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President's memorandum

Proposal for additional financing to the Republic of Madagascar for the Support Programme for Rural Microenterprise Poles and Regional Economies (PROSPERER)

Note to Executive Board representatives

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For: Approval

Recommendation for approval

The Executive Board is invited to approve the recommendation for the proposed additional financing to the Republic of Madagascar for the Support Programme for Rural Microenterprise Poles and Regional Economies (PROSPERER), as contained paragraph 22.

Proposal for additional financing to the Republic of Madagascar for the Support Programme for Rural Microenterprise Poles and Regional Economies (PROSPERER)

I. Background

1. The present memorandum seeks approval for additional financing for the PROSPERER programme, which the Executive Board approved in December 2007, in the form of a loan in the amount of US\$16.997 million on highly concessional terms. This additional financing will be used to scale up successful programme interventions.
2. Following the request for additional financing from the Government of Madagascar, the funds will be allocated under the 2013-2015 cycle of the performance-based allocation system (PBAS). They will be supplemented by a contribution from the Government of US\$3.48 million and a contribution from the private sector and programme beneficiaries, estimated at US\$0.98 million.
3. The PROSPERER programme will use this additional financing to consolidate the gains made in the previous phase, to expand its impact and to introduce innovations that have proved successful in other countries. These innovations aim to promote access to financial services among rural microenterprises (RMEs), strengthen training for producers and young people, and protect the environment. The granting of the additional financing will also extend by six years the programme completion and loan closing dates, to 31 December 2021 and 30 June 2022, respectively.

II. Justification for the additional financing

4. Two key factors justify this phase: (i) the will of the Government of Madagascar to consolidate and scale up the RME model so as to professionalize producers and their organizations, generate greater growth for RMEs and ensure a gradual transition towards the formal sector; and (ii) market trends that generate significant need in terms of supply, production and processing of quality agricultural products that are competitive on regional and international markets.

III. Programme description

5. The PROSPERER programme is a public-private partnership whose objectives remain unchanged. Its overarching goal is to increase incomes by strengthening RMEs at the local and regional levels. Its specific objectives remain the same, with greater support for financial services, enhanced policy dialogue and partnerships with technical and financial partners, improved knowledge of value chains, knowledge management and the integration of scaling up efforts into a participatory and inclusive monitoring and evaluation (M&E) system.
6. The PROSPERER programme will continue to operate in nine regions. Activities will be consolidated in the 27 districts where support is currently focused and expanded

into five new districts with strong productive potential located in the value chain basins already covered by the programme.

7. Targeting will be based on the following three categories of RME (0 to 5 employees): (i) RMEs undergoing growth; (ii) RMEs with potential; and (iii) early-stage RMEs with a high proportion of women entrepreneurs. The targeting strategy will comprise the following components: (i) geographical targeting in areas with high poverty rates or significant potential for value chain development in support of poor people; (ii) targeting vulnerable groups through a participatory approach; (iii) sectoral targeting based on market signals; and (iv) targeting by gender, with value chains selected according to the traditional skills of women and young people.

A. Components

8. The activities will be organized around the four technical components of the existing programme and an M&E, knowledge management and communication system.

Component 1: Identification and mobilization of RMEs and production operator (PO)/market operator (MO) couplings, and professionalization

9. This component aims to improve the environment for RMEs and PO/MO couplings, and in particular: (i) to build the capacity of stakeholders at all levels throughout the various supply chains by promoting inter-professional dialogue and the provision of appropriate services; (ii) to identify market opportunities and build the capacity of MOs to supply these markets with quality products of greater added value; (iii) to assist professionals within the relevant value chains in deepening their understanding of the market; and (iv) to support the establishment of effective information systems.

Component 2: RME support services and vocational training

10. This component brings together the support services provided to RMEs and aims to: (i) support training for various groups (RMEs, young people, women) on production chains with high value added, so as to develop and share upgrade plans for POs and MOs; (ii) expand the system of one-stop shops and external service providers; and (iii) test new mechanisms for supporting POs.

Component 3: Rural finance and risk management

11. This component aims to promote investment in RMEs by improving access to sustainable financing conditions tailored to their needs in an environment conducive to risk management. It includes: (i) an incentive fund designed to strengthen the support provided by microfinance institutions and banks in financing RMEs and PO/MO couplings; and (ii) an institutional support fund designed to promote the adaptation of financial products within microfinance institutions and banks as well as the introduction of new products.

