's borrowers are 100% women and 90% rural, but a large share of the system's financial resources comes from door-to-door collection of savings from urban-based men and women. The credit unions are mainly work-based, hence urban, but almost twice as many women as men belong to the rural credit unions. GAWFA and NACCUG acquired experience in refinancing the VISACAs under the IFAD-financed Rural Finance and Community Initiatives Project (RFCIP). All three NBFIs are interested in expanding their rural operations, notably to absorb excess liquidity. It will be important to ensure that this process takes place in an orderly manner that can both enable access by the rural poor to financial services and foster the sort of healthy competition that will stimulate cost-effective management.

8. **Management of the key MFIs** has improved steadily, albeit somewhat unevenly. Support from the Women's World Banking (WWB) and the Irish League of Cooperative Union Federation allowed GAWFA and NACCUG to create apex bodies, set up functional management information systems (MIS) and formulate strategic and/or business plans, actions that are coherent with IFAD's third strategic objective for Western and Central Africa. GAMSAVINGS has yet to articulate its vision and mission and the VISACAs are still in their infancy. The MIS of all four MFIs would require firming up; all four lack the skills to identify and develop new financial products; average operational self-sufficiency is low; and outreach is weak in terms of clientele, savings mobilized and loans granted. Although poverty outreach is a major goal of all four MFIs, hard data are not available.

9. **MFD-CBG** is the main regulator of MFIs as well as the licensing institution for NBFIs. The articulation of its mandate and roles was improved in 2003. **DOSA**, as the key institution mandated to promote agricultural and rural development, has considerable expertise in project management, including the administration (procurement, disbursements, withdrawals, etc.) of all seven IFAD loans issued to date. The Department has also promoted the VISACA concept since the late 1980s. **MFPC** has performed creditably in providing training in generic areas (e.g. bookkeeping and internal control) and it recently completed a new training centre. It is, however, understaffed and underequipped, and it has yet to develop modules and curricula for core training areas related to microfinance (e.g. management of liquidity, delinquency and screening, and deposit mobilization). **Many TSPs** are interested in entering the developing market for business development services (BDS), including many NGOs as well as individual consultants and companies. **GAMFINET** was fostered by WWB as a forum for member MFIs to exchange experiences and undertake policy dialogue with the Government. After a promising start, it went into decline and WWB withdrew its support. While its goals and purposes remain valid, its vision and mandate would need to be reviewed.

B. Lessons Learned from Previous IFAD Experience

10. **Overview.** IFAD has financed seven projects in the Gambia since 1982, for a total outlay of US\$108.38 million, US\$37.94 million of which was financed by IFAD loans. Six projects were cofinanced with the World Bank or African Development Bank. Only **RFCIP** was financed exclusively by IFAD and the Government. All seven projects had a focus on agricultural development (especially rice) and almost all of them also had a credit component based on the VISACA concept that IFAD had introduced in the late 1980s, in collaboration with German aid (Kreditanstalt für Wiederaufbau [German Credit Institution for Reconstruction]). The results were sufficiently promising to justify the design and implementation of RFCIP with a view to: (i) expanding rural financial services; (ii) building on existing social capital by working through the traditional and ubiquitous *kafos*, particularly those of women; and (iii) promoting agricultural development (in two divisions). RFCIP will close at the end of December 2006, after a one-year extension. IFAD's other ongoing project in the Gambia is the **Participatory Integrated Watershed Management Project**

(PIWAMP), which became effective in April 2006. PIWAMP is designed to address land-development constraints linked to cropping activities in lowlands and uplands.

11. The **VISACAs** have proven their ability to respond to the needs of the rural producers of goods and services. A noteworthy absence of suspicion among clients and rare evidence of wilful fraud indicate that the system is fundamentally healthy, albeit in need of firming up. Their **main strengths** are: (i) their in-depth experience with rural clients, including smallholder farmers and entrepreneurs; and (ii) their physical presence in the rural areas. Their **main weaknesses** include: (i) poor governance due to limited active participation; (ii) weak managerial and accountancy skills, both of management committee members and cashiers (mostly unpaid); (iii) an MIS based on faulty data; (iv) a weakening of credit discipline associated with efforts to expand coverage; (v) a limited range of financial products, often inappropriate for crop and equipment loans; (vi) weak outreach to the poorest who are unable to meet collateral requirements; and (vii) poor financial reporting. VISACA accounts are not prepared by qualified accountants nor have they ever been audited. By end 2006, however, a full technical audit of the VISACAs (using residual funds from RFCIP) will build a firm foundation for formulating business plans and firming up management.

12. The **interim evaluation of RFCIP** identified many areas of promise but felt that the foundations remained very fragile. It recommended a “radical rethink” in favour of a more programmatic/sectoral approach to the promotion of rural microfinance. The fostering of a mutually fruitful learning process between the different MFI models was seen as desirable in order to: (i) identify best practices for the delivery of pro-poor financial services; and (ii) lay the groundwork for a continuous and long-term process of support to sectoral policy-making and regulation. The fostering of linkages with microfinance hubs and centres of expertise was recommended. The interim evaluation also recommended that a new project work particularly close with women’s *kafos*, through which many asset-poor women were able to gain access to financial services. The evaluation had uncovered evidence to the effect that women’s *kafos* were expanding their traditional emphasis on solidarity and mutual assistance to include the function of “mentoring” the poorest members of the local community. After detecting the same phenomenon, GAWFA has started an awards programme for the mentors.

13. **Implementation.** The interim evaluation confirmed the validity of the measures developed by IFAD over the years during which the best results were obtained by projects that envisaged the following implementation arrangements: (i) management by lean, highly qualified autonomous management teams of professionals recruited on a competitive basis; (ii) outsourcing of field responsibilities to qualified implementing partners; and (iii) establishment of performance-based contracts clearly detailing the terms of references and penalties. A crucial shortcoming of most IFAD-financed projects has been monitoring and evaluation (M&E). The system for RFCIP, for example, was repeatedly designed, installed and adjusted, but never properly maintained or used; and M&E staff lacked the necessary background or training. The function of M&E as a management tool was ignored and the evidence of impact is circumstantial.

C. IFAD’s Strategy for Collaboration with the Gambia

14. **The Gambia’s policy for poverty eradication.** Government efforts to diversify agricultural and rural production have been hampered by many constraints. The Government wants to diversify agriculture away from groundnuts and subsistence cropping by addressing the need to improve: (i) water management; (ii) soil fertility maintenance; (iii) research and extension; and (iv) rural finance, both for farming and non-farm activities. The second Strategy for Poverty Alleviation indicates the following objectives: (i) improve the enabling policy environment to promote growth and poverty reduction; (ii) enhance the productive capacity and social protection of the poor and the vulnerable; (iii) improve the coverage of the unmet basic needs of the poor; (iv) build capacity for local, people-centred development through decentralization; and (v) mainstream gender equity,

environmental issues, nutrition, governance and HIV/AIDS awareness into all development programmes. The key sectors are agriculture, education and health.

15. **The poverty eradication activities of other major donors.** Most donors operating in the Gambia have adhered to the Paris Declaration on Aid Effectiveness. Discussions with the following donor projects revealed a broad range of opportunities for fruitful collaboration: (i) the World Bank's Community-Driven Development Project aimed at strengthening local governance in the context of decentralization (matching grants for productive and social infrastructure; strengthening the offer of BDS; extensive training for elected local leaders and staff, etc.); (ii) the second phases of the Social Development Fund and the Community Skills Improvement Projects, to be financed by the African Development Bank (support to multi-purpose centres for microenterprise development, matching grants, credit, specialized technical/managerial training and BDS); (iii) the second phase of the Fight Against Social and Economic Exclusion Programme financed by UNDP and executed by the International Labour Organization (entrepreneurial training, BDS and credit); and (iv) PIWAMP (extension and advice on improved crop husbandry, reclamation/development of rice fields and upland cropland). A broad range of international NGOs are adhering to this effort to exploit complementarities and generate synergies, notably in the field of social development (including HIV/AIDS).

16. **IFAD's strategy in the Gambia.** IFAD's operations in the Gambia are guided by the 2003 country strategic opportunities paper (COSOP), which envisages: (i) a continued focus on addressing the underlying causes of rural poverty; (ii) priority attention to areas where past interventions were successful, where the Fund has a comparative advantage and where it can provide leadership; (iii) close collaboration with other agencies and international financial institutions, in compliance with the Paris Declaration on Aid Effectiveness; and (iv) compliance with IFAD's regional strategy for Western and Central Africa. The COSOP envisages the design of two projects in the areas of: (i) natural resources management (continuing the work initiated by the Lowlands Agricultural Development Project) and (ii) rural microfinance (to consolidate the achievements of the rural finance component of RFCIP). It also recommends that future projects continue to adopt the successful implementation practices based on creating lean and autonomous ad hoc management teams to guide and monitor implementation by contractual partners (outsourcing).

