

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

GRANTS

UNDER THE

GLOBAL/REGIONAL GRANTS WINDOW

TO

NON-CGIAR-SUPPORTED INTERNATIONAL CENTRES

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.

Shantanu Mathur

Technical Advisor

tel.: +39-06-5459-2515

e-mail: s.mathur@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

ABBREVIATIONS AND ACRONYMS	iii
RECOMMENDATION FOR APPROVAL	iv
PART I – INTRODUCTION	1
PART II – RECOMMENDATION	2
 ANNEXES	
I. ASIA-PACIFIC RURAL AND AGRICULTURAL CREDIT ASSOCIATION (APRACA): PROGRAMME FOR ACCELERATING THE FINANCIAL EMPOWERMENT OF POOR RURAL COMMUNITIES IN ASIA AND THE PACIFIC THROUGH RURAL FINANCE INNOVATIONS	5
II. PARTICIPATORY MICROFINANCE GROUP FOR AFRICA (PAMIGA): PROGRAMME FOR THE PROMOTION OF PARTICIPATORY MICROFINANCE IN AFRICA	14
III. SASAKAWA-GLOBAL 2000: MARKET-DRIVEN INITIATIVE FOR MILLET AND SORGHUM DEVELOPMENT IN WEST AND CENTRAL AFRICA – PHASE II	23
IV. UNITED NATIONS CAPITAL DEVELOPMENT FUND (UNCDF): PROGRAMME FOR BUILDING INCLUSIVE FINANCIAL SECTORS IN WESTERN AND CENTRAL AFRICA	31
V. INTERNATIONAL CENTRE OF INSECT PHYSIOLOGY AND ECOLOGY (ICIPE): PROGRAMME FOR THE DEVELOPMENT OF SERICULTURE AND APICULTURE PRODUCTS FOR THE POOR IN FRAGILE ECOSYSTEMS, USING THE VALUE CHAIN APPROACH	40

ABBREVIATIONS AND ACRONYMS

AFMIN	Africa Microfinance Network
APRACA	Asia-Pacific Rural and Agricultural Credit Association
BIFSA	Building Inclusive Financial Sectors in Africa
CIDR	International Centre for Development and Research
CIRAD	International Cooperation Centre on Agrarian Research for Development
ICIPE	International Centre of Insect Physiology and Ecology
M&E	monitoring and evaluation
MCSP	Management-Capacity Strengthening Programme
MFI	microfinance institution
PA	Western and Central Africa Division (IFAD)
PAMIGA	Participatory Microfinance Group for Africa
RFI	rural finance institution
UNCDF	United Nations Capital Development Fund

RECOMMENDATION FOR APPROVAL

The Executive Board is invited to approve the recommendations for grants under the global/regional grants window to international centres not supported by the Consultative Group on International Agricultural Research, as well as the date affecting retroactive financing for the International Centre of Insect Physiology and Ecology as contained in paragraph 9.

**REPORT AND RECOMMENDATION OF THE PRESIDENT OF IFAD
TO THE EXECUTIVE BOARD ON PROPOSED GRANTS UNDER THE
GLOBAL/REGIONAL GRANTS WINDOW TO
NON-CGIAR-SUPPORTED INTERNATIONAL CENTRES**

I submit the following report and recommendation on four proposed grants for agricultural research and training to international centres not supported by the Consultative Group on International Agricultural Research (CGIAR) in the amount of US\$4,290,000 and one grant requiring approval of retroactive financing in the amount of US\$200,000.

PART I – INTRODUCTION

1. This report recommends the provision of IFAD support to the research and training programmes of the following non-CGIAR-supported international centres for the programmes indicated (see annexes for full description):

- I. Asia-Pacific Rural and Agricultural Credit Association (APRACA): Programme for Accelerating the Financial Empowerment of Poor Rural Communities in Asia and the Pacific through Rural Finance Innovations
- II. Participatory Microfinance Group for Africa (PAMIGA): Programme for the Promotion of Participatory Microfinance in Africa
- III. Sasakawa-Global 2000: Market-driven Initiative for Millet and Sorghum Development in West and Central Africa – Phase II
- IV. United Nations Capital Development Fund (UNCDF): Programme for Building Inclusive Financial Sectors in Western and Central Africa
- V. International Centre of Insect Physiology and Ecology (ICIPE): Programme for the Development of Sericulture and Apiculture Products for the Poor in Fragile Ecosystems, Using the Value Chain Approach (request for approval of retroactive financing)

2. The objectives and content of these applied research programmes are in line with the evolving strategic objectives of IFAD and the policy and criteria of its grant programme.

3. The overarching strategic objectives that drive IFAD's policy for grant financing approved by the Executive Board in December 2003 are:

- (a) promoting pro-poor research on innovative approaches and technological options to enhance field-level impacts; and
- (b) building the pro-poor capacities of partner institutions, including community-based organizations and NGOs.

4. The strategic objectives of IFAD's support for technology development relate to: (a) IFAD's target groups and their household food-security strategies, specifically in remote and marginalized agroecological areas; (b) technologies that build on traditional knowledge systems, are

gender-responsive, and enhance and diversify the productive potential of resource-poor farming systems by improving productivity and addressing production bottlenecks; (c) access to productive assets (land and water, financial services, labour and technology, including indigenous technology) and sustainable and productive management of such resources; (d) a policy framework that provides the rural poor with an incentive to reach higher levels of productivity, thereby reducing their dependence on transfers; and (e) an institutional framework within which formal and informal, public- and private-sector, local and national institutions provide services to the economically vulnerable, according to their comparative advantage. Within this framework, IFAD also intends to develop commodity-based approaches to the rural poor. Furthermore, the strategic objective (f) which relates to the establishment of a consolidated network for knowledge gathering and dissemination, will enhance the Fund's capacity to establish long-term strategic linkages with its development partners and to multiply the effect of its agricultural research and training programme.

5. The grants proposed in this document respond to the foregoing strategic aims. The Programme for Accelerating the Financial Empowerment of Poor Rural Communities in Asia And the Pacific through Rural Finance Innovations responds to strategic objectives (c), (d) and (e) by seeking to promote the financial empowerment of the rural poor through policy dialogue, innovative pilot programmes and knowledge sharing among actors in the rural finance sector.

6. Likewise, the Programme for the Promotion of Participatory Microfinance in Africa responds to strategic objectives (c), (d) and (e) by strengthening the institutional, organizational and technical capacity of member organizations to provide sustainable, cost-effective rural financial services and technical assistance.

7. The Market-driven Initiative for Millet and Sorghum Development in West and Central Africa – Phase II responds to strategic objectives (b), (d) and (e) by improving food security prospects in the semi-arid zones of western and central Africa, stimulating the consumption of traditional cereals and raising the income of the various actors of the traditional cereal sector through a market-driven development process for the local cereals (millet and sorghum), which are the mainstay of agriculture in this region.

8. Finally, the Programme for Building Inclusive Financial Sectors in Western and Central Africa responds to strategic objectives (d), (e) and (f), by strengthening outreach and improving implementation capacity in rural finance through the development of microfinance strategies and the formation of partnerships to enhance the effectiveness and impact of rural financial institutions in the region.

PART II – RECOMMENDATION

9. I recommend that the Executive Board approve the proposed grants and retroactive financing for ICIPE in terms of the following resolutions:

RESOLVED: that the Fund, in order to finance, in part, the Programme for Accelerating the Financial Empowerment of Poor Rural Communities in Asia and the Pacific through Rural Finance Innovations, shall make a grant not exceeding one million two hundred thousand United States dollars (US\$1,200,000) to the Asia-Pacific Rural and Agricultural Credit Association (APRACA) for a five-year programme 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.

FURTHER RESOLVED: that the Fund, in order to finance, in part, the Programme for the Promotion of Participatory Microfinance in Africa, shall make a grant not exceeding eight hundred thousand United States dollars (US\$800,000) to the Participatory Microfinance Group for Africa (PAMIGA) for a five-year programme 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.

FURTHER RESOLVED: that the Fund, in order to finance, in part, the Market-driven Initiative for Millet and Sorghum Development in West and Central Africa – Phase II, shall make a grant not exceeding one million three hundred thousand United States dollars (US\$1,300,000) to Sasakawa-Global 2000 for a four-year programme 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.

FURTHER RESOLVED: that the Fund, in order to finance, in part, the Programme for Building Inclusive Financial Sectors in Western and Central Africa, shall make a grant not exceeding nine hundred and ninety thousand United States dollars (US\$990,000) to the United Nations Capital Development Fund (UNCDF) for a three-year programme 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.

FURTHER RESOLVED: that the Fund, approves retroactive financing as of 1 June 2005 for an amount of two hundred thousand United States dollars (US\$200,000) to the International Centre of Insect Physiology and Ecology (ICIPE) for the Programme for the Development of Sericulture and Apiculture Products for the Poor in Fragile Ecosystems, Using the Value Chain Approach upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented in the Report and Recommendation of the President presented to the eighty-sixth session of the Executive Board in December 2005.

Lennart Båge
President

ANNEX I

ASIA-PACIFIC RURAL AND AGRICULTURAL CREDIT ASSOCIATION (APRACA): PROGRAMME FOR ACCELERATING THE FINANCIAL EMPOWERMENT OF POOR RURAL COMMUNITIES IN ASIA AND THE PACIFIC THROUGH RURAL FINANCE INNOVATIONS**I. BACKGROUND**

1. Two thirds of the Fund's current projects have a rural finance component and approximately one fifth of the Fund's resources are dedicated to rural finance. Rural finance interventions provide small-scale credit and other financial services to poor households and very small informal businesses. They provide a mechanism for the poor to smooth the effects of income shocks on consumption, find safe and affordable repositories for their savings, take advantage of profitable investment opportunities and insure against risk. Experience worldwide shows that when microfinance services reach women, the benefits are particularly sustainable.
2. The expansion of financial services to poor households in developing countries is hindered by many obstacles. These include ineffective enforcement of laws, lack of usable collateral, poor communication infrastructure and weak prudential oversight of savings institutions. To circumvent these problems, microfinance institutions (MFIs) have developed a number of innovative techniques.
3. Despite these innovations, the coverage of microfinance and rural finance has been limited. Some estimates indicate that, although the potential market for microfinance services worldwide may range between 400 and 500 million people, less than one tenth of them were served by MFIs in 2002. A major challenge, therefore, is to widen access to financial services by the rural poor – especially women, a highly disadvantaged and deprived group – to meet their diverse needs (e.g. savings, credit and insurance against unexpected events) through flexible products at competitive prices.

