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**CIDR Group Strategic  
Orientations 2004-2008**

CIDR

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# Territorial development and local governance

## Challenge in linking decentralisation, local economic development and sectorial approaches

### *a. Strengthening of local councils competence*

Decentralisation policies are implemented when central government face difficulties in satisfying people expectations. This situation makes it complex for the newly elected local authorities to provide services to the people without having the means to perform. The funding of local authorities and their capacities to take on their role of owner are issues that can, if unresolved, jeopardise the viability of the decentralisation processes in African countries.

### *b. Promotion of local economic development programmes*

Local authorities will be evaluated upon their capacities to promote local economic development. Local councils have to attend to the immediate needs of the population (employment, income, etc.) and strengthen medium term development environment (improve economic infrastructures and services). Although their present technical and financial capacities are limited, the implementation of innovative programmes in economic development should become a major objective in their strategy.

### *c. Linkages between decentralisation and sectorial approaches*

Reflections on democratic decentralisation do not really take in consideration the works that have been done on the sectorial approaches. Therefore, implementing decentralisation often creates problems that are linked to conflict of competence between the decentralised departments of technical ministries and the local authorities because of unclear definitions of each party's responsibilities. Newly elected authorities are not often involved in the control of sectorial programmes, which should normally fall in their field of competence.

## Strategic objectives for the period 2004 - 2008

### *a. Promoting the territorial development process within local councils policy and within the sectorial approaches*

Genuine participation of the people in development approaches promoted by local authorities will only be possible if a shared vision about the future of the local territory can be established. This will be the challenge for the new generation of territorial development projects. These projects would support local communities to design, assess, formulate objectives, prioritise actions, and negotiate their implementation under the control of the local authorities.

In Benin and Madagascar, the "Territorial development and local governance" CIDR department will further sustain the territorial development project : team of facilitators will be hired by a national body in charge of supporting local councils; costs of negotiation platforms will be covered by the local councils; an inter-councils structure will ensure control of the territorial development project. Adequate and sustainable funding mechanisms for implementation will be defined. The department will also document all the accumulated know-how related to territorial development and decentralisation support processes in order to disseminate it to other territories, and to extend it with other partners.

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CIDR will support a programme in water distribution and sanitation in six Benin local councils. The control will have to

be transferred to the local authorities in a relatively short term, in relation with the decentralised department of the technical ministry in charge.

*b. Supporting local authorities for the promotion of their local economic development*

The "Territorial development and local governance" department will analyse in different environments the role given to the local authorities in terms of local economic development. It will look into their links with national sectorial policies. It will develop programmes and strengthen its capacities to engineer local economic development, both in an urban environment, rooted in Cotonou experience in Benin and in a rural context. The knowledge accumulated during the process will be documented, analysed and disseminated.

*c. Implementing monitoring and impact assessment instruments*

The "Territorial development and local governance" department will develop the needed capacities to analyse the evolution of public policies in decentralisation. It will improve its own monitoring, evaluation and planning tools and it will define a few key indicators for each stage of the territorial development project. It will also define a few impact assessment indicators such as actors' participation; strengthening of dialogue and negotiation processes; decentralised management and transparency; better mobilisation of local taxes; capacity building; development of citizenship; etc.

*d. Developing a partnership strategy*

The "Territorial development and local governance" department will participate in research networks in Africa concerned with local development and decentralisation issues. It will do this in order to confront its concept of local public affairs democratic management to the views of practitioners and academics in the South. It will enrich the concept with its observations upon local participatory development experiences in the North. Further, it will develop partnerships with new French and European local and regional authorities.

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## **Service enterprises and producer organisations**

### **Challenge of permanent access to market for smallholders**

*a. Diversifying local systems for access to market*

Smallholders in Africa still have an important role to play for poverty and inequalities alleviation and for sustainable development. However, this type of agriculture has little chance to develop further to subsistence farming if it cannot improve its connection to the market. Export markets are unstable and not easy to access. However, local demand evolves and seems to be within local production systems' and local operators' reach. A main challenge will be to install performing commercial flows: these will be based upon sustainable transaction modalities and co-operation links between various actors of the agri-products local value chains (from production to agribusiness).

