

Document: EB 2013/LOT/G.3  
Date: 7 June 2013  
Distribution: Public  
Original: English

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Enabling poor rural people  
to overcome poverty

## **President's report on a proposed grant under the global/regional grants window to a non- CGIAR-supported international centre**

### **African Rural and Agricultural Credit Association (AFRACA)**

#### **Note to Executive Board representatives**

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**For: Approval**

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## **Recommendation for approval**

The Executive Board is invited to approve the recommendation for a grant under the global/regional grants window to a non-CGIAR-supported international centre as contained in paragraph 6.

### **President's report on a proposed grant under the global/regional grants window to a non-CGIAR-supported international centre: African Rural and Agricultural Credit Association (AFRACA)**

I submit the following report and recommendation on a proposed grant for agricultural research and training to a non-Consultative Group on International Agricultural Research (CGIAR)-supported international centre in the amount of US\$1 million.

#### **Part I – Introduction**

1. This report recommends the provision of IFAD support to the research and training programme of the following non-CGIAR-supported international centre: the African Rural and Agricultural Credit Association (AFRACA).
2. The document of the grant for approval by the Executive Board is contained in the annex to this report:
 

African Rural and Agricultural Credit Association (AFRACA): AFRACA Development Programme 2013-2015
3. The objectives and content of this applied research programme are in line with the evolving strategic objectives of IFAD and the Fund's policy for grant financing.
4. The overarching strategic goal that drives the revised IFAD Policy for Grant Financing, which was approved by the Executive Board in December 2009, is to promote successful and/or innovative approaches and technologies, together with enabling policies and institutions, that will support agricultural and rural development, empowering poor rural women and men in developing countries to achieve higher incomes and improved food security.
5. The proposed programme is in line with the goals and outputs of the revised IFAD grant policy, namely: (a) innovative activities promoted and innovative technologies and approaches developed in support of IFAD's target group; (b) awareness, advocacy and policy dialogue on issues of importance to poor rural people promoted by, and on behalf of, this target group; (c) capacity of partner institutions strengthened to deliver a range of services in support of poor rural people; and (d) lesson learning, knowledge management and dissemination of information on issues related to rural poverty reduction promoted among stakeholders within and across regions.

## **Part II – Recommendation**

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

RESOLVED: that the Fund, in order to finance, in part, the African Rural and Agricultural Credit Association Development Programme 2013-2015, shall provide a grant not exceeding one million United States dollars (US\$1,000,000) to the African Rural and Agricultural Credit Association (AFRACA), 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 herein.

Kanayo F. Nwanze  
President

## **African Rural and Agricultural Credit Association (AFRACA): AFRACA Development Programme 2013-2015**

### **I. Background**

1. Agriculture occupies a top position in African national economies as the sector serves as the key driver of growth, wealth/job creation and poverty reduction. It is the leading economic activity in sub-Saharan Africa as it contributes 30-50 per cent of GDP and employs over 70 per cent of the population. Yet, agriculture does not attract financing, whether from public or private sources, commensurate with its contribution to national economies. On average, agriculture receives only 2-3 per cent of overall financing, even though wealth/job creation generated by agricultural sector growth has the best chance of resulting in poverty reduction. The link between the financial and agricultural sectors is one of the main constraints on the transformation of agriculture in Africa. Access to finance is the key to unlocking agricultural potential and funding growth in this sector.
2. The African Rural and Agricultural Credit Association (AFRACA) was established in 1977 as a high-level coordinating body to address policy strengthening in the area of agricultural finance and a lead advocate for rural and agricultural finance in Africa. For over 30 years, AFRACA has gained considerable experience and has been campaigning for dialogue and exchange of experience in rural and agricultural finance in order to promote and sustain growth and development in rural areas. As a member-based network of key players in the area of rural and agricultural finance, the objective of AFRACA is twofold: to promote the development of an enabling policy environment for rural and agricultural finance operations in the region; and to assist its member organizations in increasing their rural outreach and support them in the use of appropriate rural and agricultural banking practices and the development of innovative products. The role of AFRACA continues to be of immense importance in advancing the campaign for inclusive access to rural and agricultural finance which continues to gain momentum and is high on domestic, regional and international development agendas.
3. Annual technical reviews of AFRACA operations from 2008, 2009, 2010 and 2011 (reports available), in addition to feedback from member institutions, partners and stakeholders have highlighted the good results achieved. The latest annual technical review and a preliminary analysis of members' expectations indicated that additional work is needed to strengthen the advocacy role of AFRACA and enhance the capacity of staff of member institutions. In addition, AFRACA is expected to use the experience it has gained in managing the IFAD-supported Rural Finance Knowledge Management Partnership (KMP) programme (covering the East and Southern Africa region) to scale up such services to other parts of sub-Saharan Africa.
4. This AFRACA-proposed development programme will intensify and improve services to member institutions, including IFAD-supported rural finance projects such as the KMP programme; the IFADAfrica Regional Knowledge Network project; the Rural Finance Programme, Zambia; the Programme for Rural Outreach of Financial Innovations and Technologies (PROFIT), Kenya; and the Regional Programme for Rural Development Training (PROCASUR) learning routes programme. The development programme will strengthen partnerships that support research, sharing and dissemination of best practices in rural and agricultural finance in the sub-Saharan Africa region.

