IFAD
Investing in rural people

Delivering public, private and semi-private goods

Institutional issues and implementation arrangements

ISBN 978-92-9072-586-2
Printed June 2015

Delivering public, private and semi-private goods

Institutional issues and implementation arrangements

IFAD
Investing in rural people

Table of contents

Acknowledgements

This paper has benefitted from the insights and inputs from several people. It was commissioned by Tom Anyonge, Lead Technical Specialist, and Norman Messer, Senior Technical Specialist in IFAD's Policy and Technical Advisory Division, who also reviewed and commented on early drafts. It was written by Rima Al-Azar, IFAD Consultant. Norman Messer contributed the recommendations and guiding design principles, as well as annexes. Thanks to Adolfo Brizzi who reviewed and commented on the final draft. Thanks also go to the several IFAD Country Programme Managers and Regional Economists who generously gave their time to share their experiences and provide valuable inputs: Mohamed Abdelgadir, Ibrahima Bamba, Nigel Brett, Ivan Cossio Cortez, Jean-Maurice Durand, Khalid el-Harizi, Geoffrey Livingston, Alessandro Marini, Sylvie Marzin, Claus Reiner, Tomas Rosada, Cristiana Sparacino, Ganesh Thapa, Benoit Thierry and Omer Zafar. For allowing references to relevant thematic guidelines in their charge, thanks go to: Jean-Philippe Audinet, Robert Delve, Mattia Prayer Galletti, Michael Hamp, Mylène Kherallah, and Roberto Longo. In addition, thanks also go to Michael Marx from FAO and his insights on matching grants. Finally, the author is grateful to Jade Pilzer for her administrative assistance.

©IFAD/G.M.B.Akash

Background

IFAD uses several approaches to deliver a mix of public, private and semi-private goods to poor people living in rural areas. These approaches include: **community-driven development** (CDD), which targets communities and empowers them to improve their livelihoods; **value chain development**, which links poor producers to markets through farmers' organizations; and **territorial development**, where the focus is a specific geographic territory or area.

Community-driven development (CDD) is an approach that gives control over development decisions and resources to community groups. Poor communities receive funds, decide on their use, prioritize, plan and execute the chosen local projects, and monitor the provision of services that result from them. The objective is not just to improve incomes, but also to empower people and help build their governance capacity. In recent years, CDD has become a key approach to aid delivery: it has proven successful in such areas as reaching and empowering communities, channeling development aid in post-conflict environments, and helping poor communities build climate adaptation and resilience strategies. Initially, the majority of goods and services provided through the CDD approach were public in nature; it was frequently employed to deliver infrastructure to meet basic social needs, including schools, health posts, potable water structures, etc. Major efforts have gone into setting up participatory planning mechanisms that give voice to IFAD target groups, such as facilitation sessions held at the community level. As part of the interventions aimed at reducing rural poverty, these sessions generated strong demands for more collective and private goods and services, including income-generating activities (IGAs).

Another approach used to promote rural development increases access to markets by developing value chains for poor rural people and promoting effective farmers' organizations. The idea behind this approach is that belonging to an organized group allows smallholder farmers to bulk produce, reduce costs through economies of scale and, perhaps most importantly, access markets and strengthen their bargaining power vis-à-vis powerful private-sector actors, leading to sustainable poverty reduction. Membership can also bring access to financial, processing and business services, all of which are key to empowering farmers to engage with the private sector on a more level playing field. Value chain projects finance a mix of public, private and semi-private goods. The proportion of IFAD-supported projects that include work on value chains has increased dramatically over the past couple of years. Currently, more than 50 per cent of IFAD projects have some elements or components of value chain financing.

Whereas the CDD projects are concerned with developing the capacity of and empowering the community,[1] value chain development programmes work predominantly through farmers' organizations. Both approaches assess the needs of the target group and address them.

1. Community is defined as "the locus where all members of a group of people, having some form of collective claim over a territory and recognizing some form of collective governance, can be given the opportunity to influence decisions in matters of public choice that affect their livelihood"(IFAD, 2009(a)).

A different approach, adopted by IFAD mostly in Latin America, designs activities based on the *capacities, abilities and assets* of the poor and their institutions. The objective of this approach is to enhance the capacity of actors to establish agendas aimed at solving development problems by building relationships among people, organizations and institutions within a defined territory. This "territorial approach" has become one of the ways in which rural development projects and programmes have sought to facilitate the delivery of public, private or semi-private goods in decentralized settings.

It is clear that IFAD increasingly delivers a mix of public, private and semi-private goods and services in the various programmes it supports – whether CDD, value chain development or territorial development. The obvious rationale for designing and implementing such projects and programmes is building local social capital and alleviating rural poverty. Yet, the institutional dimensions of these approaches have not always been clearly conceptualized or well designed. More often than not, the same institutional arrangements have been used for the delivery of public goods and services as for the delivery of IGAs and economic activities that are private (or semi-private/collective) goods. The institutional issues and challenges related to the delivery of this heterogeneity of goods and services are unclear. To add complexity, target project beneficiaries may also be varied, including individuals, groups of farmers and/or small and medium-sized enterprises (SMEs). Private service providers (non-profit as well as for-profit) may also benefit from technical assistance and capacity development, thus becoming indirect beneficiaries of the programme.

Objectives

The objectives of this paper are to:

1. **DEVELOP A SHARED UNDERSTANDING**
   among IFAD staff regarding public, private and semi-private goods

2. **CREATE AWARENESS**
   of different institutional issues regarding the delivery of a mix of public, private and semi-private goods

3. **SHARE KNOWLEDGE**
   and learn from experiences of different projects and regions

4. **IDENTIFY ISSUES**
   that need further in-depth analysis

The paper builds on previous IFAD work such as: Institutional and Organizational Analysis for Pro-Poor Change for meeting the MDGs; Community-Driven Development Decision Tools for Rural Development Programs; A Field Practitioner's Toolkit: Institutional and Organizational Analysis and Capacity Strengthening; Strengthening Institutions and Organizations, Synthesis Report; and lessons learned from Engaging in Partnerships with Farmers' Organizations to Link Smallholders to Markets, among others. In addition, the analysis draws upon other organizations' experience in working with rural institutions, such as the Food and Agriculture Organization of the United Nations (FAO), the Department for International Development (DFID) and the World Bank (see annex I for a list of references).

Much has been written about the public delivery of goods and services. This paper is an attempt to raise some of the issues related to the delivery of public, private and semi-private goods within the framework of one programme, and the institutional issues that may arise when there is such a heterogeneity in the types of goods delivered. The study examines the delivery of goods either directly by the public sector and/or through implementing partners of the public sector. It does not look at the issues that may arise from delivery of goods and services by private-sector actors such as foundations or private companies.


©IFAD/Susan Beccio

Definitions: public, private, club and common property goods

The theory of goods is based on the concept of exclusivity (whether or not an actor/agency can exclude others from the use of something) and exhaustibility (whether or not it is possible to use something up completely so that there is nothing left of it). With respect to service provision, the term "goods" is understood to include "services."

Goods and services may be classified as private, common pool goods, club or public (see table 1).

PUBLIC GOODS

Public goods refer to collectively owned infrastructure (e.g. village water supplies, rural roads and tracks, village grain banks, roofed markets, meeting halls, schools, clinics, etc.), as well as common property resources (e.g. land, rangelands, fishing grounds, etc.) and intangibles (e.g. agricultural research and information, development of intermediate technology, extension services, etc.). In general, such goods are managed by the public sector through supra-local state authority.

PRIVATE GOODS

Private goods are goods and services that are exclusively owned by certain individuals or groups of individuals, and that generate benefits (almost) exclusively for them (e.g. equipment, titled land); this category also includes the financing, leasing or rental arrangements that allow the owners to acquire such goods or gain access to their use. Private goods are both exclusive and exhaustible; the demand for private goods can be managed through markets. For example, a power tiller is a private good that the owner can prevent others from using and that will eventually wear out.

COMMON POOL GOODS

Common pool goods are those goods that are exhaustible (i.e. diminished by use), but that can be used by anyone (i.e. it is difficult to exclude others). If these goods are common property resources (e.g. water in a community-owned irrigation scheme, lands, grazing grounds, etc.), it may be easier to exclude certain people (outsiders) from using them. In such cases, some regulations to that effect are normally enforced by the group or unit that governs or manages such resources.

CLUB GOODS

Club goods are those goods for which it is possible to exclude people, but which are not diminished by use. They are called toll goods if a fee is charged.

TABLE 1. Matrix of the theory of goods

	Exclusive	Non-exclusive
Exhaustible	Private goods	Common pool goods
Non-exhaustible	Club goods	Public goods

The common pool and club goods may be considered "impure public goods" and may show some but not all of the features of "pure" public goods. In this paper, they are referred to as "semi-private goods." They have limited excludability: investors cannot recover the full investment and operating costs due to free riders, which limits their appetite for investment. On the other hand, they are not used by the entire public and are, therefore, a lower priority for public funding (see box 1).

Ideally, semi-private goods require some forms of public-private partnerships (PPPs), for which matching grants could be used as a financing instrument. In practice, it is often very difficult to clearly distinguish between the public and private nature of some investments (see box 2). Furthermore, several analyses of CDD programmes have found that the risk of elite capture at the community level is generally low when community preferences are for projects that generate non-privatizable benefits (i.e. public goods). On the other hand, the risk is real with community preferences for projects that produce private goods, since dominant members may become rent seekers, excluding the poor from project support, or minimizing benefits to poor members if they cannot be excluded (IFAD, 2009a).

Box 1. The use of public co-financing to fund public and/or private goods

Matching grants are least controversial when used for investments that support public goods, such as agricultural research and development. Social infrastructure – such as clinics, schools, and water and sanitation facilities – has characteristics of both public and private goods. Economic infrastructure – for example, irrigation schemes, market facilities, communal storage and processing facilities – provides benefits to some but not all community members, and its benefits are distributed unequally, which makes it closer to a private good than a public good. This applies even more so to productive assets belonging to groups/individuals and their enterprises, such as machines and equipment, livestock or buildings. In general, the clearer the public good character of an investment, the stronger the case for public co-funding. However, public co-financing of investments with private good character might still be justified by positive externalities and spillover effects, or on poverty grounds. Examples include: the generation and introduction of innovations, green technologies or new technologies with unproven risks and profit levels; initiatives to reintegrate ex-combatants; or start-up enterprises of young graduates.

Source: IFAD, 2012c.

Box 2. How a perceived public good is really a private good due to elite capture

One of the major factors claimed in favor of decentralization is that, as the size of the population covered by a local government decreases, the homogeneity of the population increases and their common needs can thus be more clearly identified. In the case of agricultural services, this effect may be reinforced if local provision reduces the range of agro-ecological diversity. This allows local government to provide appropriate types and levels of goods and services. For example, empirical studies suggest that local collective goods that are overlooked by the central government are high on the list of priorities of local communities [e.g. the provision, upgrading and maintenance of rural roads, and the provision of rural water supplies and rural electrification].

On the other hand, as the size of a community decreases, it also becomes easier to identify who, within the community, will gain most (and who might be disadvantaged) by the provision of certain types of "collective" goods. For example, viewed from the perspective of a national government, the provision, subsidization or supervision of cattle dips to control tick-borne diseases may appear justified because of the externalities to other cattle owners. However, within a local community, it may be only the wealthy households that own cattle and they may also control local government. The rest of the community may resent the financing of such activities from public funds, especially when these are raised through local taxation. Cattle dips thus assume more of the characteristics of a club good when viewed from the local perspective. In these circumstances, one might expect cattle owners to pay for their use, although the local government may play some role in organizing or monitoring the facility.

Source: FAO, 2001.

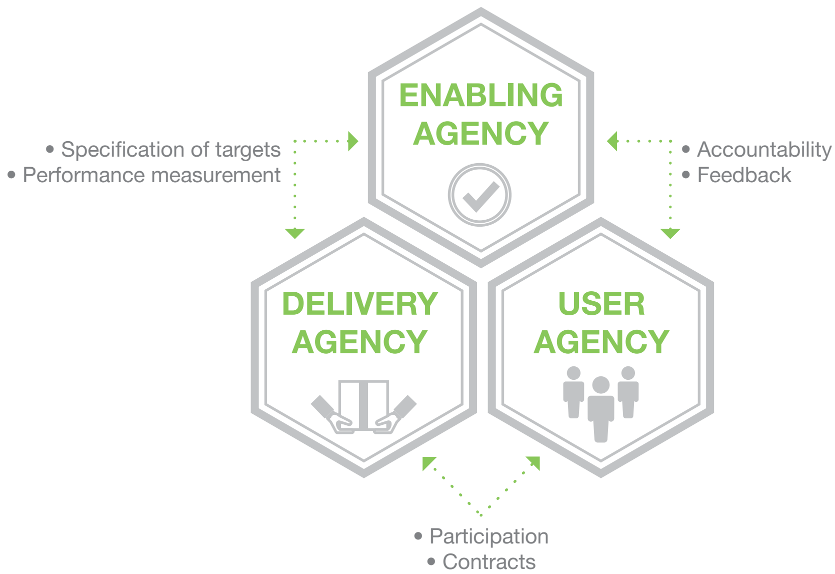
The institutional analysis framework

In analysing the institutional issues related to the delivery of public, private and semi-private goods, this paper uses the analytical framework first proposed by DFID (see figure 1), which looks at the relationships between the enabling, service delivery and user agencies. This framework has been further refined and developed by IFAD, adopting an innovative "pro-poor" focus and a much more localized approach.

A distinction needs to be made between "institutions" and "organizations." The most commonly cited definition of institutions is that of North (1990), who defined them as "rules and norms that constrain human behavior."

As with institutions, there are many definitions of the term "organization." According to Aldrich (2007), organizations (i) have a structure and functions, (ii) are designed to achieve specific

FIGURE 1. Institutional framework



Source: DFID, 2003; IFAD, 2009(c).
Note: the delivery agency might be a public body, NGO or the private sector.

Box 3. Institution or organization?