Component 4: Market infrastructure and enabling investments

12. Small-scale market infrastructure will be built. These activities will be part of the PO/MO coupling upgrade plans, under a joint investment programme between PROSPERER and MOs (private resources). This infrastructure will include: (i) sales booths; (ii) collection and storage points; and (iii) product packaging, batching and community storage points.

B. Expected results

13. The additional financing will allow for the creation of 25,000 RMEs, at least 40 per cent of which will be headed by women; 3,000 new enterprises for young people; 150 PO/MO couplings; and five one-stop shops. The PROSPERER programme will thereby reach a total of 51,000 RMEs. Capacity-building and institutional support will continue, in particular to address the lack of access among RMEs to financial services by promoting the adoption of innovative alternative

solutions, such as local microfinancing systems that have achieved good results in other countries and the integration of remittances from Malagasy migrants into productive investments covered by PROSPERER in their home areas.

IV. Programme costs and financing

14. The total programme cost is estimated at US\$21.45 million over six years, distributed as follows: (i) a contribution from IFAD of US\$16.997 million (79.2 per cent), in the form of a loan on highly concessional terms; (ii) a contribution from the Government of Madagascar in the amount of US\$3.48 million (16.2 per cent); and (iii) a contribution from the private sector and beneficiaries, in the form of investments in priority value chains that benefit RMEs and small rural enterprises, estimated at US\$0.98 million (4.6 per cent). Detailed costing tables for this additional funding are being finalized for submission to financial services before any modification to the financing agreement. Tables indicating provisional costs by component and by expenditure category are provided below.

Table 1
Programme costs by component and financier
(United States dollars)

Component	IFAD		Beneficiaries/ private sector		Government		Total	
	Amount	%	Amount	%	Amount	%	Amount	%
A. Identification and mobilization of RMEs and PO/MO couplings, and professionalization	8 694 185	80.9	193 553	1.8	1 864 802	17.3	10 752 541	50.1
B. RME support services and vocational training	4 820 275	72.8	745 033	11.3	1 053 679	15.9	6 618 988	30.9
C. Rural finance and risk management	749 298	99.2	-	-	6 405	0.8	755 703	3.5
D. Market infrastructure and enabling investments	659 550	75.3	41 222	4.7	1 751 93	20.0	875 964	4.1
E. M&E, knowledge management and communication	2 073 773	84.6	1 144	0.05	3 766 08	15.4	2 451 525	11.4
Total	16 997 082	79.2	980 952	4.6	3 476 687	16.2	21 454 721	100.0

Table 2
Programme costs by category of expenditure and by financier
(United States dollars)

Category of expenditure	IFAD		Beneficiaries / private sector		Government		Total	
	Amount	%	Amount	%	Amount	%	Amount	%
1. Infrastructure	700 772	80.0	-	-	175 193	20.0	875 964	4.1
2. Equipment, material and vehicles	452 934	67.8	-	-	215 123	32.2	668 057	3.1
3. Training and capacity-building	6 701 527	71.4	947 674	10.1	1 741 649	18.5	9 390 851	43.8
4. Service providers, studies and technical assistance	5 554 475	81.8	33 278	0.5	1 206 530	17.8	6 794 282	31.7
5. Rural finance support fund	749 298	99.2	-	-	6 405	0.8	755 703	3.5
6. Operating costs, salaries and allowances	2 838 077	95.6	-	-	131 787	4.4	2 969 864	13.8
Total	16 997 082	79.2	980 952	4.6	3 476 687	16.2	21 454 721	100.0

V. Financial management, procurement and governance

15. The Ministry of Agriculture, Livestock and Fisheries will remain the lead programme agency. Supervision and monitoring will continue under, at the national level, the national steering committee, and, at the regional level, the regional steering committees.
16. The manual of administrative, financial and accounting procedures will be updated. Procedures will be in line with the conditions and modalities established by IFAD and the Republic of Madagascar, and harmonized with those applicable to IFAD

projects, while also taking into account the organizational characteristics of the PROSPERER programme, its financing and the nature of its activities.