### **II. Rationale and relevance to IFAD**

5. The AFRACA development programme builds on IFAD's extensive experience in supporting research on development and capacity-building for service providers – an area of focus that is enshrined in the Agreement Establishing IFAD. IFAD needs

to be at the forefront of innovation in order to be a leader in development best practices; this in turn means ensuring that grant design focuses on learning and knowledge management best practices to identify activities and systems for scaling up in its loan and grant programmes. The AFRACA Development Programme 2013-2015 provides a cutting-edge opportunity for IFAD grant financing to be used to generate policies for accelerated rural and agricultural development, while supporting AFRACA member institutions, development partners and other stakeholders in advancing rural and agricultural financial inclusion in the sub-Saharan Africa region. The proposed IFAD grant to AFRACA will promote greater synergy among key stakeholders as well as geographic and thematic learning.

6. The rationale for the next phase (2013-2015) is to further strengthen the foundation of the AFRACA network by supporting its underlying principle, namely: creation of an integrated approach to agricultural financing through an improved policy environment and more professional financial services in order to assist rural and agricultural communities in unlocking their development potential and improving their well-being.
7. The IFAD Strategic Framework 2011-2015 maintains rural finance as a priority in the Fund's development projects and programmes. Rural finance support accounts for as much as 20 per cent of the value of IFAD's loan portfolio. In addition, through increased knowledge sharing, IFAD aims to become a leading knowledge organization.
8. The proposed programme is aligned with the IFAD grants policy in that it promotes the organization's strategic objectives by focusing on developing a range of inclusive financial services that are accessible to marginalized women, youth and men in sub-Saharan Africa.
9. AFRACA will also support action-research linked to the priorities of the agricultural finance (agrifinance) sector. Research findings and their impact on policy and product development will be documented through policy briefs which AFRACA will use to engage with members and stakeholders. In addition two high-level stakeholder forums are proposed, in 2013 and 2015, which will focus on promoting policy dialogue and enhancing partnership and networking.
10. The proposed programme meets the strategic criteria defined in the IFAD grant policy by providing added value beyond the direct benefits accruing at the country level. By virtue of being a pan-sub-Saharan African organization, AFRACA is well positioned to facilitate the various processes of alignment and regional integration that are taking place across the continent.
11. The grant is related to two of East and Southern Africa Division's strategic priorities for its regional grants programme for 2011/2012 and beyond: knowledge management and market access. Knowledge management will remain one of AFRACA's key focus areas in the proposed programme, thereby building on the knowledge management and information-sharing services that the network has been providing since inception. All workshops organized by AFRACA incorporate an important knowledge-sharing, mutual learning and capacity-building component.

### **III. The proposed programme**

12. The overall goal of the programme is to enhance wealth/job creation, increase food security and reduce poverty among rural and farming communities in sub-Saharan Africa by improving their access to good quality, sustainable financial products. The programme's objectives are to: (i) enhance the lobbying role of AFRACA as well as support policy experts in undertaking policy research and advocacy regarding agrifinance in Africa; (ii) assist AFRACA's member institutions in providing good quality, sustainable financial services to rural communities through institutional capacity-building and staff training; (iii) enhance services for managing and brokering information and knowledge among member institutions and stakeholders;

and (iv) establish new partnerships and strengthen existing ones to create synergy among activities supporting rural and agricultural finance.

