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Enabling the rural poor
to overcome poverty

President's report

Proposed loan to Burkina Faso for the

Agricultural Commodity Chain Support Project

Executive Board — Eighty-ninth Session
Rome, 12-14 December 2006

For: **Approval**

Note to Executive Board Directors

This document is submitted for approval by the Executive Board.

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Contents

Abbreviations and acronyms	ii
Recommendation for approval	iii
Map of the project area	iv
Loan summary	v
I. The project	1
A. Main development opportunity addressed by the project	1
B. Proposed financing	1
C. Target group and participation	2
D. Development objectives	3
E. Harmonization and alignment	3
F. Components and expenditure categories	3
G. Management, implementation responsibilities and partnerships	4
H. Benefits and economic and financial justification	4
I. Knowledge management, innovation and scaling up	5
J. Main risks	5
K. Sustainability	6
II. Legal instruments and authority	6
III. Recommendation	6
Annex	
Summary of important supplementary assurances included in the negotiated loan agreement	7
Appendices	
I. Key reference documents	
II. Cadre logique (Logical framework)	

Abbreviations and acronyms

CEIG	common economic interest group
M&E	monitoring and evaluation
PCU	project coordinating unit
PRSP	poverty reduction strategy paper
RDS	rural development strategy

Recommendation for approval

The Executive Board is invited to approve the recommendation for the proposed loan to Burkina Faso for the Agricultural Commodity Chain Support Project, as contained in paragraph 35.



Burkina Faso
Agricultural Commodity Chain Support Project



Map of the project area

Source: IFAD

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

Burkina Faso

Agricultural Commodity Chain Support Project

Loan summary

Initiating institution:	IFAD
Borrower:	Burkina Faso
Executing agency:	Ministry of Agriculture, Water and Fisheries Resources
Total project cost:	US\$16.86 million
Amount of IFAD loan:	SDR 9.35 million (equivalent to approximately US\$13.83 million)
Terms of IFAD loan:	40 years, including a grace period of 10 years, with a service charge of 0.75 per cent per annum
Contribution of borrower:	US\$2.49 million
Contribution of beneficiaries:	US\$0.54 million
Appraising institution:	IFAD
Cooperating institution:	Directly supervised by IFAD

Proposed loan to Burkina Faso for the Agricultural Commodity Chain Support Project

I. The project

A. Main development opportunity addressed by the project

1. The five commodity chains to be supported by the proposed project – cowpea, sesame, goats/sheep, poultry and onions – hold significant development opportunities for the rural poor. Given the promising trends in the potential for improving marketing and access to new technologies and for increasing both farm-gate prices and profit margins for rural poor actors located downstream from production, support for these commodity chains is both timely and appropriate. The domestic market is vibrant and the regional integration process is accelerating. Thanks to the support given by the Economic Community of West African States and the West African Economic and Monetary Union to commodity chains, a growing number of agricultural products can now be more easily exported. Burkina Faso is particularly well placed to take advantage of this regional economic opportunity, as it shares a border with six other countries.

B. Proposed financing

Terms and conditions

2. It is proposed that IFAD provide a loan to Burkina Faso in the amount of SDR 9.35 million (equivalent to approximately US\$13.83 million) on highly concessional terms to help finance the Agricultural Commodity Chain Support Project. The loan will have a term of 40 years, including a grace period of 10 years and a service charge of 0.75 per cent per annum.

Relationship to the IFAD performance-based allocation system (PBAS)

3. The annual allocation defined under the PBAS for Burkina Faso is US\$6,525,115, or US\$19,575,345 over the three-year PBAS cycle. This project is the first within the current PBAS cycle and the loan amount of US\$13.83 million falls well within the three-year allocation.

Country debt burden and absorptive capacity of the State

4. The capacity of Burkina Faso to service external debt is acceptable. In 2004, debt value stood at 23 per cent of GNI. The total debt service ratio as a percentage of GNI increased slightly from 1.1 per cent in 1990 to 1.2 per cent in 2004 – and is lower than in most other countries in the region. Burkina Faso has received nine IFAD loans for a total amount of US\$117.1 million since 1981. Annual disbursements under all ongoing projects in the country average SDR 0.99 million, with an average annual disbursement rate of 11.5 per cent. Burkina Faso receives about two loans every three years. Average loan size over the past 10 years has been US\$12.7 million. The Government's repayment record for IFAD loans is excellent.

