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Enabling the rural poor
to overcome poverty

President's report

Proposed grant to the Republic of Sierra Leone for the

Rural Finance and Community Improvement Programme

Executive Board — Ninetieth Session
Rome, 17–18 April 2007

For: **Approval**

Note to Executive Board Directors

This document is submitted for approval by the Executive Board.

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Abbreviations and acronyms

AfDB	African Development Bank
FSA	financial services association

Recommendation for approval

The Executive Board is invited to approve the recommendation for the proposed grant to the Republic of Sierra Leone for the Rural Finance and Community Improvement Programme, as contained in paragraph 35.

Map of the programme area



Republic of Sierra Leone

Rural Finance and Community Improvement Programme

Grant summary

Initiating institution:	IFAD
Recipient:	Republic of Sierra Leone
Executing agency:	Ministry of Agriculture and Food Security
Total programme cost:	US\$10.91 million
Amount of IFAD grant:	SDR 5.95 million (equivalent to approximately US\$9.88 million)
Contribution of recipient:	US\$0.51 million
Contribution of beneficiaries:	US\$0.51 million
Appraising institution:	IFAD
Cooperating institution:	African Development Bank

Proposed grant to the Republic of Sierra Leone for the Rural Finance and Community Improvement Programme

I. The programme

A. Main development opportunity addressed by the programme

1. Over the years, high population growth coupled with economic decline associated primarily with a decade-long civil war and social unrest have destroyed Sierra Leone's social and physical infrastructure and impoverished the country. After the civil war, the country embarked on a process of democratization and stabilization that led to open and transparent elections and the installation of an elected Government in May 2002. The Rural Finance and Community Improvement Programme has been designed to contribute directly to the achievement of the Millennium Development Goals by improving food security and reducing rural poverty, and indirectly to the Government's democratization and stabilization policies by mitigating the risks that have led to the civil war.

B. Proposed financing

Terms and conditions

2. It is proposed that IFAD provide a grant to the Republic of Sierra Leone in the amount of SDR 5.95 million (equivalent to approximately US\$9.88 million) to help finance the Rural Finance and Community Improvement Programme.

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

3. The annual allocation defined under the PBAS for the Republic of Sierra Leone is US\$6.8 million, over the PBAS cycle 2007-2009. This allocation was increased in line with Sierra Leone's classification as a post-conflict country and with the IFAD Policy on Crisis Prevention and Recovery.

Country debt burden and absorptive capacity of the State

4. In 2002, the International Monetary Fund (IMF) and the World Bank declared Sierra Leone eligible for assistance under the Debt Initiative for Heavily Indebted Poor Countries (HIPC). The country reached completion point in December 2006 and debt relief under the HIPC was estimated to correspond to approximately US\$994 million in nominal terms. On reaching HIPC completion point, the country also became eligible for further debt relief from the IMF, International Development Association (IDA) and African Development Fund (AfDF) under the Multilateral Debt Relief Initiative. In addition, Sierra Leone has been classified by World Bank/IMF technical country assessments as a highly vulnerable indebted country and therefore eligible for IFAD's DSF. This will help manage future financial flows of development assistance to the country. To this effect, the country will receive development assistance in grant form only (100 per cent), under the DSF mechanism. After Sierra Leone became eligible to participate in the HIPC Debt Initiative, the Rehabilitation and Community-based Poverty Reduction Project was approved in December 2003; it became effective in March 2006, and implementation and disbursement have just begun.

Flow of funds

5. IFAD will establish a programme grant account in the name of the recipient. Over the six-year implementation period, the grant proceeds will be disbursed on the basis of annual workplans and budgets and deposited into a grant bank account, which will be opened by the Government of Sierra Leone in a commercial bank acceptable to IFAD. Funds for the grant bank account will be used to finance IFAD's share of the programme's eligible expenditures. The Joint Programme Portfolio Coordination Unit will operate the grant bank account. Replenishment of the grant bank account will be made in accordance with the annual workplan and budget.