Confusion sometimes arises over the distinction between organizations and institutions. This is because, on a conceptual level, there is some overlap. Some organizations – such as governments – embody and represent the "rules of the game," as well as having the properties of organizations. Institutional aspects of a government should be thought of as the rules of the game: the laws, norms and standards that the government promulgates and works by. Organizational aspects include structure, staffing, resources and so forth.

Source: IFAD, 2013a.

goals, (iii) have identifiable boundaries, (iv) work within, or are influenced by, the institutional context, while usually also attempting to influence the "rules of the game," and (v) use resources, knowledge or technology to perform work-related activities.

In order to ensure adequate delivery of public, private and semi-private goods to the intended beneficiaries, it is necessary to build capacities of institutions FOR the poor (i.e. enabling and delivery agencies), as well as capacities of institutions OF the poor (i.e. user agencies).

Enabling agencies

Enabling agencies are those that set the framework, guidelines and boundaries within which all organizations function and that enforce compliance. They also set the standards for service delivery and accountability. Their functions encompass anything and everything that has to be done to facilitate the effective functioning of a system. More often than not, these agencies are able to make adjustments to an existing institutional environment. They are generally identified with the public sector (e.g. parliament, government). The enabling functions can be grouped into three categories:

Policymaking: for example, formulating objectives, vision and values; establishing processes and procedures; laying down the terms and conditions for civil society participation. One example of policymaking that has an impact on the design and delivery of public and private goods is the government's policy on working through implementing partners. Another example is whether the government requires the legal registration of a self-help group (SHG) or not. In India, the self-help affinity groups are not required to be legally registered. Had the government's policy required legal registration, the SHGs could not have been recipients of semi-private goods; instead, only individual members would have been eligible beneficiaries, thus transforming the programme into the delivery of private goods.

Government policies can also have an impact at the decentralized/local level. For example, in China, a policy to invest in rural infrastructure played a big role in prompting the private sector to include (or exclude) villages into their value chain for tobacco production (see box 4).

Box 4. Local government policies impact on inclusion/exclusion of villages in tobacco value chain

The policies of the local governments at the level of counties and municipalities in southern Yunnan played an active role in attracting new businesses. In recent years, the Chinese central government has been pressuring local governments to attract foreign and national investments. As a result, many county governments created business bureaus and offered benefits (e.g. tax benefits and concessions for the use of public lands) to attract investors. In villages in Yunnan, local governments focused on attracting investments from agricultural and agro-processing companies, recognizing that (a) the characteristics of their counties made it very difficult to attract manufacturing industries, and (b) they had an abundance of natural resources. Some of these efforts focused on investments to upgrade or construct roads connecting villages with small and medium-sized towns and cities, in an effort to address the concerns of commercial firms that found it difficult, if not impossible, to work with farmers in villages in remote locations or without good roads. Thus, technicians from the tobacco company stressed that the availability of good roads was one of the important factors that they considered in the decision to involve (or not) a village in tobacco production. If the quality of roads was poor, rain could prevent the transportation of harvests to the factories, leading to product losses.

Source: Damiani, 2008.

Regulatory: for example, establishing entitlements and enforcing rights, with three sub-functions: (i) law-making; (ii) organization or structuring of action arenas; and (iii) enforcement (i.e. monitoring, control, legal action, etc.). A good example would be the legal framework adopted in Burkina Faso to manage land tenure, which distinguished between public, collective and individual tenure of land, paving the way for a differentiation in terms of both service delivery and type of beneficiary (see box 5). In contrast, in Haiti, there exist more than 500 texts dealing with land issues, resulting in a legal disarray caused by overlapping or contradictory texts. There is a need to review and harmonize the laws so as to ensure that private, community and public tenure are clearly defined and specified before related programmes can be designed.

Even within the same country, the regulatory framework may differ for the diverse types of rural organizations with which IFAD partners. For example, in Yemen, the legal framework governing cooperatives, farmers' organizations, water users' associations and village development committees is very diverse. The cooperatives law dates back to the socialist era, whereas the laws related to village development committees and saving and credit groups are more recent, allowing greater flexibility in the delivery of goods and services to their members.

Regulations governing access to rural finance play a role in determining whether a project can be designed to provide private (individual) loans, or whether a collective form of rural finance is possible (e.g. group savings). For example, in Viet Nam, an IFAD study (2009) found that financial services were lacking in the project areas. In Ha Giang province, a microfinance component had not yet been initiated, and savings and credit groups were not connected to the major microlender in the area, the Government's Bank for Social Policies. The bank's existing regulatory framework did not allow group lending, nor the mobilization of group savings, both of which were critical to financial sustainability. While the bank provided loans to individuals, poor people in this area did not have adequate collateral.

Resource allocation and management: for example, managing funds (taxes, charges, user fees); managing (re-)distribution mechanisms; making resource transfers to various actors, etc.

Box 5. Burkina Faso's legal framework on land tenure

Following the development in 2007 of the National Policy on Land Security in Rural Areas and its adoption by the Council of Ministers, a new legal framework was adopted in 2009 and a land law was passed by the National Assembly. In 2010, eight decrees were issued concerning the development of land charters and the implementation of certificates of land ownership.

The new law divided rural land into three categories:
- Rural land area of the State;
- Rural land area of territorial communities;
- Rural land holdings of individuals.

It introduced two major innovations that were fundamental to securing land: local land charters (LLC) and certificates of land ownership (CLO).

Local land charters are agreements that specify local conditions and rules for land management and shared natural resources. They may be initiated at different levels: village (or subvillage), inter-village, or at the level of one or more municipalities. The decree 2010-400 describes how the development and validation of CLO conditions must be based on a fully participatory consultation process.

In order to secure the assets of individuals, the legislation also introduced a procedure for recognizing rural land ownership, based on a process of finding contradictory rights and, in the absence of such, leading to the issuance of a CLO. This recognition process could lead to the formalization of agreements on land rights held by the state, city or individuals. The CLO is a permanent benefit that can be issued to individuals or family lineages.

Source: Durand, 2012.

Delivery agencies

Delivery agencies are normally identified as the immediate providers of goods and services to the users (or user agencies). They are found in the public, private, mixed (having both public and private ownership) and civil society sectors. The Ministry of Agriculture and its decentralized offices may directly deliver goods and services, but they may equally subcontract consulting companies and/or NGOs to deliver specific services on their behalf. In a project that finances a mix of public, private and semi-private goods, there is often a mix of service providers with different contractual arrangements and lines of accountability.

When a project envisages to build the capacity of implementing partners, the provision of this type of technical assistance should be considered as the provision of a service.

Such technical assistance could be classified as being closer to a public good when the implementing partner is a public utility society organization (see box 7), or being closer to a private good when the implementing partner is the private sector (e.g. assisting a bank to set up local branches to facilitate the provision of rural credit). When the partner is the private sector, caution should be exercised in the selection, contracting and capacity-building of the partner to avoid elite capture by private entities with stronger political connections.

In order to set up successful partnership agreements, there needs to exist the willingness and capacity to enter into a contractual arrangement, as well as the capacity to deliver the services required. In some countries, the public sector is sometimes reluctant to relinquish its monopoly on service provision, and time might have to be invested to raise the awareness of the public sector regarding the benefits of working with non-state actors as implementing partners. IFAD is implementing an innovative programme in West and Central Africa (see box 6) to build the capacity of all stakeholders to work together. In addition to being willing to partner with the private sector and the NGOs in the provision of the public and private goods, the government agency needs to have the capacity to implement procurement arrangements envisaged by the project, including the preparation of the bidding documents.

The issue of capacity to contract service providers is not a challenge for the public sector alone. In CDD-type of programmes, the communities (i.e. the user agencies) may need to have their capacity built in order to be able to select and contract service providers, as well as hold them accountable.

TABLE 2. Types of ownership and organizational structures of service providers

Ownership	Type of provider organization
Public (central government)	Ministry/department/agency/bureau
Public (decentralized government)	Public-sector offices at state/province, municipal level
Private for-profit	Small firms
	Large companies
Private not-for-profit	Community-managed
	Not-for-profit organization

Box 6. Provision of technical assistance to partners

The Promotion of Local Initiative for Development in Aguié in Niger [Projet de promotion de l'initiative locale pour le développement à Aguié] (PPILDA) has established a fund to support partnerships in strengthening local service supply. The fund provides institution-building support and training to local service providers that are actively engaged in promoting local initiatives. These partners include decentralized public departments of literacy, health, crops and livestock extension, environment and rural works, a local radio broadcasting station, emerging local private building contractors, consultants or auditors/accountants, and civil society organizations.

Source: IFAD Synthesis Report, 2013.

Box 7. Public utility civil society organizations (CSOs)

Governments may recognize the public utility functions of a civil society organization (CSO) when:

- The independently established core objectives of the CSO coincide with key government objectives; and
- The CSO possesses the capacity to effectively manage government contributions to fund medium-term programmes on a joint-financing basis.

Source: IFAD, CDD.

User/client agencies

User/client agencies consist of four broad categories: individual consumers of goods and services (individual farmers, producers, buyers and clients); informal affinity groups that do not have a legal status (e.g. self-help groups, village development committees, natural management groups); legal not-for-profit groups organized around a common affinity (e.g. farmers' organizations, associations formed around specific value chains such as cotton, dairy products, fruits, etc.); and legal for-profit SMEs and agribusinesses. All of these user/client agencies constantly seek to create space for their members to access resources and benefits.

The user agencies – be it village development committees, self-help groups, farmers' organizations or SMEs – need to develop their capacities in several domains. For example, strengthening the *governance* structure of the user agency ensures greater transparency and helps mitigate the risk of elite capture. In addition, good governance of the user agency helps ensure that public goods are not transformed into private goods, benefitting only a few in the community. This is also applicable to the *managerial* capacities of the user agency.

When it comes to *technical* capacities, the sequencing is of particular importance. For example, more often than not, it is important to provide public or semi-private goods and services (e.g. extension training, business development, etc.) before providing a private service (e.g. access to rural finance). Inappropriate timing and sequencing of public and private goods may endanger the sustainability of the programme and, in some instances, may lead to the unintended result of impoverishing the rural farmer instead of improving his/her livelihood.

Finally, as the organization matures, two types of capacities need to be developed: the ability to *advocate* to and *hold accountable* the public sector and the expertise to *negotiate* with the private sector. The development of these skills requires two preconditions: the ability and the willingness to work in associations that then can develop into federations. In particular, the rural poor need to develop their capacity to hold a public institution and/or its implementing partner accountable, and to demand that public, private and semi-private goods be delivered to the intended beneficiaries in a timely manner, while meeting the quality and quantity targets defined by the programme.

It should be noted that the line between the deliverers and users is not fixed. Thus, a farmers' organization could play the role of a service provider (delivery agency) in one instance and the role of a user in another – for example, as a consumer of a service such as training on rural finance.

©IFAD/Susan Beccio

Cross-cutting issues

Though the different approaches used by IFAD to provide pro-poor rural services may have different focuses, there are several cross-cutting themes that have an impact on the delivery of public, private and semi-private goods. Below are some of the most relevant issues and challenges affecting the design, implementation and monitoring of the delivery of the different types of goods and services. The challenges discussed below are relevant to any programme delivering services – whether public *or* private – to the poor. They are particularly pertinent to those programmes that deliver both public *and* private services.

Context analysis: the specificity ingredient

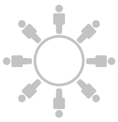
In addition to the institutional issues that affect enabling, delivery and user agencies, as well as their capacities outlined above, the country context plays a role in the design and implementation of the delivery of public, private and semi-private goods. The choice of whether to design a programme that delivers either public, private or semi-private goods, as well as the capacity to implement and monitor it, depends on several contextual factors. Among the most important are the following:

POPULATION DENSITY

Population density determines the type and means of service delivery. Programmes with a larger private goods component will be more challenging to implement in sparsely populated areas. For example, programmes aimed at increasing access to rural finance will face greater difficulties both in setting up the said component and in providing technical assistance that should accompany it.

RURAL INFRASTRUCTURE

Existence and quality of rural infrastructure will affect the ability to successfully deliver private goods and to monitor the programme. In such cases, it might be advisable to initially finance the delivery of public goods, such as roads and other essential infrastructure.



SOCIAL CAPITAL

Social capital makes it easier to deliver collective goods. For example, in Peru, despite high illiteracy rates, the native populations are often characterized as hard working and having great initiative, with the *aymaras* being particularly well-known for their good marketing skills. Communities are usually highly organized, undertaking collective action to solve the problems they face. On the other hand, where a population group has more individualistic tendencies, it may be difficult to set up collective activities, or – if a programme establishes groups (e.g. natural resource management groups or cooperatives) – to sustain them after the project ends. Moreover, in such cases, asset creation benefiting groups of people – instead of individuals – may face lack of care and maintenance, or failure to achieve satisfactory levels of profit. Therefore, the challenge of designing and delivering collective goods in such instances lies in determining who manages and who benefits from the goods in question.

Box 8. The local context: how homogenous are the communities

Community-level institutions, shaped by cultural norms and practices, can facilitate or hinder the achievement of desired programme outcomes. A review of safe-water projects in Central Java, Indonesia, associates success with greater social capital. In Rajasthan, India, manifestations of "mutually beneficial collective action" were associated with watershed conservation and development activities more generally. A broader review of the literature suggests that participatory approaches to implementing projects are more successful in communities with less economic inequality and less social and ethnic heterogeneity.

Source: World Bank, WDR, 2004.

REGIONAL DIFFERENCES

Regional differences within a country, especially a larger one – such as economic, political, social and climatic variations – will have an impact on the delivery of services. As a result, successful design and implementation of service delivery in one region – for example, of private goods – may or may not be replicable in another, depending on the difference in regional contexts.

Definition of institutional arrangements for service delivery

Regardless of the type of approach used to promote rural development and empower institutions to alleviate rural poverty, the institutional arrangements put in place to deliver public, private and semi-private services play an important role. In some projects, the delivery of services is done exclusively by the public sector and its decentralized structures. In others, the public-sector contracts out the delivery of specific services to private and/or non-private entities. Yet in others, an independent agency is set up to deliver the services. In the majority of projects that IFAD co-finances, the delivery of services is typically carried out by a mix of organizations from both public and private sectors, as well as (not-for-profit) NGOs. In principle, however, mixing the delivery of public and private goods is not considered best practice. Whenever private and semi-private goods are involved, different delivery systems should be used, which should be autonomous and professional, as well as easy to monitor and supervise (Brizzi, *pers. comm.*). Otherwise, elite capture, rent seeking and free riding may creep in.