CIDR has already generated and tested an innovative approach called "Service enterprises and producer organisations" (ESOP is the French acronym that will be used further in this paper). However ESOPs have a restricted outreach and they address to markets nearby that are limited in terms of transactions volumes. Other local systems for accessing markets should be tested. These new systems will have to be based upon a strong economic approach and upon governance modalities that can generate a good and sustainable framework for co-operation

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between smallholders and other market actors.

*b. Sustainability of ESOPs*

The approach must become sustainable. Therefore, specific structures and mechanisms for expansion and dissemination will have to be put in place in order to reduce implementation costs and be able to guarantee the quality of the interventions. These structures will have to be recognised as professional and innovative partners for the development of a family agriculture connected with the local agribusiness market. It also requires local actors networks to be created for the promotion of fair trade practices in their countries. Favourable and enabling financial environment for ESOPs and other local marketing systems should be enhanced.

**Strategic objectives for the period 2004 - 2008**

*a. Promoting diversified systems to improve market access for smallholders*

The "Service enterprises and producer organisations" CIDR department will support the consolidation of existing service enterprises (ESOP) as well as the creation of new ones. With the existing ESOPs, the activities will concentrate on diversification (new agricultural products to be promoted and new market segments to be explored), on enhancing enterprise managers' capacities and on seeking an institutional recognition from the authorities. It will also encourage farmers and staff to become shareholders of their ESOP and to be active in their governance bodies. When it comes to new ESOPs creation, the "Service enterprises and producer organisations" department will mainly concentrate in countries where ESOPs already exist and in already proven food-processing activities.

Other systems for access to market will be investigated in environments in which existing producers' organisations wish to innovate.

ESOPs will be linked in networks for active innovations sharing and for easier access to support and adapted development services. This networking will also be open to other actors from the agri-food value chain or other related sectors.

*b. Creating local dissemination platforms*

In order to disseminate the ESOP model and to accompany their development, the "Service enterprises and producer organisations" department will support local operators. They will be trained in identification, promotion and support to ESOPs. They will have to provide ESOPs with services required for their development and to link them with other adequate service providers and useful contacts. These operators will play a key role in this field in their respective countries: they'll have to publish and disseminate their results at local and national level. They will form "local competence platforms" that should become recognised within their institutional and financial environment as professional structures for marketing issues.

*c. Providing the platforms with mechanisms to develop ESOPs competence, access external expertise and funding*

Local platforms, ESOPs and CIDR will be linked into a permanent innovation and knowledge management system. They will join in experience sharing, development and improving the tools and methods. During the next 5 years, CIDR will be responsible for the co-ordination of such works. Later, it will adapt its position and competence in order to evolve towards more specialised technical assistance. It will intervene through a multidisciplinary team with geographic flexibility and through external professionals.

The "Service enterprises and producer organisations" department will progressively have to establish a distinction between three functions: the local advisory role to be entrusted to the platforms, the long term development role that remains CIDR responsibility and the financial function that will have to be dealt with through a separate entity.

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## Decentralised financial systems

### Challenge of microfinance as an instrument for poverty alleviation and economic development

#### *a. Microfinance outreach*

Global demand for financial services and products is far from being satisfied. CGAP estimates that there are now around 10.000 Micro-Finance Institutions (MFI) in the world, serving approximately 60 million people. In West Africa, the bulk of MFIs provides services to 2,5 million economically active persons, which is less than 10 % of the potential demand. It will thus be necessary to create new MFIs. The growth potential of the 'big' institutions is not unlimited, and as several crisis or bankruptcies have shaken the microfinance world, it seems wise to diversify the risks. Further, a model of very big institutions might lead to regional or national monopolistic situations, which in turn, as in other sectors of economic activities, might hinder performance and innovation capacity.