Supervision arrangements

6. The grant will be administered and supervised by the African Development Bank (AfDB), which is also the cooperating institution for the ongoing Rehabilitation and Community-based Poverty Reduction Project.

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

7. No exceptions.

Governance

8. The following planned measures are intended to ensure accountability and transparency, and enhance the governance aspects of the IFAD grant: (i) service provider contracts will be awarded and procurement of goods and services undertaken on a competitive basis and in accordance with the procurement guidelines of IFAD and the cooperating institution. Contract renewal will be based on yearly performance; (ii) programme accounts will be audited by independent auditors, selected through open competitive bidding procedures; and (iii) programme staff will be recruited on a competitive basis. Contracts will be renewed every year, subject to individual and programme performance.

C. Target group and participation

Target group

9. The programme will target 34,000 households from three categories, namely: (i) smallholder farmers, including women heads of households; (ii) microentrepreneurs and the operators of small businesses, including women; and (iii) young people, including ex-combatants, and sexually abused young women and single mothers. To consolidate peace and promote social cohesion in rural areas, the programme's primary target group is young people. Accordingly, employment opportunities will be generated by a programme specifically designed for this group. In addition, community subprogrammes will create short-term employment while farming and income-generating activities – funded by loans from financial services associations and community banks – will give rise to longer-term sources of employment.

Targeting approach

10. In accordance with the IFAD Policy on Targeting, the programme will implement a **two-level strategy**, which entails area targeting and social targeting. First, area targeting focuses on the poorest districts and on operations by IFAD and/or other donors in the area, whether planned or ongoing. Social targeting then identifies individuals, groups or communities within the selected areas.

Participation

11. The core concern of the programme is achieving sustainability through fostering self-reliance and promoting community ownership of the development process. This will be ensured through the adoption of a holistic approach involving investment in core and support activities. The core programme activity is the fostering of rural financial services in seven districts, while the support activities are dedicated to the rehabilitation of critical infrastructure. All members of the community, including women, will be involved in decision-making, and community institutions will be built up so that programme initiatives and the development momentum can be sustained by the communities themselves after programme completion. Using participatory planning processes, communities will select the activities they wish to pursue as individual households and as communities, with the guidance of programme technical staff and other service providers. Greater prominence will be given to women's development by ensuring that they are an integral part of all community decision-making processes, and that their specific needs and interests are addressed.

D. Development objectives

Key programme objectives

12. The overall goal of the programme is to contribute to the reduction of rural poverty and household food insecurity on a sustainable basis. The main objective is to achieve tangible, measurable and sustainable improvements in the livelihoods and food security of poor rural households in programme areas. Specifically, the programme aims to empower communities, in particular the women and poor within them, to participate in and benefit from community-based investments and to develop the institutional capacity to support their endeavours.

Policy and institutional objectives

13. On completion, it is expected that the programme will have: (i) made significant changes to the strategies and operations of the rural finance sector, particularly its institutional, regulatory and supervision aspects; (ii) enhanced the decentralization of economic and administrative decision-making at the district level; and (iii) promoted pro-poor investment by the private sector in rural areas.

IFAD policy and strategy alignment

14. The programme goal and objective are in line with IFAD's Strategic Framework (2007-2010), the country strategic opportunities programme for Sierra Leone and the Regional Strategy for Western and Central Africa. Since Sierra Leone has been classified as a post-conflict country, programme interventions have been fully aligned with the recommendations of the IFAD Policy on Crisis Prevention and Recovery.¹

E. Harmonization and alignment

Alignment with national priorities

15. The proposed programme is consistent with the Government's development priorities, which form the three pillars of the Sierra Leone Poverty Reduction Strategy for 2005-2007. The programme components fully support the strategy's comprehensive framework for reducing poverty; achieving economic growth; improving food security; increasing job opportunities; and providing better basic social services and effective social safety nets for the poor and vulnerable in Sierra Leone. Programme interventions will build directly on these three pillars by promoting: (i) good governance, security and peace-building; (ii) pro-poor sustainable growth for food security and job creation; and (iii) human development through microfinance, specifically the use of community banks and microfinance institutions as effective vehicles for the implementation of the national microfinance policy.