17. **Project rationale.** The Gambia meets the minimum conditions for feasibility of investment in rural finance because it has adequate population density, a relatively low inflation rate, a liberalized financial market, a capillary network of trading activities and market places, and a thoroughly monetized economy, even in the rural areas. The return to democracy seems to be sustainable and the country enjoys an exceptional degree of security and political stability for the region. The four key MFIs have several years of experience and succeed in offering a range of financial services in an environment that has not always been entirely enabling. They have helped many people to overcome their poverty. All of them are interested in helping the poorest members of local society, who tend to be afraid of debt and/or are unable to provide collateral. These achievements need to be consolidated and coverage needs to be expanded both geographically and in terms of poverty outreach.

18. There are compelling reasons for IFAD to undertake this task: (i) the Fund has been a major player in rural microfinance; (ii) coverage of the rural areas is still incomplete; (iii) the poorest are probably not being reached; and (iv) all the MFIs' present weaknesses need to be addressed. An emphasis on improving access by the rural poor to financial capital and markets complies with IFAD's regional strategy for Western and Central Africa. It also complies with IFAD's Rural Finance Policy: (i) build rural financial infrastructure; (ii) enhance institutional sustainability and outreach to the rural poor; and (iii) foster a conducive policy and regulatory environment. The project will fill a critical gap in the scope of external assistance to the country.

PART II – THE PROJECT

A. Project Area and Target Group

19. The proposed project will cover all six rural divisions of the Gambia with a view to expanding and consolidating the coverage of pro-poor financial services that respond to the needs of small-scale rural producers of goods and services. The target population of about 700,000 persons belongs to 69,000 rural households. The project's target group is defined as comprising the "economically active rural poor, especially those from chronically food-insecure households", who account for about one third of the country's households and two thirds of its food-insecure households. The members of this target group will necessarily be "indirect" beneficiaries of the project whose "direct" beneficiaries will be the institutions to be strengthened as critically important elements of an enabling environment for rural poverty reduction.

20. Outreach to the target group of chronically food-insecure men, women and youths will be promoted through a mechanism that will reward village-wide *kafos* that accept to expand their traditional support to the poorest members of the local community by mentoring the latter as future clients of the MFIs. Their knowledge of the constraints of the poor will provide valuable insights for the other two thrusts of this three-pronged targeting strategy: (i) the development of pro-poor financial products; and (ii) the identification of best practices for upscaling/outscaling. The rationale for the "mentoring of mentors" approach to targeting is based on convincing evidence of the importance of the traditional role of the *kafos* both as a safety net for the poor and as active contributors to community development.

B. Objectives and Scope

21. The overall development goal of the project is to create an enabling microfinance environment for rural poverty reduction by consolidating and expanding the rural outreach of selected existing MFIs. Its specific objectives are to: (i) foster self-sustaining rural MFIs (VISACAs and NBFIs); (ii) ensure that they have consolidated access to appropriate and highly qualified support from TSPs; (iii) forge mutually beneficial partnerships with other projects; and (iv) ensure that the proceeds of IFAD financing are used cost effectively.

C. Components

22. The objectives of the project will be pursued through three technical components: (a) institutional strengthening of MFIs; (b) institutional strengthening of supporting institutions and TSPs; and (c) implementation.

Component A – Institutional Strengthening of MFIs (VISACAs and NBFIs)

23. Component A comprises six subcomponents. Two subcomponents aim to consolidate the rural VISACAs and the other four to consolidate the microfinance environment.

24. Under **subcomponent A1**, VISACA premises with structural defects will be rehabilitated and equipped with safes. Up to 16 VISACAs will be provided with computers and motorcycles for field operations and ten new VISACAs will be installed in the Social Development Fund multi-purpose centres, bringing the total to 80. Cashiers, management committees and members will have access to intensive training to: (i) upgrade the quality of management and internal auditing; and (ii) expand the pool of members with the skills needed to serve on management committees.

25. Under **subcomponent A2**, an apex organization for the VISACAs will be fostered, comprising two "networks" of about 40 units each. Provisions are made for the construction of a head

office building, purchase and operating costs of vehicles and equipment, training and technical assistance. Technical assistance will focus on: (i) creating an MIS for close monitoring of VISACA operations; and (ii) developing new financial products, with special attention to the rural poor and women. Subcomponents A1 and A2 will be implemented concurrently to ensure that the apex body is firmly grounded on strong VISACAs.

26. **Subcomponents A3 to A5** will provide targeted support to ensure that the efforts of existing NBFIs to expand their rural operations will complete the microfinance panorama in a complementary and orderly manner. Their capacity to deliver financial services to rural clients will be strengthened by providing them with means of transport, computers and equipment, training and technical assistance. Access by GAMSAVINGS to support will be subject to its having already opened at least one new rural branch.

27. **Subcomponent A6** refers to the refinancing facility to be created using the RFCIP that will be made available to the Rural Finance Project. These funds will be onlent to MFIs experiencing liquidity crunches, especially the VISACAs who do not have access to urban savings. The refinancing facility may be used to finance local contributions for the matching grants that several other projects are or will be offering for collective economic and/or social investments.

Component B – Institutional Strengthening of Supporting Institutions and TSPs

28. Component B consists of four subcomponents, three of which will assist three types of supporting institutions in fulfilling their responsibilities: enabling/regulatory; training/backstopping and networking/advocacy.

29. Under **subcomponent B1**, the ability of MFD-CBG to supervise and regulate MFI operations will be upgraded by reviewing its rating criteria, providing means of transport and computers, improving its MIS, and upgrading staff skills. **Subcomponent B2** will build up the capacity of MFPC as a centre of excellence on microfinance by providing computers and ancillary equipment, training and technical assistance to develop the training modules and curricula needed both to: (i) provide training of trainers/backstopping to TSPs specializing in BDS; and (ii) accredit/quality assure them. **Subcomponent B3** will support a review of GAMFINET's mandate and goals, and the formulation of a strategic plan and programmes. Under **subcomponent B4**, MFPC will train approximately 20 persons in the skills needed to provide enterprise development training and BDS to MFI clients and to help the fledgling VISACAs in preparing financial records. Provisions are made to cover the cost of TSP services to the VISACAs, six-monthly backstopping visits by the Microfinance Unit of the United Nations Capital Development Fund (UNCDF) at Dakar and environmental impact assessments.

Component C – Implementation

30. This component will provide a grant for high-level expertise not available in the country (external TSP), as well as a lean, highly qualified and operationally autonomous project support unit (PSU). A project coordinator with considerable experience in rural development will be assisted by professional staff, including a deputy project coordinator with a strong background in microfinance; an M&E officer with strong analytical and writing skills; two field operations officers with expertise in microfinance and in community mobilization/targeting, respectively; and a finance and administration manager. Provision is also made for two assistants to the finance and administration manager and support staff.

31. Field operations and most M&E functions will be outsourced to professionals under closely monitored performance-based contracts. A highly qualified specialist in information technology (IT) will be engaged to assure the physical handling of the MIS and databases, and provide the PSU with

weekly updated tables. The benchmark survey envisaged by IFAD's **Results and Impact Management System** (RIMS) will be conducted during year 1 and repeated at mid-term review and at the end of the project, in order to measure impact. A stepwise **participatory evaluation procedure** will enhance the voice of rural clients in annual performance reviews and planning. Technical assistance on M&E will be available through a regional grant for support to M&E that will be presented to the Executive Board in December 2006.

D. Costs and Financing

32. The proposed six-year project is costed at US\$8.73 million, including contingencies, taxes and duties, as well as an IFAD grant for SDR 280,000 (US\$400,000). An IFAD loan for SDR 4.15 million (US\$6.12 million) will cover 70.1% of the cost, with the Government contributing US\$952,000 (10.9%), mainly by waiving taxes and duties. The existing RFCIP line of credit (about US\$873,000, 10%) will be made available to the Rural Finance Project PSU. The contributions of MFIs/TSPs (US\$382,000, 4.4%) refer mainly to training-related logistics, plus some maintenance and operating costs. The project costs by component and the financing plan are presented in Tables 1 and 2. The project's closing date will be six months after the sixth anniversary of the entry into effectiveness of the financing agreement.

TABLE 1: SUMMARY OF PROJECT COSTS^a
(US\$'000)

Components	Local	Foreign	Total	% of Foreign Exchange	% of Base Costs
Institutional strengthening of MFIs	3 846	1 386	5 231	26	66
Institutional strengthening of supporting institutions and TSPs	607	143	750	19	9
Implementation (coordination, M&E, external TSP)	1 525	423	1 949	22	25
Total base costs	5 978	1 952	7 930	25	100
Physical contingencies	171	99	270	37	3
Price contingencies	384	141	525	27	7
Total project costs	6 533	2 192	8 725	25	110

^a Discrepancies in totals are due to rounding.