Different institutional set-ups for service delivery will have different outcomes. For example, when matching grants approval rests solely with local authorities, the risk of politicization and elite capture increases. Under the Community-Based Rural Development Project in Ghana, decisions about matching grants and loans were split, whereby loan decisions were first made by the banks, and then matching grant decisions were made by grant committees in the participating districts, composed of representatives from the project, financial institutions, business development service providers, as well as the district assembly and traditional authority. However, a recent study (FAO, 2014 draft) found that this approach led to long delays and sometimes political interference, subjecting rural banks to undue pressure to extend loans to beneficiaries preselected by the district grant committee.

When a programme delivers a mix of public, private and semi-private goods, the institutional arrangements need to take into consideration the greater need to coordinate both vertically and horizontally. It is thus more complex both in design and implementation. Managerial capacities and specific procedural steps are needed to ensure that this dual coordination takes place effectively. However, the flip side of this complexity is a greater potential to integrate different activities and, thus, have a greater impact on rural poverty alleviation.

Box 9. Institutional challenges in the territorial approach

In Brazil, one of the challenges noted in implementing the territorial approach, with its mix of delivery of public, private and semi-private goods, is the diversity of development issues addressed in the course of implementation. While working with various dimensions is coherent within a multidimensional approach to combat poverty, there is a risk of dispersion of efforts and a greater difficulty to mobilize competencies necessary to implement and oversee the different activities envisaged under the programme. In addition, it requires a greater capacity of coordination and organization at an intercity territorial level.

Source: IICA, 2013.

Furthermore, when a programme delivers a mix of public, private and semi-private goods, the project management unit (PMU) should be staffed with professionals who have a broad range of technical and managerial skills and experience to successfully implement the programme. It may be challenging to mobilize such expertise in certain rural settings.

Eligibility and selection criteria

- Eligibility and selection criteria should be clearly defined, especially if demand is likely to exceed the supply of funds, and grants are awarded on a first-come-first-served basis. Selection criteria are essential where the award process is competitive.
- Eligibility criteria determine whether a person may in principle receive specified goods, services or funds. They include factors such as membership in the project's target group, socio-economic background, age, gender, area of intervention and participation in productive activities supported by the project. Selection criteria are used to narrow the number of eligible candidates, and they can be both quantitative and qualitative (e.g. extent of compliance with [xx], depth of [xx]).
- Clear criteria can be established only if the target group's background and context are well known and documented, such as through a household survey. It should also anticipate what might happen when the group receives the benefits, what structures are needed to ensure completion of the expected impact chain and what could go wrong. Negative eligibility criteria, which serve to exclude certain types of households from participating (e.g. households scoring below a value of xx on a socio-economic survey, based on factors such as quality of housing, level of education, occupation, ownership of livestock and consumer assets, means of transport, income and surface area cultivated/owned) may therefore have to be added in such cases.
- Eligibility and selection criteria should be defined to support people, associations and companies that otherwise would not have engaged in the activity or would have engaged to a lesser extent. For example, a microfinance institution may be eligible to receive project support through a matching grant if this would enable them to reduce their transaction costs of doing business with very poor clients in remote areas and therefore allow them to work with a greater number of IFAD's priority target groups than they would be able to reach without such a grant.
- Ideally, the project design report, or at least the Project Implementation Manual (PIM), should include a weighting of the selection criteria. For example, it could indicate that proposals will be selected based on specific criteria, for which a maximum score of 100 points will be possible: (a) technical review evaluation [xx points]; (b) concordance with national and project priorities as expressed in xx document [xx points]; and (c) innovativeness of technology [xx points].

Excerpt from: IFAD: Matching Grants. Technical Note. IFAD. Rome, September 2012.
www.ifad.org/ruralfinance/pub/match_grants.pdf

Selecting, contracting and building the capacity of partners

Careful selection of implementing partners is crucial for two reasons. First, it is the implementing partners that often deliver the public, private and semi-private goods to the rural population. Second, as previously mentioned, when the implementing partner is a recipient of technical assistance and capacity-building, the partner also becomes an indirect beneficiary of the programme. In that case, the technical assistance received could be considered as the delivery of a private or semi-private good funded by the project. The three main issues to take into account when selecting and contracting implementing partners are elite capture, equity and capacity.

Elite capture by service providers can occur in several ways. For example, on grounds of efficiency, contracts are lumped together to cover several communities. Then, the size and complexity of those contracts are used to justify non-transparency and non-accountability to the community partners. This practice automatically prohibits smaller contractors from bidding and winning service contracts, instead favouring larger companies.

In other instances, when a new project is launched, politically connected individuals may set up new entities in order to be selected as implementing partners and thus capture project funds. Specifying minimum eligibility criteria in the PIM to guide the selection of implementing partners may decrease the risk of engaging with such organizations/entities (see box 10). In addition, selection criteria should ensure that an implementing partner being considered has the necessary capacities to deliver a particular service.

In order to ensure *equity*, care should be taken during partner selection not to create a negative influence on existing power relationships and introduce a bias in the market of service provision. For example, a recent study on input subsidy programmes in sub-Saharan Africa found that "private firms selected to distribute fertilizer on behalf of the programme have benefited most, often at the expense of firms that were excluded" (Jayne and Rashid, 2013). The study recommended to allow programme beneficiaries to redeem their vouchers at any private retail store.

Often, there is a tension between sole-source contracting, which is more efficient and expedites implementation, and open tendering/bidding, which is perceived as fairer but may result in long delays. Such was the case in India, where it took almost three years to recruit service providers for the Convergence for Agriculture Innovation in Maharashtra project, initially designed for eight years. In Mali, USAID attempted to address equity issues by working with the Association of Malian Mango Exporters, rather than with a selected number of exporters. In some countries, such as Madagascar, IFAD has worked through the Chamber of Commerce, which acts as a go-between between the government and the private sector. However, it may be necessary to assess to what extent the leadership of these associations and chambers of commerce is monopolized by larger farmers. Another approach used to address equity issues when selecting implementation partners is to incorporate capacity-building of smaller/weaker service providers in the project design.

Box 10. Example of criteria for selecting a financial institution (FI) as a partner

Tripartite arrangements are subject to a number of conditions that need to be assessed during design and potentially addressed during implementation. The financial institution:

- Needs to be financially and operationally sound and have outlets in reasonable proximity to the clients;
- Needs to have some experience in lending to the target group and in appraising the technical and financial viability of eligible investment purposes; and
- Should be willing to bear all or most of the risk of the loan and provide additional working capital finance if needed.

Preferably, a matching grant facility should be made accessible to several eligible financial institutions to enhance competition.

Source: IFAD, 2012, Matching Grants.

Box 11. Weak capacity of service providers

In Rwanda, the Rural Investment Facility 2 is a grant programme under the Ministry of Agriculture and Animal Resources, originally administered by the National Bank of Rwanda and later transferred to a specialized fund manager. By mid-2011, fund management was transferred to a subsidiary of a government-owned development bank that took over the management of most grant and guarantee programmes in Rwanda. The Ministry pays private consultants to assist potential investors in developing business plans. However, both banks and potential investors have complained about the quality of these support services.

Source: IFAD, 2012, Matching Grants.

In remote rural areas, identification of implementing partners with sufficient capacities to deliver public, private and semi-private services is often challenging. This difficulty increases exponentially as the programme design gets more complex, delivering different types of goods and addressing different sectors (see box 11).

Hence, the selection of implementing partners should be a two-step process. First, during design, a mapping exercise (*ex ante*) should be carried out to identify partners and assess their capacity and effectiveness in delivering the services required. Such in-depth analysis of the availability and existing capacities of service providers in the country can guide the selection of suitable implementing partner(s) and inform capacity-development activities that should be envisaged as part of the project design. Second, during implementation, it is important to ensure that the selection of implementing partners has followed the procedures and criteria identified in the PIM. These processes should be incorporated and clearly defined in the PIM so as to ensure maximum procedural fairness and transparency in the selection of service providers.

Finally, it is equally important to assess the capacity of the selection committee to assess and select suitable service providers. Procedures should be put in place to ensure that selection committee members remain neutral and unbiased. It may be important to determine whether a preselection process should be established and whether technical consultants need to be recruited to undertake technical assessments of the proposals. It may be the case that several technical consultants are required to assess the different types of activities envisaged in the project (e.g. engineers, business development specialists, training specialists, etc.). In general, the more complex the activities to be implemented, the likelier it is that there would be a need for a preselection process.

Targeting and beneficiary selection – the precision ingredient

Most development organizations use poverty indicators to target communities in need of goods and services. However, different selection criteria may be applied for the delivery of public, private and/or semi-private goods and services. Whereas beneficiaries of public goods financed by public funds are often selected on the basis of poverty indicators, the choice of beneficiaries to receive private and semi-private goods is more varied. For example, in many rural finance projects, beneficiaries are selected on the basis of their production/marketing capacity – usually demonstrated by their proposed business plan – and not solely on the basis of poverty levels (see box 12).

In other programmes, farmer groups and communities are selected on a competitive basis (see box 13), whereby different groups and organizations present and defend their business plans, thus promoting transparency and local social and human capital.

A risk that both public and private goods run is their potential use for political purposes, especially when service delivery is undertaken around election time. Though it is generally

Box 12. Targeting based on capacity

Phase II of the IFAD-funded Rural Enterprise Programme in Ghana financed production and processing equipment using matching grants: 30 per cent of investment costs was grant-funded, 10 per cent was funded by the beneficiary and the remaining 60 per cent was covered by a loan provided by a participating financial institution. It has an overall recovery rate of around 98 per cent. One reason for the good repayment performance might be that clients are selected among trainees of Business Advisory Centers supported by the project.

Source: FAO, 2014 (draft).

Box 13. Targeting based on competition

In Peru, the Puno-Cusco Corridor Project transferred funds to community groups, enabling the latter to contract technical assistance and training necessary for the implementation of specific income-generating projects. Access to these funds was granted on the basis of competition among farmer groups and communities, which had to present and defend specific business plans in public hearings, with broad participation of communities, local governments and central government agencies working at the local level, and local NGOs, which evaluated the merits of each proposal. These mechanisms promoted transparency and agreement on medium and long-term development goals of the participating communities, and led to significant positive changes in agricultural and nonagricultural activities. They also strengthened social and human capital, as participants had to open and manage bank accounts, decide on their priorities, select and contract extension service providers, and supervise the quality of their work.

Source: Damiani, 2008.

Box 14. Targeting based on political affiliation

Between 1989 and 1994, PRONASOL – a poverty alleviation programme in Mexico – spent an average of 1.2 per cent of GDP annually on water, electricity, nutrition and education in poor communities. Municipalities dominated by the ruling Institutional Revolutionary Party (PRI) received significantly higher per capita transfers than municipalities that voted for another party. An assessment of PRONASOL spending suggests that it reduced poverty by only about 3 per cent. Had the budget been distributed based on potential impact on poverty rather than party loyalty, the expected decline would have been 64 per cent with perfect targeting, and 13 percent even with an untargeted, universal proportional transfer to the whole population.

Source: World Bank, WDR, 2004.

perceived that private goods tend to foster greater clientelistic targeting, the provision of public services can equally be used for clientilistic purposes and political gains. According to Diaz-Cayeros and Magaloni (2002), "clientelism is characterized by an excessive tendency of political patrons to provide private rewards to clients. Politicians allocate public spending to win elections. To do so, they can provide public goods that can improve everyone's welfare (public goods that are extensive, such as law and order, universal education, with no rivalry or excludability). Or they can target localities (local public goods, projects limited to a jurisdiction) or individuals and specific groups (clientelism)." This is illustrated by the case of the Programa Nacional de Solidaridad (PRONASOL) in Mexico (see box 14).

Another such example is the IFAD-funded Programme de Développement Rural Durable (PDRD) in Burkina Faso, where the project was initially designed to finance community-level public goods (i.e. village-level infrastructure, etc.). However, the funds were co-opted to finance communal-level infrastructure (presumably for local political gain) after a change in national legislation.

In contrast, in India, substantial capacity-development efforts invested in building self-help affinity groups thwarted attempts by certain politicians to use the programme for political gains (see box 15).

One of the challenges is designing a targeting strategy in a programme that has a mix of public, private and collective goods, and for developing the capacity of the agency selected for the delivery of services for implementing the targeting methodology and ensuring that the beneficiaries are aware of the different eligibility/selection criteria to reduce conflict as well as to demand greater accountability should the methodology not be well-implemented, resulting in capture by certain groups.

It is not clear that elite capture is always a problem. Wade (1988) suggested that mobilizing community action may require the leadership of the more educated, connected elite. The lessons, though, stress that either the types of services funded by such methods should have substantial public good characteristics and/or that the right to leadership should be contestable.

The Community-Driven Development Decision Tools report (IFAD, 2009) recommends that it is "necessary to determine what constitutes an acceptable level of elite dominance; that is, what is the 'fair' share of project benefits that remunerates the elite for their function in facilitating project activities, beyond which elite capture occurs. IFAD CDD projects should decide what would signal unacceptable levels of elite dominance and undue capture of benefits and install the mechanisms required to record such signals so that corrective action can be taken in time."

Interestingly, this trade-off between elite capture and the facilitation of the project at the community level also takes place at a different level in territorial development. In territorial

Box 15. How empowerment undermines attempts at clientelism

One politician, who insisted on giving grants to SHGs, was very upset when she lost the election; she considered SHG members "ungrateful." In fact, capacity-building training and mentoring had made SHGs capable of exercising their franchise with greater care, resisting external pressure and "persuasion" to vote for particular people.

Source: IFAD, 2006.