Harmonization with development partners

16. There are several windows for cooperation and partnership between the programme and other ongoing donor interventions, namely: (i) the Microfinance Investment and Technical Assistance Facility; (ii) the World Bank's Rural and Private Sector Development Project to promote pro-poor investment; and (iii) the private sector/youth employment project supported by the German Agency for Technical Cooperation.

¹ See appendix I for a list of the key IFAD operational policies and learning notes used during the design of the programme.

F. Components and expenditure categories

Main components

17. The total programme cost is US\$10.91 million (base costs amount to US\$10.32 million, physical contingencies to US\$0.28 million and price contingencies to US\$0.30 million). The programme has three components: (i) access to rural financial services (US\$6.28 million or 61 per cent of base costs); (ii) support to community development (US\$3.06 million or 30 per cent); and (iii) programme management (US\$0.98 million or 9 per cent).

Expenditure categories

18. There are ten expenditure categories: (i) civil works (13 per cent); (ii) contracts for service providers (36 per cent); (iii) vehicles, office furniture, equipment and materials (3 per cent); (iv) short-term consultants (6 per cent); (v) surveys and studies (1 per cent); (vi) refinancing facility and share capital (13 per cent); (vii) community development fund (19 per cent); (viii) salaries and allowances (5 per cent); (ix) operation and maintenance (3 per cent); and (x) unallocated (1 per cent).²

G. Management, implementation responsibilities and partnerships

Key implementing partners

19. These will include: (i) the Ministry of Agriculture and Food Security and its decentralized services; (ii) the Central Bank of Sierra Leone, which will be responsible for the regulatory and supervision aspects of the rural financial services; (iii) the Ministry of Finance; (iv) the Ministry of Local Government; (v) district councils; (vi) ward and district development committees; and (vii) private sector and NGO service providers.

Implementation responsibilities

20. Programme coordination will be undertaken within the existing project coordination unit for the AfDB-funded Agricultural Sector Rehabilitation Project and the IFAD-funded Rehabilitation and Community-based Poverty Reduction Project, jointly established by the two agencies. The unit will henceforth be referred to as the Joint Programme Portfolio Coordination Unit and will have overall responsibility for programme implementation and the use of programme funds. This implementation approach – which is in line with IFAD's emerging programme framework – will enhance cooperation between IFAD and AfDB, resulting in positive and concrete implementation synergies and significant cost-savings.

Role of technical assistance

21. The unit will be assisted in programme implementation by regional/international technical experts in areas related to: (i) grass-roots financial services; (ii) establishment, operation and monitoring of the community development fund; and (iii) regulatory and supervision aspects of finance and banking.

Status of key implementation agreements

22. In addition to the IFAD programme grant agreement, a number of memorandums of understanding will be signed between the programme and the World Bank, the German Agency for Technical Cooperation, and the Microfinance Investment and Technical Assistance Facility. A subsidiary agreement between the Central Bank of Sierra Leone and the Ministry of Finance will be entered into and will be a condition of disbursement for the refinancing facility and share capital category under the programme. Other agreements between community banks, financial services associations and the Central Bank of Sierra Leone are foreseen under the programme.

² See the appraisal report for a breakdown of programme costs by component and expenditure category.

Key financing partners and amounts committed

23. The principal sources of financing are IFAD (through a grant of US\$9.88 million), the Government (US\$0.51 million) and the beneficiaries (US\$0.51 million).