Flow of funds

5. A special account will be set up in a commercial bank in Ouagadougou to ensure the smooth flow of funds. Upon loan effectiveness and at the request of the borrower, IFAD will make an initial deposit into the account and will thereafter replenish it in accordance with established IFAD guidelines. A project account will be opened in CFA francs at a commercial bank in Ouahigouya acceptable to IFAD and will be managed by the project coordination unit (PCU). The Government will deposit its contributions into this account according to an agreed annual schedule.

Supervision arrangements

6. The project will be directly supervised by IFAD, which will contract the United Nations Office for Project Services for the fiduciary aspects of administering the IFAD loan.

Exceptions to IFAD General Conditions for Agricultural Development Financing and operational policies

7. No exceptions are foreseen.

Governance

8. The following planned measure is intended to enhance the governance aspects of the IFAD loan: open competitions for implementation contracts between the public, private and non-profit sectors.

C. Target group and participation

Target group

9. The project will target 1,000 common economic interest groups (CEIGs): 800 farmer groups and 200 trader and processor groups. It will also strengthen 30 professional commodity chain organizations. In total, 20,000 households should benefit from project activities. Target groups include: (i) farmers, pastoralists, migrants, processors, marketers, local entrepreneurs and other small-scale actors located up- and downstream in the five targeted commodity chains; (ii) vulnerable (food-insecure) groups, especially young people and women; and (iii) farmer and professional organizations, women's groups and the private sector.

Targeting approach

10. A mix of self-targeting mechanisms will be used, boosting the project's pro-poor commodity chain development approach (vertical integration) with a spatial development approach (horizontal integration) aimed at reaching out to the most vulnerable groups. Self-targeting will feature: (i) a selection of pro-poor commodity chains within which the poorest rural population groups participate or have the potential to do so; (ii) support to collective local income-generating institutions (CEIGs) rather than to individual initiatives; and (iii) the promotion of pro-poor technologies adapted to the specific needs of small producers, processors and microentrepreneurs. Pro-poor commodity chains and spatial targeting will involve several gradual and carefully sequenced steps, aimed at providing the poor with the necessary manoeuvring space (such as extra time, resources, expertise, opportunities for exchange and interaction) so that they can become active commodity chain participants on a sustainable basis.

Participation

11. CEIGs will participate in the planning of microprojects and the selection of service providers for these projects. They may be designated as procurement agents, implementing agencies, or contractors for the supply of goods, works or services, under the supervision of project fieldworkers and the local PCU. One of the two learning and innovation workshops organized each year foresees the active participation of project beneficiaries in the evaluation of the progress achieved and problems encountered. Special participatory monitoring and evaluation (M&E) workshops will be organized in year 3 and year 6 to examine issues more thoroughly and provide an opportunity to introduce substantial strategic and operational changes as deemed desirable (regarding, for instance, the choice of commodity chains to be supported, the implications of price trends, microcommodity chains that could be included, new zones of intervention to be embraced/old ones to be phased out, other emerging marketing opportunities, and the appropriateness of setting up a national foundation for commodity chain development).

D. Development objectives

Key project objectives

12. The project's development objective is to reduce rural poverty by improving rural poor people's access to profitable markets. Its specific objectives are to: (i) develop links between the target group and other commodity chain stakeholders; (ii) strengthen the capacities of target group members and their organizations; and (iii) improve the access of rural poor people to productive investments and marketing services.