17. Programme implementation will be monitored through the effective accounting procedures already in place within PROSPERER and rigorous management controls, with the management information system adapted to programme needs, the monitoring of financial and management dashboards, and the preparation of periodic reports.

VI. Audit

18. As is the case for all other IFAD-financed operations in the country, consolidated financial statements will be audited by an independent auditor and by the Office of the Auditor-General, in accordance with International Standards on Auditing and relevant IFAD guidelines.

VII. Legal instruments and authority

19. Subject to the approval of the Executive Board, the current financing agreement will be amended to reflect the additional financing. The proposed changes to the agreement will require revision to the allocation of IFAD financing to include the additional resources granted as a loan. The amendments will also include the extension of the programme completion date to 31 December 2021 and of the loan closing date to 30 June 2022. The additional financing will be used to scale up previously planned programme activities and will in no way modify the programme description.
20. The Republic of Madagascar is empowered under its laws to borrow from IFAD.
21. I am satisfied that the proposed additional financing will comply with the Agreement Establishing IFAD and the Policies and Criteria for IFAD Financing.

VIII. Recommendation

22. I recommend that the Executive Board approve the proposed additional financing in terms of the following resolution:

RESOLVED: that the Fund shall provide a loan on highly concessional terms to the Republic of Madagascar in an amount equivalent to approximately twelve million one hundred thousand special drawing rights (SDR 12,100,000), and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Kanayo F. Nwanze
President

Cadre logique (actualisé sur la base du COSOP 2015-2019)

Synthèse	Indicateurs clés de performance	Moyens de vérification	Hypothèses (H) / Risques (R)
Objectif principal :			
L'augmentation des revenus des ménages est promue par la consolidation des MER/PER au niveau local et régional	- 50 000 ménages (19% des objectifs du COSOP) ayant bénéficié des appuis du Programme (données ventilées par sexe) - 40% d'augmentation du revenu moyen des ménages ruraux	- Enquête auprès des ménages - Rapport d'évaluation (projet/ COSOP)	- H. Stabilité politique
Objectifs spécifiques :			
OS 1 : Les organisations professionnelles, corps de métiers et fédérations interprofessionnelles répondent aux besoins des MER	- 20'000 MER/PER bénéficient directement des appuis des OP, CM et FI (données ventilées par sexe) - 75% de taux de satisfaction vis-à-vis des services rendus par OP, CM et FI	- Rapports d'activités annuels - Fiches d'évaluation des MER/PER	- Volonté des OP, CM et FI
OS 2 : Un cadre institutionnel et une stratégie des MER sont en place	- Une loi portant sur la politique nationale des MER/ER est promulguée	- Texte de loi signé	- Volonté politique
OS 3 : La performance des clusters et filières au sein des pôles économiques régionaux est renforcée à travers l'amélioration de la compétitivité des MER/PER	- 50% d'augmentation du chiffre d'affaires consolidé des MER/PER (100% objectif du COSOP) - 10 000 nouveaux emplois créés (100% des objectifs du COSOP)	- Rapports d'activités annuels	- Les Filières/Clusters ciblées ont un potentiel de développement - La gestion des RN est améliorée
OS 4 : Les MER/PER ont accès aux services financiers et non financiers pérennes ainsi qu'aux marchés dans un environnement favorable de gestion de risque	- 75 % des MER/PER soit 30 000 appuyées bénéficiant des services non financiers (données ventilées par sexe) - 50 % des MER/PER soit 20 000 appuyées bénéficiant des services financiers (données ventilées par sexe) [indicateur de mise à l'échelle]	- Rapport d'évaluation de la performance des filières	- Volonté des IMF de promouvoir des produits à moyen et long terme permettant de financer l'entreprise
OS 5 : L'amélioration d'un environnement structurant favorise la modernisation des Filières/Clusters rurales	- 25% de MER/PER soit 12 500 appuyées ayant accès aux infrastructures de production (données ventilées par sexe) - 90% de taux d'utilisation des infrastructures [RIMS-2 et indicateur de mise à l'échelle]	- Rapport d'évaluation des MER	
Produits 1 - Identification et mobilisation des mer, des per et structuration des interprofessions			
Les couples OP/OM existants et nouvellement créés sont promus	- 150 couples OP/OM opérationnels - 20 000 MER intégrant le couple OP/OM - Valeur annuelle des produits commercialisés: ND (indicateur COSOP) - 2,5 millions de dollar de contribution du secteur privé (OM) de taille plus grande aux investissements (50% des objectifs du COSOP)	- Rapport d'activité des AC	- l'envergure et la stabilité des marchés - fidélité mutuelle des OP/OM
Les GUMS sont fonctionnels	- 30 000 MER bénéficiant de services d'appui (100% des objectifs du COSOP) - 75% de taux de satisfaction des bénéficiaires vis-à-vis des services des GUMS	- Rapport d'activité des GUMS/BDMER - Rapport d'évaluation participative	- Autonomie financière des GUMS
Les MER jouissent des appuis et soutiens des CCI via les AC	- 20 000 MER bénéficiaires de services commerciaux (25% des objectifs du COSOP) - SIM (BAZAR-MADA) fonctionnel dans les zones d'extensions	- Rapport d'activité des AC - Rapport CCI	- Prise en compte des MER par les CCI