H. Benefits and economic and financial justification

Main categories of benefits generated

24. The main benefits that will be derived from the access to financial services component are: (i) the net profits to the financial services associations (FSAs) and community banks, and to clients engaged in income-generating activities; (ii) increased employment opportunities – both direct and indirect – for microentrepreneurs and daily wage labourers; (iii) cumulative dividends of shareholders; (iv) incremental tax revenues to the Government; and (v) unquantified benefits, e.g. increased refinancing facilities for microfinance institutions. Overall, an estimated 32,000 poor rural households will benefit directly from the programme.

Economic and financial viability

25. The programme's economic internal rate of return is estimated at 35 per cent and is robust. Given that the underlying hypotheses were relatively conservative, this rate can be considered very satisfactory. The financial viability of the farm and activity models is both robust and attractive, even under stringent sensitivity tests.³

I. Knowledge management, innovation and scaling up

Knowledge management arrangements

26. The programme will adopt a holistic approach to knowledge sharing. At the beneficiary level, information and awareness-raising campaigns are an integral part of the programme, especially with respect to HIV/AIDS and nutrition. Annual programme implementation workshops and donor round-table meetings will serve as platforms for knowledge sharing, and in particular as a showcase for the success stories and creative approaches of service providers and other partners.

Development innovations that the programme will promote

27. One innovative feature is the integration of programme organization and management into an existing unit that was jointly established by IFAD and AfDB to support two ongoing projects. The introduction of FSAs in Sierra Leone is innovative in its own right, and the programme's two-tier approach to financial service access is particularly so, and mirrors the overall targeting approach of the programme. The establishment of the community banks targets the bankable strata of the rural population while the creation of FSAs means that the potentially bankable poor and the vulnerable are also reached. The programme will introduce Geographic Information System-based monitoring and evaluation, which will benefit the entire project portfolio. A pilot voucher system will also be set up to promote proactive participation and ownership of the population in programme implementation.

Scaling-up approach

28. The programme will scale up activities through: (i) village-based resource persons, such as development planners at the ward or district level, and members of FSA management committees; (ii) farmer field schools and agricultural business offices; and (iii) informal and formal groups, for example groups of women vegetable-growers and women traders; and (iv) the development of pro-poor unions, federations and other associations of commodity chain actors, such as farmers' organizations and chambers of agriculture active at the provincial, regional and national levels. Once the apex institutions of the community banks and the FSAs are set up, these institutions will be linked to similar bodies in the region, and eventually to institutions at the international level. Participation of community banks and FSAs in the MIX Market system will enhance the networking strategy of the programme,

³ Details on the financial analyses are available in the main text of the appraisal report.

and provide the banks and associations with valuable ideas for developing new products and improving intermediation practices.

J. Main risks

Main risks and mitigation measures

29. Continuing high levels of poverty and unemployment in the country represent a major threat to peace and stability. The programme's interventions are geared at helping the rural poor – particularly young people – engage in economic activities, and thereby increase their income. This will directly contribute to reducing the risk of social conflicts stemming from a situation in which a large section of the population is being deprived of the benefits of economic development. The low implementation capacity of government institutions constitutes a significant risk, particularly for sustainability. To mitigate this, the programme will focus on the capacity-building of all stakeholders, including local service providers.

Environmental classification

30. Pursuant to IFAD's environmental assessment, the programme has been classified as a Category B operation in that it is unlikely to have any significant negative environmental impact.

K. Sustainability

31. To ensure sustainability of programme interventions, several measures are planned: (i) in subproject implementation, beneficiaries' participation will be sought from the outset and will be coupled with cost-sharing arrangements during the establishment of the FSAs and an agreement with the beneficiaries to ensure timely maintenance of programme-related infrastructure; and (ii) for the establishment and operation of the FSAs and community banks, a rigorous system will require specific conditions to be satisfied, and all institutional and legal procedures to be followed before any major investment is undertaken. As of their first year of operation, the business practices of the FSAs and community banks will have to comply with the MIX Market reporting system.