II. RATIONALE AND RELEVANCE TO IFAD

4. There is now a consensus that a conducive policy environment is a prerequisite for the development of viable, sound financial institutions that serve the demands of the rural poor. A conducive framework implies macroeconomic stability, deregulated interest rates, autonomous financial institutions and regulatory authorities, functioning prudential regulation and due legal process. A number of Asian countries have undertaken enabling policy reforms that can provide important lessons for other countries in the region. APRACA, with its wide network of member rural financial institutions and central banks, can be a strong partner for IFAD in discussions with senior policy-makers and central banks on key policy issues. APRACA is a regional association that promotes cooperation and facilitates the mutual exchange of information and expertise in the field of rural finance.
5. There is also a need to support pilot programmes in Asian countries to promote reforms based on poverty outreach and sustainable financial practices. Such programmes can include targeting mechanisms to reach the rural poor and reviews of product design and staffing mechanisms. This work can form a solid basis on which to build, especially considering the impressive track record of some of APRACA's members. Under the proposed programme, other members of APRACA may embark on such reforms, which may be helped by an active policy dialogue with their governments. This could have a major impact on promoting access by the rural poor to credit, savings, insurance and remittance services in Asia.
6. IFAD has promoted a number of innovative rural finance approaches in Asia, including self-help groups, their associations and federations, and banking models linking self-help groups, although these new approaches have been limited to only a few countries of the region. Under the

ANNEX I

proposed programme, IFAD will closely collaborate with APRACA to discuss, analyse and replicate successful innovative approaches systematically.

7. Implementation of this programme will contribute significantly to establishing a conducive policy environment in Asian countries for the development of sustainable financial services in rural areas, which in turn will help reduce rural poverty. It will also greatly help in the replication and scaling up of successful cases of rural finance innovations to a wider geographic area by promoting the sharing of successful experiences among Asian countries. In this way, it will contribute directly to the achievement of the first strategic objective of the IFAD Policy for Grant Financing by replicating successful innovations in the field of rural/microfinance. It will also build the capacity of APRACA, thus contributing to the second strategic objective of the policy.

III. THE PROPOSED PROGRAMME

8. The goal of the programme is to promote the financial empowerment of the rural poor in countries in the Asia and the Pacific region through policy dialogue, innovative pilot programmes, and knowledge sharing among actors in the rural finance sector.

9. The three objectives of the programme are to:

- foster an enabling, pro-poor and client-friendly policy environment and regulatory framework for sustainable rural financial systems;
- encourage innovative approaches to rural finance through the adoption of reforms and improvement of rural finance mechanisms that empower the rural poor; and
- extract lessons from the wealth of rural finance innovations promoted by IFAD-supported projects and APRACA initiatives to promote information sharing and replicate successful approaches in the region.

These three objectives correspond to the three central components of this programme, as detailed below.

Component 1: Participatory policy dialogue and policy forums

10. Activities relevant to component 1 include work to:

- evaluate the status of the policy environment and regulatory framework in members' countries;
- facilitate opportunities for participatory dialogue and decision-making that include all stakeholders in rural finance, including the rural poor;
- organize and conduct policy dialogue forums at the regional level and at the national level in selected countries, with particular attention to countries with no or a weak regulatory framework; and
- provide technical support to appropriate national authorities to define and design rural finance policies and the appropriate regulatory framework.

Component 2: Pilot programmes exposure visits and documentation

11. Due to the breadth and diversity of its network and its relationships with donors, APRACA can effectively pilot institutional reform programmes among the agricultural and rural development banks in its membership. These partnerships will promote reform among its members based on poverty outreach and sustainable financial practices.

ANNEX I

12. When some APRACA members embark on such reforms – supported by the active policy dialogue with their governments carried forward in component 1 – their efforts will make a significant impact on the rural poor’s access to financial services in Asia. These pilot programmes in the innovative delivery of financial services, including credit, savings, insurance and remittances, will explore more effective methods of targeting the rural poor, designing financial products and sharpening staffing and outreach mechanisms.

13. Activities relevant to component 2 include work to:

- pilot institutional reforms and improved design in financial service delivery among APRACA members to enhance outreach to the rural poor, especially women who have so far been left out;
- pilot financial and institutional linkages between APRACA members and decentralized rural financial systems and institutions (i.e. self-help groups, financial NGOs and financial cooperatives) in order to minimize transaction costs, maximize outreach and strengthen community-managed rural financial systems;
- pilot innovative approaches to financial service mechanisms, including micro-insurance and other risk management strategies, and savings, credit and remittance products through APRACA members by paying particular attention to gender differences and by involving the representatives of the poor in decision-making; and
- organize exposure visits and exchanges within and outside APRACA member institutions.

Component 3: Training, regional study and sharing of innovative practices

14. Some of the innovative rural finance approaches promoted by IFAD and other donors in Asia could be systematically channelled through APRACA to be analysed, adapted and then replicated. Furthermore, these innovative approaches could also be used as the catalyst to initiate discussions on their policy implications.

15. Similarly, one major challenge in several countries in Asia is to improve the linkage between grass-roots structures (self-help groups and community-driven rural finance models) and the formal financial sector. Successful approaches tested in the region could be systematically and actively shared with APRACA and then tailored, replicated and finally scaled up among its members.

16. The dissemination of innovative approaches and APRACA initiatives on information sharing will be done in close collaboration with IFAD. Knowledge-sharing instruments currently being used by IFAD – such as the technical advisory notes, learning notes, and Asia and the Pacific Division newsletters – will be used to disseminate such innovations.

17. Activities relevant to component 3 include work to:

- conduct regional studies focused on best practices and innovative features of IFAD-supported projects and APRACA rural finance institutions and projects, and synthesize these lessons learned in themes relevant to the region;
- identify, in close cooperation with relevant grass-roots partners, community-level finance and marketing activities that can be replicated to further strengthen the financial empowerment of groups;
- design a training course and multimedia materials by focusing on the integration of conceptual, technical and attitudinal skills of officials of APRACA’s member institutions, and improve the APRACA website and its links to the IFAD website; and

ANNEX I

- conduct three regional forums and two national forums over the course of the grant (i.e. a regional forum one year and a national forum the next) to disseminate these findings and promote cross-learning, with particular attention to the relationship between technology and financial services.

IV. EXPECTED OUTPUTS AND BENEFITS

18. The programme will contribute to building sustainable rural finance institutions with outreach to the poor – one of the focus areas of IFAD’s rural finance policy. It will also contribute to promoting a conducive policy and regulatory environment for the development of rural finance institutions.
19. As a result of the programme components and activities detailed above, the following outputs will be generated.
20. Component 1: Policy dialogue outputs
- Participatory dialogues and decision-making involving all key rural finance actors
 - Client-friendly policy environment and a regulatory framework conducive to sustainable, pro-poor rural financial systems, as enacted by the appropriate national authorities in the region
21. Component 2: Pilot programmes outputs
- Improved design and delivery of relevant, demand-driven financial services by agricultural and rural development banks
 - Stronger linkages within and across institutional types
22. Component 3: Research and knowledge-sharing outputs
- Regional studies focused on best practices and innovation in IFAD-supported and APRACA rural finance institutions and projects
 - Effective training curricula, as well as multimedia didactic and information materials
 - Catalytic regional and national forums that promote the exchange of information and experiences and support the effective use of technology in building inclusive financial systems in the region
23. A logical framework analysis of these outputs is presented in the appendix to this annex.

V. IMPLEMENTATION ARRANGEMENTS

24. APRACA will act as the implementing agency for this programme. A programme steering committee, consisting of a representative from IFAD, the incumbent APRACA chairperson, the incumbent vice-chairperson and one other member chosen from among APRACA’s Executive Committee, as well as the incumbent secretary-general, will provide overall guidance to the programme and will review and approve the annual workplan and budget. The APRACA chairperson will act as the chairperson of the programme steering committee. This committee will meet at least once during the second half of any given programme year.
25. Working in close collaboration, IFAD and APRACA will convene a planning session prior to programme implementation to create an appropriate management mechanism to direct the programme. This programme management unit will be composed of a regional programme manager

ANNEX I

and a communications specialist to focus on development of the multimedia tools. The secretary-general of APRACA will also act as the regional programme manager and will coordinate programme activities.

26. The programme will support selected IFAD-financed loan projects and APRACA rural finance institutions/projects in IFAD and APRACA member countries, giving priority to the least developed countries. IFAD-financed loan projects will be selected in consultation with relevant country programme managers and with the involvement of project directors.

27. APRACA will submit status reports of programme activities to IFAD every six months. In addition, the annual report will highlight achievements against objectives and utilization of the budget. A grant completion report will be prepared and submitted to IFAD using the format and guidelines provided by the Fund. It will focus on the achievement of the major deliverables of the programme. IFAD will periodically monitor the progress of the programme, including through supervision missions. At programme mid-term, IFAD will conduct a comprehensive review of how grant resources have been utilized, assess interim impacts and provide recommendations and suggestions for programme modification, if necessary.

VI. INDICATIVE PROGRAMME COSTS AND FINANCING

28. The total estimated cost of this five-year programme is US\$2.7 million, of which IFAD's share will be US\$1.2 million and APRACA's US\$1.5 million. The budget summary is shown in the table below. The institutional arrangements, supervision, monitoring and evaluation, workplans and budgets, procurement plans and audit arrangements will be described in the grant agreement. No disbursement will take place until all IFAD requirements are met.

**PROGRAMME COSTS AND FINANCING
(US\$)**

Component	APRACA	IFAD	Total
Participatory policy dialogue and policy forums	655 000	325 000	980 000
Pilot programmes, exposure visits and documentation	410 000	250 000	660 000
Training, regional study and sharing of innovative practices	195 000	295 000	490 000
Programme operating costs, including monitoring and review	240 000	230 000	470 000
Overheads (9%)	-	100 000	100 000
Total	1 500 000	1 200 000	2 700 000

LOGICAL FRAMEWORK

Programme Goal	Measurable Indicators	Mode of Verification	Assumptions
To promote the financial empowerment of the rural poor in selected Asia-Pacific countries	<p>Increase the number/percentage of financially empowered rural communities, particularly the rural poor, in the Asia-Pacific region</p> <p>Increase the number/percentage of APRACA members' countries that have established or improved their capacities to create pro-poor, client-friendly rural financial policy environments and regulatory frameworks</p>	Programme reports, impact assessment, backstopping mission reports	Participating key financial players – APRACA member institutions, NGOs, policy-makers, partner finance institutions and ultimate beneficiary-clients – are seriously committed to undertake participatory dialogue and knowledge sharing to financially empower rural communities, particularly the poor
Programme Objectives	Measurable Indicators	Mode of Verification	Assumptions
(1) To foster an enabling, pro-poor and client-friendly policy environment and regulatory framework for sustainable rural financial systems	<p>Number of participatory dialogue forums organized at both the regional and national levels</p> <p>Number of stakeholder finance institutions engaged in providing access to financial and related non-financial services</p>	Programme reports, backstopping mission reports	Stakeholders represented at the national and regional levels are open to dialogue and receptive to regional and international support and cooperation
(2) To encourage innovative approaches to rural finance through the adoption of reforms and improvement of rural finance mechanisms that empower the rural poor	<p>A number of innovative approaches are identified for piloting.</p> <p>Piloted innovative approaches are internalized and become part of APRACA member institutions' regular programme</p>	Programme reports, backstopping mission reports	Participating countries are committed to pilot and adopt reforms and improvements
(3) Extract lessons from the wealth of rural finance innovations promoted by IFAD-supported projects and APRACA initiatives to promote information sharing and replicate successful approaches in the region	<p>Establishment of a knowledge network</p> <p>Number of forums and events conducted for sharing of experiences and lessons learned</p>	Programme reports, backstopping mission reports, institutional and participants' back-to-office reports	Participating national governments encourage collaboration and partnership with agencies outside the public sector in policy analysis, dialogue and advocacy
Proposed Outputs	Measurable Indicators	Mode of Verification	Assumptions
1. Participatory dialogues and decision-making involving all key rural finance actors	Number of dialogues held at national and regional levels; number of possible areas of regional and international support and cooperation identified	Programme reports, backstopping mission reports	National governments and other stakeholders demonstrate strong commitment to participate in dialogue forums