Box 16. Empowerment and enforceability: How a public good became a private good and how it was reversed

A village requested that the IFAD-funded Fonds de Developpement en Zone Sahelienne (FODESA) project in Mali finance the construction of a "boutique villageoise." When the time came for FODESA staff to collect the village contribution, the community members felt they were too poor to mobilize the share of costs requested by the project. Without informing FODESA, the people of the village struck a deal with a wealthy resident merchant, who offered to pay the entire community contribution himself. When the boutique was constructed, the merchant seized the exclusive right to manage the infrastructure on the strength of his financial contribution and appointed all the members of the management committee. After a while, the business began to be mismanaged, with sales revenue misappropriated to the advantage of the merchant, who considered himself the only shareholder of the enterprise.

The village complained to FODESA, requesting an intervention to help reclaim the business for the benefit of all members of the community. The method used to address this demand was the collection of the village's share of costs, which was paid to the merchant to reimburse his initial contribution on condition that he withdraw his participation in the management of the boutique. This time, the community members met with no difficulty in mobilizing their contribution and were free to elect their own trusted members of the management committee.

Source: IFAD, 2009, CDD.

development approaches, a key issue is the relative size of the rural population to the urban one, and the relative economic weight of rural economic activities to urban ones at the municipal level. The relative weight of the rural population and their economic activities is often reflected at the institutional level and through the composition of the municipality. For example, where the rural population is sizeable, the municipality tends to have an agricultural unit for the provision of agricultural services. However, in Brazil, the territorial development projects often include a few municipalities that are predominantly urban (e.g. Vitoria da Conquista in Bahia, Sobral in Ceara, Picos in Piaiu) precisely because such urban municipalities have the capacity to provide services, access to markets and access to finance to rural municipalities.

To mitigate the risk of capture within a group and the diversion of funds to benefit only the advantaged in a particular community, it is important to strengthen the governance of the beneficiary groups and to put in place an effective communication strategy to inform the community of the objectives, eligibility criteria and other aspects of the project. It also may be necessary in certain communities to provide basic literacy and numeracy training.

Technical design issues – the nuts and bolts ingredient

The technical design of each project and programme depends on a number of factors, including objectives, context, existing capacities, etc. Listed below are some of the issues that should be taken into account in the technical design of a project that aims to deliver a mix of public, private and semi-private goods to different types of beneficiaries. The list is non-exhaustive, as it would be beyond the scope of this paper to address all possible technical issues that arise in the different development programmes that deliver a mix of public, private and semi-private goods.

Partnership requirements for different types of beneficiaries: What is the right formula for a public-private partnership? For example, in Ghana, IFAD projects chose the following formula: 30 per cent matching grant, 10 per cent equity contribution and 60 per cent bank loan. Should it be the same for individual beneficiaries, groups and companies? Or, in other words, should it be the same for private and semi-private goods? Having a different formula for each group of beneficiaries complicates design and may introduce confusion and distortion in beneficiary selection.

Matching contribution requirements: When defining the size of the matching grant contribution, project designers face some trade-offs. While larger matching contributions help to reduce opportunistic behavior and identify beneficiaries with a strong commitment and ability to manage the investment, they also increase the likelihood of excluding the entrepreneurial poor. Likewise, while small and in-kind contributions reduce entry barriers for the poor, they also increase risks of elite capture and reduce outreach of any given programme.

Participatory processes: Regardless of whether a project aims to deliver public goods and services, private goods and services, or a mix of both, participatory approaches should be used to assess needs, determine priorities and plan project activities. Thereafter, during the implementation phase, public and private goods and services should be separated in terms of their detailed design and delivery mechanisms.

Sequencing of delivery of goods: Has sufficient time and resources been allocated to deliver goods and services in an appropriate sequence? For example, social mobilization and training in business plan formulation should take place before the provision of funding for IGAs, especially those that rely on rural credit for financing. Thus, in Brazil, a project transitioned from funding social mobilization activities and collective goods (e.g. building cisterns for improved access to water) to developing value chains and access to markets (see box 17).

Geographic linking of the delivery of public and private goods: It is essential that provision of infrastructure (public goods) be integrated into the project in a manner that effectively supports the livelihood security of participating communities. For instance, a case study in Viet Nam concluded that there must be a significant degree of geographical and functional synergy between the location and timing of infrastructure projects, implementation of agricultural demonstrations, establishment of community savings and credit groups, and provision of technical training to participants (IFAD, 2009). This aspect is closely linked to coordination with other government/donor-funded projects implementing infrastructure programmes in the same project area.

Gradual increase in technological complexity: In Colombia, the Productive Partnerships Support Project found that, in order to assist poor small farmers, PPPs should focus on annual crops that do not require much investment. Perennial crops that require medium-term investment and land tenure security were found to be unsuitable for poor farmers, as the latter did not have the financial capacity to maintain those crops for several years before realizing financial benefits. In Brazil, a "graduation approach" engaged small farmers in the cultivation of a sequence of different crops that became more complex over time (see box 18). This approach assists poor farmers while they develop their capacities and moves them into a higher income bracket, at which point they are better able to handle perennial crops. Starting with perennial crops might exclude poorer farmers and target those who possess higher technical and financial capacity.

Box 17. Moving from the broad to the narrow: an approach to provide targeted services

In Brazil, the Gente de Valor project uses a territorial development approach for poverty alleviation, following a dynamic process. Initially, the project made emergency investments in cisterns (a collective good) to address a basic need: access to water. This built the confidence of the local population concerning the effectiveness of activities carried out under the project and generated greater involvement. Simultaneously, the project introduced backyard gardens that are traditionally the responsibility of women. This led to an improvement in food security, diversified the diet, and generated income for those households that were able to market excess production. The marketing was mostly local and sporadic, but the project was also able to establish linkages with the public purchase programmes (i.e. the National Programme for School Lunch and the Programme for Food Acquisition), resulting in higher incomes for some of the families. In the most advanced stages of the project, following the consolidation of local organizations and robust viability studies on key production chains, there was a process of prioritization of some communities, who were able to achieve higher levels of production and value addition through low-cost processing technologies and access to markets.

Source: IICA, 2013.

Box 18. Graduation from growing annual to perennial crops

In Brazil, the São Francisco Valley Development Agency [Companhia de Desenvolvimento do Vale do São Francisco](CODEVASF) implemented over a period of time two different strategies in Petrolina-Juazeiro. From the late 1960s to the early 1980s, CODEVASF pressed small farmers to grow annual crops other than beans. It enticed tomato-processing firms from São Paulo to establish in Petrolina-Juazeiro and promoted tomato contract farming in collaboration with the Bank of Northeast Brazil, which provided short-term credit to small farmers. Starting in the mid-1980s, CODEVASF promoted the introduction of perennial crops – mainly banana, mango and grapes – through programmes that provided small farmers with technical assistance, training and subsidized credit through the Bank of Northeast Brazil. This deliberate strategy introduced a sequence of crops over time, starting with crops that required simple technology and marketing, and little investment and working capital (notably, annual crops like melon, watermelon and industrial tomato for the domestic market), and later gradually introduced crops requiring more complex technologies and marketing, as well as larger capital investments (e.g. perennial crops like table grapes and mango for export). This sequence allowed small farmers to learn about irrigation technology, generate some revenue with which to maintain their families while growing crops that should generate revenue after three years, and capitalize their farms.

Source: Damiani, 2008.

Accountability – the empowering ingredient

Improving service delivery in rural areas through – among other factors – enhanced accountability, has been one of the tenets of decentralization in most regions and countries. As found by van Vliet (2011) in reference to sub-Saharan Africa, *"improving service delivery and spearheading socio-economic development in Africa is not a technocratic matter, nor is it primarily dependent upon the availability of resources. Strengthening state-citizen relations appears to be crucial to unlocking Africa's untapped development potential. Government institutions that regularly communicate and cooperate with (institutions representing) ordinary citizens and are effectively held accountable achieve better results in sectors such as water management, agriculture, and education. Government institutions that are effectively held accountable provide better services."*

In many parts of the world, evidence about the extent to which greater decentralization has indeed delivered on the promise of improving local service delivery is mixed (and subject to often heated political debate, including with development partners actively involved in supporting this policy agenda). And in this setting, "scientific" evidence about the degree to which greater accountability has contributed to better service delivery results is even thinner. Yet, informal "beneficiary surveys" and other similar tools deployed by IFAD and partners – often as part of the project completion report preparation process – mostly point towards improved perceptions of target groups concerning local service provision, not least because of stronger accountability and feedback mechanisms. In some countries, these have evolved into rather sophisticated forums, including, for example, "citizens' juries," which have sprung up in Australia, South Africa, the U.K. and India. A non-exhaustive list of how to collect a range of qualitative information and data is provided in box 20.

The social accountability mechanisms outlined below can empower individuals and communities to hold public entities accountable and demand better services. They can also contribute to ensuring that the goods and services – whether public or private – reach their intended targets and are not diverted for personal gain (see box 19).

Box 19. Service delivery accountability

Accountability is a set of relationships among service delivery actors that has five features:

- **Delegating**. Explicit or implicit understanding that a service (or goods embodying the service) will be supplied.
- **Financing**. Providing the resources to enable the service to be provided or paying for it.
- **Performing**. Supplying the actual service.
- **Having information about performance**. Obtaining relevant information and evaluating performance against expectations and formal or informal norms.
- **Enforcing**. Being able to impose sanctions for inappropriate performance or provide rewards when performance is appropriate.

Source: WDR, 2004.

Box 20. Ways of finding out more about local service provision performance

WHAT	HOW	BY WHOM
Beneficiary Satisfaction • General satisfaction with project implementation • Agriculture extension • Satisfaction with land reform and titling	Beneficiary surveys (face to face and phone surveys), focus group discussions, public hearings	CSOs, for-profit consultancy firms
Beneficiary Perceptions • Effectiveness of project communication strategies • Contractor treatment of beneficiaries	Beneficiary surveys (face to face and phone surveys)	Academia, for-profit consultancy firms
Beneficiary Targeting • Delivery of conditional cash transfers • Selection of cash-for-work youth labourers • Employment skills programmes • Adapting health project to local HIV-infected population	Review of local committee reports, community oversight, beneficiary surveys, focus group discussions	Academia, for-profit consultancy firms, local committees
Service Provision • Quality of services by rural financial institution • Quality of service provision by district government • Quality of rural roads	Beneficiary surveys (mobile phones), focus group discussions, community scorecards, community oversight	Academia, local committees, NGOs
Delivery of Goods • Delivery of agricultural inputs • Construction of boreholes • Construction and quality of roads • Contractor work in CDD projects	Community oversight, including collecting data via mobile phones and tablets, geo-tagging the data	Local committees, international NGO
Natural Resources Management • Management of fishing grounds • Sustainable resource use by community	Community oversight, collecting data via mobile phones and tablets, geo-coding the data	Local committees

Source: Adapted from World Bank, 2013 (draft)

Box 21. Social accountability mechanisms

TYPE SOCIAL ACCOUNTABILITY MECHANISM	DESCRIPTION	OBJECTIVES/CHARACTERISTICS
Focus Groups Discussions	Usually organized with specific goals, structures, time frames and procedures. Focus groups are composed of a small number of stakeholders to discuss project impacts and concerns, and consult in an informal setting. They are designed to gauge the response to the project's proposed actions and to gain a detailed understanding of stakeholders' perspectives, values and concerns.	• To provide a smaller and more intimate setting, enabling stakeholders to express their views more freely • To brainstorm or test possible objectives and scenarios among a cross-section of stakeholder interest groups
Community Scorecard	A community-based monitoring tool that assesses services, projects and government performance by analysing qualitative data obtained through focus group discussions with the community. It usually includes interface meetings between service providers and users to formulate an action plan to address any identified problems and shortcomings.	• Uses the community as the unit of analysis • Conducted at the local facility level • Used more in rural settings • Generates information through focus groups • Improves communication between communities and service providers • Provides immediate feedback to service providers • Encourages local problem solving • Reforms are decided through mutual dialogue
Social Audit	A monitoring process through which project information is collected, analysed and shared publicly in a participatory fashion. Social audits may go beyond the oversight of project finances and procurements to examine all aspects of the project, including level of access to information, accountability, public involvement, project outputs and outcomes. Social audits are typically carried out by community volunteers (social audit teams or committees) and findings are presented at a public forum or hearing.	• To monitor the effects of, and inform policymakers about, public service delivery and local governance • To assess the views of citizens about public services, measure citizens' knowledge about local governance • To increase informed interaction between communities and public service providers • To enhance citizen participation in monitoring access and quality of services
Citizen Report Card	An assessment of public services by the users (citizens) through client feedback surveys. It goes beyond data collection to being an instrument for exacting public accountability through extensive media coverage and civil society advocacy that accompanies the process.	• Information is collected at the city, state or national level via a survey questionnaire filled by individuals or households. • Indicators are determined by researchers. • Formal stratified random sampling is used to ensure that the data is representative of the underlying population. • Actual perceptions about assessment of services are recorded as an output. • Feedback is given to service providers and the government.
Citizen Satisfaction Surveys	Provide a quantitative assessment of government performance and service delivery based on citizens' experience. Depending on the objective, the surveys can collect data on a variety of topics ranging from perceptions of performance of service delivery and elected officials to desires for new capital projects and services.	• To provide feedback on citizens' perceptions of the adequacy and efficiency of government services • To monitor citizens' access to and quality of basic services • To guide government's priorities in policy planning and service delivery • To assess community needs

The power of communication: the transparency ingredient

Communication is critical for achieving accountability and empowerment. Communication and information sharing is important for the following reasons: (i) for differentiating the rules and procedures for public, private and semi-private goods; (ii) for ensuring feedback and accountability for the delivery of services and goods; (iii) for levelling the playing field and improving the negotiating powers of farmers' organizations; and (iv) for providing a feedback loop, which is necessary when sanctions have been put in place (i.e. enforceability) or when innovations are piloted. The more complex the programme, the more important it is to implement an effective communication strategy.

A communications strategy should be developed and implemented prior to the start of the service delivery activities. This ensures that all community members and field staff share an understanding of the programme benefits and funds. Transparency should be the principle on which the communication strategy is based and project information should be shared with all stakeholders (see box 22). The strategy should include a plan to carry out annual information/ education campaigns in targeted districts in plain, local language(s), and use visual and graphic support tools to reach out to illiterate individuals. Using community radios that broadcast in the local language could be effective in raising communities' awareness and increasing the demand for good governance. It is important to keep separate the roles of information provision and service provision.