13. The target group will include AFRACA's member institutions: central banks, agricultural banks, commercial/development banks, microfinance institutions and their apex organizations, training institutions and insurance agencies. The secondary beneficiaries will be rural communities, who will receive higher-quality and better-targeted financial services from the institutions involved in rural and agricultural development in sub-Saharan Africa.
14. The programme will be of a three-year duration and will have four main components as follows:
  - **Component 1: Policy development and advocacy**  
Activities will address the challenges faced in coordinating agricultural finance policy development among various actors (government, the banking and micro-banking sector, NGOs and donors) and help create adequate legislative and regulatory environments for the promotion of warehouse receipts programmes.
  - **Component 2: Capacity-building**  
Activities will centre on: identifying emerging innovations and research findings in the rural finance sector which will be distilled and shared with AFRACA member institutions; training of trainers in specialized subjects such as value chain financing, financial product development and risk management; and exchange programmes among member institutions.
  - **Component 3: Knowledge management and information-sharing**  
Activities will focus on the establishment of online discussion forums; preparation of publications (quarterly newsletter, policy briefs and position papers); and development of a more user-friendly and informative website.
  - **Component 4: Partnership and networking**  
Key initiatives will include participation in regional rural finance networks, deepening of institutional relationships with organizations involved in rural finance such as the World Bank, the African Union Commission and relevant regional economic communities; and AFRACA participation in major relevant international events.

#### **IV. Expected outputs and benefits**

15. These are the following:
  - Improved policy environment that fosters rural and agricultural finance operations;
  - Innovative rural and agricultural best practices and products shared and replicated by member institutions;
  - Improved access to financial services in the rural and agricultural sector;
  - Capacity of AFRACA member institutions and staff developed through capacity-building programmes and events;
  - AFRACA information and knowledge management services reach AFRACA members and the general public; and
  - Partnership programmes implemented with regional and international organizations for greater outreach.

#### **V. Implementation arrangements**

16. Management and implementation of the development programme will remain under AFRACA's responsibility. The executive committee, AFRACA's governance organ, meets twice a year to provide policy guidance and ensure that activities are being

implemented according to plans and budgets. Day-to-day management and coordination will be undertaken by the AFRACA secretariat. The secretary-general has overall management responsibility for programme activities, supported by the programme coordinator. The programme will continue to have a bilingual relationship officer to support timely implementation of activities and ensure that the needs of both English- and French-speaking member institutions, development partners and stakeholders are addressed.

17. AFRACA's finance and administration manager, under the supervision of the secretary-general, will ensure comprehensive financial management. This will entail the same key functions as provided to the KMP programme: implementation of acceptable standards for procurement, accounting and payment functions; contract management for staff and consultants; and grant administration. AFRACA will also ensure that programme finance operations and internal controls are carried out in compliance with internationally accepted accounting, reporting and consolidated auditing standards. Specific programme implementation, financing and financial status reports will be required, and good performance, including timely audits, will be a condition prior to disbursements.

## VI. Indicative programme costs and financing

18. The budget for the programme amounts to approximately US\$2.5 million with an IFAD contribution of US\$1 million. AFRACA contributes directly to the implementation of the programme by covering personnel and administrative costs through the staff members of the secretariat.

### Summary of budget and financing plan

(in United States dollars)

<i>Number</i>	<i>Type of expenditure</i>	<i>IFAD</i>	<i>Cofinancing*</i>
1	Personnel	209 000	97 915
2	Operational costs (rent, utilities, equipment, etc.)	43 500	47 288
3	Travel	48 200	1 900
4	Workshops and meetings	340 000	756 628
5	Technical assistance	149 000	95 238
6	Support to research, trainings and publications	210 300	499 104
	<b>Total</b>	<b>1 000 000</b>	<b>1 498 073</b>

\* Around US\$1.5 million by partners, such as the Technical Centre for Agricultural and Rural Cooperation (CTA) (US\$642,285), Développement international Desjardins (US\$390,000), European Union (US\$113,964) and other member Institutions (US\$351,824).