Policy and institutional objectives

13. By taking the lead in the development of the cowpea and sesame commodity chains in the context of the Government's rural development strategy (RDS) and poverty reduction strategy paper (PRSP), IFAD aims to increase policymakers' awareness of the target group's needs in relation to commodity chains and to strengthen the pro-poor orientation of policies in these subsectors. The project's institutional objectives will include enhancing commodity chain governance at all levels through capacity-building of unions, federations, and local groups of producers, processors, marketers and microentrepreneurs; achieving more efficient, transparent and equitable transactions, thereby making markets work for the rural poor; and shifting value addition further upstream in the commodity chains towards their relatively poorer participants.

IFAD policy and strategy alignment

14. The project is in line with IFAD's private-sector partnership strategy, current country strategic opportunities programme, regional strategy for Western and Central Africa, rural microenterprise and rural finance strategies, and targeting policy.

E. Harmonization and alignment

Alignment with national priorities

15. The project is aligned with the Government's priorities as expressed in the four pillars of the PRSP and the recently prepared RDS. The RDS – to be implemented in the context of the PRSP – targets the poorest segments of the rural population. The Government has made the promotion of agricultural commodity chains a priority under the RDS through the launching of a national commodity chain development programme. Action plans have been prepared for each commodity chain and support from donors has been solicited. The project will put into practice one of the main thrusts of the RDS, which is intended to promote sustainable agricultural development, improve food security and increase rural incomes.

Harmonization with development partners

16. The Government is putting in place centralized and decentralized mechanisms to coordinate all ongoing commodity chain development interventions, including projects funded by the World Bank, the Danish International Development Assistance (DANIDA), the German Cooperation and the Canadian International Development Agency (CIDA). Focusing mainly on the micro and intermediate levels, the project will develop a structured partnership with the World Bank's forthcoming Agricultural Diversification and Market Development Project, which will target the intermediate and macro levels, and with DANIDA's Agricultural Sector Support Programme.

F. Components and expenditure categories

Main components

17. The project has four components: (i) rural communication, commodity chain networking and marketing linkages (8 per cent of base costs); (ii) capacity-building (44 per cent); (iii) commodity chain development fund (FODEF) (33 per cent); and (iv) project organization and management (15 per cent).

Expenditure categories

18. There are 10 expenditure categories: (i) civil works (1 per cent); (ii) vehicles (4 per cent); (iii) equipment and materials (1 per cent); (iv) technical assistance (3 per cent); (v) studies (2 per cent) (vi) training and communication (34 per cent); (vii) FODEF (32 per cent); (viii) service provision (6 per cent); (ix) salaries (10 per cent); and (x) operating costs (7 per cent).

G. Management, implementation responsibilities and partnerships**Key implementing partners**

19. The project will be under the authority of the Ministry of Agriculture, Water and Fisheries Resources, which is responsible for rural development in Burkina Faso. Other key implementing partners include unions, federations and other associations of commodity chain actors, CEIGs, and specialized service providers from the private, public and non-profit sectors.

Implementation responsibilities

20. The PCU will have overall responsibility for project implementation and the use of project funds. Three decentralized, local PCUs will be set up. Fieldwork will be contracted out to private, public and non-profit service providers, including professional commodity chain organizations, farmers' associations and unions. Contracts and memorandums of understanding will clearly define performance-based objectives, results-based targets and performance indicators. With support from some 560 village-based resource persons in order to increase outreach to vulnerable groups, implementation of the project's targeting approach will be the responsibility of fieldworkers, for whom this will constitute a key performance objective.

Role of technical assistance

21. IFAD will provide implementation support in the first year of the project to cover the cost of technical assistance for M&E.

Status of key implementation agreements

22. There will be no other agreement required to enable project implementation other than the standard IFAD loan agreement.

Key financing partners and amounts committed

23. The principal sources of financing are IFAD (US\$13.83 million); the Government (US\$2.49 million); and project beneficiaries (US\$0.54 million).

H. Benefits and economic and financial justification**Main categories of benefits generated**

24. The main impacts expected are increased rural incomes and food security through: (i) higher production of cowpea, sesame, goats and sheep, poultry and onions; (ii) less post-harvest loss and more farm-level storage, allowing rural households to benefit from strong seasonal price fluctuations; (iii) capitalization of farmers and small-scale traders; (iv) the sustainable inclusion of the poorest population groups in commodity chains; (v) increased value added at the target group level, and additional marketing activities; and (vi) stronger organizations in the targeted commodity chains, which will help improve the structuring of these chains and increase the impact of subsector policies.

