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Investing in rural people

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

**Développement International Desjardins**

**Note to Executive Board representatives**

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**For: Approval**

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## Abbreviations and acronyms

CPM	country programme manager
DID	Développement International Desjardins
PTA	Policy and Technical Advisory Division
RFI	rural finance institution
WCA	West and Central Africa

## **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 7.

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

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\$950,000.

#### **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: Développement International Desjardins (DID).
2. The document of the grant for approval by the Executive Board is contained in the annex to this report:
 

Développement International Desjardins: Increasing access to sustainable rural financial services in West and Central Africa
3. The objectives and content of the project 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 policy aims to achieve the following outputs: (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.
6. The proposed project is in line with the goal and outputs of the revised IFAD grant policy. It aims to contribute to IFAD's strategic objectives and thematic areas of enhancing access to sustainable financial services (IFAD Strategic Framework 2011-2015). Its objectives are fully in line with the 2014 divisional strategic workplans of the West and Central Africa (WCA) and Policy and Technical Advisory Divisions (PTA).

## **Part II – Recommendation**

7. 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 project Increasing access to sustainable rural financial services in West and Central Africa, shall provide a grant not exceeding nine hundred and fifty thousand United States dollars (US\$950,000) to Développement International Desjardins for a 36-month project 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

# **Développement International Desjardins: Increasing access to sustainable rural financial services in West and Central Africa**

## **I. Background**

1. Enhancement of agricultural productivity is a key priority for most countries in West and Central Africa (WCA) in order to reduce poverty, achieve food security and increase rural incomes and employment. To improve agricultural performance sustainably, it is necessary, among other things, to ensure broad access to rural finance. With rural households comprising up to 70 per cent of poor people, the importance of extending the frontier of financial services beyond urban areas is clear. Poor rural people (especially smallholder farmers) constitute both the greatest unmet need and the largest unserved market for financial services. However, to serve this market sustainably, barriers of costs, risks and product adaptations have to be overcome. This requires donor support to motivate and assist rural finance institutions (RFIs) in developing, pilot testing and rolling out technological and methodological innovations. RFIs come in many forms and include rural banks, credit unions, village banks, savings and credit associations, and microfinance institutions.
2. According to the annual funder survey by the Consultative Group to Assist the Poor, IFAD is one of the largest global donors in microfinance, and likely the largest in rural finance. Rural finance is a large portion of IFAD's investment portfolio: today, approximately two thirds of IFAD's current projects have a rural finance component. With this level of investment, and responsibility to build and sustain financial services for improving the lives of poor people in rural areas, IFAD-supported rural finance investments can greatly benefit from close cooperation with leading players in the sector – as in the case of this proposal: Développement International Desjardins (DID).

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

### **Links to grant policy and corporate priorities**

3. This proposal is consistent with those strategic objectives of IFAD's grant policy specific to building pro-poor capacities of partner institutions. It will focus on strengthening partner RFIs in WCA and the financial sector in which they work. This will better serve IFAD beneficiaries with the wide variety of specialized financial products and services they want for the long term. Within this rationale, the three project components are closely tied to outputs of the revised grant policy. In addition to capacity-building of partner institutions, they will focus on: promoting innovative activities, technologies and approaches; sharing lessons learned to improve the rural finance strategy in WCA and contribute to improved rural finance knowledge of the constraints and opportunities for scaling up and reaching sustainability across other regions; and evaluating bottlenecks at the policy level: the rural finance legal and regulatory environment.
4. DID's proposed approaches in this project are fully compliant with IFAD's Rural Finance Policy. The consistent involvement in the project of PTA's rural finance team will also ensure this.

## **III. The proposed project**

5. The project will have three main components: (i) rural finance strategy enhancement; (ii) capacity-building and strengthening of rural finance initiatives; and (iii) knowledge management and innovation.

## **A. Overall goal and objectives**

6. The overall goal of this project is to improve the sustainability, relevance and effectiveness of rural finance interventions for IFAD's target group in the WCA region.
7. The specific objectives are to:
  - (i) Strengthen the design and implementation of rural finance interventions;
  - (ii) Promote scaling up of demand-based innovative products, approaches and services for rural households;
  - (iii) Improve strategy and support policy dialogue in rural finance interventions in WCA; and
  - (iv) Enhance rural finance capacity among implementation partners, including RFIs.

## **B. Target groups**

8. The ultimate target groups are economically active poor rural people, their families and their organizations, especially smallholder farmers, women and youth engaged in on- and/or off-farm productive activities, but that lack adequate access to rural financial products and services. By enhancing the outreach, effectiveness, range and quality of rural finance operations in the field, the project will help improve long-term access of these target groups to a variety of financial services and products best-suited to their needs.
9. The grant will potentially benefit 1,000,000 households in the five countries with stand-alone rural finance projects: Benin, Ghana, Mali, Nigeria and Sierra Leone (participating projects). The grant might also benefit diverse types of RFIs by building their capacity to reach out sustainably to poor rural people.