II. Legal instruments and authority

32. A programme grant agreement between the Republic of Sierra Leone and IFAD constitutes the legal instrument for extending the proposed grant to the recipient. The important assurances included in the negotiated agreement are attached as an annex.
33. The Republic of Sierra Leone is empowered under its laws to receive financing from IFAD.
34. I am satisfied that the proposed grant will comply with the Agreement Establishing IFAD.

III. Recommendation

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

RESOLVED: that the Fund shall provide a grant to the Republic of Sierra Leone in various currencies in an amount equivalent to five million nine hundred and fifty thousand special drawing rights (SDR 5,950,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Lennart Båge
President

Important assurances included in the negotiated programme grant agreement

(Negotiations concluded on 6 March 2007)

Pest management practices

1. The Government will comply with the International Code of Conduct on the Distribution and Use of Pesticides and ensure that pesticides procured under the programme do not include any pesticides classified as extremely hazardous or highly hazardous by the World Health Organization.

Insurance of programme personnel

2. The Government will insure key programme personnel against health and accident risks to the extent consistent with its customary practice in respect of its national civil service.

Use of programme vehicles and other equipment

3. The Government will ensure that:
 - (a) all vehicles and other equipment procured under the programme are allocated for programme implementation;
 - (b) the types of vehicles and other equipment procured under the programme are appropriate to the needs of the programme; and
 - (c) all vehicles and other equipment transferred to or procured under the programme are dedicated solely to programme use.

Key programme staff

4. The Government will recruit and appoint key programme staff with such qualifications and experience, and in accordance with such competitive and transparent procedures and criteria, as the Government may propose and IFAD may agree to. The Government will provide qualified programme staff in adequate number with experience and qualifications satisfactory to IFAD, including, inter alia, staff of the joint programme portfolio coordination unit (JPPCU), working full time for the programme at the national, district and village levels in the programme area. The Government will not remove any key programme staff until at least the completion of the mid-term review, except on grounds of unsatisfactory job performance. The Government will not remove any key programme staff without prior consultation with IFAD at least three months in advance.

Fraud and corruption

5. The Government will promptly bring to the attention of IFAD any allegations or concerns of fraud and/or corruption in relation to the implementation of the programme of which it has knowledge or becomes aware.

Suspension

6. (a) IFAD may suspend, in whole or in part, the right of the Government to request withdrawals from the grant account if:
 - (i) IFAD, after consultation with the Government, has determined that the material benefits of the programme are not adequately reaching the target group, or are benefiting persons outside the target group to the detriment of target group members;
 - (ii) the Bank of Sierra Leone (BoSL) subsidiary agreement, or any provision thereof, has been violated or has been waived, suspended, terminated, amended or otherwise modified without the prior written consent of IFAD, and IFAD has determined that such violation or waiver, suspension,

termination, amendment or other modification has had, or is likely to have, a material adverse effect on any portion of the programme;

- (iii) the FSA and community banks grant and/or financing agreements, or any provision thereof, has been violated or has been waived, suspended, terminated, amended or otherwise modified without the prior written consent of IFAD, and IFAD has determined that such violation or waiver, suspension, termination, amendment or other modification has had, or is likely to have, a material adverse effect on any portion of the programme;
 - (iv) the programme implementation manual and the procurement plan, or any provision thereof, has been waived, suspended, terminated, amended or modified without the prior consent of IFAD, and IFAD has determined that such waiver, suspension, termination, amendment or modification has had, or is likely to have, a material adverse effect on the programme;
 - (v) IFAD has given notice to the Government that credible allegations of corrupt or fraudulent practices in connection with the programme have come to the attention of IFAD, and the Government has failed to take timely and appropriate action to address the matters to the satisfaction of IFAD;
 - (vi) procurement has not been or is not being carried out in accordance with the programme grant agreement.
- (b) Notwithstanding the above, if the audit required by the programme grant agreement has not been satisfactorily concluded within 12 months of the financial reporting date set forth therein, IFAD will suspend the right of the Government to request withdrawals from the grant account.