2. Client-friendly policy environment and a regulatory framework conducive to sustainable, pro-poor rural financial systems, as enacted by the appropriate national authorities in the region	Number of countries providing client-friendly rural finance policy environment and a regulatory framework Conducive rural finance policies reflected in national laws, rules and regulations, circulars and appropriate legal documents	Programme reports, backstopping mission reports, statements of non-APRACA stakeholders	National governments and other stakeholders demonstrate strong commitment to create conducive rural finance policy environment and regulatory framework
3. Improved design and delivery of relevant, demand-driven financial services by agriculture and rural development banks	Number of pilot sites established Number of exposure visits and exchanges within and outside APRACA member institutions and focusing on innovative approaches conducted	Programme reports, statements of non-APRACA stakeholders	APRACA member institutions committed to host and support the forums
4. Stronger linkages within and across institutional types	Number of APRACA member institutions, partner financial institutions and self-help promoting institutions/NGOs financially and institutionally linked	Programme reports and reports/statements of non-APRACA stakeholders	National governments and other stakeholders demonstrate strong support for joining the financial and institutional linkages
5. Regional studies focused on best practices and innovation in IFAD-supported and APRACA rural finance institutions (RFIs) and projects	Number of studies conducted Number of case studies presented	Programme reports, backstopping mission reports, reports of other development partners	Data collection unhampered APRACA member institutions and key knowledge agencies are committed to providing needed information.
6. Effective training curricula, as well as multimedia instructional and information materials	Number of training courses conducted, number of participants Number of multimedia informational and didactic materials Number of quality materials accessed through APRACA website IFAD-APRACA website link operational	Programme reports, backstopping mission reports, reports of users	APRACA member institutions and key knowledge agencies committed to testing, upgrading and utilizing training and multimedia materials
7. Catalytic regional and national forums that promote exchange of information and experiences and promote the effective use of technology in building inclusive financial systems in the region	Number of regional and national forums conducted	Programme reports, backstopping mission reports, reports of participants and key partners	APRACA member institutions committed to host and support the forums

Key Programme Activities		Mode of Verification	Assumptions
<ul style="list-style-type: none"> • Evaluate the status of the policy environment and regulatory framework in members' countries • Facilitate opportunities for participatory dialogue and decision-making that include all stakeholders in rural finance, including the rural poor • Organize and conduct policy dialogue forums at the regional level and at the national level in selected countries, with particular attention to countries with no or a weak regulatory framework • Provide technical support to appropriate national authorities to define and design rural finance policies and the appropriate regulatory framework • Pilot institutional reforms and improved design in financial service delivery among APRACA members • Pilot financial and institutional linkages between APRACA members and decentralized rural financial systems and institutions (i.e. self-help groups, financial NGOs and financial cooperatives) in order to minimize transaction costs, maximize outreach and strengthen community-managed rural financial systems • Pilot innovative approaches to financial service mechanisms, including micro-insurance and other risk management strategies, and 		Programme reports, backstopping mission reports	Financial resources used efficiently and accountably, and agreed annual workplans are properly followed

Key Programme Activities		Mode of Verification	Assumptions
<p>savings, credit and remittance products through APRACA members</p> <ul style="list-style-type: none"> • Organize exposure visits and exchanges within and outside APRACA members • Conduct regional studies focused on best practices and innovative features of IFAD-supported projects and APRACA RFIs and projects, and synthesize these lessons learned in themes relevant to the region • Identify, in close cooperation with relevant grass-roots partners, community-level finance and marketing activities that can be replicated to further strengthen the financial empowerment of groups • Design training course and multimedia materials and improve the APRACA website and its links to the IFAD website • Conduct three regional forums and two national forums over the course of the grant (i.e. a regional forum one year and a national forum the next) to disseminate these findings and promote cross-learning, with particular attention to the relationship between technology and financial services 			

ANNEX II

**PARTICIPATORY MICROFINANCE GROUP FOR AFRICA (PAMIGA): PROGRAMME FOR THE
PROMOTION OF PARTICIPATORY MICROFINANCE IN AFRICA**

I. BACKGROUND

1. The provision of sustainable financial services, such as savings accounts, loans, insurance products and money transfers, presents a number of challenges in rural areas. These include long distances, poor infrastructure, high transaction costs, highly seasonal incomes and the difficulty of hiring and retaining skilled, professional staff. For practitioners, the challenge is threefold:

- (i) A challenge of vision. There must be a commitment towards extending financial services to the unserved rural poor.
- (ii) A methodological challenge. There is a need to identify and experiment with innovative ways to deepen microfinance outreach in rural environments, especially in sub-Saharan Africa.
- (iii) An organizational challenge. There is a need to pilot innovative organizational settings to enhance the efficiency of financial service providers in rural areas.

2. Innovations are crucial for the sustainability of rural finance institutions (RFIs). Client participation can contribute to RFI sustainability by: (i) helping ensure the pertinence of products and services; (ii) creating ownership in the system by building the responsibility, loyalty and trust of clients; (iii) contributing to reductions in overheads through volunteer work and local market information; (iv) providing a capital base through equity as shares and savings; and (v) mobilizing support for the RFI's objectives.

3. Participatory approaches in microfinance have proved to be effective in providing sustainable financial services in remote and rural areas. In this context, participation refers to client involvement in the operation of RFIs at various levels of intensity and complexity, according to the type of model under consideration. Clients can participate in the design of products and services; in some of the operational aspects of service delivery; in the RFI decision-making process and in the RFI ownership and governance activities. Where strong solidarity and mutual support traditions are not already in place, the capacity and desire to "participate" can be cultivated. If properly supported, this can result in substantial cost reductions and a strong sense of client ownership in the MFI. Participation can thus contribute to the better adaptation of financial services to the needs of the poor and to the involvement of women in the decision-making process while enhancing the social performance of MFIs.

4. As stressed in the IFAD Decision Tools for Rural Finance, IFAD's rural finance interventions should focus on promoting client participation. The type and scope of this participation should always be adapted to each specific situation, to the capacity and will of local actors, and to the institutional setting of rural finance partners (e.g. credit unions, financial NGOs or non-bank financial institutions). Participation should be addressed within the larger context of good governance in order to ensure appropriate supervision of the finance institution's management and operations, and mitigate the negative aspects of participation.

ANNEX II

II. RATIONALE AND RELEVANCE TO IFAD

5. The programme's objectives are aligned with the IFAD Rural Finance Policy, namely:
- (i) building sustainable RFIs with outreach to the rural poor; and
 - (ii) fostering stakeholder participation, including the poor, in the development of rural finance.

Moreover, the programme contributes directly to the achievement of the first objective of IFAD's strategic framework – to strengthen the capacity of the rural poor and their organizations – by supporting microfinance organizations that implement innovative participatory approaches. This approach has demonstrated the potential to reduce administrative costs and enhance sustainability.

6. Through this programme, IFAD has the opportunity to support a flexible, stand-alone intervention and test innovative ways to enhance the sustainability of RFIs. Participatory models of microfinance have demonstrated that it is possible to provide basic financial services to the poor in remote rural areas in a cost-effective manner using innovative approaches.

7. This programme will also allow IFAD to:
- (i) maximize the impact of rural finance thus contributing to the Millennium Development Goals through innovative participatory approaches in rural finance;
 - (ii) capitalize on winning synergies between IFAD, the International Centre for Development and Research (CIDR) and other key partners active in the region such as the African Rural and Agricultural Credit Association (AFRACA), the Africa Microfinance Network (AFMIN) and Microsave; and
 - (iii) facilitate exit strategies for IFAD-funded rural finance institutions that could become members of the Participatory Microfinance Group for Africa (PAMIGA) when IFAD projects phase out. This option may have a major impact on the sustainability and growth of some IFAD-funded RFIs (e.g. financial service associations) by enabling them to continue to access technical assistance and quasi-equity from PAMIGA, provided they meet the conditions for becoming members of PAMIGA. This is certainly one of the most innovative features of this proposal.

III. THE PROPOSED PROGRAMME

8. IFAD, in partnership with CIDR, the Swiss Agency for Development and Cooperation and others, is committed to supporting PAMIGA, the designated beneficiary of this proposal. The overall objective of PAMIGA is to enhance access to sustainable financial services by the rural poor. In order to achieve this goal, PAMIGA will help already-established MFIs deepen their outreach in rural areas and strengthen their participatory approaches. PAMIGA will provide members with tailored technical assistance and engage in ongoing policy dialogues with local governments, supervisory authorities and key industry stakeholders in order to promote innovative participatory methodologies in microfinance in sub-Saharan Africa.

9. PAMIGA will target regulated financial institutions in Africa, including banks, financial companies, credit unions, member-based savings and credit associations, and financial NGOs that have demonstrated solid financial and social performance and/or are committed to further improving their performance and deepening their outreach in rural areas.

ANNEX II

10. The programme will be implemented for a five-year period, a timeframe justified by the long-term commitment required to support the growth of innovative MFIs that have the potential to deepen their outreach and further extend the provision of financial services in rural areas using participatory approaches. A five-year implementation period allows IFAD to build an effective platform for knowledge sharing and learning among IFAD divisions, external partners and microfinance/rural finance organizations supported in the field. The five-year implementation period also provides the possibility of an exit strategy to several IFAD-funded RFI networks (e.g. financial service associations and rural MFIs) that could become members of PAMIGA when IFAD projects come to an end.

11. The goal of the proposed programme is to reduce poverty in rural areas through an innovative approach to strengthen the decision-making role of the poor and contribute to their empowerment as users and user-owners of local financial institutions. Its specific objectives are the following:

- (a) strengthen the institutional, organizational and technical capacity of PAMIGA's member organizations to provide sustainable, cost-effective rural financial services;
- (b) support the growth of a number of promising participatory MFIs as they deepen their outreach and further extend the provision of rural financial services; and
- (c) build local capacity of technical assistance providers and facilitate their absorption of innovations in participatory microfinance.