TABLE 2: FINANCING PLAN^a
(US\$'000)

Components	IFAD Loan		IFAD Grant		Government		Beneficiaries		Other		Total		Foreign Exchange	Local (Excl. Taxes)	Duties and Taxes
	Amt.	%	Amt.	%	Amt.	%	Amt.	%	Amt.	%	Amt.	%			
Institutional strengthening of MFIs	3 966	68.2	-	-	635	10.9	345	5.9	873	15	5 819	66.7	1 576	3 607	635
Institutional strengthening of supporting institutions and TSPs	652	80.4	-	-	123	15.1	37	4.4	-	-	812	9.3	153	536	123
Implementation (coordination, M&E, external TSP)	1 501	71.7	400	4.6	194	9.3	-	-	-	-	2 095	24.0	464	1 438	194
Total disbursement	6 119	70.1	400	4.6	952	10.9	382	4.4	873	10	8 725	100	2 192	5 581	952

^a Discrepancies in totals are due to rounding.

E. Procurement, Disbursement, Accounts and Audits

33. **Procurement.** An adequate number of local agents of international suppliers are present in the country and procurements will be bulked whenever possible to obtain competitive prices. National competitive bidding (NCB) procedures will be applied for the procurement of goods, vehicles and equipment for amounts greater or equal to US\$50,000. National and international shopping procedures will apply for contracts equivalent or below US\$50,000. Consultancy contracts will be awarded following international competitive bidding for the external TSP, and NCB for local TSPs and consultants. Contracts for civil works, limited to the rehabilitation of existing premises, will be awarded through NCB procedures. The procurement plan for the initial 18 months of implementation will be agreed upon before effectiveness. It will be updated upon the establishment of the PSU and approved by IFAD as part of the project's first annual workplan and budget before the first withdrawal from the loan account.

34. **Disbursement.** A special account in the project's name and in United States dollars will be opened by the Government with the Central Bank of the Gambia, with an authorized allocation of US\$450,000. Replenishments of the special account will be made in accordance with procedures laid down in the financing agreement. A project account in dalasi will be opened to receive counterpart funds. An amount equivalent to US\$30,000 will be deposited in three instalments of US\$10,000 each to cover the Government's first year contribution for expenditures not covered by the waiver of taxes and duties. The project account will be replenished at the start of each fiscal year.

35. **Accounts and audits.** The PSU will ensure all accounts are kept in accordance with prevailing Government practices and international accounting standards. The establishment of an acceptable accounting system will be a condition for disbursement. Six-monthly consolidated statements of project accounts will be prepared and submitted to IFAD. A financial and management audit will be conducted each year by an internationally recognized auditing firm acceptable to IFAD. Audited accounts and the auditor's report, including a separate opinion on the statements of expenditures and special account, will be forwarded to IFAD not later than six months after completion of each fiscal year. PSU will be responsible for timely implementation of audit recommendations. The fees of auditing firms will be paid from loan proceeds.

F. Organization and Management

36. DOSA will be the **executing agency** in recognition of its rural development mandate and its long-standing experience with managing IFAD-financed projects. The project will be directly supervised by IFAD. A **project steering committee** (PSC) will be established to guide implementation, oversee planning, review progress and impact, and maintain close linkages with other projects and government services. Co-chaired by DOSA and the Department of State for Finance and Economic Affairs, it will comprise representatives from relevant public institutions, key projects and implementing partners, direct and indirect beneficiaries (MFIs/TSPs and their clients). **Day-to-day management** will be entrusted to a lean team of highly qualified professionals. Key professional staff will be recruited through a competitive procedure open to private and public candidates. Senior officers will bring relevant qualifications and at least five years of experience to the job. Appointments will be subject to IFAD approval, and contracts will be periodically renewable subject to satisfactory annual performance evaluations.

37. As recommended at the interim evaluation, most **M&E tasks** will be outsourced. The M&E officer within the PSU will be charged with the crucially important task of analysing weekly updated tables, completing information with the findings of other sources, and writing weekly reports to the project coordinator. The purpose of these reports will be to draw management attention to any issues, trends and problems with potential for impact – positively or negatively – to the project's chances of

attaining its goal and objectives. The M&E officer will also compile quarterly activity reports by all partners and stakeholders to produce the project-wide reports.

38. The design of the new project was marked by a strong emphasis on the need to harmonize its procedures with those of other development operators in the country. The World Bank, in particular, expressed an interest in the creation of a common (core) database that both the Community-Driven Development Project and the Rural Finance Project could draw upon and enrich. Other operators are likely to respond positively to an invitation to join as contributors/users. In addition to reducing the risk of adding to the variability currently plaguing the country's statistics, this database will provide a solid foundation for the system that the Government wants to set up to monitor progress towards poverty reduction. Because the handling of a multisource/multi-user system has significant chaos potential, a highly qualified IT specialist will be engaged.

39. Project-supported training and capacity-building activities will involve a cost-sharing element, with the beneficiaries covering part of the logistics costs. Although these funds are budgeted separately, access will be effected through standardized regulatory procedures (Pilot Training Fund).

40. A tripartite coordination mechanism will further mutual understanding and collaboration between: (i) farmers through farmers' organizations; (ii) TSPs engaged to backstop and mentor farmers in undertaking profitable economic activities, both farm and non-farm; and (iii) MFIs offering financial services to the economically active rural population. Relations between MFIs and farmers' organizations, in particular, will be facilitated by the field operations officer-community, who will also be the focal point for gender and HIV/AIDS. A project implementation manual will be drafted by a consultant describing operational procedures for implementation of the project.

G. Economic Justification

41. By the end of the project, approximately 180,000 clients, 70,800 of them incremental, will have access to self-sustaining financial services through 180 branches, including 80 VISACAs and 100 credit unions, and 2,276 GAWFA groups. The corresponding number of households can be estimated at 45,000 (four active persons per household); over 35,000 are likely to be rural, representing about half the total number of farmholder families. Supported MFIs will mobilize D 353.5 million (about US\$12.63 million) in savings and issue D 235.9 million (about US\$8.07 million) in loans. The loans-to-deposit ratio of the VISACAs and GAMSAVINGS will improve significantly, while the ratio of NACCUG will remain fairly stable and that of GAWFA can be expected to decline somewhat.

42. Financial analysis of six of the most popular income-generating activities (IGAs) in 2007 generates internal rates of return of 37% or more in all cases except fish processing (23%). Other IGAs are groundnuts (44%), upland rice (53%), vegetables (40%), cassava processing (37%) and tie-dyeing (48%). These levels are reasonable and likely to generate significant improvements to household food security and allow most clients of MFIs to initiate/accelerate a process of assets accumulation. Returns to labour are above daily minimum wage (D 25 – about US\$0.90) for all IGAs.

H. Risks

43. The effects of weather and fluctuating world prices will be attenuated by many IGAs financed by strengthened MFIs. The risk of a repetition of poor M&E performances is addressed by the provision for outsourcing this responsibility to TSPs under performance-based contracts. The risk of non-enforcement is reduced by the provisions both for direct supervision by IFAD and for periodic visits by highly qualified partners (Microfinance Unit of the United Nations Capital Development Fund [UNCDF] at Dakar). Non-performing partners will be denied access to project funds after two warnings. The risk that the external TSP may not perform as anticipated is addressed by a contractual

provision made for the deposit of a performance bond or bank guarantee and the establishment of detailed terms of references indicating the penalties for non-performance.

I. Environmental Impact

44. The project is classed as Category “B” due to the possibility of some activities financed by MFIs having a polluting impact on the environment. Monitoring measures complying with existing legislation will be put in place in collaboration with the National Environment Agency.

J. Innovative Features

45. The project’s sectoral approach is an innovation aiming to contribute to poverty reduction by expanding availability of pro-poor financial services in rural areas, and pro-poor impact will be enhanced through an innovative, three-pronged targeting mechanism. A concerted effort to identify mutually beneficial partnerships produced a broad range of opportunities, including the creation of a common (core) database and MIS that may eventually become the MIS for monitoring national poverty reduction efforts. Three empowering mechanisms are envisaged: (i) annual participatory evaluation procedure leading up to annual consultation will enhance the voice of rural clients during performance reviews and planning; (ii) multilingual/multi-script supports will multiply the number of people with access to written records; and (iii) vouchers will allow rural clients to “pay” for the services of support staff.

PART III – LEGAL INSTRUMENTS AND AUTHORITY

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

47. The Republic of the Gambia is empowered under its laws to borrow from IFAD.

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

PART IV – RECOMMENDATION

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

RESOLVED: that the Fund shall make a loan to the Republic of the Gambia in various currencies in an amount equivalent to four million one hundred and fifty thousand special drawing rights (SDR 4,150,000) to mature on or prior to 15 May 2046 and to bear a service charge of three fourths of one per cent (0.75%) per annum, and to be upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented to the Executive Board in this Report and Recommendation of the President.

RESOLVED FURTHER: that the fund shall provide a grant to the Republic of the Gambia in various currencies in an amount equivalent to two hundred and eighty thousand special drawing rights (SDR 280,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented to the Executive Board in the Report and Recommendation of the President.