Conditions precedent to withdrawal

7. No withdrawal will be made in respect of expenditures relating to (i) the refinancing facility and (ii) share capital, under the grant, until the BoSL subsidiary agreement has been approved by IFAD in draft, a signed copy of such agreement has been delivered to IFAD, and all conditions precedent to the effectiveness thereof have been fulfilled.

Conditions precedent to effectiveness

8. The programme grant agreement will become effective subject to the fulfilment of the following conditions precedent:
- (a) the JPPCU has been duly amended;
 - (b) the national programme steering committee has been duly amended;
 - (c) the district programme coordination committee has been established in the programme area;
 - (d) the programme implementation manual, duly amended, has been approved in draft by IFAD;
 - (e) the draft first annual workplan and budget, including a first procurement plan, has been submitted to IFAD;
 - (f) the Government has duly opened the grant bank account and the programme account;
 - (g) the Government has made the initial deposit of counterpart funds into the programme account;
 - (h) the programme grant agreement has been duly signed, and the signature and performance thereof by the Government have been duly authorized and ratified by all necessary administrative and governmental action; and

- (i) the Government has delivered to IFAD a legal opinion issued by the Attorney General or other legal counsel authorized by the Government to issue such opinion and in form and substance acceptable to IFAD.

Key reference documents

Country Reference Documents

- Government of Sierra Leone (2005). *Poverty Reduction Strategy Paper. A National Programme for Food Security, Job Creation and Good Governance (2005 – 2007)*. March 2005.
- Conteh, Bob K.; Samuel J. Braima (2004). *Micro Finance and Informal Sector Development for Poverty Alleviation*. A study presented as a chapter contribution to the Poverty Reduction Strategy Paper for Sierra Leone.
- Government of Sierra Leone (2005). *Building Capacities to Implement the Sierra Leone Poverty Reduction Strategy - Programme Framework*. November 2005.
- National Commission for Social Action (2002). *A Participatory Social Fund for Sustainable Development - Operations Manual*. December 2002.
- Government of Sierra Leone (2003). *National Micro-finance Policy*. October 2003.
- Republic of Sierra Leone (2004). *Sierra Leone: Agricultural Sector Review and Agricultural Development Strategy*. June 2004.
- Unruh, Jon D.; Harry Turray (2005). *Land Tenure and its Relationship to Food Security and Investment in Postwar Sierra Leone*. Paper prepared for the FAO "Access to Natural Resources Sub-programme" of the Livelihood Support Programme. December 2005.
- Richards, Paul; Khadija Bah; James Vincent (2004). *Social Capital and Survival: Prospects for Community-Driven Development in Post-Conflict Sierra Leone*. The World Bank Social Development Papers. Community-Driven Development, Conflict Prevention and Reconstruction. Paper No. 12. April 2004.

IFAD Reference Documents

- IFAD Strategic Framework
- Western and Central Africa Strategy for Rural Poverty Reduction 2002- 2006
- RCPRP Formulation Report, Appraisal Report and Key Files
- RFCIP Formulation Report, Appraisal Report and Key Files
- RFCIP TRC Issues Paper/OSC Issues Paper
- IFAD's Rural Finance Policy
- IFAD's Western and Central Africa Rural Finance Strategy
- Desk Review of FSAs
- Learning Note on Targeting
- Learning Note on Sustainability
- Policy on Crisis Prevention and Recovery
- Administrative Procedures on Environmental Assessment
- Prerequisites of Gender Sensitive Design
- Private-Sector Partnership and Development Strategy
- Sierra Leone COSOP
- Guidelines – Project Design Document and Key File
- M&E Guide

Donors

- World Bank (2005). *International Development Association Country Assistance Strategy for the Republic of Sierra Leone for the Period 2006-2009*. Report No. 31793-SL. May 5, 2005. Country Department 10 Africa Region.
- World Bank Private Sector Rural Enterprise Aide-Mémoire
- African Development Bank/African Development Fund (2005). *Sierra Leone 2005-2009 Country Strategy Paper*. Country Department West Region. July 2005.
- United Nations Country Team (2003). *United Nations Development Assistance Framework Sierra Leone 2004-2007*. March 2003.
- European Union (2003). *Sierra Leone - European Community Country Strategy Paper and National Indicative Programme for the Period 2003 – 2007*.