12. While the overall PAMIGA initiative includes both a technical assistance and financial assistance (quasi-equity) component, this grant will provide financial support exclusively for the implementation of the former (technical assistance). Key programme activities under the technical assistance component are detailed below.

13. Key programme activities to achieve objective (a) are:

- (i) establishing the development of the annual workplan by the technical unit;
- (ii) defining a participatory microfinance charter to outline clearly the principles and values of participatory microfinance;
- (iii) identifying existing MFIs using participatory approaches in their operations; and
- (iv) organizing exchanges of knowledge and experiences among group members.

14. With regard to objective (b), MFIs committed to participatory microfinance will be supported under the proposed programme through the following activities:

- (i) preparing strategic business plans leading to financial sustainability over a defined period of time;
- (ii) improving operational and organizational efficiency (e.g. review procedures, decision modes and distribution of responsibilities). This includes assisting MFIs in rationalizing their internal structure, re-engineering the organization of flowcharts, re-engineering the branch network, improving regulations and procedures;
- (iii) improving risk supervision and management, including risks relating to interest rates and credit, cash flow and operations;
- (iv) improving management information systems, because high-quality, timely information is essential for an MFI to perform efficiently and effectively;

ANNEX II

- (v) refining human resource management. Institutions will be supported in developing and implementing human resource policies that enhance staff performance and motivation. Paired initiatives among group members will also promote exchange and cross-learning; and
 - (vi) promoting innovation, product development and monitoring of markets. Financial products must evolve continuously, adapting to client needs and local socio-economic conditions over time.
15. Objective (c) will be achieved through the following activities:
- (i) identifying potential local technical assistance providers;
 - (ii) involving local technical assistance providers in capacity-building activities to strengthen their capabilities to provide MFIs with tailored technical assistance on participatory microfinance methodologies; and
 - (iii) exposing local technical assistance providers to cutting-edge ideas and innovations in the field of participatory approaches in microfinance.
16. The financial assistance component of PAMIGA, which will be funded by other donors, aims to:
- establish a fund to deliver medium-term loans to MFIs, either to finance investments to support their growth or to finance the development of new products, including medium-term credit products (e.g. housing loans and small investment loans); and
 - develop partnerships with commercial banks and investors interested in providing loans and guarantees to sustainable MFIs.

IV. EXPECTED OUTPUTS AND BENEFITS

17. This programme is expected to enhance access to sustainable financial services by the rural poor through the full establishment of PAMIGA, an organization designed to help already-established MFIs deepen their outreach in rural areas and improve their level of efficiency and the quality of their services using participatory approaches. PAMIGA's approach is a new way of North-South collaboration and an instrumental way to develop autonomous decision-making at the MFI level. Based on a detailed business plan, MFIs will define their needs in terms of technical assistance and will be accountable to PAMIGA for their strategic and management decisions.

18. This grant will have an impact on creating successful exit strategies for IFAD rural finance interventions in the region. IFAD-supported rural finance institutions can become members of PAMIGA and benefit from longer-term access to technical assistance and capital, which will have a critical impact on the sustainability of the networks that require long-term support (e.g. financial service associations). These achievements will help expand the interventions of socially oriented microfinance investment funds with these institutions.

19. The expected outputs are the following:

Objective (a): Support the full establishment of PAMIGA

- (i) PAMIGA is fully established and functioning effectively; and
- (ii) coordination and collaboration among the different actors in the microfinance sector to promote innovative and sustainable financial services in rural areas.

ANNEX II

Objective (b): Support MFIs via PAMIGA

- (i) At least 30 MFIs with an increased capacity to provide participatory microfinance services to poor clients in rural areas; and
- (ii) MFIs promote participatory approaches with increasing independence from donor support.

Objective (c): Build local capacity of technical assistance providers

- (i) enhanced local capacity to provide technical assistance on a sustainable basis, ensuring the provision of participatory, sustainable financial services; and
- (ii) national, regional and global knowledge of participatory rural microfinance increases markedly.

V. IMPLEMENTATION ARRANGEMENTS

20. PAMIGA, a non-profit organization registered in France, will implement this grant and be accountable for its administrative, financial and technical management. The annual workplan and budget will be prepared and implemented by PAMIGA's technical unit and annually approved by PAMIGA's board of directors. The board members, distinguished for their experience and commitment in participatory microfinance, will offer overall guidance and supervision to the technical unit, meeting face-to-face at least once annually.

21. **Technical unit.** The technical unit will implement PAMIGA's workplan. Based in Paris to reduce overhead costs, the technical unit will develop strategic partnerships with local organizations and technical service providers. The technical unit is lean, composed of a manager and a few specialists in participatory microfinance.

22. **Investment committee.** An investment committee will assess and approve the technical unit's investment proposals. Independent of the technical unit, this committee includes representatives from the board of directors, IFAD and other donors, and will guarantee transparency in fund allocation and management. By its participation in the committee, IFAD will influence the direction of this pivotal organization, and channel lessons learned directly into ongoing IFAD rural finance projects, both in the region and beyond.

23. **General assembly.** The general assembly, composed of micro and rural finance institution founders and members, facilitates benchmarking, knowledge sharing and exchange of experiences; identifies areas for improvement in technical assistance; and organizes advocacy for participatory microfinance in the respective countries. The general assembly will make statutory decisions, including approval of PAMIGA's audited financial statements.

24. **Monitoring, evaluation and reporting.** Based on the annual workplan and budget, IFAD will periodically monitor the progress of the programme through supervisory missions and through regular participation in the investment committee. Also, in order to maximize the knowledge generated by this programme, IFAD will regularly organize dissemination workshops within IFAD to share innovations and lessons learned. IFAD's participation in these activities will not be financed from the grant's resources. PAMIGA will submit status reports of programme activities to IFAD every six months. In addition, the annual report will highlight achievements against objectives and utilization of the budget.

25. **Technical and financial reporting.** The proposed strategy envisages a five-year implementation period. PAMIGA will be responsible and accountable for the administrative, financial and technical management of the programme. The annual workplan and budget will be prepared by

ANNEX II

PAMIGA's technical unit and approved at the beginning of the year by the board of directors. The audited financial statements will be approved by the general assembly annually. PAMIGA will apply CIDR's financial rules, policies and procedures overall. Moreover, considering that PAMIGA is a new structure, it will assign to CIDR its accounting functions as well as the preparation of its financial statements. A memorandum of understanding between PAMIGA and CIDR will be finalized to that effect, a signed copy of which will be provided to IFAD prior to effecting the first disbursement under the IFAD grant.

VI. INDICATIVE PROGRAMME COSTS AND FINANCING

IFAD Contribution

26. IFAD's present grant of US\$800,000 will support exclusively the implementation of the technical assistance component of the PAMIGA initiative. In addition, IFAD is seeking to mobilize an additional US\$400,000 from the Italian supplementary funds, which would bring its overall contribution to this initiative to US\$1.2 million.

Other Contributions to PAMIGA

27. **Swiss Agency for Development and Cooperation (SDC).** The contribution of SDC to PAMIGA is equal to US\$1.6 million and mainly finances the technical assistance component.

28. **CIDR.** The Centre is actively involved in the governance and management of PAMIGA, and has contributed to its establishment by funding the feasibility study and business plan of PAMIGA. It has also funded associated promotion activities in both the North and South. Total value of this in-kind contribution from CIDR is approximately US\$120,000. Moreover, CIDR offers PAMIGA access to its vast database on MFI/RFIs in Africa as well as knowledge from more than 20 years of field experience. This is a major in-kind contribution, although it does not lend itself to an easy quantification.

29. **Other donors.** The contribution provided by other donors will be in the amount of US\$3.2 million. So far, Argidius Foundation has already approved US\$120,000 for 2006 and is committed to extending support for the programme's entire lifespan. PAMIGA is also currently negotiating with two European social investors for a contribution of approximately US\$1.2 million for the financial assistance component (quasi-equity fund). Negotiations are still ongoing with other interested donors (European Commission and the French Development Agency).

30. **Participating MFIs.** Member MFIs pay an annual membership fee based on their outreach. They will cover the costs of tailor-made technical services on an increasing basis: 25% for the first service, increasing by 5% for each of the subsequent services. Their contribution for the five-year period is estimated at US\$480,740.

31. The institutional arrangements, supervision, monitoring and evaluation, workplans and budgets, procurement plans and audit arrangements will be described in the grant agreement. No disbursement will take place until all IFAD requirements are met.

a

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

ANNEX II

PROGRAMME COSTS AND FINANCING
(US\$)

Cost Category	CIDR (in kind)	IFAD Grant	IFAD (Italian supplementary funds)	SDC	MFIs	Others	Total
Personnel	-	476 636	51 882	715 907	240 370	806	1 485 600
Goods, equipment and meetings	-	35 170	55 705	214 905	240 370	-	546 150
Capacity-building, workshops and operational expenses	120 000	288 194	145 848	531 622	-	-	965 664
Financial assistance to MFIs – equity and quasi-equity	-	-	-	-	-	3 206 107	3 206 107
Equipment for MFIs	-	-	146 565	174 046	-	-	320 611
Total	120 000	800 000	400 000	1 636 479	480 740	3 206 913	6 524 132

LOGICAL FRAMEWORK

	Indicators	Means of Verification	Assumptions
Goal			
Strengthen the decision-making role of the poor and contribute to their empowerment as users and user-owners of local financial institutions.	Increased number of MF/RF institutions using participatory approaches and methodologies	Number of organization joining PAMIGA	Continued focus in promoting participatory approaches in IFAD's Strategic Framework
Objective (a)			
Support the full establishment of the PAMIGA network	PAMIGA fully established and operational	Legal registration, minutes of the Board meetings	Commitment of MFIs/RFIs to participate in PAMIGA
Objective (a) Outputs			
<ul style="list-style-type: none"> ▪ A Participatory Microfinance Group for Africa (PAMIGA) fully established and functioning 	PAMIGA Board of Directors and Technical Unit established and functioning	Annual workplan Board meetings minutes Ongoing project monitoring Regular project reporting	Commitment of MFIs/RFIs to further develop participatory approaches in microfinance
<ul style="list-style-type: none"> ▪ Coordination and collaboration between the different actors in the microfinance sector to promote innovative and sustainable financial services in rural areas enhanced 	Composition of the PAMIGA Board Involvement of other donors Nature of the organizations involved in PAMIGA	Board meetings minutes Projects/programmes reports; MIX Market (www.mixmarket.org)	-
Objective (b)			
Support the growth of a number of promising participatory microfinance institutions that are willing to deepen their outreach and further extend the provision of financial services in rural areas	At least 30 MFIs/RFIs involved in the activities promoted by the PAMIGA	Number of organization signing the "Participatory Microfinance Charter" Training report and participants list	Continued commitment of MFI/RFI to further develop participatory approaches in microfinance
Objective (b) Outputs			
<ul style="list-style-type: none"> ▪ Capacity of MFIs/RFIs to provide participatory microfinance services to poor clients in rural areas enhanced 	Increased understanding of the real meaning of participatory microfinance Number and quality of new	Project baseline data PAMIGA members financial reports Regular project reporting	Continued commitment of MFI/RFI to further develop participatory approaches in microfinance