Lennart Båge
President

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

(Negotiations concluded on 19 July 2006)

1. The Government of the Republic of the Gambia (the Government) has requested a loan for the purpose of financing the Rural Finance Project. IFAD has agreed to extend a grant to the Government in the amount of SDR 280,000 to finance the implementation component of the project.
2. The Government will make the proceeds of the loan and the grant available to DOSA in accordance with the annual workplans and budgets (AWP/Bs). DOSA will transfer available funds and other resources called for in the AWP/Bs to the MFIs in accordance with each MFI agreement to carry out the line of credit subcomponent.
3. In addition to the proceeds of the loan and the grant, the Government will make available to DOSA and each other project party – promptly as needed and in accordance with the AWP/Bs – such funds, facilities, services and other resources as may be required from time to time to execute the project. Without limiting the generality of the above, the Government will make available to DOSA during the project implementation period counterpart funds from its own resources in an aggregate amount of US\$30,000 to defray expenditures during the first year that are not covered by the waiver of taxes and duties, and will thereafter replenish the project account by depositing the counterpart funds called for in the AWP/B for the relevant project year.
4. The Government will open and thereafter maintain in the CBG a current account denominated in local currency for project operations (the “project account”). The project coordinator and the financial and administrative manager of the PSU will be fully authorized to operate the project account and both signatures will be required to make any withdrawal from the account.
5. The line-of-credit activities will be carried out by the PSU and the following MFIs in the project area: VISACAs, GAWFA, NACCUG and GAMSAVINGS. The responsibilities of each MFI will be defined in the project implementation manual and in the MFIs’ agreements. The project coordinator of the PSU will enter into an agreement with each MFI, which will provide, inter alia, that:
 - (a) The Government through the PSU will make available the line of credit to the relevant MFI.
 - (b) The MFI will declare its commitment to the goals and purposes of the project and, in furtherance of such goals and purposes, will undertake to carry out activities in accordance with the project financing agreement and the credit by-laws, which will be annexed to the relevant MFI agreement.
6. IFAD may suspend, in whole or in part, the right of the Government to request withdrawals from the loan and/or grant accounts upon the occurrence of any of the events set forth below **provided, however**, that if the audit required has not been satisfactorily concluded within six months of the financial reporting date, IFAD will suspend the right of the Government to request withdrawals from the loan and/or grant accounts.
 - (a) The project manuals, or any provision thereof, have been waived, suspended, terminated, amended or modified without the prior consent of IFAD, and IFAD has determined that such waiver, suspension, termination, amendment or modification has had, or is likely to have, a material adverse effect on the project.

ANNEX

- (b) The MFIs' agreements or any provision thereof, have been violated or have been waived, suspended, terminated, amended or otherwise modified without notifying IFAD, and IFAD has determined that such violation or waiver, suspension, termination, amendment or other modification has had, or is likely to have, a material adverse effect on any portion of the project.

7. As part of maintaining sound environmental practices, the project parties will maintain appropriate pest management practices under the project and, to that end, the Government will ensure that pesticides procured under the project 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 Classification 1996-1997, as amended from time to time.

8. The Government will ensure that monitoring and evaluation under the project will be used as a management tool to identify problems and make corrections, and enhance impact by developing systems that are more responsive to beneficiaries' needs. To that end, the Government will ensure that the monitoring and evaluation system includes: (a) the internal monitoring of implementation progress; (b) the involvement of stakeholders through a participation process; and (c) impact evaluation. The monitoring and evaluation officer of the PSU will be responsible for the monitoring and evaluation of the project. Implementation partners, including technical service providers, will be responsible for periodic reporting to the PSU. The monitoring and evaluation officer will compile and consolidate all relevant information and will draft project reports that will address, among other things, highlights and difficulties experienced during project implementation and physical progress (outputs or Level 1 results). The draft reports will be submitted to the PSU at least two weeks before the reporting deadline specified in the project financing agreement.

9. The Government will insure project personnel against health and accident risks to the extent consistent with its national laws and customary practice.

10. The Government will ensure that the loan and grant proceeds will not cover any costs related to taxes on importation, procurement and supply of all goods and services financed by the loan and the grant. To this end, the Department of State for Finance and Economic Affairs will issue a tax waiver certificate and/or make annual budgetary provisions for taxes, as appropriate, which will be reflected in the AWP/Bs.

11. The Government will ensure that gender is mainstreamed into all project activities and that any gender imbalance in project management is addressed. The project will ensure that women have access to financial support.

12. The Government will insure that the RFCIP line of credit be made available to the PSU for the activities under the component for institutional strengthening of MFIs within 90 days of the effectiveness date.

13. **Conditions precedent to disbursement**

- (a) No withdrawals will be made until a computer-based accounting system has been set up and approved by IFAD.
- (b) No withdrawals will be made until all the PSU staff have been recruited and selected.

- (c) No withdrawals will be made until the project manuals have been approved by IFAD in draft and a copy of the project manuals as adopted by the PSC, substantially in the form so approved and certified as true and complete by a competent officer of the executing agency, has been delivered to IFAD.

14. **Conditions precedent to effectiveness.** The project financing agreement will become effective subject to the fulfilment of the following conditions precedent:

- (a) the PSC has been duly established;
- (b) the PSU has been duly established;
- (c) the PSU project coordinator, the deputy project coordinator, the financial and administrative manager, the monitoring and evaluation officer, the two field operation officers and the accountant have been duly appointed by the executing agency and approved by IFAD;
- (d) the project manuals have been approved by IFAD in draft and a copy of the project manuals as adopted by the PSC, substantially in the form so approved and certified as true and complete by a competent officer of the executing agency, has been delivered to IFAD;
- (e) the Government has duly opened the special account and the project account;
- (f) the Government has paid the first instalment of counterpart funds in the amount of US\$10,000 into the project account;
- (g) a draft AWP/B for the first project year and a procurement plan for the first 18 months have been approved by the PSC and IFAD;
- (h) the project financing agreement has been duly signed, and the signature and performance thereof by the Government have been duly authorized and ratified by all necessary administrative and governmental action; and
- (i) a legal opinion, issued by the Attorney-General and Secretary of State, Department for Justice or other legal counsel approved by IFAD, in form and substance acceptable to IFAD, has been delivered by the Government to IFAD.

APPENDIX I

COUNTRY DATA

GAMBIA

Land area (km² thousand) 2004 1/	10	GNI per capita (USD) 2004 1/	280
Total population (million) 2004 1/	1.48	GDP per capita growth (annual %) 2004 1/	5.4
Population density (people per km²) 2004 1/	148	Inflation, consumer prices (annual %) 2001 1/	14
Local currency	Dalasi (D)	Exchange rate: USD 1 =	28 D
Social Indicators		Economic Indicators	
Population (average annual population growth rate) 1997-2004 1/	3.0	GDP (USD million) 2004 1/	415
Crude birth rate (per thousand people) 2004 1/	35	Average annual rate of growth of GDP (%) 1/ 2003	6.7
Crude death rate (per thousand people) 2004 1/	12	2004	8.3
Infant mortality rate (per thousand live births) 2004 1/	89	Sectoral distribution of GDP 2004 1/	
Life expectancy at birth (years) 2004 1/	56	% agriculture	32
Number of rural poor (million) (approximate) 1/	n/a	% industry	14
Poor as % of total rural population 1/	n/a	% manufacturing	5
Total labour force (million) 2004 1/	0.64	% services	54
Female labour force as % of total 2004 1/	42	Consumption 2004 1/	
Education		General government final consumption expenditure (as % of GDP)	11
School enrolment, primary (% gross) 2004 1/	79 a/	Household final consumption expenditure, etc. (as % of GDP)	75
Adult illiteracy rate (% age 15 and above) 2004 1/	n/a	Gross domestic savings (as % of GDP)	14
Nutrition		Balance of Payments (USD million)	
Daily calorie supply per capita	n/a	Merchandise exports 2004 1/	22
Malnutrition prevalence, height for age (% of children under 5) 2004 2/	19 a/	Merchandise imports 2004 1/	200
Malnutrition prevalence, weight for age (% of children under 5) 2004 2/	17 a/	Balance of merchandise trade	-178
Health		Current account balances (USD million)	
Health expenditure, total (as % of GDP) 2004 1/	8 a/	before official transfers 2004 1/	n/a
Physicians (per thousand people) 2004 1/	0.1 a/	after official transfers 2004 1/	n/a
Population using improved water sources (%) 2002 2/	82	Foreign direct investment, net 2004 1/	60
Population with access to essential drugs (%) 2/	n/a	Government Finance	
Population using adequate sanitation facilities (%) 2002 2/	53	Cash surplus/deficit (as % of GDP) 2004 1/	n/a
Agriculture and Food		Total expenditure (% of GDP) 2004 1/	n/a
Food imports (% of merchandise imports) 2004 1/	38	Total external debt (USD million) 2004 1/	674
Fertilizer consumption (hundreds of grams per ha of arable land) 2000 1/	25 a/	Present value of debt (as % of GNI) 2004 1/	108
Food production index (1999-01=100) 2004 1/	69	Total debt service (% of exports of goods and services) 2004 1/	n/a
Cereal yield (kg per ha) 2004 1/	1 123	Lending interest rate (%) 2004 1/	37
Land Use		Deposit interest rate (%) 2004 1/	22
Arable land as % of land area 2004 1/	32a/		
Forest area as % of total land area 2004 1/	n/a		
Irrigated land as % of cropland 2004 1/	1 a/		