If the project envisages implementing **social accountability** initiatives, it is important to keep the communities informed about findings and how the feedback they provide is being used. This would help maintain their interest and involvement. The project should work with the media and other communication experts to increase the impact of social accountability mechanisms through public awareness.

Finally, if the project plans to set up PPPs, a specific communication strategy targeting the private sector – such as organizing business round tables and designing public campaigns to reward private-sector commitment to the rural sector – should be carried out as part of the project's planned activities.

Box 22. Communicating project information

To strengthen transparency, the PMU and its decentralized structures should include the following information on the project's website:

- Governance rules: project rules and procedures, including selection of communities, beneficiaries and community-level leaders; procurement, financial management and accountability mechanisms; and so on.
- Human resources: staff list and positions, list of consultancies, job postings and so on.
- Decisions: minutes of the national and district steering groups' meetings, annual reports of the districts.
- Progress reports: project implementation progress (e.g. scorecards) and operational results.
- Deliverables: consultants' reports and a list of microprojects with funding approved and location.
- Complaints: a complaints reporting website.

Source: WDR, 2004.

Allocating sufficient time: the building ingredient

In development projects, there is often the dilemma of the two-speed approach. Building institutions takes time and success is difficult to measure and prove. However, there is the pressure to demonstrate rapid results in the short term and within the life of the project.

Empowering communities and farmers' organizations to demand accountability and increase their ability to negotiate is a time-consuming process that can seldom be implemented fully during the lifetime of one project. It normally develops in successive waves, with advances and setbacks, and develops differently in various countries, depending on the socio-political structures and history. For example, the self-help affinity groups in India need to be supported on average between 18 to 36 months before they can be independently launched.

Often, insufficient time is allocated for social mobilization and capacity-building. Sometimes, due to pressure to disburse, projects end up – inadvertently – delivering private goods instead of the public goods that were originally envisaged. For example, in a study analysing matching grants, it was found that lower contribution from the beneficiaries speeded the disbursement rate, yet also generated greater political interference (see box 23).

In DRC, in order to meet the objective of developing a certain number of farmers' organizations, a project chose the easier route and established new farmers' organizations instead of developing the capacities of existing ones, which was deemed to be more time-consuming. These newly established farmers' organizations were captured by elites who were keen to receive project funds (see box 24). Moreover, they created conflict among different groups of farmers and were not sustainable at the end of the project.

Box 23. Disbursement rates, beneficiaries' contribution and political interference

At the two extreme ends of the spectrum:

- The lower the contribution of the recipients, the lower their ownership, the higher the interest of local politicians and potential beneficiaries, and the faster the disbursement rate.
- The greater the contribution of recipients, the higher the probability of generating adequate levels of ownership among recipients, the higher their diligence in handling funds and goods, the lower the interest in the funds (especially where several donors offer similar schemes), and the slower the disbursement rate. However, the risk of exclusion of poor investors is higher. In this case, specific savings schemes could be designed to encourage poor people to save the required equity contribution.
- Given that these two extremes are stylized representations of often complex field realities, the right balance between them should be carefully thought out, and adjusted regularly as implementation experience accumulates. In some rural settings, the local sociology may be such that lower contributions of recipients may not necessarily equate with lower ownership and commitment.

Source: IFAD, 2012, Matching Grants.

Box 24. How the pressure of time can divert public goods for personal gain, becoming inadvertently private goods

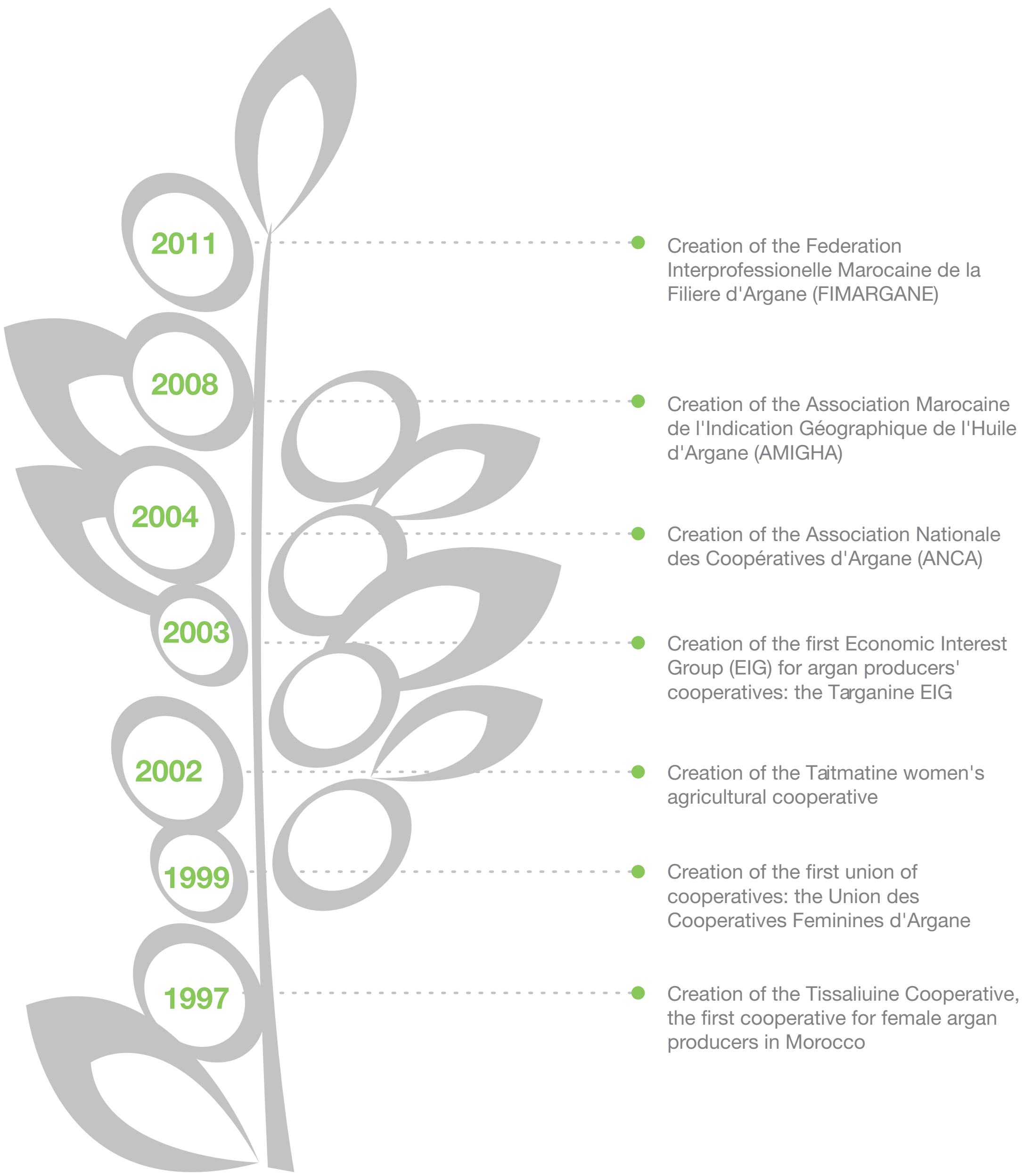
A real risk comes from the speed with which groups are constituted and funds disbursed. Elites can mobilize more quickly, master the rules of submitting applications (if they can read and the majority of the community cannot), and present themselves to the community as an effective conduit for receiving such funds. In one Sahelian country, a large fraction of project funds was diverted for personal gain. Much of the blame lies with the speed at which donors want to disburse funds, and with the limits this puts on incentives and abilities to monitor the behavior of leaders. Rushing to create social capital where it does not exist can do more harm than good.

Source: World Bank, WDR, 2004.

Often, in government/donor-driven programmes, the time for social mobilization and capacity development is cut short or omitted completely because the targets – in terms of numbers and disbursement of grants – have to be achieved. As a result, groups are formed without participatory identification of poor people and of affinities; in many cases, government grants and subsidies are given to these groups shortly following their formation. Even though such programmes may initially demonstrate good results, they will not achieve their objectives of targeting the poor and building social capital, and in the long term may not be sustainable.

Decades of capacity-building are required to develop first the associative capacities and then the federative capacities of farmers' organizations, which would endow them with the power to demand accountability from the government, advocate for policies benefitting their members, and negotiate better terms with the private sector. For example, in Morocco, it took almost 15 years from when the first cooperative of women argan producers was established to the time when an apex organization federating the different associations was set up (see figure 2).

FIGURE 2. History of organizing and structuring of women's argan producers in Morocco



Source: Procasur, 2014.

Box 25. The illusion of a successful programme

A study analysing SHGs in India found that, in the state of Uttar Pradesh in the northern part of the country, the SHGs were formed by government officials (Gram Panchayat secretaries). Each was controlled by one or two powerful women members, and very little or no training was given to the SHGs. The Gram Panchayat secretary was paid to form the group. He received another payment to open a bank account and a further payment when the bank lent to the SHG. The visit showed that, in most SHGs, the dominant members controlled all funds, including the loan. In many cases, they lent to people outside the SHG at very high interest rates. They ensured that the bank loan was repaid, and thus the banks reported excellent performance.

Source: IFAD, 2006.

Building trust: the binding ingredient

Trust among all stakeholders is a key factor that determines the success or failure of the relationship, regardless of its nature (formal contractual, informal, membership in an organization, etc.). It is even more significant in settings where legal services and legal recourse may be inexistent, too expensive, too distant, too slow and/or corrupt. Trust needs to exist at all levels:

- **Between the public sector and implementing partners**: the quality of the relationship between the implementing partner(s) and the PMU allows for learning, refining and readjusting the design of the project as needed. In several countries, when it comes to service provision, there is often a lack of mutual trust between governments and NGOs. In Indonesia, the IFAD-funded Participatory Integrated Development in Rainfed Areas project proved to be successful in developing fruitful partnerships with the NGOs. In other countries, such as Cambodia and China, there is still some resistance to work with NGOs. A lot of effort needs to be exerted to build this trust and demonstrate that working with implementing partners could be a win-win situation.
- **Between private sector and farmers' organizations**: private companies need to trust that producers will deliver in a timely manner the quality and quantity of agricultural products and that they will not engage in side-selling. In their turn, farmers' organizations need to trust that private companies will honor market prices and meet the expectations of farmers in terms of provision of services.

Box 26. Building public-private trust

In Colombia, the World Bank-financed Second Rural Productive Partnerships Project recognized that commercial private companies distrust the public sector and avoid risks associated with dealing with unknown and/or inexperienced small producers' associations. The project planned to implement a private-sector outreach strategy, including the organization of national and regional business round tables involving the private sector and producer groups, and use the main agribusinesses involved in the project as examples to attract additional private-sector partners. Recognizing that partnerships need to be developed and agreed upon by both partners, yet may remain fragile, the project allowed for flexibility to change commercial partners during implementation, if deemed necessary. The structuring of the partnerships was delegated to the partners themselves. The project focused on developing entrepreneurship and marketing skills of producer organizations, so as to enhance their capacity in business negotiations and identification of the right partners and products.

Source: World Bank, 2007.

- **Among the members of the same organization**: for example, in India, the self-help affinity groups were predominantly based on kinship relationships or common activities that increased the element of trust (see box 27).

There is insufficient knowledge on how trust is built and maintained among the different organizations (public, private and citizens). Even less is known on how to rebuild trust once it has been put in question.

Box 27. The elements that form the basis of trust within a group

A study on the SHGs in India found that a strong feeling of affinity linked the members of each of these small groups. This affinity involved relationships of trust – relationships that were non-exploitative. It was based on certain social features (such as a degree of homogeneity among members, voluntarism, self-reliance and willingness to support one another in need), or certain structural features such as a common origin (blood or ancestral village), or the same livelihood base (all daily wage earners, landless or marginal farmers, even though from different castes, religions or communities), or gender bonds (all women or all men, with about 5 per cent of the groups being mixed).

Source: IFAD, 2006.

Operationally: the devil is in the details – the design ingredient

Given the additional complexity that occurs when a programme is funding a mix of public and private goods, it is necessary that the PIM distinguish very clearly between the different types of goods, their funding modalities and the targeted beneficiaries for each type of good. If possible, and to avoid potential confusion, the corresponding planning and funding mechanisms for the public and private goods should be kept totally separate. In addition, the implementing roles and responsibilities of public and private actors/agencies must be clearly defined. Project rules, procedures and eligibility criteria should be well articulated in the PIM. Training for project staff should be offered as soon as the project is launched. In some countries, the PIM was developed through a participatory process, thus increasing ownership and understanding by the different stakeholders (see box 28).

It is important to keep in mind that institutional change is dynamic and unpredictable. It is a process that is not easily understood during the first years of implementation. Flexibility is absolutely necessary in project design, and a framework for institutional and organizational development should allow for a process of learning and adjusting to changing circumstances. Using the learning-by-doing approach, project teams should be ready to continuously adjust and fine-tune the design of projects to reflect concrete lessons learned, as well as to revise and update the PIM as appropriate (see box 29 for example from Colombia).

Box 28. Development of the PIM through a participatory process to better understand the procedures

In India and the Philippines, some IFAD CDD projects attempted preparing the PIM through a participatory process. Although it took up to six or seven months and cost considerably more than a single consultant's contract, the process proved to be effective in terms of ensuring that most stakeholders, including the newly appointed project coordinator, understood what needed to be done, how it should be done and why. It also helped identify the needed adjustments to local government procedures, which later greatly facilitated implementation.

Source: IFAD, 2009. CDD.

Box 29. Changing the design in mid-course to ensure that a collective good does not become a private one

The original design of the Productive Partnerships Support Project envisaged providing rural grants (also called cost-sharing transfers or *Incentivo Modular*) to participating small farmers' organizations for on-farm infrastructure, machinery and equipment, vegetative materials, fertilizers, chemicals, labour costs, studies, surveys and purchase of land (to be financed from counterpart funds). However, mid-way through implementation, the *Ministerio de Agricultura y Desarrollo* introduced an important new feature into the operational manual that required individual beneficiaries to reimburse the grant, creating a revolving fund in the name of the farmers' organizations, so that the latter could include more members and grow their business. Such reimbursement was not part of the original project design. However, the Ministry did not want the grant to be a "give-away" to individual farmers.