	Indicators	Means of Verification	Assumptions
	products developed to reach poor clients Improved quality in the portfolio of member MFI/RFIs	Ongoing project monitoring	
<ul style="list-style-type: none"> Support microfinance institutions that promote participatory approaches to gain substantial independence from donors assistance 	Number of MFIs/RFIs receiving tailored technical assistance from the PAMIGA technical Unit	Regular project reporting Ongoing project monitoring	Continued commitment of MFIs/RFIs to further develop participatory approaches in
Objective (c)			
Build local capacity of TA providers and expose them to cutting-edge ideas and innovations in the field of participatory approaches in microfinance	Proliferation of technical assistance providers (TSPs) supporting participatory approaches in microfinance Number and quality of locally recruited TSPs	Increase from the project baseline data Regular project reporting Ongoing project monitoring	Availability of qualified local TSPs Availability of Project baseline data
Objective (c) Outputs			
<ul style="list-style-type: none"> Identification of potential local Technical Assistance Providers; 	Market research	Regular project reporting Ongoing project monitoring	Availability of qualified local TSPs
<ul style="list-style-type: none"> Involve local TSPs in capacity building activities to strengthen their capabilities to provide MFIs with tailored technical assistance on participatory microfinance methodologies; and 	Number of partnerships developed between PAMIGA and local TSPs	Contract signed between PAMIGA and local TSPs Regular project reporting Ongoing project monitoring	Availability of qualified local TSPs
<ul style="list-style-type: none"> Expose local TSPs to cutting-edge ideas and innovations in the field of participatory approaches in microfinance. 	Number of ToT offered to local TSP	Training reports and participants list from ToTs Regular project reporting Ongoing project monitoring	Availability of qualified local TSPs

ANNEX III

**SASAKAWA GLOBAL 2000: MARKET-DRIVEN INITIATIVE FOR MILLET AND SORGHUM
DEVELOPMENT IN WEST AND CENTRAL AFRICA – PHASE II**

I. BACKGROUND

1. Millet and sorghum are the traditional staple food of Sahelian people and constitute the basis of their cropping systems, producing an average yearly supply of 110 to 160 kilograms per person in the 1960s. During the following decades, increasing urbanization led to important changes in consumption habits. Imported rice and wheat flour took over an increasing share in consumption, thanks to their cheap access for market operators and consumers and to their easy preparation. In addition, most investments and food policy efforts have been directed to the production of irrigated rice. Nevertheless, imports have been steadily increasing.
2. In the meantime, very little has been done to support the production of millet and sorghum; yields have been stagnating or declining in most countries (except in Burkina Faso) and production increases cannot meet the needs of a growing population. Urban consumers, for example, have not abandoned local cereals and continue to consume traditional dishes, but demand exceeds available millet and sorghum products.
3. Good quality flour that can be stored and used to prepare the traditional meals, which remain the main cereal-based dishes, is not available. To get adequate flour, that is, fine and pure enough to prepare the staple meal in the region known as “tô”, women still need to pound by hand, which takes too long for a working housewife. To reduce the imports of wheat, several attempts have been made to incorporate millet flour to wheat flour to prepare bread and pastries; but they could never expand because of the difficulty of getting a reliable supply of good quality flour.
4. For rural poor people, millet and sorghum have remained critical for daily meals and for food security. But their role goes far beyond family consumption. The challenge is therefore to transform the subsistence commodities into cash commodities by opening market opportunities for the traditional food crops.
5. Within the context of both a distorted international agricultural trade regime and a rapidly growing urban population, African governments and farmers’ organizations are concerned about the constraints hampering access to their own domestic and regional markets. They also realize that their food security will be at risk if rural Africa can no longer feed its cities. In the semi-arid western and central Africa region, the development of the local cereal sector is therefore considered as a strategic engine for building social cohesion between the urban and the rural populations.

II. RATIONALE AND RELEVANCE TO IFAD

Developing Adapted Products

6. An increasing share of the region’s population lives in urban areas and thus is bound by the specific constraints of the urban lifestyle. To prepare cereal-based meals either for family consumption or for the growing consumption out of home, women are limited by the lack of good-quality millet and sorghum products that are adapted to an urban lifestyle, for example:
 - pure millet and sorghum flour that can be stored and used to prepare traditional meals or to mix with wheat flour for baking and pastry-making;
 - ready-to-use products that can compete with imported equivalents, for example, precooked millet and sorghum couscous, instant flour for “tô”, pasta, couscous-like products for making light porridges, infant flour, beer, etc.; and
 - attractive and convenient packaging adapted for storage.

ANNEX III

Stimulating Production by Meeting Urban Market Demand

7. The productivity of local cereals has been increasing slowly over the past decades, because although technical packages are available, they have not been widely adopted. This is due to the following factors: (i) deterioration of agricultural services (input supply, and credit and extension services); (ii) limited outlets and unstable markets; (iii) high transportation and transaction costs; and (iv) competition from cheap imported rice and wheat flour in urban and (increasingly) rural markets.

8. In order to satisfy urban customers, the first phase of the initiative highlighted the necessity of developing good quality products. Interventions at two levels appeared necessary: (i) disseminating existing practices whose use until now has been limited; and (ii) reinforcing research to develop good quality flour, ready-to-use products and adequate packaging.

First Phase of the Programme

9. The first phase of the Market-driven Initiative for Millet and Sorghum Development in West and Central Africa (January 2001 to April 2005) was funded by IFAD, the French Ministry of Foreign Affairs and Sasakawa Global 2000. The programme aimed to stimulate the production and marketing of millet and sorghum through interventions driven by the output market and focused mostly on processing and marketing. It sought a strong mobilization of all stakeholders, from the identification of constraints to the implementation of activities.

10. The review of the first phase confirmed the relevance of the programme's market-driven approach and its strong innovative features and catalytic nature. The programme had helped strengthen relations between private operators and public institutions. Programme implementation had been thoroughly participatory, with a strong involvement of private operators. An innovative approach had been developed through the initiation of contracts between farmers' organizations and processors, based on quality objectives and secured transactions. Regional activities had provided an opportunity to learn and share experience and knowledge across countries.

11. The review also identified challenges to technical improvements. For example, adapting post-harvest and processing equipment, and testing the acceptability of new products and process, could not be fully completed due to the short duration of the programme. This did not allow for the scaling up of some key organizational innovations, for example, contractual farming.

Refocusing Priorities for the Second Phase

12. The second phase will build on the achievements and lessons learned during the programme's first phase. It will bring the initiative to a higher-level platform, by emphasizing the following priorities:

- focus on research and innovation to solve the most critical bottlenecks in (i) designing/adapting processing equipment, (ii) developing new products and (iii) developing new processes;
- design and implement activities adapted to the capacity and needs of small-scale processors;
- strengthen the links between producers and processors, through the consultation bodies and a greater emphasis on contractual farming;
- collaborate closely with production-oriented projects, to provide seeds and technical assistance to farmers involved in contractual farming;
- reinforce the national consultation bodies involving private operators and public sector, and extend their mandate to learning, exchange of knowledge and policy dialogue; and

ANNEX III

- improve dissemination of the results, based on a regional information service oriented toward professionals, using FIDAFRIQUE, the Internet-based network linking IFAD-funded projects and partner organizations in western and central Africa.

13. The partnership between this market-driven initiative and other production-oriented operations will be strengthened. Close collaboration will be established with the Programme for Growing Out of Poverty: Intensification of Sorghum and Millet Systems by Unlocking the Potential of Local Biodiversity and Market Opportunities in Semi-Arid West Africa – financed through an IFAD grant to the International Crops Research Institute for the Semi-Arid Tropics – and with other IFAD-financed projects in the region.

III. THE PROPOSED PROGRAMME

Goals and Objectives

14. The ultimate goal is to improve food security in the semi-arid zones of western and central Africa, stimulating the consumption of traditional cereals and raising the income of the various actors of the traditional cereal sector. The specific objective is to foster a market-driven development process for millet and sorghum, which are the mainstay of agriculture in the region's semi-arid zones.

15. This objective will be achieved through interventions aimed at: (i) matching urban consumers' demand through the development of good-quality and affordable processed and semi-processed cereal products; and (ii) stimulating production, developing links between farmers' organizations and processors, in order to better meet the needs of processing units in terms of quantity and quality.

16. The programme will comprise five components: (i) equipment, technical processing and product promotion; (ii) contract support between farmers and processors; (iii) training and advice for stakeholders, and access to credit support; (iv) regional information service and study fund; and (v) national stakeholders' focus group. Gender concerns will be mainstreamed into the monitoring system. The impact on smallholder farmers and micro and small entrepreneurs will be carefully monitored. Special attention will be given to the assessment of social acceptability and technical adoptability of equipment, as well as their affordability for small processors.

17. The programme contributes directly to one of the strategic thrusts of IFAD's strategy in the region, which is to raise agricultural and natural resource productivity and improve access to technology. It also addresses some of the key concerns of IFAD's Action Plan for Improving its Development Effectiveness, including fostering innovation and knowledge management.

Target Group

18. The target group comprises:

- **Smallholder farmers.** As a result of better and more secure marketing conditions, farmers will have greater incentives to increase production. Moreover, good-quality grains and contracts between producers and processors will enable farmers to get a better price for their cereals.
- **Cereals processors.** Their motivation and their innovation capacity is a driving force of the sector. Cereal processing is largely dominated by women working at a very small scale. The programme will foster inclusiveness of small-scale women processors through provision of technical and management training, and organizational development aimed at paving the way for access to mechanized equipment.

ANNEX III

Monitoring and Evaluation

19. Sasakawa-Global 2000 will follow IFAD's monitoring and evaluation (M&E) guidelines. It will submit semi-annual progress reports to IFAD, and use feedback from IFAD to ensure that the programme achieves its expected outputs and remains aligned with IFAD's mission. A steering committee will oversee execution of the grant. The committee will consist of representatives from IFAD, Sasakawa-Global 2000, the International Cooperation Centre on Agrarian Research for Development (CIRAD) and representatives of national project partners, including the IFAD development projects.