## **C. Project outcomes**

10. The expected project outcomes are:
  - (i) Increased access of IFAD-funded project beneficiaries in the region to sustainable financial services;
  - (ii) Adoption of best practices by RFIs partnering in IFAD-funded projects, and their dissemination to all relevant stakeholders in the WCA region and across other regions in IFAD's rural finance portfolio; and
  - (iii) Enhanced effectiveness and impact of ongoing and future rural finance initiatives in WCA.

## **D. Project activities**

11. This section describes in more detail the various activities to be undertaken under each component.

### **Component 1: Rural finance strategy enhancement**

#### **1.1 Portfolio review and assessment**

12. The review and assessment will focus on five countries in which IFAD has relevant investments in rural finance, either as stand-alone projects or project subcomponents. Through field visits to these countries, the IFAD portfolio will be assessed in the context of broader financial-sector development and other donors' financial inclusion activities.

#### **1.2 WCA rural finance strategy**

13. Taking into account the findings of the portfolio review and assessment, IFAD comparative advantages and specificities of its operating model, regional context, lessons learned and best practices, DID will assist IFAD in developing a strategic approach and defining key orientations for its rural and agricultural finance activities in the region. This will allow enhancement of the effectiveness and impact of ongoing and future IFAD-supported rural finance initiatives in WCA. The objective

is to unlock access to a wide range of sustainable rural financial services, particularly for smallholder farmers and low-income people.

14. DID will contribute to the organization of a strategic workshop with the WCA rural finance focal point, country programme managers (CPMs) from the region and PTA's rural finance team to: discuss the findings of the portfolio review and assessment, the implications for IFAD projects and the way forward; and develop a strategic paper based on workshop discussions, conclusions and recommendations, and the draft review.

## **Component 2: Capacity-building and strengthening of rural finance initiatives**

### **2.1 Technical support**

15. In the five selected countries, DID will define priorities for support together with the concerned CPMs, the project team in WCA and PTA.
16. Rural finance projects and programmes under implementation could benefit from DID's expertise through such activities as: identifying capacity enhancement needs for RFIs and the programme management unit (PMU); providing back-up support to supervision and implementation support missions; and reviewing the suitability of potential implementation partners.
17. If design of the country strategic opportunities programme (COSOP) or start-up stages are identified as a priority in any of the countries, DID will be on-hand to provide technical guidance on such steps as market assessment or defining exit strategies that lead to sustainability of the sector. This will help enhance the strategic focus of future IFAD-supported interventions to the benefit of poor rural people.

### **2.2 Capacity enhancement**

18. In order to support partner RFIs' capacity to sustain and scale up good and/or new practices, DID will dedicate some time to capacity enhancement activities:
  - Provide technical support, training and coaching to management and staff of RFIs partnering with an IFAD-supported rural finance project and who are interested in the replication/development and roll-out of innovative products, as agreed with IFAD (and linked with component 3.1);
  - Technical support and capacity-building for RFIs could also cover other critical areas for institutional strengthening, such as better delivery of financial products; and
  - Develop financial literacy training materials and train selected partner RFIs across the five selected countries in improving their product and service delivery to project beneficiaries, as agreed with IFAD.

## **Component 3: Knowledge management and innovation**

### **3.1 Knowledge management**

19. Lessons will be documented and used to inform knowledge management activities throughout the life of the grant:
  - Under the grant, DID will leverage its knowledge of the region and its experience with IFAD-supported interventions to draft a series of rural finance policy briefs on key policy and regulatory issues for development of a sustainable rural finance sector in the region, so as to facilitate in-country negotiation and project implementation;
  - Develop toolkits on new innovations developed in component 3.1; and
  - Organize three regional workshops with the WCA rural finance focal point, CPMs from WCA and those from other regions with relevant rural finance portfolios, and PTA's rural finance team. The workshops will discuss results

and main findings drawn from the innovations implemented in component 3.1 and the scaling-up strategy.

### 3.2 Innovation

20. DID will assist RFIs in the implementation and supervision of these innovative approaches and products, providing development and planning support, training, management information system adjustments, and interim and final monitoring and evaluation.