#### *b. Quality microfinance*

Quality microfinance is attentive to the constraints and particular strategies of its clients. It has a strong adaptation capacity. It focuses its impact upon the autonomy and the empowerment of its clients, reinforcing their social capital and strengthening social links within communities. Quality microfinance is not opposed to financial sustainability but complements the concept with an emphasis upon its social dimension. Quality microfinance can add value to the sector and restore it as an economic and poverty alleviation instrument. It can improve its capacity in bringing socio-economic development to disadvantaged populations.

#### *c. Microfinance anchored in financial and sectorial policies for poverty alleviation*

Strengthening existing MFIs might not lead to a significant increase of their outreach or innovations. Actually, new methods will have to be designed in order to foster, support and reinforce new initiatives. It is necessary for these solutions to be sustainable and adapted to national environments; therefore, they must be found in consultation between the government and other stakeholders (donors, networks, professional associations). Reinforcement of the regulating authorities is a prerequisite. Their functions must encompass the licensing for new MFIs, supervision of the sector and also the definition and application of a sound and strong policy for microfinance and rural finance : emphasising MFIs' role in poverty alleviation; promoting funding of local development and the agricultural sector through MFIs; establishing links between MFIs and sectorial approaches.

### Strategic objectives for the period 2004 - 2008

#### *a. Development on a contractual basis of existing microfinance networks promoted by CIDR*

The "Decentralised financial systems" CIDR department will develop new post-project contractual relations with autonomous CVECA (village saving and credit association) networks and their local service providers in Burkina Faso, Cameroon and Mali. With each of these, a collaboration protocol will be established that will define partner's expectations, the support that CIDR can provide and the networks' obligations.

The department will also promote, in each country, the creation of national technical structures and "certification bureau" that will be capable of auditing accounts of the networks and their local service providers and advising them on technical and methodological issues.

*b. Developing action-research initiatives and innovating with new intervention modes*

CIDR participative microfinance programme in East Africa is typically a research-action initiative aimed at developing new modes of intervention in disadvantaged zones with thin social cohesion. The "Decentralised financial systems" department will document its know-how in participative rural microfinance in East Africa. It will also take stock of its experience in partnership relations with existing microfinance institutions. Special focus will be given to new methodologies allowing urban based MFIs to reach out to rural areas and populations. These efforts will be the base for a wide and active dissemination of lessons learned.

In West and Central Africa, new networks will be initiated in countries with low microfinance coverage. These expansions will apply best practices essentially by strengthening the central level and developing financial monitoring instruments. When possible, this will be done in collaboration with well-established MFIs or specialised NGOs, that have set up an independent and professional microfinance department.

*c. Promoting a "Group for Participative Microfinance for Africa"*

CIDR will invite the various CVECA and other autonomous institutions, to become members of a Group for Participative Microfinance for Africa. This group's main functions will be to promote quality participative microfinance methodology, to organise knowledge and know-how exchanges amongst members, to provide technical and financial support to members and to organise a political dialogue with authorities in charge of the microfinance sector in each country. This dialogue will aim at establishing a sound and solid microfinance framework, linked with national poverty alleviation and economic development policies.

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## **Health services and insurance systems**

### **Challenge of appropriate health insurance models for the population in the informal sector**

*a. Perspectives of health insurance schemes and their impact*

In West African countries, voluntary health insurance schemes is considered as the most appropriate way for reaching the people of the informal sector. So far, the mutual management option has been chosen in most cases because it presents potential comparative advantages. However, the various initiatives that have been developed have not yet demonstrated this management option to be viable. The actual challenge is to support these mutual organisations to find their proper means to ensure their technical autonomy and sufficient resources to reach their financial viability.

In East African countries, there is a marked preference for compulsory health insurance schemes or for funding health care through public resources. Voluntary insurance schemes are usually used by people with stable sources of income. In some countries, centralised redistribution mechanisms of compulsory contributions are envisaged, even for the informal sector. In a context of foreseeable decrease of public sector resources, it is important to demonstrate that participatory health insurance schemes are effective. Their specific role in protecting people from the informal sector should become recognised.