IV. EXPECTED OUTPUTS AND BENEFITS

20. The expected outputs are:

- equipment and processes adapted to urban demand (in terms of quantity, quality and price);
- stronger links among operators and better capacity to formulate relevant proposals for decision-makers and donors;
- partnership with IFAD's and other donors' projects and with the private sector to prepare for further investments;
- promotion of contractual farming between farmers and processors;
- development of supply chains of processing units of good-quality cereals, on a stable basis;
- improved capacities of small-scale women processors and small-scale processing enterprises.

V. IMPLEMENTATION ARRANGEMENTS

21. Sasakawa-Global 2000 will be the implementing agency of the programme and will ensure regional coordination, as in the first phase. It is also one of the programme's cofinanciers.

22. The executive boards of national stakeholders' focus groups, which are composed of representatives of professional organizations and research institutions, will remain the mainspring of the participatory management of national activities. They are the decision-making bodies at the national level, once the main orientations are approved by the steering committee.

23. Participating national agricultural research institutions will contribute human resources for the implementation of the activities. CIRAD will provide direct support through expertise and missions and through its network of specialists in food-crops marketing systems and processing.

24. The activities will develop a strong partnership with ongoing IFAD-sponsored investment projects in the region.

VI. INDICATIVE PROGRAMME COSTS AND FINANCING

25. The total cost is estimated at approximately US\$1.9 million of which the proposed IFAD contribution is US\$1.3 million. Other funding will be provided by donor agencies, research and development institutions involved in the programme, and the private stakeholders. The institutional arrangements, supervision, monitoring and evaluation, workplans and budgets, procurement plans and audit arrangements will be described in the grant agreement. No disbursement will take place until all IFAD requirements are met.

ANNEX III

PROGRAMME COSTS AND FINANCING
(US\$)

	Donors' Contribution		Other Contributions		Total Cost
	IFAD	Sasakawa-Global 2000	Participating Institutions (including private stakeholders)	CIRAD	
Component					
Equipment, technical processing and product promotion	215 000	25 000	50 000	65 000	355 000
Contract support between farmers and processors	80 000	50 000	25 000		155 000
Training, advice and access to credit	215 000	50 000			265 000
Regional information service and study fund	200 000	25 000	50 000	50 000	325 000
National stakeholders' focus group	160 000	25 000	25 000		210 000
Programme management					
Financial management	75 000				75 000
Steering committee	40 000		25 000		65 000
Programme coordination	120 000	30 000			150 000
Technical assistance					
Scientific and technical backstopping	120 000		40 000	50 000	210 000
Evaluation	35 000				35 000
Contingencies	40 000				40 000
Total	1 300 000	205 000	215 000	165 000	1 885 000

CADRE LOGIQUE

Description	Indicateurs objectivement vérifiables	Source / moyens de vérification	Hypothèses
Objectif général : Améliorer la sécurité alimentaire dans les zones semi-arides d'Afrique de l'Ouest et du Centre en favorisant la consommation des céréales locales et en améliorant les revenus des différents acteurs des filières céréalières.	<ul style="list-style-type: none"> • Augmentation des revenus • Amélioration de la sécurité alimentaire (en terme de disponibilité, d'accessibilité et de stabilité) • Augmentation de la part de marché du mil et du sorgho dans les marchés urbains 	<ul style="list-style-type: none"> • Etudes d'impact 	Les céréales locales demeureront à long terme un enjeu stratégique pour la sécurité alimentaire et l'équité en Afrique de l'Ouest et du Centre.
Objectif spécifique : Promouvoir, à partir de la demande du marché, les filières céréalières (mil et sorgho), qui constituent la base de l'agriculture des zones semi-arides de l'Afrique de l'Ouest et du Centre.	<ul style="list-style-type: none"> • Développement de liens marchands : nombre d'accords commerciaux entre producteurs et transformateurs • Amélioration de la qualité des céréales commercialisées • Nouveaux produits disponibles à base de céréales • Bénéficiaires : nombre d'organisations de base de producteurs, de transformateurs, de femmes 	<ul style="list-style-type: none"> • Statistiques (Ministère de l'Agriculture) • Etudes de marché • Etudes d'impact 	Une disponibilité adéquate en produits à base de céréales stimulera leur consommation dans les centres urbains
Résultats			
1. Des équipements et des procédés de transformation permettant de satisfaire la demande urbaine (en quantité, qualité et prix)	<ul style="list-style-type: none"> • Nombre d'équipements améliorés • Nombre de procédés améliorés et testés • Nombre de transformateurs ayant testé et approuvé les nouveaux équipements et procédés 	<ul style="list-style-type: none"> • Evaluation technique • Rapports d'étape • Suivi et évaluation du projet 	Les opérateurs de la filière et les chercheurs se mettent d'accord pour identifier les goulots d'étranglement techniques et les efforts de recherche peuvent être concentrés sur quelques équipements et procédés prioritaires
2. Des liens renforcés entre les différents types d'acteurs de la filière et un renforcement de leur capacité de proposition vis-à-vis des décideurs et des bailleurs	<ul style="list-style-type: none"> • Les Comité Nationaux de Concertation et leurs bureaux se réunissent régulièrement • Nombre et diversité des acteurs représentés dans les réunions du CNC • Activités mises en oeuvre en collaboration avec d'autres projets 	<ul style="list-style-type: none"> • Rapports d'étape des CNC • Rapports des ateliers nationaux • Rapports des ateliers régionaux 	Les opérateurs de plus grande envergure reconnaissent l'enjeu d'impliquer les petits opérateurs (les petits producteurs et petites transformatrices) dans les CNC Même si toutes les catégories d'acteurs ne sont pas structurées en organisations formelles, leurs représentants peuvent défendre les intérêts de leurs pairs

Description	Indicateurs objectivement vérifiables	Source / moyens de vérification	Hypothèses
3. Des partenariats renforcés avec les programmes d'investissement financés par le FIDA et par d'autres bailleurs de fonds, et avec le secteur privé	<ul style="list-style-type: none"> • Nombre d'accords de partenariat établis 	<ul style="list-style-type: none"> • Rapports d'étape • Evaluation à mi-parcours et finale 	Les projets intervenants dans la région dans les domaines des céréales locales et l'appui aux MPEA trouvent un intérêt aux activités de l'IMS
4. Des relations contractuelles ou d'autres modes de coordination permettant de favoriser les liens entre les producteurs et les transformateurs	<ul style="list-style-type: none"> • Nombre de contrats entre producteurs et quantité de céréales concernées • Amélioration de la qualité des céréales fournies aux transformateurs 	<ul style="list-style-type: none"> • Rapports d'étape • Evaluation à mi-parcours et finale 	Les producteurs et les transformateurs s'engagent sur des objectifs à moyen terme permettant de développer des accords commerciaux durables
5. Des filières approvisionnant les unités de transformation en céréales de qualité, de façon régulière	<ul style="list-style-type: none"> • Nombre d'équipements de transformation améliorés diffusés • Chiffre d'affaire des transformateurs et rentabilité de leur activité • Nouveaux produits commercialisés 	<ul style="list-style-type: none"> • Rapports d'étape • Enquêtes auprès des transformateurs • Enquêtes auprès des consommateurs 	Les opportunités de marché ont été correctement identifiées au cours de la première phase
6. Une meilleure capacité des petites et moyennes unités de transformation de céréales (organisation et gestion de leur activité, compétences techniques, connaissances des marchés...)	<ul style="list-style-type: none"> • Amélioration qualitative et quantitative des produits à base de céréales commercialisés par les petites transformatrices • Nombre de formations organisées et nombre de participants 	<ul style="list-style-type: none"> • Rapports d'étape • Enquêtes auprès des transformateurs 	Le manque de compétences techniques et de gestion est une contrainte majeure pour les petites transformatrices, qui constituent la plus grande part du secteur de la transformation
Activités			
1. Adaptation d'équipements de transformation	<ul style="list-style-type: none"> • Amélioration de la qualité et du prix des équipements améliorés • Nombre de transformateurs testant les nouveaux équipements 	<ul style="list-style-type: none"> • Rapports d'étape • Evaluation à mi-parcours et finale 	Une expertise appropriée est mobilisée Les utilisateurs sont impliqués dans la mise au point des nouveaux équipements
2. Mise au point et promotion de nouveaux produits	<ul style="list-style-type: none"> • Nombre de nouveaux produits et nouveaux modes de conditionnement développés et testés par les transformateurs • Nombre d'opérations de promotion • Satisfaction des consommateurs face aux nouveaux produits 	<ul style="list-style-type: none"> • Rapports d'étape • Enquêtes auprès des transformateurs • Enquêtes auprès des consommateurs 	Une expertise appropriée est mobilisée Les utilisateurs sont impliqués dans le développement de nouveaux procédés Des moyens de communication adaptés sont mobilisés
3. Appui à la contractualisation entre producteurs et transformateurs	<ul style="list-style-type: none"> • Nombre de contrats entre producteurs et transformateurs et quantité de céréales concernée • Amélioration de la qualité des céréales fournies aux transformateurs 	<ul style="list-style-type: none"> • Rapports d'étape • Evaluation à mi-parcours et finale 	La collaboration avec d'autres projets fournira des appuis pour améliorer les systèmes de production (semences adéquates, conseil technique...)

Description	Indicateurs objectivement vérifiables	Source / moyens de vérification	Hypothèses
4. Formations et conseil	<ul style="list-style-type: none"> • Nombre de sessions de formation • Diversité des thèmes • Nombre et diversité des participants 	<ul style="list-style-type: none"> • Rapports d'activité de formations • Programme de formation • Rapports d'étape • 	Des relations de proche collaboration sont développées avec d'autres projets impliqués dans la formation aux petites entreprises
5. Appui à l'accès au crédit pour les producteurs et les transformateurs	<ul style="list-style-type: none"> • Nombre de groupements de producteurs ayant obtenu des crédits en intrants • Nombre de transformateurs ayant bénéficié de crédits d'équipement 	<ul style="list-style-type: none"> • Rapports d'étape • 	Des lignes de crédit existent mais sont difficilement accessibles aux petits producteurs et aux transformateurs qui travaillent dans un contexte de marché instable
6. Circulation de l'information et échanges d'expériences au niveau régional	<ul style="list-style-type: none"> • Nombre d'ateliers régionaux • Contenu des sites web nationaux/ régionaux et des bases de données • Nombre d'autres supports de diffusion d'information (bulletins, émissions radio, synthèses...) • Nombre de voyages d'étude 	<ul style="list-style-type: none"> • Site web et base de données • Rapports d'étape • 	Les moyens de communication mobilisés sont adaptés aux différents groupes cible Des relations de proche collaboration et un échange régulier d'information sont développés avec les projets apparentés
7. Fonds d'études	<ul style="list-style-type: none"> • Nombre d'études réalisées • Zones d'étude et échantillons • Qualité des rapports 	<ul style="list-style-type: none"> • Rapports d'étude 	Les bilans opérationnels de la première phase du projet fournissent une bonne analyse générale du secteur Des études plus approfondies, ayant recours à des méthodologies adaptées, permettent une meilleure appréciation de certains domaines
8. Concertation au travers des Comités Nationaux de Concertation	<ul style="list-style-type: none"> • Nombre d'ateliers nationaux • Nombre et diversité des acteurs représentés dans les ateliers • Fréquence des réunions du bureau et implication des responsables 	<ul style="list-style-type: none"> • Rapports d'étape • Rapports d'ateliers • Evaluation à mi-parcours et finale 	Les acteurs impliqués durant la première phase reconnaissent le besoin d'améliorer la représentativité des CNC
9. Analyse des impacts du projet sur les différents acteurs	<ul style="list-style-type: none"> • Augmentation de l'activité de la filière, et expressions d'intérêt des partenaires de la filière. 	<ul style="list-style-type: none"> • Etudes d'impact • Evaluation à mi-parcours et finale • Enquêtes / évaluations internes 	Le Projet a stimulé l'intérêt des partenaires pour s'investir dans la pérennisation des associations, groupements, micro entreprises induites.