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

1/ World Bank, *World Development Indicators* database CD ROM 2006

2/ UNDP, *Human Development Report*, 2005

PREVIOUS IFAD FINANCING IN THE GAMBIA

Project Name	IFAD Approved Financing (US\$ '000)	Board Approval	Loan Signing	Loan Effectiveness	Current Closing	Project Completion Date	Cooperating Institution	Project Status
Jahaly and Pacharr Smallholder Project (JPSP – 77-GA – Id 77)	5 220	17/12/1981	22/06/1982	20/10/1982	30/06/1992	31/12/1991	AfDB	Closed
Agricultural Development Project (ADP – 144-GA – Id 144)	5 000	04/04/1984	14/05/1984	06/11/1984	30/06/1993	31/12/1992	World Bank: IDA	Closed
Small-Scale Water Control Project (SSWCP – S-21-GA – Id 452)	3 900	05/12/1989	25/01/1990	17/12/1990	30/06/1997	31/12/1996	UNOPS	Closed
Agricultural Services Support Project (ASSP – 312-GA – Id 312)	3 553	02/12/1992	09/12/1992	02/11/1993	30/06/1999	31/03/1999	World Bank: IDA	Closed
Lowlands Agricultural Development Project (LADEP – 375-GM – Id 428)	5 061	12/04/1995	20/12/1996	27/05/1997	30/05/2005	31/12/2004	AfDB	Closed
Rural Finance and Community Initiatives Project (RFCIP – 486-GM – Id 1100)	9 326	02/12/1998	18/02/1999	14/07/1999	31/12/2006	30/06/2006	IFAD	Completed
Participatory Integrated Watershed Management Project (PIWAMP – 633-GM – Id 1152)	7 085	21/04/2004	15/07/2004	16/05/2006	31/12/2014	30/06/2014	AfDB	Ongoing
TOTAL Assistance: 39 055 000								

AfDB = African Development Bank
 IDA = International Development Association
 UNOPS = United Nations Office of Project Services

LOGICAL FRAMEWORKS
Loan Programme – Logical Framework

NARRATIVE DESCRIPTION	OBJECTIVELY VERIFIABLE INDICATORS (by gender and age wherever relevant)	SOURCES OF VERIFICATION	ASSUMPTIONS
DEVELOPMENT GOAL (IMPACT)	Level 3 indicators		
Create an enabling microfinance environment for rural poverty reduction	<ul style="list-style-type: none"> - No. of rural MFIs attaining operational and financial self-sufficiency (OFSS) - No. of rural households attaining household food security (HFS) 4 years out of 5 - Results and Impact Management System (RIMS): evolution of household assets (of men, women, youths; resaleables vs fixed) - RIMS: declining malnutrition among under-fives 	<ul style="list-style-type: none"> - M&E reports by MFD-CBG - National surveys of poverty/nutrition - Benchmark survey and impact assessments conducted using RIMS procedure - Village-level baseline surveys and participatory evaluation workshops - Poverty assessment (Consultative Group to Assist the Poor tool) 	<ul style="list-style-type: none"> - Continued political and economic stability - Government remains committed to poverty reduction through microfinance
PURPOSES (SPECIFIC OBJECTIVES)	Level 2 or Level 3 indicators		
<ol style="list-style-type: none"> 1. Foster self-sustaining rural MFIs (VISACAs and NBFIs) 2. Ensure that MFIs have consolidated access to qualified support (refinancing, technical assistance, backstopping, lobbying, legal) 3. Forge partnerships with other projects, including those with grant resources for socio-economic infrastructure 4. Use IFAD loan proceeds cost effectively 	<ul style="list-style-type: none"> - No. of MFIs attaining OFSS during project lifetime (***) - Portfolio at risk (PAR) reduced to 5% for NBFIs and 2% for VISACAs (**) - Rate of increase of MFI membership (by vulnerable categories) (**) - Partnerships forged (**) - Synergies generated (***) 	<ul style="list-style-type: none"> - Progress reports of the Rural Finance Project and other projects - Reports by MFD-CBG - Management Information systems (MIS) of partners, including MFD-CBG, MFPC and MFI apex organizations (GAWFA, NACCUG, VISACA Apex) 	<ul style="list-style-type: none"> - Other stakeholders will respond positively to opportunity for mutually reinforcing partnerships
EXPECTED OUTPUTS/OUTCOMES	RIMS: * = level 1; ** = level 2; *** = level 3		
1. VISACA network expanded and consolidated	<ul style="list-style-type: none"> - No. of functional VISACAs (*) - Evolution of savings deposits/lending (**) - No. of VISACAs attaining OFSS (***) - 2 regional networks established (*) - Apex organization established (*) - Uptake of apex services by member VISACAs, by type of service (**) - Apex organization is 100% supported by member VISACAs (***) - % of members/leaders of VISACAs satisfied with services, by type of service (***) 	<ul style="list-style-type: none"> - MFD-CBG reports - PSU progress reports - Activity reports by MFIs - Reports by VISACA apex - Proceedings of annual participatory evaluations and annual consultation 	<ul style="list-style-type: none"> - VISACA concept will continue to be popular among the economically active in rural areas - Members/clients will continue to comply with the rules and regulations - VISACAs will be able to finance the apex
2. NBFIs having expanded their operations, thereby completing the coverage of rural areas by national MFIs	<ul style="list-style-type: none"> - No. and type of NBFIs strengthened (*) - No. and type of refinancing loans issued to VISACAs (**) - Repayment rates by VISACAs to NBFIs (**) - Repayment rates by NBFIs to line of credit (from RFCIP) - Profits from VISACA onlending operations (***) - Profits from NBFIs onlending operations (***) - Profits from NBFIs' own savings/lending operations 	<ul style="list-style-type: none"> - NBFIs apex bodies (GAWFA, NACCUG) - MFD-CBG - PSU periodic reports 	<ul style="list-style-type: none"> - MFIs will continue to retail refinanced loans under terms and conditions acceptable between parties - MFI clients will realize that continued access to NBFIs refinancing will be conditioned by repayment rates

NARRATIVE DESCRIPTION	OBJECTIVELY VERIFIABLE INDICATORS (by gender and age wherever relevant)	SOURCES OF VERIFICATION	ASSUMPTIONS
3. MFIs have permanent access to strong expertise on microfinance and business development services (BDS) from local TSPs	<ul style="list-style-type: none"> - Capabilities of MFPC strengthened - No. of people trained as TSPs specialized in microfinance and BDS (*) - Uptake of TSP services by MFIs and members/clients, by type (**) - No. of contracts signed/renewed with External TSP (*) - No. of recommendations complied with (**) - Improved performances of MFIs (***) 	<ul style="list-style-type: none"> - PSU periodic reports - MFPC periodic reports - Reports by MFIs/NBFIs and TSPs - Reports by External TSP 	<ul style="list-style-type: none"> - TSPs will have the background to benefit from the training in microfinance and BDS - Recommendations made by the External TSP will be complied with
4. No. of food-insecure households reduced by half in villages of mentors (community-based targeting mechanism)	<ul style="list-style-type: none"> - No. of mentors supported, by type (*) - No. of mentored and % of village total (**) - No. and type of financial products specifically developed for the mentored (**) - No. and type of pro-poor targeting experiences replicated (**) - No. and % of the households of the mentored attaining HFS (***) - No. and % of the households of the mentored reporting purchases of assets (***) - Evolution of child malnutrition 	<ul style="list-style-type: none"> - PSU periodic reports - Proceedings of annual participatory evaluations and annual consultation - Community scorecard (Community-Driven Development Project [CDDP]) - Impact assessments at mid-term review (MTR) and end of project 	<ul style="list-style-type: none"> - CDDP and other projects will allocate a share of their grant resources to the communities of mentoring <i>kafos</i> - Community-minded <i>kafos</i>, individuals and/or VDCs will mobilize to mentor the poor
5. IFAD loan proceeds used cost effectively	<ul style="list-style-type: none"> - Disbursements on schedule (*) - 80% of AWP/B targets attained (**) - Development goals and objectives attained (***) - Audits find nothing amiss (**) 	<ul style="list-style-type: none"> - PSU periodic reports - Activity reports by TSPs and partners - Annual audits - Annual participatory evaluations and annual consultation - RIMS-based impact assessments 	<ul style="list-style-type: none"> - Regular flow of funds from IFAD - Government will provide counterpart funds - Cost-sharing arrangements will be respected

ACTIVITIES BY COMPONENT

Component A – Institutional Strengthening of MFIs/NBFIs (VISACAs, NACCUG, GAWFA and GAMSAVINGS)