## Results-based logical framework

	Objectives-hierarchy	Objectively verifiable indicators	Means of verification	Assumptions
<b>Goal</b>	<b>Enhance wealth/job creation, food security and reduce poverty among rural and agricultural communities in Sub Saharan Africa by improving their access to quality and sustainable financial products</b>	Increased and more diversified financial services accessible to the rural poor in the sub Saharan Africa	Poverty Statistics and Statistics by Governments and Donors?	Minimum level of social, political and economic stability
<b>Objectives</b>	(i)Improved capacity of AFRACA to undertake advocacy and lobbying regarding AgriFinance in the continent; (ii)Effective Capacity Building initiatives for AFRACA members established; (iii)Improved and more effective information and Knowledge Management and brokerage Services; (iv)Strengthened and more productive partnerships and networking initiatives developed; (v)Strengthened AFRACA secretariat for growth and sustainability	2 national level engagements on AgriFinance policy concluded; 4 AFRACA members adopting rural finance innovations; 3 short term consultancy services on related e-services concluded per year; 4 visits to select development partners per year; 20% per annum growth in AFRACA income	<ul style="list-style-type: none"> <li>M&amp;E reports of the AFRACA programmes</li> <li>End of AFRACA programme evaluation by IFAD</li> </ul>	
<b>Outputs</b>	(i)Increased capacity of AFRACA to promote activities aimed at improving policy environment to foster rural and agricultural finance operations; (ii)Innovative rural finance practices and products identified through research, other AFRACA initiatives; (iii)Skills of the staff of member institutions developed through tailor made capacity building programmes and events; (iv)Members and Rural finance projects reached with AFRACA Rural finance information and knowledge management services (v)Partnership programmes implemented with regional and international organisations; (vi)Establish sustainable funding streams within the secretariat	(i) 5 AgriFinance policy focused research papers (1 per sub region) developed and shared in AFRACA thematic workshops; (ii) 6 innovative best practices and RF models per year identified for sharing with policy makers and practitioners; (iv)15 staff of AFRACA member institutions per year participating in exchange programmes.; (v) 5 members & 3 rural finance projects per year accessing information from the AFRACA KM&SC; (vi) 5 partnership meetings per year attended by secretariat & Some Ex.Com members. 20% per annum growth in AFRACA income	<ul style="list-style-type: none"> <li>AFRACA Semi-Annual and Annual Reports</li> <li>Periodical performance reports of AFRACA members</li> <li>Reports of AFRACA events</li> <li>IFAD supervision/implementation review reports</li> </ul>	
<b>Key Activities</b>	Appoint and commission AFRACA Goodwill ambassadors and the AFRACA Ex-officios; Visits by AFRACA executive committee to establish working relationships; Document and follow up AgriFinance policy related subjects; Identification of AFRACA centres of excellence and establishment of multi - country learning routes; Technical Exchange among Developing Countries programmes in line with established multi country learning Routes; Demand driven experiential learning programmes for staff of member institutions; Train the Trainers workshop in collaboration with development partners (FAO, ACBF); Specialized AgriFinance women empowerment exposure programmes; Setting up the AFRACA KM&SC desk; Establishment the AFRACA knowledge management and information sharing services centre desk; Set up a virtual Knowledge and Innovation database hub; Converting AFRACA's publications into e-format and uploading them on to an e-library centre; Publication of regular newsletters (quarterly AFRACA News) to members, policy briefs/position papers, and the AFRACA Rural Finance Series for major AgriFinance initiatives; Support the establishment and scaling up of regional and sub-regional functional groups; Institutionalizing the relationship with key development partners, by making focused strategic visits select partners and institutions; Continued membership drive in all the five sub regions; Introduction of token workshop fees; Establishment and launching of the AFRACA executive committee on fundraising		<ul style="list-style-type: none"> <li>AFRACA programme progress reports</li> <li>AFRACA events reports</li> <li>Newsletters, papers prepared</li> <li>AFRACA Annual technical review reports</li> <li>Papers produced</li> <li>Website statistics</li> </ul>	