Logical framework

<i>Narrative summary</i>	<i>Verifiable indicators</i>	<i>Sources of verification</i>	<i>Assumptions and risks</i>
DEVELOPMENT GOAL Rural poverty and household food insecurity reduced on a sustainable basis.	<ul style="list-style-type: none"> - Number of households with improvement in household assets ownership index, based on additional assets - Percent of reduction in the prevalence of child malnutrition 	<ul style="list-style-type: none"> - Poverty Reduction Strategy Paper and Millennium Development Goals Progress and Monitoring Reports 	
PROGRAMME OBJECTIVE Livelihoods and food security of poor rural households in programme areas improved on a sustainable basis.	<ul style="list-style-type: none"> - Number of households that have improved food security (e.g. reduction in length of lean/hungry season, increased number of meals a day - disaggregated by gender) - Percentage reduction in rural households below the poverty line 	<ul style="list-style-type: none"> - Project impact assessment studies and surveys - National and local household income and poverty studies 	<ul style="list-style-type: none"> - Stability and peace in the country - Stable political and macro-economic environment - Government monetary and fiscal policies and macro-economic reforms are conducive to poverty reduction - Commitment of all stakeholders to participate in poverty reduction efforts
OBJECTIVE 1 (Component 1: Access to Rural Financial Services) Demand-driven services provided by financial institutions to increasing numbers of the rural poor, in particular women and the youth, in a sustainable and more efficient manner.	<ul style="list-style-type: none"> - Increase in number and value of deposits mobilised and loans granted by CBs and FSAs - Average value of deposits/shares and loans in CBs and FSAs - Increase in equity of CBs and FSAs in real terms - No. of clients reached (savings and loans) by gender and age group (adults/youth) - Returns on assets and portfolio yield by CBs and FSAs - No. of years when dividends were paid to shareholders - Decreasing operating costs of CBs in terms of loans outstanding - Amount of loan loss provisions over total loans by CBs and FSAs - Degree of satisfaction of clients with financial services 	<ul style="list-style-type: none"> - Programme monitoring data - BoSL annual reports - Annual audit reports of CBs and FSAs - Programme progress reports - Supervision reports - Client surveys - Mid-term review report - Programme completion report 	<ul style="list-style-type: none"> - Stable political and macro-economic environment - Government monetary and fiscal policies and macro-economic reforms are conducive to poverty reduction - Absence of political interference into the autonomy of rural financial institutions - Continued freedom to determine interest rates by rural financial institutions - Phasing out of subsidised credit programmes
OBJECTIVE 2 (Component 2: Community Development) Community development plans involving and benefiting the rural poor implemented.	<ul style="list-style-type: none"> - Ward and village development plans implemented in 11 wards, benefiting 14,000 poor rural households - At least 50 per cent of community members actively involved in participatory planning, implementation and monitoring, at least 40 per cent of which are women - At least 15 per cent of development plan sub-projects amounting to at least 15 per cent of the total community development funds directly target the vulnerable and the very poor - 1,100 persons trained and capable to use planning and monitoring/ evaluation tools 	<ul style="list-style-type: none"> - Project progress reports - District monitoring and evaluation reports - PEMSD supervision reports - Supervision mission, mid-term review and completion reports 	<ul style="list-style-type: none"> - Stability and peace in the country - National decentralization policy implemented according to local government act - Local government authority reinforcement follow texts statements - Adhesion of population to project approach ensured