## IV. Expected outputs and benefits

21. Key expected benefits and outputs supporting achievement of the grant's goal, objectives and outcomes include the following:
- **Benefits.** Improved performance of partner RFIs in IFAD-funded projects; new rural finance strategies and best practices adopted by IFAD and featured in at least five existing projects in the WCA region; improved design based on lessons learned under grants for at least three new rural finance projects in WCA; at least three innovations adopted by six partner RFIs across the region; at least five RFIs trained in the delivery of financial literacy materials; and capacity for delivery of rural finance products strengthened for at least 50 RFI staff members.
  - **Outputs.** Portfolio review and assessment report; strategic paper on rural finance in WCA; regional workshop on strategy findings; policy briefs on targeted legal and regulatory issues in rural finance; case studies and toolkits on innovations; regional workshop on lessons for scaling up innovations; financial literacy training materials; and RFI staff capacity enhanced.

## V. Implementation arrangements

22. DID's West Africa regional office, located in Dakar, Senegal, will be responsible for coordinating project activities in the field, in collaboration with IFAD country offices and other institutional partners. The regional office is staffed by a DID manager, who will act as team leader, and local staff specialized in various areas of microfinance (strategic planning, product development, information and communications technology, etc.). In addition, the DID manager will be able to tap a pool of rural finance and agricultural credit experts based in DID's headquarters in Canada to participate in field missions as and when the need arises.
23. The regional office is placed under the direct supervision of a project director from the vice-president's pool of consulting expertise at DID headquarters. The headquarters will be responsible for ensuring the timely delivery and quality of all activities implemented under the project, as well as reviewing and editing all reports submitted to IFAD.
24. Implementation will take place over three years from entry into force. Overall project supervision and monitoring will be the responsibility of the IFAD WCA Division, with support from PTA's rural finance team.
25. The financial management arrangements have been reviewed and are deemed satisfactory. Overall, payments for any contracted external service (consultants, training and services) will be effected directly by DID headquarters. Where necessary, funds will be transferred directly to the regional office to implement project activities based on validated and approved annual workplans and budgets. Quarterly unaudited financial reports will be provided, as well as annual audited financial statements within six months of the DID fiscal year end.



## VI. Indicative project costs and financing

26. The grant will be implemented over a three-year period. Total project costs financed by IFAD amount to US\$950,000. A US\$70,000 cash contribution by the recipient is also envisaged, as well as US\$115,785 in kind. Summary budgets are presented below:

Table 1  
**Project budget by category of expenditure**  
 (United States dollars)

Category of expenditure	Notes	Year 1	Year 2	Year 3	IFAD contribution	DID contribution		Total
						Cash	In kind	
Salaries and benefits	1	185 690	107 835	89 705	341 121	-	42 109	383 230
Operating costs	2	24 558	24 558	24 558	-	-	73 675	73 675
Consultancies	3	35 160	52 741	-	87 901	-	-	87 901
Travel and allowance	4	86 182	74 955	77 427	238 564	-	-	238 654
Equipment and materials		-	-	-	-	-	-	-
Goods, services and inputs		-	-	-	-	-	-	-
Workshop	5	11 537	-	61 481	28 018	45 000	-	73 018
Training	6	-	38 870	110 839	124 709	25 000	-	149 709
Translation and editing	7	19 771	19 772	19 772	59 316	-	-	59 316
<b>Subtotal</b>		<b>362 899</b>	<b>318 731</b>	<b>383 784</b>	<b>879 629</b>	<b>70 000</b>	<b>115 785</b>	<b>1 065 414</b>
Overheads	8	25 375	21 892	23 103	70 370	-	-	70 370
<b>Total</b>		<b>388 274</b>	<b>340 623</b>	<b>406 887</b>	<b>950 000</b>	<b>70 000</b>	<b>115 785</b>	<b>1 135 784</b>

Table 2  
**Project budget by component**  
 (United States dollars)

Component	Year 1	Year 2	Year 3	IFAD contribution	DID contribution		Total
					Cash	In kind	
Portfolio review and assessment	190 693	335 889	35 889	223 875	-	38 595	262 470
Strengthening of rural finance initiatives	97062	101 279	177 862	337 609	-	38 595	376 204
Knowledge management and innovation	75 144	181 563	170 033	318 144	70 000	38 595	426 739
Knowledge management	38414	56 814	109 892	96 525	70 000	38 595	205 120
Innovation	36730	124 749	60 141	221 619	-	-	221 619
Overhead expense	25 375	21 892	23 103	70 370	-	-	70 370
<b>Total</b>	<b>388 274</b>	<b>340 623</b>	<b>406 887</b>	<b>950 000</b>	<b>70 000</b>	<b>115 785</b>	<b>1 135 784</b>