<p>A1 - VISACAs</p> <ul style="list-style-type: none"> - Foster 10 new VISACAs in multi-purpose centres built by the Social Development Fund - Rehabilitate premises/security of selected VISACAs to Central Bank of the Gambia standards - Upgrade operations of 16 VISACAs (computers and motorcycles) - Intensive training programme for cashiers, members and management committees - Technical assistance for development of new financial products 	<ul style="list-style-type: none"> - 10 new VISACAs fostered in the Social Development Fund - 70 VISACAs are fully functional by end of project (*) - Training programmes - Uptake of services offered by apex/TSPs (**) - Type of financial products offered (**) - Uptake of offered financial products (**) - No. of VISACAs attaining OFSS (***) - Annual audits find nothing amiss (***) 	<ul style="list-style-type: none"> - Reports by MFD-CBG) - PSU periodic reports - MFPC periodic reports (on training) - Apex body periodic reports (on microfinance activities) 	<ul style="list-style-type: none"> - VISACA concept has strong comparative advantage for delivering rural financial services - The Social Development Fund is willing to accommodate the new VISACAs in 10 of its 21 multi-purpose centres
<p>A2 – VISACA apex organization</p> <ul style="list-style-type: none"> - Foster 1 apex organization - Build premises for apex organization - Purchase means of transport, equipment and furniture for apex organization - Funds for training, study tours 	<ul style="list-style-type: none"> - Apex organization established (*) - Services offered to VISACAs (**) - Uptake of services by VISACAs (**) - VISACA performances improved (***) - Annual audits find nothing amiss (***) 	<ul style="list-style-type: none"> - Apex body periodic reports - PSU periodic reports 	<ul style="list-style-type: none"> - VISACAs will generate sufficient resources to support the apex organization

NARRATIVE DESCRIPTION	OBJECTIVELY VERIFIABLE INDICATORS (by gender and age wherever relevant)	SOURCES OF VERIFICATION	ASSUMPTIONS
<p>A3 and A4 – NBFIs (NACCUG & GAWFA)</p> <ul style="list-style-type: none"> - Purchase means of transport, computers and auxiliary equipment - Funds for training - Technical assistance (to develop new financial products) <p>A.5 – NBFI (GAMSAVINGS)</p> <ul style="list-style-type: none"> - Same as for above but subject to initiation of rural operations <p>A6 – Onlending funds to MFIs (from RFCIP)</p>	<ul style="list-style-type: none"> - Loans made to VISACAs and repayment rates (**) - No. of functional credit unions (**) - No. of functional GAWFA groups (**) - No. of credit unions and GAWFA attaining OFSS (***) - Annual audits find nothing amiss (***) - No. of rural branches established (*) - Evolution of rural savings/loan operations - Evolution towards OFSS (**) - Annual audits find nothing amiss (***) - Loans made to VISACAs for onlending - Repayment rates 	<ul style="list-style-type: none"> - Periodic reports by NACCUG and GAWFA - Reports by MFD-CBG - PSU periodic reports - Periodic reports by GAMSAVINGS - Reports by MFD-CBG - PSU periodic reports - Activity reports by VISACAs - PSU periodic reports - Reports by managers of funds 	<ul style="list-style-type: none"> - NBFIs will continue to provide refinancing to the VISACAs (using savings from urban clients) - NBFIs will expand and consolidate own operations to enhance coverage of rural areas - GAMSAVINGS will establish rural operations - Government will transfer existing line of credit from RFCIP to the Rural Finance Project
Component B – Institutional Strengthening of Supporting Institutions (MFD-CBG, MFPC, GAMFINET, TSPs)			
<p>B1 – MFD-CBG</p> <ul style="list-style-type: none"> - Review of rating criteria - Purchase of means of transport and computers - Upgrading of MIS - Upgrading of staff skills 	<ul style="list-style-type: none"> - Revised rating criteria (*) - Legislation is more enabling (**) - MIS is redesigned to reflect enabling/regulatory role of MFD-CBG (*) - Inspections duly carried out (**) - MFI/NBFI operations thrive (***) 	<ul style="list-style-type: none"> - Reports by MFD-CBG - Reports by External TSP - Revised rating criteria - Legislation - MIS - Activity reports by MFIs/NBFIs 	<ul style="list-style-type: none"> - Government will remain committed to the development of microfinance as an instrument for reducing rural poverty
<p>B2 – MFPC</p> <ul style="list-style-type: none"> - Purchase of equipment (computers) - Training - Technical assistance for training modules and curricula for business development services (training of TSPs) 	<ul style="list-style-type: none"> - No. and type of training modules and curricula developed (*) - No. and type of courses organized (**) - No. of trainees (**) - Contracts for technical assistance - Qualified expertise is available to MFIs and/or their clients (***) 	<ul style="list-style-type: none"> - Reports by MFPC - PSU periodic reports 	<ul style="list-style-type: none"> - CDDP will participate/backstop development of training materials and curricula
<p>B3 – GAMFINET (networking, advocacy)</p> <ul style="list-style-type: none"> - Redefine goals and mandate - Formulate strategic plan and programme - Training, study tours/attachments - Technical assistance 	<ul style="list-style-type: none"> - New goals, mandate defined (*) - Strategic plan and programme formulated (*) - MFIs/NBFIs increasingly professionalized (**) - MFI/NBFI clients have access to appropriate services (***) 	<ul style="list-style-type: none"> - GAMFINET reports - Reports by External TSP 	<ul style="list-style-type: none"> - GAMFINET will play a useful role in MFI development (
<p>B4 – TSPs</p> <ul style="list-style-type: none"> - Contract MFPC to organize 4 courses for 20 persons in microfinance, BDS and preparation of VISACA financial records - Bi-annual backstopping visits by UNCDF - Environment impact assessments by National Environment Agency 	<ul style="list-style-type: none"> - 4 courses on BDS and preparation of VISACA financial records (*) - 20 persons trained (*) - No. of VISACA financial records adequately prepared (**) - No./type other services rendered by TSPs (**) - VISACA operations improve (***) - No. of UNCDF visits (*) - No. of environmental assessments done (*) - Corrective measures undertaken (**) - Absence of environmental damage (***) 	<ul style="list-style-type: none"> - Reports by MFPC - Reports by External TSP - PSU Periodic reports - Reports by National Environment Agency - Annual participatory evaluations 	<ul style="list-style-type: none"> - CDDP will support MFPC for training of TSPs specialized in BDS

NARRATIVE DESCRIPTION		OBJECTIVELY VERIFIABLE INDICATORS (by gender and age wherever relevant)		SOURCES OF VERIFICATION		ASSUMPTIONS	
C. Implementation (Grant for External TSP; Project Support Unit)							
C1 – Grant for services by External TSP		<ul style="list-style-type: none"> - No. of contracts signed/renewed (*) - No. of visits made (per year/total) (**) - Recommendations complied with (**) - Evidence of improved MFI operations (***) 		<ul style="list-style-type: none"> - Reports by External TSP missions - Reports by MFD-CBG 		<ul style="list-style-type: none"> - External TSP has expertise that is not available in-country 	
C2 – Project Support Unit (PSU) <ul style="list-style-type: none"> - Establish Project Steering Committee (PSC) - Recruit PSU staff - Purchase means of transport, computers and other items for PSU Outsourcing <ul style="list-style-type: none"> - Implementing tasks - All M&E activities except internal monitoring - Physical handling of MIS/databases to highly qualified IT expertise - RIMS benchmark survey and impact assessments at MTR/end of project - Annual participatory evaluations at village level (sample) and holding of division-level workshops - Annual consultations - Enhance poverty outreach through community-based mentoring approach - Annual consultations with annual participatory evaluations procedure designed to enhance the voice of MFI clients 		<ul style="list-style-type: none"> - PSC established (*) - Attendance at PSC meetings (**) - Recommendations made/complied with (**) - Implementation firmly focused on goals and objectives (***) - PSU established (*) - Qualified staff recruited (*) - AWP/Bs prepared on time (**) - 80% of AWP/B targets achieved (**) - Procedures duly respected (**) - Project goals and objectives attained (***) - Performance-based contracts with TSPs, supporting institutions and other partners signed/complied with (**) - MIS and databases designed/implemented jointly with CDDP and other projects (*) - MIS and databases regularly updated (*) - Problems are detected and addressed (**) - Project goals and objectives attained (***) - Information campaign on the Rural Finance Project includes invitation to prospective mentors of people from food-insecure households (*) - No. of mentors applying/accepted (**) - No. of persons from food-insecure households able to save and hence join an MFI (**) - No. of households of mentored persons attaining food security 4 years out of 5 (***) - No. of sponsorships for matching grants (**) - Evolution of social indicators (***) 		<ul style="list-style-type: none"> - Minutes of PSC meetings - Project AWP/Bs - Project periodic reports - Reports by consultants and TSPs - Reports by External TSP - Local records (health, enrolments, food stocks at household and community levels, etc.) - Progress reports by contractual partners - Periodic reports by IT/TSP accompanying the updated electronic files 		<ul style="list-style-type: none"> - Project Coordinator will be a high-level senior professional with excellent networking and partnership-building skills - Deputy Project Coordinator will have a strong background in microfinance - M&E Officer will have appropriate background to guide/supervise outsourced M&E tasks as well as the strong analytical and writing skills needed to study the data and produce clear and concise reports - Field Operations Officer–Community will have appropriate background and skills to guide mentoring approach - Performance-based contracts will be enforced to the letter, particularly with respect to deadlines for submission of reports - Traditional, ubiquitous <i>kafos</i> will rise to a challenge that fits well with their traditional focus on solidarity and mutual assistance - Effort will attract village-wide support in order to qualify for help in obtaining the matching grants - Participatory procedure will not become a rubber-stamping exercise. 	
COSTS BY COMPONENT (US\$'000)		CATEGORY OF EXPENDITURE (including contingencies) (US\$'000)		FINANCING PLAN (including contingencies) (US\$'000)			
Component A	5 231	Civil works	262	IFAD Loan	6119		
Component B	750	Vehicles	671	IFAD Grant	400		
Component C	1 949	Equipment and goods	1 151	Government	952		
Base cost.	7 930	Training/Logistics	2200	Other (Line of credit RFCIP)	872		
Physical contingencies	270	Technical assistance	1185	Beneficiaries MFIs/TSPs	380		
Price contingencies	525	Studies	389	TOTAL	8 725		
TOTAL	8 725	Refinancing Facility	873				
		Supp. to Rur Fin Serv	26				
		Recurrent costs	1 969				
		TOTAL	8 725				