Synthèse	Indicateurs clés de performance	Moyens de vérification	Hypothèses (H) / Risques (R)
AGB/OP/Cluster appuyés/ sont appuyés/ conseillé accompagnés et sont opérationnels	- 300 AGB/OP/Cluster rendant des services à leurs membres (indicateur COSOP)	- Rapport d'activité des PSE/GUMS	
Les PCAF créés et appuyés sont fonctionnels	- 10 PCAF opérationnels - 10 stratégies de développement de filières mis en œuvre	- Rapport d'activité PCAF	
Le cadre institutionnel est en vigueur et la politique nationale en matière d'appui aux MER/PER élaborée	- Un projet de texte de loi élaboré - CTOP national fonctionnel	- Rapport d'activité	- Adoption et ratification des textes réglementaires
Produit 2 - Services d'appui aux micro-entreprises et formation professionnelle			
Les services offerts par les PSE agréés répondent aux besoins de développement des entreprises rurales et sont pérennisés	-75% du taux moyen de satisfaction des MER, IF/GUMS par rapport aux prestations des PSE	- Rapport d'évaluation des PSE	
Le changement de comportement des MER bénéficiaires de SADE/BDS est effectif	- 18 000 MER ayant adoptées les techniques recommandées (11% des objectifs du COSOP) - 50% de taux d'adoption des formations en commercialisation et marketing, soit 6 000 MER - 50% de taux d'adoption des formations en gestion soit 7 500 MER - 50% de taux d'adoption des formations en autres thèmes soit 7 500 MER	- Rapport d'enquête adoption	
Les jeunes sont accompagnés en entrepreneuriat rural et dans leurs insertions professionnelles	- 4 500 Jeunes ruraux insérés/installés (indicateur COSOP) (données ventilées par sexe)	- Rapport d'activité des CIP	
Produit 3 - Finances rurales et gestion des risques			
Les besoins d'investissement des MER et les besoins en fonds de roulement des MER vulnérables sont soutenus par les IMF partenaires	- 20 000 MER bénéficiaires de crédits (Indicateur COSOP) - 6 000 000 USD des crédits alloués aux MER (CT et MLT)	- Rapport d'activité des IMF/ BDMER	-Engagement ferme des IMF à faciliter l'accès des MER aux services financiers
Les différentes facilités sont opérationnelles	- Facilité d'investissement rural (FIR) est opérationnel - Fonds d'Appui à l'Entrepreneuriat (FAE) est opérationnel - Fonds d'Appui Institutionnel (FAI) est opérationnel	- Rapport PAFIM/CI	- Efficience du PAFIM dans son intervention
Produit 4 - Infrastructures de marche et investissements structurants			
Les investissements collectifs de soutien aux filières et aux petits métiers sont en place et fonctionnels	- 90 infrastructures de soutiens à la production aménagées et/ou remises en état (Indicateur COSOP) - 80% des infrastructures construites/réhabilitées résilientes au changement climatique - Volume annuel des produits transformés et traités : ND (indicateur COSOP)	- Rapport de suivi des activités de la composante Infrastructure	-Effectivité des apports des bénéficiaires et du secteur privé