Source: World Bank, 2009.

Coordination at the local level – the harmonization ingredient

An IFAD study analysing the lessons learned regarding institutional and organizational strengthening found that there is often very limited coordination of activities with other similar initiatives outside of IFAD (see IFAD, 2013). Coordination is particularly critical when several programmes implemented in the same area have different requirements for delivering public, private and/or semi-private goods. If the criteria are not harmonized among the different players at the decentralized level, this may lead to confusion among the beneficiaries and a delay in implementation. This would particularly affect a programme with more stringent requirements, since the target population might opt to seek funding from other programmes being implemented in the same locality and potentially abuse matching grant requirements (see box 30 for an example in Kenya, and box 32 for an example from Burkina Faso).

Box 30. Importance of harmonization with other development actors

In Kenya, the World Bank-financed Arid Lands Resource Management Project (ALRMP) II required a 30 per cent matching contribution from the community. However, all other development actors at the district level – government ministries, Constituencies Development Fund (CDF), county councils, NGOs (CARE, Oxfam, Farm Africa, Kenya Red Cross and Food for the Hungry) and faith-based organizations – did not request community contributions. Instead, they covered 100 per cent of the cost of community projects. At the community level, this caused confusion and undermined ALRMP II policy, which called for a community contribution of 30 per cent. Thus, when Oxfam undertook restocking in the same communities as ALRMP II, several complications occurred: (a) it was difficult for supervision staff to determine whether the livestock was purchased with ALRMP II financing or other sources of funding; (b) the beneficiaries used the input of the Oxfam project as the community contribution to ALRMP II; and (c) the community did not adhere to ALRMP II conditions concerning the community's contribution, thus resulting in delayed implementation.

Source: World Bank, 2011.

Box 31. Importance of coordination among development partners

Support funds are used to finance activities related to the agricultural and rural development sector. The main donors involved in this process – World Bank, DANIDA and IFAD – use the same mechanism of selection and awards process. The interested group prepares a proposal (in most cases, with the assistance of a local resource person funded by the project). The proposal is then evaluated by the provincial prequalification committee. If the proposal is approved, the group submits a business plan demonstrating the viability of the project to the provincial approval committee. The latter is composed of government representatives and members of farmers' organizations, which select the best proposal in accordance with the eligibility and selection criteria provided by the donors (e.g. in the case of IFAD, this would include a condition that 50 per cent of the beneficiaries receiving subsidies should be women). Committees, which work with all donors using support funds, have gained considerable know-how in project selection. The use of the same mechanism guarantees to all donors that support funds are equitably distributed among the beneficiaries, reflect the strategic priorities of each concerned donor, and donations are not allocated twice to the same person.

Box 32. Different levels of planning and their sequencing

There are different levels of planning. One is the generic planning for private goods provision, which can basically be found in any country's agricultural sector investment plan, where the type of activity to be implemented is defined, but not the details of who is to implement it. Community development committees (CDCs) should and do identify such agricultural (private good) activities – for example, as part of participatory land use planning processes, where certain village plots may be devoted to certain cash crops in which the village has a comparative advantage. They do not usually define who exactly is to carry out such activities. This is the task of local common economic interest groups – for example, vegetable gardening groups. These may be considered subgroups of the CDCs. After the initial generic planning, the next detailed planning step is separate, and so is – most importantly – the financing and delivery of private goods for these common economic interest groups, which have their own bank accounts, and finance or cofinance those goods themselves. At this point, the CDCs are no longer directly involved, while their surveillance subcommittees continue to monitor the activity. The law of Burkina Faso was formulated on the basis of this arrangement, which came out of decades-long experience with *gestion des terroirs villageois* (village land use management, or GTV) as part of the World Bank-IFAD cofinanced PNGT2 project; the law was revised in due course to make room for the common economic interest groups as separate but embedded within the CDCs. This section of the law on community-based procurement had been more or less forgotten over the years, as few – if any – projects had been known to make use of it. The Community Investment Programme for Agricultural Fertility [*Programme d'investissement communautaire pour la fertilité agricole*]PICOFA project, cofinanced by IFAD, the African Development Bank (AfDB) and the West African Development Bank (BOAD), reversed this trend and showed the way for a range of other similar initiatives to follow. Consequently, under PICOFA, the flow of funds and accountability were separated for the private goods and services being procured by and for the common economic interest groups (called *Comités d'Action Specifique* – CAS). There have been no reports of any significant elite capture, misappropriation of funds, etc., at that level - but that was only possible after many years of capacity-building at the community level.

Monitoring and evaluation: the learning ingredient

In order to monitor and assess a programme's reach, it is important to disaggregate data by type of beneficiary (e.g. individual, group, company, etc.) and type of assistance received (e.g. amount of matching grant, training, technical assistance, etc.). In the case of groups and companies, one useful indicator could be the year in which they were established, which would indicate whether they have a track record and the necessary capacity to implement the activity for which they have received funding, or whether they have been formed in response to the availability of funds offered by the programme.

It is equally important to monitor the assistance extended to service providers, such as capacity-building. For example, according to IFAD's synthesis report, "Strengthening Institutions and Organizations," the budget allocated to this type of capacity-building is often "hidden" within other budget items to minimize the costs allocated to project coordination and management. This makes it difficult to monitor and evaluate such assistance provided by the project (which in this case would be a private good, since it benefits specific service providers).

It should be noted that IFAD's Portfolio Review Guidelines provide guidance on reporting on projects' targeting strategies and target groups, but without differentiating between beneficiary types (individual, farmers' organization and/or company). Moreover, while the guidelines focus on monitoring the responsiveness of service providers, they do not attempt to capture the capacity development that many programmes offer to service providers and other partners involved in project implementation.

Recommendations and guiding design principles

Some preliminary guiding design principles can be derived from this review. Although IFAD-supported operations may cut across the stylised typology outlined below, their main elements tend to fall into one principal domain, and this will be the entry point for the principles briefly described here. Also, it is understood that in most situations, **a mix of private, semi-private (collective), and public goods and services will be required** to meet project development objectives. This finding is confirmed by a number of recent IFAD-initiated assessments that come to similar conclusions, including a publication by the Policy and Technical Advisory Division on "Effective Project Management Arrangements for Agricultural Projects: A Synthesis of Selected Case Studies" (2013), and the last Annual Report on Results and Impact of IFAD Operations (ARRI), which in 2014 focused on "project management" as a learning theme. The latter finds that "*of the 217 quality assurance reviews conducted from 2008 to 2014, half (109) include significant comments on institutional arrangements, implementation arrangements, and project management. … A review of those quality assurance reports reveals that the following sub-topics are most likely to receive special attention: project management arrangements, […] and the role and capacity of service providers. … There has been a corresponding increase in the use of a combination of government and service providers, including NGOs and private sector businesses. The lack of good practice guidance on project management is a clear and fundamental gap in the 'toolkit' that is available to country programme managers/project teams.*" Although further in-depth assessments, field work and case studies are needed, the present paper proposes some initial guidance, not on project management, but on project design with respect to sound implementation arrangements for the delivery of public, private and semi-private (collective) goods and services.

The broad principles outlined below should be reflected in the project design report (PDR) and can later be articulated in operational detail in the PIM, which should be regularly updated as practical experience accumulates. The stylised tables below further provide some good practice examples to be followed in terms of roles and responsibilities for public, private and semi-private (collective) goods and services, as they relate to the illustrated fourfold typology of projects and programmes.

TERRITORIAL DEVELOPMENT

Territorial/area-based development/CDD/post-conflict: this type of project or programme may be the most challenging when it comes to making design decisions regarding institutional issues related to the delivery of public, private and semi-private goods. Typically, the very objective of territorial or area-based approaches is to catalyze collective action, harnessing the synergies between the public and private sectors, usually not just for agricultural but rural development. In conjunction with support to a given government's decentralization agenda, support may be provided to local planning processes and their downward accountability towards IFAD target groups. On the private goods side, these types of projects and programmes are good vehicles for using the "territoriality" of the agricultural products as entry points for developing labels of geographic origin within a value chain approach. Yet, even under such projects and programmes, implementation arrangements for private goods and services should be kept separate and channelled through private-sector service providers and/or NGOs. They may still be planned for in consultation with representatives of farmer organizations, trade associations, etc., at the local government level.

CDD/POST-CONFLICT

CDD/post-conflict: in post-conflict and temporarily fragile states, IFAD policy has been to use a CDD approach to invest in rebuilding mutual trust (social capital) and restore the torn social fabric in affected rural communities. As the name implies, CDD seeks to put communities in the driver's seat of rural development, supporting them in drawing up and prioritizing their own local development plans. The latter typically include both public and collective goods – often social in character, such as health posts, schools, etc. – and also private and collective goods related to IGAs. Although such economic activities should, strictly speaking, be kept separate from the non-economic ones, they are often of primary importance, not least because their very absence may have contributed to fuel intra- and inter-community conflict in the first place. In least developed countries (LDCs), they tend to be featured as the second highest ranking priority in participatory local development plans, after basic social needs. CDD is not for financing IGAs, which are private goods. This principle should be respected, and not doing so amounts to not being in line with best practice. It is, however, possible and may even be desirable to finance private (or collective) goods and services as part of CDD initiatives, *but only under very special and quite rare circumstances*, and only for groups (not individuals). Such an approach might be permissible where there is strong social control within the communities, transparent local governance (one of the very objectives of CDD) and clear accountability mechanisms, and only after many years of capacity-building. Moving to IGAs can be done during a second (at the earliest), or third, or fourth phase of CDD investment in CDC-type structures. Indeed, the first phase would need to have been used to (re-)build trust (i.e. social capital) within the communities, and among the communities and outside agents; following this, IGAs can be developed on a transparent and locally legitimate basis, using village development committees for targeting some of the poorest households. Depending on a range of factors, such as the degree and effectiveness of social control to avoid elite capture, it is thus possible to tackle both types of goods and services together – at least at the planning stage – although at different levels (see box 32 on CDD legislation in Burkina Faso, and box 33 on the LEADER approach). Service provision should, however, be differentiated, and subgroups in the community (rather than the whole community) should be empowered to deal with IGAs as common interest groups and be made accountable for accessing services.

Box 33. The LEADER Approach

The acronym "LEADER" derives from "*Liaison Entre Actions de Développement de l'Économie Rurale*," which means "links between the rural economy and development actions." The idea was to enlist the energy and resources of people and bodies that could contribute to the rural development process by forming partnerships at a subregional level between the public, private and civil sectors. In 1990, when a group of officials at the European Commission came up with the proposal for LEADER, this concept of connecting with people was quite new.

LEADER was born in the context of the EU's first Structural Funds reform (1989-1993) as a response to criticism regarding the individual project approach and lack of project coordination, and initially covered only disadvantaged rural areas.

The LEADER approach is concerned with local empowerment through local strategy development and resource allocation. According to its proponents, the seven key features of LEADER are: area-based local development strategies; bottom-up elaboration and implementation of strategies; local public-private partnerships through Local Action Groups (LAGs); integrated and multisectoral actions; innovation; cooperation; and networking. The main tool for the application of the LEADER approach to area development and the involvement of local representatives in decision-making is the Local Action Group (LAG). Further details can be found at http://enrd.ec.europa.eu/enrd-static/leader/leader/leader-tool-kit/the-leader-approach/en/the-leader-approach_en.html. The LEADER guidebook is available at http://enrd.ec.europa.eu/enrd-static/app_templates/enrd_assets/pdf/leader-tool-kit/leader_approach_en.pdf.

IFAD has introduced some elements of the LEADER approach in a number of countries in West and Central Africa, possibly most successfully in Cape Verde under the national Rural Poverty Reduction Programme (PLPR). There, Regional Commissions of Partners [*Comissões Regionais de Parceiros*] – which correspond to the concept of LAGs and include the public sector, the private sector, NGOs, farmers' organizations, opinion leaders, etc. – have been spearheading the participatory planning of local development and poverty reduction activities based on rural communities' priorities.

MARKET ACCESS

Value chain/market access/SME development/rural finance: this type of project or programme has been gaining a lot of prominence in IFAD in recent years and basically deals with the business relations among actors active in the wider agricultural sector, beyond production. Essentially, the focus is on promoting the private sector – including small-scale farmers and processors who are private economic actors, and down- and upstream enterprises involved at input and output level – as one "segment" of the value chain(s). "Access to markets" continues to be a preoccupation for IFAD target groups, and all value chain projects and programmes address this issue to some extent. In some ways – at IFAD at least – the precursors of projects and programmes addressing value chain development and SME development have been supported since the 1990s by the methodological work on business development services (BDS) – both non-financial and financial. Whereas non-financial services may include some kind of public services – such as, for example, agricultural extension – this is not the case for financial services.

Value chain, market access, SME development and rural finance projects pose the dilemma of fostering private-sector development with public-sector resources, and – at least in IFAD's case – initially through support and funds being channelled by and via public-sector institutions. Mixed public-private entities – such as, for example, Chambers of Commerce and Trade/Agriculture and foundations – may provide useful entry points for organizing the interface between public- and private-sector interests according to good practice. Value chain projects in particular are more and more turning towards PPPs and public-private-producer partnerships (4Ps) as part of their implementation arrangements. IFAD experience has shown that where the private-sector partner may not have the skills or may not be interested in providing technical backstopping and capacity-building services, tripartite arrangements may be needed to fill these service provision gaps; drafting such tripartite agreements implies ensuring that the third-party service provider (e.g. an NGO) will not be accountable only to the project (funding their contracts), but also to the private sector partner (e.g. in terms of the agricultural product quality to be aimed for, the practices to be respected, etc.) As a general recommendation, the role of government in value chain, market access, SME development and rural finance projects should be kept at a minimum and, where possible, confined to regulatory functions.

