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Enabling poor rural people
to overcome poverty

Republic of Mali

Implementation of the second cycle of the Sahelian Areas Development Fund Programme under the Flexible Lending Mechanism

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For: **Information**

Note to Executive Board Directors

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Abbreviations and acronyms

FLM	Flexible Lending Mechanism
GEF	Global Environment Facility
M&E	monitoring and evaluation
SADeF	Sahelian Areas Development Fund Programme

Implementation of the second cycle of the Sahelian Areas Development Fund Programme under the Flexible Lending Mechanism

I. Introduction

1. The Executive Board approved the establishment of the Flexible Lending Mechanism (FLM) at its sixty-fourth session in September 1998. A loan provided under the FLM differs from a standard loan in that it has a longer loan repayment period to allow for the achievement of sustainable development objectives; a continuous and evolving design process through implementation of distinct, three- to four-year cycles; and clearly defined preconditions, or "triggers", for proceeding to subsequent cycles.
2. Paragraph 13 of the report on the establishment of the FLM (EB 98/64/R.9/Rev.1) stipulates that "for each FLM loan, and prior to the end of each cycle, IFAD Management will decide whether to proceed to, cancel, or delay subsequent cycles. Management will inform the Board accordingly. The document presented to the Board will set out the lessons learned from initial cycles and their incorporation into subsequent cycles, the attainment of physical targets, progress towards meeting long-term development objectives, and achievement of the pre-conditions stipulated in the loan agreements."
3. Accordingly, an information note (EB 2002/77/INF.3) was presented to the Board at its seventy-seventh session in December 2002 to report on the progress of the Sahelian Areas Development Fund Programme (SADeF) in achieving the first-cycle triggers. It was concluded that all the triggers had been achieved for proceeding to the second cycle.
4. This information note presents progress made in achieving the second-cycle triggers of SAdEF. Its content is drawn from several sources: progress reports by the programme coordination unit; supervision reports prepared in-house and by the United Nations Office for Project Services, as cooperating institution; the report of the inter-cycle review mission conducted jointly by IFAD and the Government of Mali from December 2006 to June 2007; and the 2007 country programme evaluation undertaken by IFAD's Office of Evaluation. In addition to Government staff, stakeholders and grass-roots organizations, this evaluation included staff members from IFAD's Western and Central Africa Division, Office of the General Counsel, Office of the Controller, as well as a team of independent consultants.

II. Background

5. SAdEF was approved for funding under the FLM by the Executive Board in December 1998 and became effective in October 1999. The loan has a ten-year duration divided into three distinct cycles of three, four and three years respectively. The programme's overall objective is to reduce the prevalence of rural poverty among rural households in the Sahelian zone by increasing their incomes and improving their living conditions.
6. The objectives set for the first cycle were to (i) set up institutions, mechanisms and procedures for programme implementation and management; and (ii) launch investment activities in favour of the target groups. Consequently, the goals for the second cycle were (i) institution-building and (ii) the extension of activities to the entire programme area. Finally, the third cycle will lay the foundation for the institutional and financial viability of apex associations, farmers' organizations and other grass-roots organizations by building their capacity to manage activities effectively and sustainably, and promoting their active participation in local development.

III. Programme achievements during the second cycle

7. SADeF's second programme cycle began in April 2003. The main results for the three components implemented are described below.

Village development support

8. **Capacity-building for information, education and communication.** The second cycle successfully implemented an information, education and communication strategy that supported the needs of grass-roots organizations and included vulnerable groups in local development, microprojects and investment management. This strategy was based on (i) informing actors about programme activities and opportunities; (ii) supporting village communities through participatory surveys for the identification and prioritization of their needs; and (iii) supporting the formulation of village microprojects, with a special focus on the specific needs of the most vulnerable groups.
9. The programme undertook large-scale information campaigns – including television and radio broadcasts, meetings, flyers, information booklets, T-shirts, caps, etc.; and targeting the local population, local service providers, the National Local Government Investment Agency of Mali and other stakeholders – with the aim of favouring the creation of new microprojects involving women and young people. Thanks to this strategy, the proportion of new microprojects involving women and young people increased from 16.5 per cent in 2003 to 35.7 per cent in 2005. Furthermore, many microproject operators were taught to read and write, and others were trained in technical and management areas.
10. **Local development.** The programme implemented community microprojects, productive microprojects (irrigation and small income-generating activities) and environmental microprojects (protection and renovation of natural resources) with the objective of improving the target group's access to basic social services, increasing their incomes and promoting sustainable natural resource management. At the end of the second cycle, 269 microprojects had been implemented, equivalent to approximately 75 per cent of predictions. As a result, farmers have stabilized food production levels and household incomes have substantially increased. Community microprojects such as the construction of storage facilities have also played an important role in increasing incomes and food security, as they have allowed communities to stock surpluses and sell them during shortages at contained prices.
11. **Natural resource management.** During its second cycle, SADeF held workshops promoting awareness of natural resource management and carried out activities such as reforestation, creation of wind breakers to protect lowlands and vegetable gardens, and construction of dykes to protect villages. More importantly, thanks to a grant of US\$6 million from the Global Environment Facility (GEF), SADeF activities will be consolidated in Mopti during the third programme cycle, at which time work on biodiversity will also begin.