Economic and financial viability

25. The project's economic internal rate of return is estimated at 17 per cent and it is robust. Given that the underlying hypotheses were relatively conservative, this rate can be considered satisfactory.

I. Knowledge management, innovation and scaling up

Knowledge management arrangements

26. Through its rural communication, commodity chain networking and marketing linkages component, the project will work with key knowledge management stakeholders (including donors, NGOs and the National Institute for the Environment and Agricultural Research) in the policy arenas concerned with commodity chain development. By way of biannual learning and innovation workshops, participatory M&E workshops, study tours, farmers field schools, demonstrations (of technologies, equipment, etc.) and regular meetings of coordinators of commodity chain development projects, the project will engage in a two-way process of sharing knowledge and experience with other development partners, including regional organizations such as the Economic Community of West African States, the West African Economic and Monetary Union, the Network of Farmers' Organizations and Agricultural Producers in West Africa, the National Women Farmers Association and Catholic Relief Services.

Development innovations that the project will promote

27. The project will facilitate dialogue between individuals and institutions, and promote negotiation methods adapted for use in complex, asymmetric multistakeholder settings. The innovative rural communication subcomponent will seek to integrate different actors in an information exchange process from the bottom up and from the top down. M&E will feature learning and innovative processes involving both "hardware" (e.g. technologies, infrastructure) and "software" (approaches used, networking, empowerment).

Scaling-up approach

28. The project will scale up its activities through (i) village-based resource persons for increasing outreach and village animal health workers; (ii) resource persons for preparing microprojects; (iii) farmers field schools; and (iv) unions, federations and other associations of commodity chain actors, including farmers' organizations and chambers of agriculture active at the provincial, regional and national levels. The project will be linked to a number of regional technical assistance grants that support new production technologies essential for capturing niche markets (e.g. organic sesame), promote neglected and underused species, and strengthen the collaborative management of rural innovation, all of which will also serve to scale up successful approaches and activities.

J. Main risks

Main risks and mitigation measures

29. The main risks are (i) the inadequate quality of technological, marketing and managerial training modules and packages – which will be mitigated by investment in applied research and the identification of existing successful modules in the region for adaptation; (ii) the uneven availability, interest and quality of service providers and the quality of the business and development plans they help prepare – which will be mitigated by an in-depth training programme to be organized; and (iii) price volatility in the targeted commodity chains – which will be mitigated by constant monitoring of prices and analyses of time series to gain a better understanding of price trends, seasonality and volatility in order to advise commodity chain stakeholders so that they can make informed and timely decisions.

Environmental classification

30. The project has been classified as a Category B operation in that it is not expected to have any significant negative environmental impact. Farmers field schools will, in fact, encourage the reduced use of chemical fertilizers and pesticides, which will improve the overall environment and the health of smallholder producers.

K. Sustainability

31. The main arrangements for post-project sustainability revolve around the strengthening of commodity chain-related organizations and apex bodies in technical, marketing and organizational domains. The project will promote the identification of village-based resource persons and village animal health workers from within local CEIGs. The sustainability of public investments will be ensured by the setting up of management committees at the village, local or provincial government level.

II. Legal instruments and authority

32. A loan agreement between Burkina Faso and IFAD will constitute the legal instrument for extending the proposed loan to the borrower. A summary of the important supplementary assurances included in the negotiated agreement is attached as an annex.
33. Burkina Faso is empowered under its laws to borrow from IFAD.
34. I am satisfied that the proposed loan will comply with the Agreement Establishing IFAD.