On the other hand, experience with second-generation SME development projects has often demonstrated that the wider enabling environment should also be considered for enhanced and sustainable impact. This means, for example, addressing SMEs' access to public utilities (electricity, water, waste disposal, drainage and sewage, etc.), as well as private utilities (ICTs, including Internet connectivity, but also security services, advertising services, etc.). Clustering SMEs in semi-industrial zones, often on the outskirts of rural towns, allows for economies of scale and efficiency gains in such service provision. Under the banner of "fighting against rural youth unemployment," the involvement of local government units (e.g. municipalities, communes, etc.) may be desirable under value chain and SME development projects in particular, as these agribusiness type endeavours are typically of more immediate interest to the younger generations. Here, too, the rule of thumb is to minimize direct government involvement and, instead, enable private-sector trade associations to lobby with their local government units. Oftentimes, a lot can be learned from SME development projects, in particular concerning service provision, before venturing into the relatively more challenging domain of pro-poor value chain development.

AGRICULTURAL DEVELOPMENT

Agricultural development (irrigation/rainfed)/livestock/fisheries/aquaculture development: increasingly, these projects and programmes include not only the production level but also downstream considerations related to processing and marketing. Obviously, in most situations, extension services will be among the main services that will need to be provided, and this can be done by public agencies, private agencies and/or NGOs. Irrigation brings about a need for a broader and more sophisticated range of services, requiring a judicious mix of public and private service provision with some cost recovery. Depending on their costs of production, farmers usually dedicate their plots under irrigation to cash crops, often high-value ones, earmarking a minor portion of their irrigated plot to food crops.

The income derived from the higher-value crops in particular allows for the hiring of private-sector service providers. As smallholder agriculture is increasingly treated as a business, and rightly so, the involvement of service providers more directly in tune and at par with private-sector marketing requirements becomes of paramount importance. Given that IFAD uses public resources – often in the form of loans – to fund government-run projects, national procurement frameworks may be uncongenial to the hiring of private-sector experts as service providers; if, however, enough dialogue and critical discussion takes place on this issue, solutions can be (and have often been) found to get the private sector on board in formal terms. Of course, under a genuine partnership with the private sector, a lot of informal (and uncredited) collaboration and contributions may come from all stakeholders, often during implementation, and not necessarily planned for during design – which is why project design must leave some flexibility to accommodate such arrangements if and when such win-win opportunities arise. At the design stage, it is even advisable for IFAD to not get too close to any specific private sector partner, given that such "single sourcing" does not constitute best practice and needs to be meticulously justified (including through media information campaigns, if necessary). Where public-sector technical line agencies – such as, for example, extension or irrigation departments – do not dispose of personnel that is conversant with market-led approaches to smallholder agricultural development, a balance should be struck between building their capacity "on-the-job" whilst working on the project, and supplementing their skills with experts with private-sector, consultancy or NGO backgrounds.

Livestock/fisheries/aquaculture development: where countries have dedicated ministries, and especially where these can count on field-level staff, ways should be found to work with them. This may require projects and programmes to provide capacity-building and funds for logistics. There are major variations depending on the specific types of animals and location of the fisheries that will require adaptations. Examples of key goods and services, for which access must be ensured and which should ideally be delivered by private-sector service providers, are vaccination and other veterinary services, and the supply of fingerlings. Again, a focus downstream from livestock rearing/fishing implies that the active involvement of the private sector should be sought, including for specialised technical assistance, and for economies of scale.

BUDGET SUPPORT

The latter may be crucial particularly in aquaculture, given the need of putting in place a network of people producing good quality fingerlings and fish feed at relatively affordable prices.

Programme approach/budget support/SIDS/MICs: projects and programmes adopting programme approach and/or budget support modalities typically have limited margins for manoeuvre when it comes to deciding about service delivery options, being mostly public-sector support initiatives. Nonetheless, depending on the legal, policy and regulatory framework, private and NGO service providers may be subcontracted as necessary. However, the bulk of service provision will normally come from public-sector technical line agencies implementing national development plans and priorities. The respect of "good governance" principles in service delivery – including, among other things, accountability, transparency and responsiveness – will be a lot easier to achieve at the local government level (municipality, commune, district, etc.). A key consideration in the context of IFAD's ambition of boosting the "voice and choice" of target households relates to whether or not technical line agencies at the local level are decentralized or "deconcentrated." Do extension agents, for example, respond to elected rural community representatives (e.g. through municipal councils) and are they accountable to them? If yes, then how? Are there public hearing sessions during which local government units present their budgets and answer questions?

In small island developing states (SIDS), the question of who should deliver which service can be a vexing one, given that typically options are rather limited. Given such extreme specificity, a made-to-measure approach, which takes into account strengths and weaknesses of target communities, and aggregates the demand for goods and services, seems the most cautious way to proceed. In middle-income countries (MICs), it may be possible to bring in more highly specialized private-sector service providers for state-of-the-art technical assistance. Since the role of agriculture in the overall economy of MICs is likely to be relatively less conspicuous, it will be all the more important to adopt a market-driven approach both at the production and processing stages.

Public goods and services: roles and responsibilities

	Territorial/area-based development/CDD/ post-conflict	Value chain/ market access/SME development/rural finance*	Agricultural development (irrigation/rainfed)/ livestock/fisheries/ aquaculture development	Programme approach/ budget support/SIDS/ MICs
Commissioning	Local civil society groups (e.g. LAGs), CSOs, CDCs, technical line agency deconcentrated staff	CDCs (economic infrastructure), technical line agency deconcentrated staff (economic infrastructure), SME/trade associations, business plan needs and/or value chain/ market access diagnostic assessments, chamber of trade/ industry/commerce	Farmer/producer organizations/ federations, WUAs/ irrigator organizations, chamber of agriculture, Ministry of Agriculture deconcentrated staff, livestock keepers/fisher organizations, Ministry of Fisheries deconcentrated staff	Technical line agency deconcentrated staff in consultation with CSOs; in SIDS, ministry technical staff in consultation with CSOs
Planning	CDCs and local government units, can be supported by consultants/NGOs, CSO federations	CDCs (economic infrastructure), local government units (economic infrastructure), business plan and/ or value chain/market access diagnostic assessment consultants	Local government units and ministry technical line agencies, can be supported by consultants/NGOs (e.g. for land use planning)	Local government units and ministry technical line agencies including planning departments
Financing	Paid for from the central or local government budget, sometimes with partial cost recovery; the more "generic" the service (e.g. standard agricultural extension), the less likely recipients are willing to cover any of the costs; foundations, NGOs and CSOs may also contribute			
Producing	Ministry technical line agencies, foundations	Ministry technical line agencies, NGOs and private-sector companies (depending on regulatory framework), foundations	Ministry technical line agencies, NGOs and private-sector companies (depending on regulatory framework)	Ministry technical line agencies
Delivering	Technical line agencies (possibly at decentralized level), NGOs and private-sector companies (depending on regulatory framework)	Technical line agencies (possibly at decentralized level), NGOs and private-sector companies (depending on regulatory framework)	Technical line agencies (possibly at decentralized level), NGOs and private-sector companies (depending on regulatory framework)	Technical line agencies (possibly at decentralized level), NGOs and private-sector companies (depending on regulatory framework)

** public goods and services should not generally be included as part of rural finance projects and programmes*

Private goods and services: roles and responsibilities

	Territorial/area-based development/CDD/ post-conflict	Value chain/ market access/SME development/rural finance*	Agricultural development (irrigation/rainfed)/ livestock/fisheries/ aquaculture development	Programme approach/ budget support/SIDS/ MICs
Commissioning	Private goods and services should not be included as part of territorial/area-based development projects and programmes; private goods and services should only be included as part of CDD/ post-conflict projects and programmes under exceptional circumstances [i.e. where there is positive proof that there is enough social control and transparency being exercised at the community level to avoid elite capture and conflicts of interest, and where local institutions allow for beneficiary participation and monitoring based on face-to-face interaction]	These services should result from business plan needs and/or value chain/market access diagnostic assessments, assessments by community banks or financial services cooperatives or other microfinance institutions	Farmer/producer organizations/FFS/ WUAs/irrigator organizations, chamber of agriculture, livestock keepers/fisher organizations	Under a programme/ budget support approach, roles and responsibilities for private goods and services depend on the regulatory framework; in SIDS/MICs, their cost should be justified by their value added
Planning		SME/trade associations, chamber of trade/ industry/commerce, federation of community banks, financial services cooperative federations	Farmer/producer organization federations, WUAs/irrigator organization federations, chamber of agriculture, livestock keepers/fisher organization federations	
Financing		Clients, "smart" matching grants	Clients, "smart" matching grants	
Producing		BDS service providers	BDS service providers	PPPs may be a good option, with cost-sharing among partners and clients, "smart" matching grants
Delivering		BDS service providers	BDS service providers	PPPs may be a good option, with clear arrangements on who is responsible for producing and delivering which goods and services

Semi-private (collective) goods and services: roles and responsibilities

	Territorial/area-based development/CDD/ post-conflict	Value chain/ market access/SME development/rural finance*	Agricultural development (irrigation/rainfed)/ livestock/fisheries/ aquaculture development	Programme approach/ budget support/SIDS/ MICs
Commissioning	May be commissioned/ planned as part of local development plans that include agricultural and rural development activities assigned to common economic interest groups [e.g. cooperatives]; at decentralized level, municipal councils should play an oversight function. Semi-private (collective) goods and services should only be included in CDD/ post-conflict projects and programmes if phased in gradually, once CDC's capacity has been built to oversee the implementation of activities targeted to common economic interest groups [e.g. cooperatives]	These services should result from business plan needs and/or value chain/market access diagnostic assessments/institutional analyses, assessments by financial services cooperatives (for goods and services supporting collective objectives) or membership-based organizations or other microfinance institutions	Farmer/producer organizations/FFS/ WUAs/irrigator organizations, chamber of agriculture, livestock keepers/fisher organizations	Semi-private (collective) goods and services should only be included in programme approach/ budget support projects if they can be implemented at decentralized level, with municipal councils playing an oversight function; in SIDS/MICs, these types of goods and services may be critical and should be organized with reasonable economies of scale
Planning		SME/trade associations, chamber of trade/ industry/commerce, financial services cooperative federations (for goods and services supporting collective objectives), membership-based organizations	Farmer/producer organization federations, WUAs/irrigator organization federations chamber of agriculture, livestock keepers/fisher organization federations	
Financing	Cofinanced by local development agencies and common economic interest groups	Clients, cooperatives, financial services cooperative federations, foundations, membership-based organizations	Clients, cooperatives, farmer organizations	Common economic interest groups, or cofinanced by government and common economic interest groups
Producing	Technical line agencies (possibly at decentralized level), NGOs and private-sector companies	BDS service providers, cooperative federations, foundations, membership-based organizations	BDS service providers, cooperative federations, farmer organization federations	Technical line agencies (possibly at decentralized level), NGOs and private-sector companies
Delivering	Technical line agencies (possibly at decentralized level), NGOs and private-sector companies, cooperatives	BDS service providers, service cooperatives, SME service associations, financial services, membership-based organizations, cooperatives	BDS service providers, service cooperatives, farmer organizations, WUAs/irrigator organizations	Technical line agencies (possibly at decentralized level), NGOs and private-sector companies, cooperatives

According to IFAD's Independent Office of Evaluation (IFAD, 2014), PMUs can be broadly classified into four subcategories: single, multilayered, multiple parallel and the Super PMU. Whether the roles and responsibilities of a PMU actually amount to *managing* a project or programme, or even to *implementing* it (formerly, PMUs were mostly known as project implementation units [PIUs]), it should be borne in mind that such units are only supposed to coordinate, facilitate and catalyze action and activities (which is why they are sometimes also called project coordination units [PCUs]). In relation to the three tables above, the role and responsibilities of these units will vary, but can be roughly compared to those of governments, facing many of the same "do's" and "don'ts" applicable to public agencies. Of course, their very establishment assumes that they may operate at arm's length from their respective governments, which allows them to get involved in private-sector development activities (e.g. the planning of BDS needs for SMEs).

Below are further pointers to take into account (taken from IFAD, unpubl.) when using the preliminary design principles, guidance and tables.

A clear definition of roles is essential but not necessarily sufficient
In Mali, the elected council of administrators of an apex federation of grass-roots organizations, FODESA, were frustrated because, although they had a good grasp of their policymaking role (e.g. ensuring lending conditions are respected, allocation of funds, etc.), they felt that they lacked the skills to enforce them. IFAD engaged an institutions specialist to help them clarify the division of responsibilities between themselves as the enabling agency acting on behalf of the grass-roots organizations (as user agencies) and the Federation's employees (as delivery agencies). It was decided that management reports must have special sections describing how policy decisions were addressed during the reporting period, and that the annual audit reports would contain an opinion on the accuracy of these sections. In both cases, the reports were not to be written in the jargon of the specialists, but rather in the language normally used by the members of the council of administrators and the members of the grass-roots organizations. These measures made it possible for all stakeholders to monitor the performance of the management staff of the Federation.

Poorly separated functions weaken accountability
Many of IFAD's projects focus on relationships between the target group, as the user agency or commissioner of a good or service, and the suppliers of the latter as delivery agencies. Failure to keep the two functions apart often generates conflict of interest and fuzzy accountability: for example, a delivery agency may perceive itself as a direct beneficiary rather than as a channel for service delivery to the target group. Thus, a stakeholder (e.g. line department, NGO) who is assigned both enabling and delivery functions becomes both commissioner and supplier, as a result of which ties to the project's target group are weakened rather than strengthened.

Addressing equity of distribution
Some IFAD-financed projects distribute agricultural input packages (e.g. seeds, fertilizer, etc.) to rural communities in times of distress – for example, following a period of conflict or natural disaster. The beneficiaries of these – usually free – packages are supposed to be the most "vulnerable" households. Implementers are expected to identify the latter and to set in motion a transparent selection process based on clear criteria. Applying the concept of subsidiarity, the most appropriate level for targeting purposes is the lowest tier of local government, or a

broadly inclusive and representative village committee. It is only at these levels that some of the fundamental equity questions, which are ultimately empirical and context-specific, can be answered – for example, by reading out a tentative list of recipients during a general assembly meeting. It is at this level that appropriate answers may be found to the following sort of questions:

- How do we deal with widows, who are definitely "vulnerable," but who may not be able to mobilize the necessary labour to use the packages?
- How do we deal with farmers who have a plot of land, but only cultivate a small portion of it?
- Who, if anyone, can be considered "lazy"?
- Are beneficiaries able to sell the packages? Should they be allowed to do so, if this allows even the most destitute to profit from the intervention?
- If the landless are given packages, are they able to gain access to a portion of someone else's land in exchange for working on the rest of that land as well?