Decentralized financial services

12. The objective of this component is to facilitate the rural population's access to financial services adapted to their needs. Despite the extremely limited economic potential for viable decentralized financial services in the programme area, IFAD and the Government of Mali agreed to support the introduction of a microfinance network as an important poverty reduction measure. The results have been remarkable. In San and Nara, rates of deposit and credit largely exceeded predictions, at 284 per cent and 273 per cent, respectively above estimates. The overall target for opening of new credit/savings unions was achieved at 88 per cent. Furthermore, these credit and savings unions have served over 42,000 users, 43 per cent of whom are women. Because of these very encouraging results,

financial services in the programme area have been increased and extended. Additional capacity-building is required to ensure the sustainability of credit unions after programme closure.

Programme management

13. By the end of the second cycle, association representation had improved through the creation of both an executive board for the national associations and an association in Koulikoro (which had not been possible previously due to a lack of members). Furthermore, the roles and responsibilities of SAdEF actors had been more clearly defined, although not all legal texts had been modified. A mission revised the basic legal texts, and once the GEF component became effective, national and regional agreements were adopted. It has been agreed that, during the third cycle, the National Local Government Investment Agency will review all programme procurement activities.
14. About 85 per cent of programme financial resources have been used, which is a good rate of disbursement, but this rate is in part due to the programme's high operative costs (amounting to over 27 per cent of programme costs). In this regard, a smaller programme coordination team will be maintained during the third cycle.
15. A thorough monitoring and evaluation (M&E) system with many relevant indicators has been set up and is running, although some difficulties have been encountered. Close attention needs to be given to strengthening M&E during the third cycle to enable programme results to be fully documented. The third cycle will also focus on identifying lessons learned and disseminating programme results.

Overall second-cycle performance

16. Based on the programme's performance, all triggers for proceeding from the second to the third programme cycle have been achieved, as described in the following table. Therefore, the programme will proceed to the third cycle to allow it to consolidate its achievements and ensure sustainability during the phasing out of IFAD support and especially after programme closure.

Performance of milestones during the second cycle of programme implementation

<i>Second-cycle triggers</i>	<i>Performance</i>
<p>1. The roles and responsibilities of different organs of the National Association for Sahelian Zone Development (ANDES) and regional associations are well understood; coordination frameworks exist and allow for quick decision-making, settling of differences and a quicker microproject approval process.</p> <p><i>Local and national associations were more involved in programme activities. Some 99 general assemblies were held. Of these, 77 had the specific purpose of approving microprojects and resulted in the approval of nearly 400 microprojects.</i></p>	Target achieved
<p>2. Over 60 per cent of productive project management committees fully understand financial management and accounting tools required to monitor their activities.</p> <p><i>A specific survey undertaken by the M&E unit showed that 59 per cent of the microprojects and credit unions surveyed maintained proper bookkeeping and management records (such as sales records, attendance records, activity logs, inventory).</i></p>	Target achieved
<p>3. Over 70 per cent of SADeF actors (communes, associations, enterprises, service providers) that have elaborated a capacity-building programme have been able to mobilize the necessary resources (from SADeF and other financing sources) for their implementation.</p> <p><i>All actors that submitted a request for microproject financing have received capacity-building support in microproject management and implementation, financial analysis, participatory approaches and, management of community initiatives. Although the mobilizing of other funds has already begun, the third cycle will concentrate on providing support to communities for that purpose, with a view to ensuring microproject self-sustainability.</i></p>	Target partially achieved
<p>4. Over 80 per cent of beneficiaries are satisfied with the impact that productive microprojects and natural resource management activities have had on their living conditions, income and food security.</p> <p><i>The M&E unit has been monitoring levels of beneficiary satisfaction through self-assessment surveys. It has found very high levels of satisfaction with regard to rice fields (100 per cent), vegetable gardens (82 per cent) and cereal banks (80 per cent). Production has increased enough to allow for marketable surpluses above household food security needs. In the case of rice fields, annual household income has increased by approximately US\$225. Because cereal banks have been set up, grain can be stored, allowing surpluses to be profitably sold and prices to be contained during shortages.</i></p>	Target achieved
<p>5. The geographical extension of the programme area to the whole of the Sahelian belt (Mopti, San and Kayes) is implemented following the availability of additional funding coming from other donors.</p> <p><i>During the second cycle, activities were extended to San and to Mopti. With the financing of the GEF grant, activities in Mopti will be further consolidated during the third cycle. Further funding needs to be identified for the extension of activities to Kayes.</i></p>	Target partially achieved
<p>6. The recovery rate is sufficient to allow the viability of credit/savings unions.</p> <p><i>Recovery rates for credit and savings unions stand between 96 and 100 per cent, which is a satisfactory rate to ensure the viability of microfinance institutions.</i></p>	Target exceeded
<p>7. Communication tools put in place by the programme assure the flow of information and programme results.</p> <p><i>An active communication strategy at the local and national levels has been developed and implemented as described in paragraphs 8 and 9. Regular feedback and exchange on microproject implementation is taking place at the local level with microproject actors, local governments and local service providers, ensuring the wide dissemination of programme results. The unit for support to policy dialogue developed through a grant related to the Northern Regions Investment and Rural Development Programme will help SADeF consolidate all communication strategies and disseminate information.</i></p>	Target achieved