## Results-based logical framework

	Objectives-hierarchy	Objectively verifiable indicators (RIMS INDICATORS MARKED WITH *)	Means of verification	Assumptions
<b>Goal</b>	The overall goal is to improve the sustainability, relevance and effectiveness of rural finance interventions for IFAD's target group in the Western and Central Africa Region.	Improved performance of partner RFIs in IFAD-funded projects as measured by (specific targets to be set at project inception phase) *: <ul style="list-style-type: none"> <li>- increase in outreach;</li> <li>- increase in number of loans;</li> <li>- reduction in arrears (PAR);</li> <li>- social and financial performance indicators recommended by SEEP, MIX and the SMART Campaign.</li> </ul>	<ul style="list-style-type: none"> <li>• Reports from WCA, Country Offices, projects with rural finance components</li> <li>• Annual reports and financial statements of partner RFIs</li> <li>• Scoreboards to be implemented with partner RFIs</li> </ul>	<ul style="list-style-type: none"> <li>• DID must quickly grasp issues and be able to work efficiently with WCA CPMs and PMUs and partner RFIs.</li> </ul>
<b>Objectives</b>	<ul style="list-style-type: none"> <li>(i) Strengthen the design and implementation of rural finance interventions in the region</li> <li>(ii) Promote scale-up of demand-based innovative products, approaches and services for rural households</li> <li>(iii) Improve strategy and support policy dialogue in rural finance interventions in WCA</li> <li>(iv) Enhance capacity in rural finance amongst implementation partners, including RFIs</li> </ul>	<ul style="list-style-type: none"> <li>• New rural finance strategies and best practices adopted by IFAD and featured in at least 5 existing projects in WCA region</li> <li>• Improved design based on grant's learnings for at least 3 new rural finance projects in WCA region</li> <li>• Adoption of at least 3 innovations by 6 partner RFIs across the region</li> </ul>	<ul style="list-style-type: none"> <li>• QE/QA comments on new rural finance interventions proposed by WCA during the grant period</li> <li>• Rural finance project progress reports</li> <li>• Reports from WCA, Country Offices, projects with rural finance components, and partner RFIs</li> <li>• Grant project progress and final reports</li> </ul>	<ul style="list-style-type: none"> <li>• Market opportunities and infrastructure must exist to support the development of sustainable rural finance activities</li> <li>• Social and political environment in selected countries must be stable enough to operate</li> </ul>

	<b>Objectives-hierarchy</b>	<b>Objectively verifiable indicators (RIMS INDICATORS MARKED WITH *)</b>	<b>Means of verification</b>	<b>Assumptions</b>
<b>Outputs</b>	<ul style="list-style-type: none"> <li>• Portfolio review and assessment report</li> <li>• Strategic Paper on rural finance in WCA</li> <li>• Regional workshop on strategy findings</li> <li>• Policy briefs on targeted legal and regulatory issues in rural finance</li> <li>• Case studies and toolkits on innovations</li> <li>• Regional workshop on lessons for scaling-up innovations</li> <li>• Financial literacy training materials</li> <li>• RFI staff capacity enhanced</li> </ul>	<ul style="list-style-type: none"> <li>• 5 existing rural finance initiatives assessed across 5 WCA countries</li> <li>• At least 3 new rural finance initiatives identified, designed or redefined</li> <li>• 3 new products, approaches, systems tested, documented and replicated</li> <li>• At least 5 RFIs trained in delivery of financial literacy materials</li> <li>• Capacity in delivery of rural finance products strengthened for at least 50 RFI members of staff</li> </ul>	<ul style="list-style-type: none"> <li>• All outputs will be submitted by DID and validated by IFAD</li> </ul>	<ul style="list-style-type: none"> <li>• All stakeholders (PMUs, partner RFIs, government agencies) must be ready and available at time of field missions to provide all relevant information to consultant</li> <li>• Partner RFIs must be willing and committed to participate in testing the innovations</li> </ul>
<b>Key Activities</b>	<ol style="list-style-type: none"> <li>1. WCA rural finance portfolio review and assessment</li> <li>2. Support policy dialogue with legal and regulatory bodies</li> <li>3. Technical support, training and coaching in identification, design and implementation of rural finance initiatives</li> <li>4. Development, implementation support and analysis of innovative products, approaches and services</li> <li>5. Development of financial literacy materials</li> <li>6. Delivery of direct technical capacity enhancement activities for RFI staff</li> <li>7. Strategic and dissemination workshops</li> </ol>	<ul style="list-style-type: none"> <li>• Total of 37 field missions to 5 selected WCA countries</li> <li>• Organisation of 4 workshops</li> <li>• # of adopted recommendations after supervision missions (per country)</li> <li>• # of financial institutions participating in the project *</li> <li>• # of staff of financial institutions trained *</li> <li>• # of people trained in financial services *</li> </ul>	<ul style="list-style-type: none"> <li>• Grant project progress and final reports</li> <li>• Proceedings from workshops</li> </ul>	<ul style="list-style-type: none"> <li>• WCA, PTA and DID must agree on selection of countries and projects</li> <li>• WCA, PTA and DID must agree on selection of pilots</li> <li>• CPMs must be informed and in agreement</li> </ul>