ANNEX IV

**UNITED NATIONS CAPITAL DEVELOPMENT FUND (UNCDF): PROGRAMME FOR BUILDING
INCLUSIVE FINANCIAL SECTORS IN WESTERN AND CENTRAL AFRICA**

I. BACKGROUND

1. World leaders have pledged to achieve the United Nations Millennium Development Goals, including the overarching goal of cutting absolute poverty in half by 2015. Access to financial services has been shown to be an important tool to combat poverty. The final report of the Millennium Development Project identifies inclusive finance sectors as one of the practical development strategies and approaches at country level that should be implemented and supported to attain the goal of halving the number of the world's absolute poor.

2. Despite significant progress in terms of clientele, savings and credit management, the financial sector in Africa remains highly exclusive. Over the past decades, knowledge on building inclusive financial sectors has evolved rapidly, as have the practices of donors in this field. It is therefore essential for UNCDF and IFAD to position themselves strategically among other donors, based on current global trends and their respective objectives and comparative advantages.

3. IFAD's Western and Central Africa Division (PA) currently manages a portfolio of 52 loan projects totalling US\$622 million in 17 of the 24 countries of the region. The majority of past and ongoing projects have involved rural finance.

4. In 2003, PA developed a regional strategy and action plan for rural finance, the goal of which is to increase rural poor people's access to sustainable financial services. It has three strategic objectives:

- to increase outreach and viability of rural finance;
- to strengthen implementation capacity at all levels for more effective rural finance interventions; and
- to improve rural finance institutions' (RFIs) monitoring and reporting and impact assessment of rural finance interventions.

5. The recently revised plan of action derived from the western and central Africa regional strategy for rural finance highlighted the need to:

- strengthen the implementation of the western and central Africa regional strategy through action plans tailored to each country and project;
- improve identification, design, implementation and monitoring of rural finance interventions through strategic partnerships;
- build PA capacity to promote innovation, knowledge and learning through mutual learning among countries and the development of strategic partnerships;
- promote systematic use of the MIX MARKET (the global information exchange for the microfinance industry) to monitor the performance of IFAD rural finance programmes while adequately supporting RFIs so that they can effectively report to the MIX MARKET; and
- assess the social performance of IFAD-supported RFIs.

ANNEX IV

6. In addition, PA has directly launched or participated in various major technical assistance grant-financed initiatives, including:

- the multi-donor rural development platform (the Hub) – cofinanced by the European Union, France, IFAD and the United Nations Development Fund for Women – which is aimed at fostering policy dialogue on key rural poverty issues at the regional level; and
- the FIDAFRIQUE network of all IFAD-financed projects and partners in the region, aimed at fostering knowledge sharing and learning;
- the Management-Capacity-Strengthening Programme for IFAD-funded Projects in Western and Central Africa (MCSP);
- the African Rural and Agricultural Credit Association (AFRACA);
- the Africa Microfinance Network (AFMIN);
- the Participatory Microfinance Group for Africa (PAMIGA).

7. This venture will be closely articulated with the three Dakar-based initiatives with respect to policy dialogue on rural finance (the Hub); learning, innovation and knowledge management (FIDAFRIQUE); and management capacity (MCSP). It will also be properly interfaced with the other regional/continental microfinance ventures, i.e. support to AFRACA, AFMIN and PAMIGA.

8. During the International Year of Microcredit (2005), the United Nations called together a large number of global decision-makers and financial sector leaders to explore why the majority of the world's poor people are denied access to basic financial services. The result of this year-long activity is a compendium entitled "Building Inclusive Financial Sectors for Development" (also known as the Blue Book).

9. The process that led to the Blue Book clearly revealed that we are in the midst of a paradigm shift from supporting discrete MFIs to building inclusive financial sectors (composed of the macro, meso and micro levels of the financial sector).

10. In 2004, the United Nations Development Programme and UNCDF joined efforts to build a regional programme for Africa (2004-2010): "Building Inclusive Financial Sectors in Africa" (BIFSA). With a total budget of US\$42.6 million, the BIFSA programme aims at contributing to the achievement of the Millennium Development Goals by increasing sustainable access to financial services for poor and low-income populations.

II. RATIONALE AND RELEVANCE TO IFAD

11. The rationale for applying for grant funding to develop such partnerships has been discussed within IFAD on several occasions and there are precedents for such approaches. Because one of the core objectives of such partnerships is to enhance the impact and effectiveness of IFAD-funded RFIs and stakeholders in the field, the target beneficiaries are *not* IFAD staff or project management units, but the RFIs and stakeholders funded through those projects and the clients they serve.

12. As recommended in the Independent External Evaluation of IFAD and as described in IFAD's updated rural finance action plan, the way for IFAD to strengthen the impact of its rural finance programmes in the field is to develop a series of strategic partnerships with regionally based centres of excellence in micro and rural finance. These partnerships will mobilize the required technical expertise throughout the project cycle. They will also promote learning and sharing at the regional level, foster innovations from the field and support strengthened dialogue with governments in the area of policy and regulatory/legislative frameworks.

ANNEX IV

13. In the context of the present grant, the strategic rural finance partner identified for the region is the regional office set up by UNCDF to implement the BIFSA programme. The partnership with the BIFSA programme regional office will considerably strengthen the impact of IFAD's rural finance programmes.

14. This partnership will play a critical role in strengthening the implementation of PA's regional strategy for rural finance in the following ways. It will strengthen implementation capacity in the field by providing regular technical assistance support to IFAD rural finance interventions. It will also impact PA's ability to improve MFI/RFI performance reporting by ensuring close monitoring of the use of the MIX MARKET database throughout IFAD's rural finance portfolio in the region. It will also increase the outreach and viability of the IFAD-funded rural finance institutions. Although PA's regional rural finance strategy has already been actively pursued since its adoption in 2004, the proposed grant will foster its systematic implementation throughout IFAD rural finance programmes in the region, while enhancing the quality of new rural finance programme formulations.

15. The partnership with UNCDF will also provide the opportunity for IFAD to align its future rural finance programming exercises more closely with the UNCDF BIFSA programme. The BIFSA programme has promoted the definition of national microfinance strategies in Benin, Madagascar, Senegal, Sierra Leone and Togo. These national strategies have identified the key interventions required to fill these gaps at three levels:

- macro (enabling environment, policy, legislative and regulatory frameworks);
- meso (development of the support infrastructure to the micro and rural finance industry, i.e. establishing rating agencies, credit bureau, apex institutions);
- micro (strengthening retailer-level institutions that provide financial services to the poor).

16. IFAD has the opportunity to contribute to the development of the BIFSA programme by highlighting the important challenges of rural finance and developing approaches that address them. In addition, this strategic partnership will also trigger strengthened coordination and harmonization with other donors in their micro and rural finance programmes. Other donors will be invited to articulate their microfinance programmes around the diagnostics and national strategies emerging from the BIFSA programme. UNCDF has planned to expand this programme to 25 countries throughout Africa within the next ten years.

17. This programme will be closely coordinated with the three technical assistance grant-financed regional initiatives with respect to policy dialogue on rural finance (the Hub), learning, innovation and knowledge management (FIDAFRIQUE) and management capacity (MCSP).

III. THE PROPOSED PROGRAMME

18. UNCDF and IFAD have decided to join their efforts in implementing IFAD's rural finance strategy in western and central Africa from 2006 to 2009 and to cooperate more closely in the context of the development of the BIFSA programme.

19. The overall goal of this partnership is to improve the access of poor rural people in the region to appropriate and sustainable financial services. The two specific objectives of this grant are to: (i) support the implementation of PA's regional strategy and action plan in rural finance; and (ii) participate in the development of the BIFSA programme in the region.

20. To achieve these two objectives, one or two full-time rural finance experts will be located within the UNCDF regional office in Dakar. They will support all IFAD-funded RFIs in the region and help implement PA's rural finance regional strategy, while also coordinating IFAD's rural finance

ANNEX IV

programmes with the BIFSA programme in western and central Africa. Institutional linkages will be built with the Hub with respect to policy dialogue on rural finance and FIDAFRIQUE for learning, innovation and knowledge-management activities.

21. This activity represents a major contribution to the sustainability of rural MFIs and other rural financial systems supported by IFAD in the region. It will contribute to increasing the outreach and viability of rural finance in western and central Africa, strengthen implementation capacity at all levels for more effective rural finance interventions, improve MFI monitoring, reporting and impact assessment of rural finance interventions, and contribute to building a sustainable financial sector at the regional level.

22. Objective (i) includes the following activities:

- assess the evolution of the general environment, constraints and opportunities for IFAD in rural finance at the regional and country levels;
- provide strategic advice and guidance on key policy issues, and IFAD's potential role in this area;
- elaborate brief reports on rural finance in the region that address the status of IFAD's regional strategy, assess IFAD's position in the region vis-à-vis recent developments in rural finance and identify key policy issues and opportunities to support innovative rural finance approaches;
- support IFAD-funded project cycles in the region through active participation in country strategic opportunities papers, formulation, appraisal and monitoring missions, particularly to provide a good knowledge base for decision-making;
- promote improvement in rural finance performance and transparency by mainstreaming the use of the MIX MARKET;
- promote a documentation process – assisting projects and programmes to record and share their experiences (i.e. implementation issues, lessons learned and the impact on their clients);
- develop dissemination tools, including training, Internet-based interface, thematic workshops, MIX MARKET participation, exchange visits, etc.; and
- develop a knowledge base – to be made available through existing websites such as IFAD and UNCDF portals, as well as through newsletters, e-mail and reports.