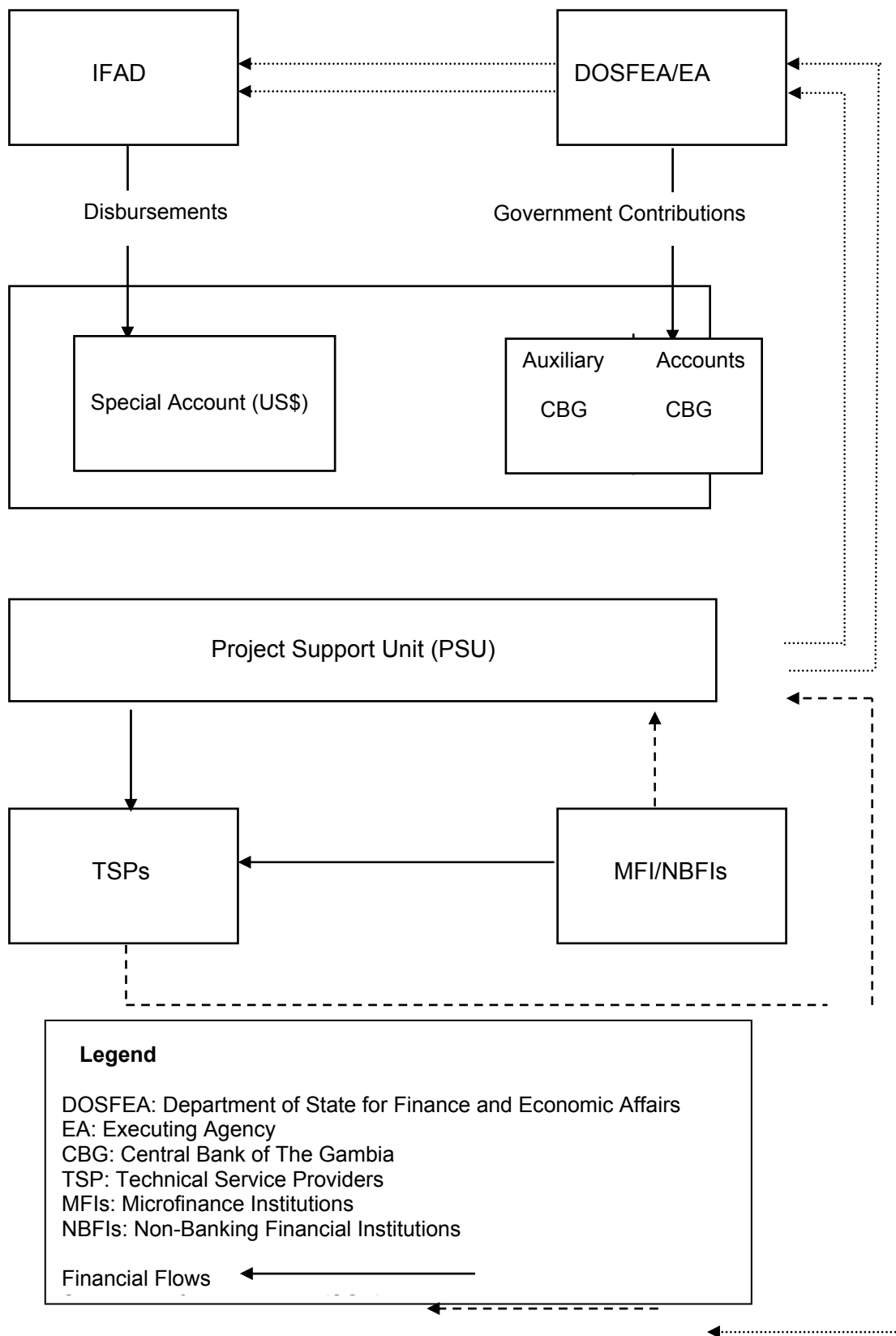
Grant Programme – Logical Framework

NARRATIVE DESCRIPTION	OBJECTIVELY VERIFIABLE INDICATORS (by gender and age wherever relevant)	SOURCES OF VERIFICATION	ASSUMPTIONS
DEVELOPMENT GOAL	Level 3 indicators		
Enhanced accessibility of the rural poor to financial services to reduce rural poverty and improve livelihoods.	<ul style="list-style-type: none"> - No. of rural MFIs attaining OFSS - No. of food-insecure rural households attaining HFS - Evolution of household assets (controlled by men, women and youth – “resaleables”) - Declining malnutrition among under-fives 	<ul style="list-style-type: none"> - MFD-CBG periodic reports - National aggregates poverty/nutrition - Village-level baseline surveys and participatory evaluation workshops 	<ul style="list-style-type: none"> - Continued political and economic stability - Government remains committed to genuine poverty reduction through microfinance
PURPOSES (SPECIFIC OBJECTIVES)	Level 2 or Level 3 indicators		
1. Training and capacity-building of MFIs, 2. Training and capacity-building of MFPC to provide training of trainers to TSPs to quality assure them 3. Backstopping VISACA management committees on principles and practices of institutional governance, and establishment of apex body 4. Providing technical assistance on development of new savings and lending products to meet clients’ needs of MFIs 5. Providing technical assistance on MIS and M&E issues to MFIs 6. Ensuring that IFAD loan proceeds are used cost-effectively	<ul style="list-style-type: none"> - No. of MFIs likely to attain OFSS within 6 years - MFIs attaining lower levels of PAR, not exceeding the maximum standard of 2% for VISACAs, and 5% for NBFIs - No. of rural poor accessing financial services 	<ul style="list-style-type: none"> - GAMFINET annual reports - MFPC periodic reports - MFD-CBG periodic reports - MFI apex organizations (GAWFA, NACCUG, VISACA apex) - Poverty outreach measured by MFIs 	<ul style="list-style-type: none"> - Continued political and economic stability - Enabling regulatory environment for microfinance - External TSP performs as per contract
EXPECTED OUTPUTS/OUTCOMES	RIMS: * = level 1; ** = level 2; *** = level 3		
1. VISACA network consolidated and expanded, apex body established, credit union and group lending also targeted	<ul style="list-style-type: none"> - No. of functional VISACAs (*) - No. of apex organizations established (*) - Services provided to MFIs by apex organizations (**) - No. of VISACAs attaining OFSS (***) 	<ul style="list-style-type: none"> - VISACA apex body - MFD-CBG - Progress reports of MFIs - GAMFINET annual reports 	<ul style="list-style-type: none"> - Targeted MFIs utilize the project resources to build their capacities and pursue financial intermediation efficiently - Clientele of MFIs utilize financial services prudently and honour repayment terms accordingly
2. NBFIs strengthened to provide refinancing to rural financial institutions, as well as financial services to their own clientele	<ul style="list-style-type: none"> - No. and type of NBFIs strengthened (*) - No. and type of refinancing loans to VISACAs (**) - VISACA repayment rates (**) - NBFIs repayment rates - Profits from VISACA onlending operations (***) - Profits from NBFIs onlending operations (***) - No. of NBFIs attaining OFSS(***) 	<ul style="list-style-type: none"> - NBFIs apex bodies - MFD-CBG - GAMFINET annual reports 	<ul style="list-style-type: none"> - VISACAs agree to retailing refinanced loans under terms and conditions acceptable between parties - The level of onlending loans by MFIs sustained through excellent repayment rates by clientele
3. TSPs have strong skills in microfinance	<ul style="list-style-type: none"> - No. of TSPs strengthened (*) - No. and type of services by MFIs (**) - Decisions taken as a result (***) 	<ul style="list-style-type: none"> - PSU periodic reports - MFPC periodic reports 	<ul style="list-style-type: none"> - Performance-based contracts enforced to the letter with the external TSP supervising the contracts - MFPC have the skills in microfinance to provide training services - TSPs have the background to accept training in microfinance