III. Recommendation

35. I recommend that the Executive Board approve the proposed loan in terms of the following resolution:

RESOLVED: that the Fund shall make a loan to Burkina Faso in various currencies in an amount equivalent to nine million three hundred and fifty thousand special drawing rights (SDR 9,350,000) to mature on or prior to 15 November 2046, and to bear a service charge of three fourths of one per cent (0.75 per cent) per annum, and to be upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Lennart Båge
President

Summary of important supplementary assurances included in the negotiated loan agreement

(Negotiations concluded on 16 November 2006)

1. As part of maintaining sound environmental practices, the Government will take the necessary pesticide management measures under the project, or will ensure that such measures are taken, and to this end it will ensure that the pesticides procured under the project do not include any pesticide either proscribed by the International Code of Conduct on the Distribution and Use of Pesticides of the Food and Agriculture Organization of the United Nations, as amended from time to time, or listed in tables 1 (extremely hazardous) or 2 (highly hazardous) of the World Health Organization's Recommended Classification of Pesticides by Hazard and Guidelines to Classification 1996-1997, as amended from time to time.
2. The Government will ensure that internal M&E activities will focus on monitoring the learning and innovation process, programme implementation and modifications of annual work programmes and budgets, if necessary, of performance and targeted commodity chains; financial evaluation of investment costs and participation by beneficiaries, and data management and updating. Participatory learning and innovation workshops and participatory M&E workshops will be organized. The latter will be conducted by external consultants, who will ensure participation by all stakeholders, in particular underprivileged categories. On the basis of this fieldwork, the consultants will be in a position to conduct a comparative analysis and to discern major trends and appropriate recommendations at the commodity chain level. The process of learning and innovation with regard to technology will be based on semi-annual working meetings that bring project staff and the main partners together for strategic reflection on the quality of the outcomes obtained and approaches used and the effectiveness of implementation. The targeted commodity chains will be monitored on the basis of studies of structural changes and price series studies.
3. The Government will conduct an anthropometric survey and a socio-economic survey. The former will make it possible to monitor the project's impact on the nutritional situation of the population. The socio-economic benchmark survey will be based on the method of IFAD's Results and Impact Management System. The questionnaire will include key indicators on household goods in order to measure impact in the following areas: (i) physical and financial factors of production; (ii) income; (iii) social capital and capacity-building; (iv) gender equity; (v) food security; (vi) environmental impact; and (vii) legal institutions and framework.
4. The Government will insure project staff against health and accident risks in accordance with the usual practices of Burkina Faso.
5. Project staff will be recruited through national calls for bids published in the national press, in accordance with current procedures of the Government and excluding all forms of discrimination. Recruitment will be on the basis of renewable fixed-term contracts. The recruitment of the key project officers – i.e. the PCU coordinator, the PCU financial and administrative officer, the operations officer responsible for programming, M&E and targeting, the accountant, the officer responsible for communications and capacity-building and the officer responsible for commodity chains – and any decision to terminate their contracts will be decided in agreement with IFAD. Project staff will be subject to annual performance evaluations, and their contracts may be terminated on the basis of the findings of said evaluations. The recruitment and management of support staff will observe applicable procedures of Burkina Faso. All other qualifications being

equal, the Government undertakes to give preference to women candidates, especially for technical positions to be filled under the project.

6. The following are specified as additional events of suspension:

- (a) The loan agreement has not become effective by the established date or such other date as may be set for such purpose.
- (b) IFAD has given notice to the Government that credible allegations of corrupt or fraudulent practices in connection with the project have come to the attention of IFAD, and the Government has failed to investigate the matter fully and promptly to the satisfaction of IFAD; or thereafter, based on the conclusions of the aforesaid investigation and any other information available to it, IFAD, in consultation with the Government, determines that such practices have occurred, and the Government has failed to take timely and appropriate action to remedy the matter to the satisfaction of IFAD.
- (c) The administrative, financial and accounting procedures manual, or any of its provisions, has been suspended, revoked in whole or in part, waived or otherwise amended without the previous consent of IFAD; and IFAD considers that such events have had or are likely to have a material adverse effect on the project.

7. The failure to submit the annual audit reports during the six months following the six-month period stipulated in the loan agreement shall be an obligatory cause of suspension.

8. The following are specified as conditions precedent to disbursement:

- (a) No withdrawal may be made until such time as the draft manual of administrative, financial and accounting procedures has been prepared and presented to IFAD.
- (b) No withdrawal may be made until such time as the first annual workplan and budget has been approved by the steering committee and IFAD.