IV. Lessons learned and focus for the third cycle

17. The goal for the third cycle of implementation is to consolidate the achievements of the first and second cycles while ensuring the sustainability of activities after SAdEF support ceases.

Capacity-building

18. Despite the many activities aimed at increasing literacy levels and building the capacities (technical and other) of microproject operators, many grass-roots associations are far from autonomous and tend to rely heavily on programme financing and technical expertise. Therefore, the third cycle needs to concentrate on enhancing their self-sufficiency, helping them progressively to rely on their apex associations for institutional and technical advice, rather than on the programme. To ensure that these apex bodies can provide suitable services, the programme needs to focus on building their institutional and technical capacities, particularly their capacities to plan, negotiate financing, provide services to members and represent their interests in the local development process.

Communications

19. The second programme cycle organized excellent short-term information campaigns that achieved good visibility for programme activities and services. However, this type of activity alone will not assure the sustainability of programme activities. To achieve sustainability, it is essential that the programme set up a knowledge-sharing and communication system for microprojects, grass-roots organizations, apex associations and other groups. Such a system will not only provide access to essential financial and technical information, allowing microprojects and other groups to manage their own activities effectively, but it will also give these actors more visibility, thus attracting new members.

Household incomes and food security

20. While 90 per cent of farmers said their production levels and income had grown as a result of programme activities, further efforts are needed to increase microproject productivity and profits. Furthermore, additional storage areas are needed to allow for the deferred sales of grain, which would result in higher earnings and better food security.

Decentralized microfinance institutions

21. Despite the very good credit recovery rate (ranging from 96 to 100 per cent), it is essential that the programme focus on helping microprojects achieve a better return on their investments by lowering their operational costs. The programme will provide additional technical capacity-building and training in fund-raising activities in order to make these credit and savings unions fully self-sustainable.

Gender

22. SAdEF has favoured the creation of microprojects involving women and young people by financing activities specific to these groups such as tanning, animal fattening and fowl breeding. Furthermore, to ensure women's participation in its activities, the programme has provided support for the creation of apex associations of woman-led farmers' organizations in Koulikoro, San and Ségou. Building on these successes, the programme will continue to prioritize the participation of women and young people in programme activities. In particular, it will seek solutions for freeing up their time for income-generating activities, for example, by installing more wells in the programme area, thereby reducing the amount of time spent fetching water.

M&E and programme management

23. Lessons learned from previous cycles have underscored the importance of M&E for successful programme implementation. To ensure better follow-up, the programme will give more weight to regular monitoring of SMART indicators; that is, indicators that are specific; measurable; achievable and attributable; relevant and realistic; and time-bound, timely, trackable and targeted. It will also closely monitor administrative, financial and operational aspects of the programme.

V. Recommendations and conclusions

24. The most important objective for the third programme cycle is to consolidate the achievements of the first and second cycles and, with GEF financing, to extend programme activities to Mopti over the next six years.
25. SAdEF needs to pay close attention to the decentralization process to ensure that the institutions it has set up become an integral part of legal frameworks.
26. It is recommended that, during the third cycle, activities be concentrated in Mopti to achieve the best results possible.