NARRATIVE DESCRIPTION	OBJECTIVELY VERIFIABLE INDICATORS (by gender and age wherever relevant)	SOURCES OF VERIFICATION	ASSUMPTIONS
4. External TSP backstopping to enable MFPC to assure TSP availability	<ul style="list-style-type: none"> - No. of contracts signed and renewed (*) - No. and type of services delivered (**) 	<ul style="list-style-type: none"> - External TSP - PSU periodic reports 	<ul style="list-style-type: none"> - TSP interested in acquiring skills - External TSP appointed is competent and diligent
5. IFAD loan proceeds used cost effectively	<ul style="list-style-type: none"> - 80% of AWP/B targets attained (**) - Development goals and objectives attained (***) - Audits find nothing amiss (*) 	<ul style="list-style-type: none"> - MFD-CBG - Repayments of MFIs - Operational self-sufficiency of MFIs increasing - PAR enhanced i.e. levels reduced to 5% for NBFIs and 2% for VISACAs 	<ul style="list-style-type: none"> - Regular flow of funds from IFAD - Government will provide counterpart funds - Cost-sharing arrangements will be respected
6. Establishing effective M&E systems for MFIs to meet the reporting requirements of IFAD RIMS while helping project management take informed decisions	<ul style="list-style-type: none"> - No. of progress reports generated (*) - Management decisions taken arising out of MIS(**) - No. of MFIs attaining OFSS (***) 	<ul style="list-style-type: none"> - PSU progress reports - External TSP progress reports - CBG periodic reports, - Periodic reports of VISACA apex - Periodic reports of NBFi apexes 	<p>The MIS and M&E systems installed are efficient</p> <p>The staff recruited have the requisite backgrounds and are trainable</p> <p>Project management uses the information provided and gives feedback;</p> <p>The IT-TSP works effectively as per terms of reference</p>
Grant Programme management			
<p>1) Managing the grant programme</p> <p>2) Managing a pilot training fund</p> <p>3. Managing the process of establishing of a Capacity-Building Fund</p>	<ul style="list-style-type: none"> - Programme visits as scheduled (*) - No. of progress reports prepared (*) - Achievement rate of TSPs' targets (**) - No. of trainees trained (*) - No. of VISACAs, TSPs and NBFIs trained (*) - Amount mobilized as seed capital for fund (**) - No. of development partners willing to contribute to the Capacity-Building Fund (**) 	<ul style="list-style-type: none"> - TSP progress reports - Supervision mission reports - PSU progress reports 	<ul style="list-style-type: none"> - TSP hired is competent - Other donors willing to contribute to funding Central Bank of the Gambia

APPENDIX IV

FLOW OF FUNDS



COSTS AND FINANCING

Table 1: Expenditure Accounts by Financiers (US\$)

	Gov't of		Participating										For. Exch.	Local (Excl. Taxes)	Duties and Taxes	
	the Gambia		I F A D Loan		I F A D Grant		MFIs and TSPs		Other		Total					
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%				
I. Investment Costs																
A. Civil Works	39,331	15.0	222,876	85.0	-	-	-	-	-	-	262,207	3.0	104,883	117,993	39,331	
B. Vehicles	219,120	32.7	451,570	67.3	-	-	-	-	-	-	670,690	7.7	438,604	12,966	219,120	
C. Equipment and Goods	305,025	26.5	846,012	73.5	-	-	-	-	-	-	1,151,036	13.2	821,951	24,060	305,025	
D. Training																
Staff Training	-	-	936,017	100.0	-	-	-	-	-	-	936,017	10.7	-	936,017	-	
External Training	0	-	306,606	100.0	-	-	-	-	-	-	306,606	3.5	269,715	36,891	-	
Client Training	-	-	809,248	100.0	-	-	-	-	-	-	809,248	9.3	-	809,248	-	
Subtotal Training	0	-	2,051,871	100.0	-	-	-	-	-	-	2,051,871	23.5	269,715	1,782,155	-	
E. Logistic	-	-	-	-	-	-	147,978	100.0	-	-	147,978	1.7	-	147,978	-	
F. Technical Assistance																
Local Consultants	117,761	15.0	667,312	85.0	-	-	-	-	-	-	785,073	9.0	-	667,312	117,761	
Expatriate Consultants	-	-	-	-	400,000	100.0	-	-	-	-	400,000	4.6	-	400,000	-	
Subtotal Technical Assistance	117,761	9.9	667,312	56.3	400,000	33.8	-	-	-	-	1,185,073	13.6	-	1,067,312	117,761	
G. Studies	58,322	15.0	330,493	85.0	-	-	-	-	-	-	388,815	4.5	155,526	174,967	58,322	
H. Refinancing Facility	-	-	-	-	-	-	-	-	872,621	100.0	872,621	10.0	-	872,621	-	
I. Support to Rural Financial Services	-	-	25,945	100.0	-	-	-	-	-	-	25,945	0.3	-	25,945	-	
Total Investment Costs	739,558	10.9	4,596,079	68.0	400,000	5.9	147,978	2.2	872,621	12.9	6,756,237	77.4	1,790,680	4,225,998	739,558	
II. Recurrent Costs																
A. Salaries and Allowances	-	-	555,231	100.0	-	-	-	-	-	-	555,231	6.4	-	555,231	-	
B. Operations and Maintenance	119,956	15.0	536,993	67.1	-	-	142,759	17.9	-	-	799,708	9.2	239,912	439,840	119,956	
C. Office Running Expenses	92,084	15.0	430,912	70.2	-	-	90,900	14.8	-	-	613,896	7.0	161,589	360,223	92,084	
Total Recurrent Costs	212,041	10.8	1,523,136	77.4	-	-	233,659	11.9	-	-	1,968,836	22.6	401,501	1,355,294	212,041	
Total PROJECT COSTS	951,599	10.9	6,119,215	70.1	400,000	4.6	381,637	4.4	872,621	10.0	8,725,072	100	2,192,181	5,581,292	951,599	

Table 2: Expenditure Accounts by Components – Totals Including Contingencies (US\$)

	Institutional Strengthening of MFIs					Implementation							Total
	VISACA		NACUG	GAWFA	GAMSAVINGS	ONLENDING FUND	Institutional Strengthening of supporting institutions			TSPs	EXTERNAL		
	VISACAs	Apex Body					MFD - CBG	MFPC	GAMFINET		TSP	PSU	
I. Investment Costs													
A. Civil Works	199,202	63,005	-	-	-	-	-	-	-	-	-	-	262,207
B. Vehicles	86,579	35,446	130,520	130,520	57,443	-	34,582	-	-	-	-	195,600	670,690
C. Equipment and Goods	305,849	38,536	219,306	384,511	72,080	-	17,820	53,683	-	-	-	59,252	1,151,036
D. Training													
Staff Training	739,892	4,447	53,853	17,594	7,283	-	-	10,594	-	34,445	-	67,910	936,017
External Training	-	24,126	45,023	45,023	-	-	28,201	22,883	5,532	-	-	135,819	306,606
Client Training	80,715	262,149	95,332	256,116	40,234	-	-	-	-	-	-	74,701	809,248
Subtotal Training	820,607	290,722	194,208	318,733	47,517	-	28,201	33,476	5,532	34,445	-	278,429	2,051,871
E. Logistic	147,978	-	-	-	-	-	-	-	-	-	-	-	147,978
F. Technical Assistance													
Local Consultants	-	97,014	-	-	-	-	-	106,441	83,838	327,260	-	170,521	785,073
Expatriate Consultants	-	-	-	-	-	-	-	-	-	-	400,000	-	400,000
Subtotal Technical Assistance	-	97,014	-	-	-	-	-	106,441	83,838	327,260	400,000	170,521	1,185,073
G. Studies	219,898	-	-	-	-	-	-	-	-	-	-	168,918	388,815
H. Refinancing Facility	-	-	-	-	-	872,621	-	-	-	-	-	-	872,621
I. Support to Rural Financial Services	-	25,945	-	-	-	-	-	-	-	-	-	-	25,945
Total Investment Costs	1,780,112	550,669	544,033	833,764	177,041	872,621	80,603	193,599	89,369	361,705	400,000	872,719	6,756,237
II. Recurrent Costs													
A. Salaries and Allowances	-	90,898	-	-	-	-	-	-	-	-	-	464,334	555,231
B. Operations and Maintenance	49,190	35,026	182,701	233,780	49,820	-	23,845	28,457	-	-	-	196,889	799,708
C. Office Running Expenses	77,288	53,406	108,139	144,133	35,663	-	-	34,088	-	-	-	161,180	613,896
Total Recurrent Costs	126,478	179,329	290,840	377,913	85,482	-	23,845	62,545	-	-	-	822,402	1,968,836
Total PROJECT COSTS	1,906,591	729,998	834,874	1,211,677	262,523	872,621	104,449	256,144	89,369	361,705	400,000	1,695,122	8,725,072
Taxes	185,830	60,807	140,264	197,105	51,179	-	21,302	39,574	12,576	49,089	-	193,873	951,599
Foreign Exchange	490,138	98,056	360,050	515,094	112,417	-	69,035	78,271	5,532	-	-	463,587	2,192,181

ORGANIZATIONAL CHART