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

- (a) a favourable legal opinion, issued by the Constitutional Council or other competent authority of Burkina Faso in form and substance acceptable to IFAD, has been delivered by the Government to IFAD;
- (b) the PCU and the steering committee have been established by ministerial decree;
- (c) the coordinator of the PCU, the operations officer responsible for programming, M&E and targeting, and the financial and administrative officer have been recruited in keeping with the procedure described in paragraph 5 above;
- (d) a project account and a special account have been opened by the Government and an amount in CFA francs equivalent to US\$100,000, corresponding to the initial deposit of the counterpart funds of the Government, has been deposited in the project account.

Key reference documents

Country reference documents

Poverty reduction strategy paper
Rural Development Strategy

IFAD reference documents

Private Sector Strategy
COSOP
Regional Strategy for Western and Central Africa
Rural Microenterprise Strategy
Regional Strategy for Rural Finance
Policy on Targeting

Other miscellaneous reference documents

World Bank Agricultural Diversification and Marketing Project Appraisal Document (PAD),
23 May 2006

Cadre logique

Résumé descriptif	Indicateurs objectivement vérifiables	Source d'information	Risques/hypothèses
1. OBJECTIF GLOBAL			
Réduire la pauvreté rurale en facilitant l'accès équitable des pauvres ruraux aux filières agricoles qui bénéficient de marchés porteurs	<ul style="list-style-type: none"> - Index des biens des ménages (SYGRI) - Indice de pauvreté au niveau régional 	<ul style="list-style-type: none"> - Etudes et enquêtes de référence - Enquête prioritaire sur les niveaux de vie (EPNV) - Rapport d'achèvement du projet - Rapport d'évaluation finale 	
2. OBJECTIFS SPÉCIFIQUES			
1. Renforcer la mise en réseau des groupes cibles et des autres acteurs des filières	<ul style="list-style-type: none"> - Nombre de GIE/ménages qui s'insèrent dans les filières (vulnérables, femmes, jeunes) - Nombre de GIE/ménages qui ont accès aux intrants (vulnérables, femmes, jeunes) - Volumes de production échangés (par genre et par produit) - Degré de participation des femmes et des plus vulnérables - Réseaux d'échanges d'informations fonctionnelles (% de groupements de femmes impliqués) - Pourcentages de ménages utilisant les réseaux d'information (par genre) 	<ul style="list-style-type: none"> - Statistiques du MAHRH et du MRA - Rapport du S-E du Projet - Revue à mi-parcours - Enquêtes d'impact 	<ul style="list-style-type: none"> - Volonté des acteurs de la filière de renforcer les liens avec le groupe cible du FIDA - Prix rémunérateurs dans les filières ciblées
2. Renforcer les capacités des acteurs des filières et de leurs organisations faïtières	<ul style="list-style-type: none"> - Nombre de groupements appliquant les méthodologies et technologies enseignées (par genre) - Fonctionnement et pérennité du réseau de relais - Pérennité des GIE (par genre) - Dynamique des organisations faïtières en termes d'activités développées 	<ul style="list-style-type: none"> - Rapport du S-E du Projet - Revue à mi-parcours - Enquêtes d'impact - Rapports de la Direction de la Vulgarisation et de l'Aide aux Organisations des Producteurs 	<ul style="list-style-type: none"> - Volonté des GIE et des organisations faïtières
3. Améliorer l'accès des groupes cibles aux investissements productifs et de mise en marché.	<ul style="list-style-type: none"> - Pourcentage de microprojets opérationnels - Impact sur les revenus des ménages (par genre) - Surplus de production et de volumes commercialisés 	<ul style="list-style-type: none"> - Statistiques du MAHRH et du MRA - Rapport du S-E du Projet - Revue à mi-parcours - Enquêtes d'impact - Rapport d'activité du FODEF 	<ul style="list-style-type: none"> - Les filières ciblées ont un potentiel d'absorption de la production additionnelle