23. Objective (ii) includes the following activities:

- develop synergies between ongoing national microfinance strategies supported by the BIFSA programme and IFAD's current rural finance programmes (e.g. in Benin, Madagascar and Senegal);
- develop similar synergies for new national microfinance strategies supported by the BIFSA programme and new IFAD rural finance formulations (i.e. Sierra Leone);
- participate in joint formulation exercises for the development of microfinance national strategies in selected pilot countries, and support the assessment of key constraints/opportunities linked to promoting access to financial services in rural areas;

ANNEX IV

- organize jointly with UNCDF's regional office a series of technical consultations with the Consultative Group to Assist the Poor and the other major donors, around the strategies and methodologies proposed in the BIFSA programme to develop national microfinance strategies and build inclusive financial sectors;
- participate in coordinated development partner discussions with governments and central banks on the policies, laws and regulations needed to facilitate mobilization of small deposits and protect small savers in rural areas;
- support RFIs in effectively engaging in dialogue with the decision-makers on rural finance issues; and
- support effective coordination and harmonization of donors in the area of micro/rural finance in the region.

24. The partnership with UNCDF is intended to impact rural poor people in western and central Africa through its influence on other ongoing and new initiatives. It would be expected to enhance the effectiveness and strengthen the impact of IFAD-financed RFIs and programmes in the region with a focus on rural financial service delivery.

IV. EXPECTED OUTPUTS/EXPECTED BENEFITS

25. Outputs related to objective (i) are the following:

- improved identification and design of rural finance interventions;
- increased outreach and viability of rural finance interventions;
- strengthened implementation capacity for more effective rural finance interventions;
- improved MFI/RFI monitoring, reporting and impact assessment of rural finance interventions through the systematic use of the MIX MARKET; and
- improved sharing of knowledge and the adoption of improved methodologies among IFAD-supported projects.

26. Outputs related to objective (ii) are the following:

- support provided to the design and implementation of national micro and rural finance strategies in selected pilot countries;
- promotion of the rural dimension and challenges of building inclusive financial sectors;
- close coordination with other donors (including the Consultative Group to Assist the Poor and key bilateral donors) developed around the objective of building inclusive financial sectors in the region, including within the scope of the Hub; and
- improved sharing of knowledge and the adoption of improved methodologies, tools and best practices in rural finance among IFAD-supported projects and programmes, and the broader development community, in collaboration with FIDAFRIQUE.

V. IMPLEMENTATION ARRANGEMENTS

27. The strategic rural finance partner identified for the region is the UNCDF regional office. With respect to financial services, UNCDF's objective is to increase sustainable access to financial services for poor and low-income customers, particularly women. UNCDF is well positioned to support building inclusive financial sectors in least developed countries.

ANNEX IV

28. In addition, this strategic partnership will also trigger strengthened coordination and harmonization with other donors in their micro and rural finance programmes. Other donors will be invited to articulate their own microfinance programmes around the diagnostics and national strategies emerging from this programme. Although the number of pilot countries is still limited at present, UNCDF has planned to expand this programme to 25 countries throughout Africa within the next ten years.

29. Financing and execution responsibilities are primarily divided among UNCDF, IFAD and the United Nations Development Programme (UNDP). UNCDF will execute the programme in close relationship with IFAD. IFAD responsibilities are financial and technical. For the duration of the programme, IFAD will provide US\$990,000 as a grant.

30. UNCDF responsibilities are administrative, financial and technical. UNCDF will cofinance the programme for a total amount of US\$1.9 million. It will be the executing agency of its own resources. UNCDF technical responsibilities comprise technical support; decisions on financing proposals; follow up and monitoring and evaluation; reporting; technical review; and communication. UNCDF will report to IFAD and will provide backstopping technical support to the programme and all the IFAD projects in western and central Africa.

31. The responsibilities of the United Nations Development Programme are financial. Its commitment for this programme is US\$1.65 million.

VI. INDICATIVE PROGRAMME COSTS AND FINANCING

32. A preliminary calculation of the budget for IFAD's engagement in this strategic partnership with UNCDF is US\$990,000 for the next three years (2006/2009). IFAD will participate in the budget of the UNCDF's Western and Central Africa Regional Office costs as follows:

- recruitment of a rural finance expert, working under the responsibility of IFAD and under the daily technical supervision of the UNCDF regional technical manager;
- participation in the UNCDF regional office structure costs; and
- additional costs for technical support.

33. The grant will be disbursed in two instalments received by the UNCDF head office. The first instalment will be disbursed upon receipt of the annual workplan and budget, acceptable to the Fund. The second instalment will be disbursed upon submission by UNCDF of a statement of expenditure, with respect to the use of at least 75% of first advance. An amount up to but not exceeding the equivalent of 5% of the grant will be retained by the Fund from the second instalment.

a

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

ANNEX IV

PROGRAMME COSTS AND FINANCING
(US\$)

Description	UNCDF/UNDP	IFAD	Total
Long-term expertise	2 038 091	420 000	2 458 091
Technical support	-	150 000	150 000
Support staff	252 200	-	252 200
Mission costs	472 875	90 000	562 875
Study research training/Workshops and conference	350 000	200 000	550 000
Equipment	170 000	-	170 000
Management and operating charges	266 834	130 000	396 834
Total	3 550 000	990 000	4 540 000

	Indicators	Means of Verification	Assumptions
Goal			
Improve the access of rural poor people in western and central Africa to appropriate and sustainable financial services	Number of poor people accessing financial services in rural areas	National statistics Project baseline and completion reports MIX market outreach indicators Monitoring and impact studies	Continued priority of building inclusive financial sectors in IFAD's Strategic Framework. Availability of data Participation of relevant actors in MIX Market
Specific Objectives			
1. Support the implementation of PA's regional strategy and action plan in rural finance in western and central Africa	Time-bound indicators included in the recently revised PA rural finance action plan Number of joint IFAD/UNCDF project cycle exercises	IFAD/UNCDF reports, project cycle documents (e.g. formulation, appraisal, President's reports, country strategic opportunity papers)	Ongoing IFAD lending in the region
2. Operationalize the development of the BIFSA programme in the region	Participation of countries in western and central Africa in the BIFSA programme; Collaboration between BIFSA's supported national strategies and IFAD rural finance formulations	Number of national diagnostics and national strategies jointly developed Number of joint formulation exercises/assessments in selected pilot countries	IFAD's Strategic Framework maintains its focus on rural finance
Outputs			
<ul style="list-style-type: none"> ▪ 1.1 Improved identification and design of rural finance interventions 	Participation of regional partners and relevant stakeholders in project design; Decision Tools and Learning Notes used in project design and formulation;	Project cycle documentation	Ongoing IFAD lending in the region
<ul style="list-style-type: none"> ▪ 1.2 Increased outreach and viability of rural finance interventions 	Percentage increase of poor people accessing financial services in rural areas Participation of rural finance partners in the MIX Market Mainstreamed use of MIX Market by CPMs and programme management units to monitor rural finance interventions	National statistics Baseline data Project/programme reports; MIX Market (www.mixmarket.org)	Availability of national statistics and baseline data Continued requirement to submit results and impact management system indicators for rural finance
<ul style="list-style-type: none"> ▪ 1.3 Strengthened implementation capacity for more effective rural finance interventions 	Participation of project staff, regional collaborators, target group/clients in ongoing training as appropriate	Training reports	
<ul style="list-style-type: none"> ▪ 1.4 Improved MFI/RFI monitoring, reporting and impact assessment of rural finance interventions through the systematic use of the MIX Market 	Number of IFAD-supported RFIs reporting regularly to the MIX Market Mainstreamed use of MIX Market by CPMs and programme management units to monitor rural finance interventions	Project/programme reports; Ongoing project monitoring Mix Market (www.mixmarket.org)	Continued requirement to submit results and impact management system indicators for rural finance
<ul style="list-style-type: none"> ▪ 1.5 Improved sharing of knowledge and the 	Adequate documentation of project processes	Number of exchange visits, workshops,	Availability of all stakeholders to

	Indicators	Means of Verification	Assumptions
adoption of improved methodologies among IFAD-supported projects	and lessons learned Participation of project staff, regional collaborators, target group/clients in thematic workshops, exchange visits, and other formal and informal exchange mechanisms Application of regional best practices	reports, disseminations tools, thematic newsletters and publications Regular project reporting Ongoing project monitoring	share their knowledge base IFAD's continued commitment in implementing knowledge management principles and practices in order to achieve organizational objectives
<ul style="list-style-type: none"> ▪ 2.1 Support provided to the design and implementation of national micro/rural finance strategies in selected pilot countries 	IFAD/UNCDF joint participation in formulation exercises for the development of microfinance national strategies	Presence and implementation of microfinance national strategies	Need for a microfinance/rural finance regulatory framework in the identified countries
<ul style="list-style-type: none"> ▪ 2.2 Promotion of the rural dimension and challenges of building inclusive financial sectors 	Availability of studies, strategic research and assessments on key constraints/opportunities linked to promoting access to financial services in rural areas Address the challenges of providing financial services in rural areas Develop financial products that specifically meet the needs of poor rural clients	Collaboration between BIFSA-supported national strategies and IFAD rural finance formulations Regular project reporting Ongoing project monitoring	IFAD continues focus on the rural dimension of poverty
<ul style="list-style-type: none"> ▪ 2.3 Close donor coordination to build inclusive financial sectors in the region 	Participation in national/regional donor coordination groups in rural finance/microfinance Participation in national workshops Development of joint strategies for building inclusive financial sectors	Common workplan in microfinance developed at national and regional levels	

INTERNATIONAL CENTRE OF INSECT PHYSIOLOGY AND ECOLOGY (ICIPE): PROGRAMME FOR THE DEVELOPMENT OF SERICULTURE AND APICULTURE PRODUCTS FOR THE POOR IN FRAGILE ECOSYSTEMS, USING THE VALUE CHAIN APPROACH

1. At its eighty-sixth session in December 2005, the Executive Board approved financing in the amount of US\$1.4 million to support a multi-donor-financed initiative, the Programme for the Development of Sericulture and Apiculture Products for the Poor in Fragile Ecosystems, Using the Value Chain Approach, implemented by ICIPE and its partners. The programme's aim is to provide alternative income sources from apiculture and sericulture to people living in fragile agro-economic environments, such as poor forest communities. Given the potential environmental benefits of the programme, the grant is of special interest to the Global Environment Facility, which, as one of the cofinanciers, commenced financing activities in late 2004, at the same time that negotiations between ICIPE and IFAD commenced for potential IFAD grant financing.
2. Although ICIPE incurred some expenditures under the programme from June 2005, it inadvertently did not request an amount to be allocated for retroactive financing. As a consequence, the grant was approved by the Executive Board without any specific allocation for retroactive financing.
3. Subsequently, ICIPE has requested that US\$200,000 incurred for expenditures between 1 June 2005 and 13 December 2005 be financed retroactively. As these expenditures were made to meet the specific objectives of the grant, ICIPE's request is warranted on an exceptional basis. Approval is sought from the Executive Board to approve, on an exceptional basis, retroactive financing totalling US\$200,000.