In such circumstances, the critically important institutional issues concern the separation of: (a) the enabling functions (performed by local government unit or village committee) from the delivery functions (performed by project service providers); and (b) planning (performed by local government unit or village committee) from monitoring mechanisms (performed by the general assembly).

Another example relates to the designers of a project for distributing safe water to all households in a poor semi-urban neighbourhood who have two options: (i) support private operators willing to distribute the water to all households at negotiated prices; or (ii) connect all households to a piped system. In-depth analysis may show the second option to be unrealistic – for example, due to the precarious nature of housing (shantytowns) and high investment costs. The real costs of connecting to a piped system would not be affordable to most households. The option for such neighbourhoods would be to assist private water sellers in improving the efficiency (i.e. reducing transaction costs) of their services – for example, by providing them with subsidized organizational development support services.

©IFAD/Cristóbal Corral

Annex I. References

Brizzi, A. Undated. Organisation sociale: une vue du bas…pour aider le haut. Note de la Banque mondiale écrite en concertation avec le FIDA, le PNUD, l'UNICEF et le SCAC-Ambassade de France. Unpublished.

Damiani, O. 2006. Rural Development from a Territorial Perspective. Case Studies in Asia and Latin America. Background Paper for the World Development Report 2008.

Diaz-Cayeros, A., and B. Magaloni. 2002. *Public Services Mediated by the Political Process*. Stanford, CA: Stanford University. Processed.

Diaz-Cayeros, A., and B. Magaloni. 2003. The Politics of Public Spending: Part I-The Logic of Vote Buying. Part II-The Programa Nacional de Solidaridad (PRONASOL) in Mexico. Background paper for the WDR 2004.

Durand, J.M., 2012. Note to File. Suggestions on land tenure issues to the design mission of the Neerwaya project (Burkina Faso), 3 February 2012.

Durand, J.M., S. Jonckheere, H. Liversage, and P. Mathieu. 2011. Evaluation institutionelle de la réforme foncière à Madagscar. FIDA, Observatoire du Foncier, FAO. 20 juillet 2011.

Food and Agriculture Organization of the United Nations (FAO). 2001. Reform and Decentralization of Agricultural Services: A Policy Framework, by Lawrence D. Smith.

_____. 2014. Linking Matching Grants with Loans – Experiences and Lessons Learnt from Ghana, Draft version 04.02.2014.

International Fund for Agricultural Development (IFAD). 2006. History and Spread of the Self-Help Affinity Group Movement in India. The Role Played by IFAD. Occasional Papers 3: Knowledge for Development Effectiveness, by Aloysius P. Fernandez, MYRADA.

_____. 2008. Institutional and Organizational Analysis for Pro-Poor Change: Meeting IFAD's Millenium Challenge. A Sourcebook.

_____. 2009a. Community-Driven Development Decision Tools for Rural Development Programmes.

_____. 2009b. Sustainability of rural development projects: Best practices and lessons learned by IFAD in Asia. Occasional Papers 8, Knowledge for development effectiveness, by Tango International.

_____. 2009c. Guidance Notes for Institutional Analysis in Rural Development Programmes. Available at www.ifad.org/english/institutions/guidance/0.pdf through to /8.pdf.

_____. 2012a. Access to markets: Making value chains work for poor rural people.

_____. 2012b. Learning Clinic on Institutional Development, 2-3 February 2012. J. Woodhill and K. Verhoosel.

_____. 2012c. Matching Grants: Technical Note.

_____. 2013a. A Field Practitioner's Toolkit: Institutional and Organizational Analysis and Capacity Strengthening.

_____. 2013b. Strengthening Institutions and Organizations: Synthesis Report.

_____. 2013c. Subventionner la petite agriculture familiale et les petites entreprises rurales. Etude sur des subventions "intelligentes" afin d'améliorer l'accès des ruraux pauvres aux services financiers au Burkina Faso.

_____. 2014a. Lessons Learned: Engaging in Partnerships with Farmers' Organizations to Link Smallholders to Markets. Draft paper.

_____. 2014b. Annual Report on Results and Impact (ARRI) of IFAD Operations evaluated in 2013.

_____. Undated. A Practitioner's Guide for Institutional Analysis of Rural Development Programmes, Innovation Mainstreaming Initiative, unpublished. A theoretical background document to be read in conjunction with IFAD, 2009(c).

Inter-American Institute for Cooperation on Agriculture (IICA). 2013. Development Practices in Northeastern Brazil: The Experiences of IFAD Supported Projects.

Jayne, T.S., and S. Rashid. 2013. Input subsidy programs in Sub-Saharan Africa: a synthesis of recent evidence. *Agricultural Economics* 44(2013) 547-562.

PROCASUR. 2014. Farmers' Organizations Supporting Family Farming Business: Case Studies of COPAG and ANCA in Morocco.

Republic of Zambia, Ministry of Finance. 2013. Rural Finance Expansion Programme implementation manuals. Draft version: 07.05.2013.

United Nations Development Programme (UNDP). Undated. Making Infrastructure Work for the Poor, A Concept Paper on Infrastructure and Governance. H.L. Root, assisted by R. Ghosh and C.S. Shaijumon.

Van Vliet, M. 2011. Accountability and improved local service delivery in Sub-Saharan Africa. Policy Orientations, African Studies Centre, Leiden, Netherlands.

World Bank. 2004. World Development Report. Making Services Work for Poor People.

_____. 2007. Project Appraisal Document on a Proposed Loan in the Amount of US$30 million to the Republic of Colombia for a Second Rural Productive Partnerships Project, July 19, 2007.

_____. 2008. World Development Report. Agriculture for Development.

_____. 2009. Implementation Completion and Results Report (IBRD-70970) on a Loan in the Amount of US$32.0 million to the Republic of Colombia for Productive Partnerships Support Project, March 14, 2009.

_____. 2011. A Tale of Two CDDs. Draft paper.

_____. 2013. Beneficiary Feedback and Third Party Monitoring in World Bank-financed Projects. Guide to Involving Non-State Actors. Social Development Department - GAC in Projects Team. January 18, [2013] (draft).

Annex II. Sample targeting, eligibility and selection criteria[2]

Window 1: Terms and conditions for capacity development of FIs in rural finance	
Item	Terms and conditions
Objective(s)	• Enhancing the staff qualification of FIs operating in rural areas to perform specific tasks, embark on new products and apply new client-centered approaches
Direct target groups	• Licensed FI desirous to invest into skills development of its staff for the benefit of rural clients
Eligibility criteria	• Licensed FI of any kind and tier • In-time submission of annual report to the Bank of Zambia over the past two years • FI already offers products for rural clients or intends to do so • Potential to reach at least 1,000 incremental clients within 2 years with new product or enhanced quality of services • Clear outreach mechanisms and approaches • Provision of details on target groups, curriculum, course outline, course methodology, course documentation and course evaluation procedures • Implementation schedule

Selection criteria	**Relative weight**
• Convincing documentation on the no. of potential beneficiaries to be reached through the proposed measures, in particular women and youth	20%
• Extent of impact on clients' businesses, incomes, livelihoods	20%
• Demonstrated impact on capacity development of staff	20%
• Proposed activity in line with business/expansion plan of the FI	5%
• Uniqueness and innovativeness of the proposal	15%
• Duration of impact (long-lasting and sustainable)	10%
• Extent of matching contribution above the required minimum	10%

Examples of projects that can be supported	• Training of staff on new products, approaches and methods • Training on the integration of value chain finance into the methodologies of the FI
Examples of projects that cannot be supported	• Training geared predominantly at urban areas and clients • Capacity development only geared at FI performance, without clear potential impact on clients • Generic capacity development and general knowledge dissemination (unless not supported through Component 1)
Items eligible for support	• Costs of trainers and moderators (domestic and international), including honoraria and travel costs • Rent of hall and facilities • Preparation of documents and training of trainers manuals • Preproduction costs for documents and manuals and other minor associated training material needed for participants • Costs for meals and coffee/tea breaks

2. Example adapted from FAO, 2014, Linking Matching Grants with Loans.

Item	Terms and conditions
Items not eligible for support	• Vehicles • Training infrastructure and hardware • Accommodation and travel costs of participants • Staff salaries
Maximum grant amount	• US$30,000 ≈ ZMW 150,000 • Applications above the maximum size of a single project can be supported, provided that the ceiling per single project will not be exceeded
Rural Finance Expansion Programme (RUFEP) matching grant and recipient matching contribution	• Applicant: 30% • RUFEP grant: 70% • Calculation of total costs per project may include all eligible items, as well as accommodation and travel costs of participants and directly associated staff overhead costs
Nature of matching contribution by recipients	• In kind and/or in cash
Environmental impact assessment	• Not required
Documentation requirements	• Implementation of activities • Immediately after the training - brief training report covering: (i) objectives, curriculum, methods and approaches, duration, costs, etc.; (ii) assessment of FI on how its staff has absorbed the key messages; (iii) results of the end-of-course training evaluation • Two years after the conduct of the measures – brief certification prepared by grantee on the number of clients that have been effectively reached within 2 years using a simple template provided by RUFEP

Window 2: Terms and conditions for developing sustainable CBFIs in rural areas	
Item	Terms and conditions
Objective(s)	• Enhancing access to sustainable, basic financial services for the rural population
Direct target groups	• Value chain operator • Farmer association or apex body • Licensed bank of deposit-taking microfinance institution (MFI) • Technical service provider
Eligibility criteria	• Value chain operator, farmer association or apex body, licensed bank of deposit-taking MFI, or technical service provider familiar with the promotion of Community-Based Financial Institutions (CBFIs), and established as a legal body • Annual financial statements for the past two years prepared and audited in accordance with the respective legal status and submitted to the respective supervisor body in time, where required • Demonstrated knowledge and skills in the promotion of community-based financial services • Sufficient field and supervisory staff available on a full-time basis • Clear vision on sustainability of CBFIs supported, especially after exit/intensive support [e.g. through linkages with a FI, integration into a value chain or out-grower scheme, building an apex body for CBFIs, or extension/supervision support paid for by the CBFIs or social/community services] • Clear exit plan after the intensive support phase (12-15 months) and plan for the continuation of operations by the CBFIs • Maximum cost of support of US$40 per individual member over a 15-18 month period of support (to be revised) • Clear implementation plan and schedule

Selection criteria	**Relative weight**
• Convincing documentation on the no. of potential beneficiaries to be reached through the proposed measures, in particular women and youth	15%
• Impact of planned interventions on savings, credit and profit of CBFIs supported	10%
• Integration into sustainable support arrangement	20%
• Location of majority of CBFIs outside the line of rail provinces	5%
• Remoteness of the locations of the CBFIs (off tarred roads)	10%
• Provision of additional extension services, training or education	10%
• Uniqueness and innovativeness of the proposal	15%
• Potential replicability of the proposed project/approach	10%
• Lower unit cost per group and member than average for the country	5%

Examples of projects that can be supported	• Creation of and technical support to new and existing CBFIs • Initiatives to make existing CBFIs more sustainable and improve their performance • Aggregation and analysis of M&E data on CBFIs • Adjustments of the M&E and reporting systems leading to significantly lower costs and complexity • Institutional linkages of CBFIs to make them more sustainable and increase members' incomes • Institutional transformation of existing CBFIs into legal bodies, such as cooperatives, which are operating under an existing and sustainable support framework (e.g. a secondary cooperative union) • Establishing an agent model for existing CBFIs that is paid for at medium terms by the CBFIs

Item	Terms and conditions
Examples of projects that cannot be supported	• Services not immediately benefiting smallholders in rural areas • Simple creation of CBFIs without sustainability at least at medium terms
Items eligible for support	• Costs of salaries and wages and premiums of field agents, supervisors and associated overhead costs (administration, record keeping, M&E, etc.) • Motorcycles and operating and maintenance costs for field agents and their immediate supervisors • Laptops for field staff and supervisors • Rent of offices and associated operating costs (e.g. rent, amenities, consumables) • Communication costs directly associated with implementation • Training of CBFI members • Training of staff • Evaluation of impact • Technical assistance for specific assistance needed (in agriculture, SME development, accounting, integration into value chains, etc.) • Negotiation fora for dialoguing with potential partners • External impact and evaluation studies
Items not eligible for support	• Physical infrastructure • Vehicles • Board and lodging for participants • Travel costs of participants
Maximum grant amount	• US$80,000 ≈ ZMW 400,000
RUFEP matching grant and recipient matching contribution	• For impact and evaluation studies, feasibility studies on sustainability models for CBFIs and technical assistance to CBFIs: Applicant: 5% and RUFEP grant: 95% • For CBFI creation solely for the youth: Applicant: 5% and RUFEP grant: 95% • For projects where the majority of CBFIs is located outside the line of rail provinces: Applicant: 10% and RUFEP grant: 90% • For all other projects and costs: Applicant: 20% and RUFEP grant: 80%
Nature of matching contribution by recipients	• In kind and/or in cash
Environmental impact assessment	• Not required
Documentation requirements	• Implementation of activities • One year after the conduct of the measures – brief certification prepared by the grantee on: (i) the number of members, value of savings and loans and profits realized by the groups during the year after termination of intensive support; (ii) the external institutional linkages maintained by the CBFIs supported; and (iii) an assessment of the future prospects of sustainability of the supported CBFIs

©IFAD/Nadia Cappiello

International Fund for Agricultural Development
Via Paolo di Dono, 44 - 00142 Rome, Italy
Tel: +39 06 54591 - Fax: +39 06 5043463
E-mail: ifad@ifad.org
www.ifad.org
www.ruralpovertyportal.org
ifad-un.blogspot.com
www.facebook.com/ifad
instagram.com/ifadnews
www.twitter.com/ifadnews
www.youtube.com/user/ifadTV

ISBN-978-92-9072-586-2