***b. Mutual health insurance schemes and HIV/AIDS***

The international community finances national programmes aiming at preventing HIV/AIDS transmission and at providing care for those in need. However, for lack of resources, the rural population is often left behind. The viability of health insurance mutual organisations in area with a heavy incidence of the disease, is questioned. Financial capacities of these mutual organisations are rapidly drained when the number of people affected becomes important or when the costs of specific treatments rise. In these zones, mutual organisations can only become viable if the costs of AIDS patients are met by external funding. It is necessary to seek a proper linkage between insurance and assistance mechanisms.

Still, health insurance mutual organisations have a useful role to play in fighting the advance of HIV/AIDS and its consequences. They can mobilise their internal communication networks to broadcast information and prevention messages. They have a financial and sanitary information system that can be useful for channelling resources in an efficient way. Because they are not selective, they offer a proper insurance coverage in case of hospitalisation to people affected.

**Strategic objectives for the period 2004 - 2008*****a. Sustainability of health insurance mutual networks in West African and Indian Ocean countries***

In West African and Indian Ocean countries, the "Health services and insurance systems" CIDR department will put emphasis in consolidating three existing networks, in Benin, Guinea and Comoros. The first objective will be to increase their outreach. The second one will concentrate on implementing guarantee and reinsurance schemes. The third objective will be to strengthen their technical viability by enhancing the professional capacities of local teams and defining performance standards. So far, none of these three countries has a legal and regulatory framework for such mutual insurance organisations. The networks' executives will be supported in their policy dialogue with national authorities for the definition of a appropriate framework.

Three new networks will be promoted, one in Benin, one in Guinea and one in a new country to be chosen. Methodologies will be adapted in order to reach their viability within a shorter period of time; this will be possible because of the lessons learned in older networks.

An impact assessment methodology will be developed and applied to each network. Results will be documented and disseminated through exchanges with other practitioners and academics.

***b. Promoting and defining the position of participatory voluntary health insurance scheme in East Africa***

In East Africa, health insurance mutual organisations must reach a "demonstrative threshold": they must increase their outreach in order to be recognised in their environment (by public health care authorities and by health care professionals). The "Health services and insurance systems" department will start a research/action initiative to understand the incentive factors for membership. This initiative will also design appropriate promotion mechanisms to diversify the clients/members public and to propose a wider range of insurance products. It will look for management and governance modes that can be adapted to different contexts. Further, the health insurance networks will encouraged to build alliances with other initiatives and operators, in order to reach a respected position as stakeholders in the national health insurance policies.

Within three years, the "Health services and insurance systems" department will install a regional co-ordination body in charge of documenting, analysing and disseminating results observed in different systems.

In a context with a heavy HIV/AIDS incidence, the viability of the networks will depend upon their capacity in taking care of AIDS patients and in linking with national mechanisms. The department will support the health insurance mutual organisations in the definition of their support strategies towards AIDS patients and in their negotiation processes with appropriate partners.

*c. Developing links between health insurance schemes and existing institutions*

A technical and methodological evaluation of programmes linking health insurance systems with microfinance institutions will be made, in order to compare the advantages of this approach to that of stand alone mutual insurance systems. Another type of linkage will be experimented between health care providers and health insurance schemes. Feasibility studies will allow for a precise and adequate distribution of management functions between both parties and the definition of co-management procedures.

*d. Dissemination of know-how in mutual health insurance*

The health insurance mutual organisations are diverse in terms of performance and they work in a wide variety of environments. Therefore, it will be necessary to look at the theme in a transversal way: pre-conditions and pre-requisites; differentiated development stages; monitoring and support tools; technical, institutional and financial options; governance; etc. The "Health services and insurance systems" department will organise workshops on experience gained on these thematic issues and will share the results within the sector.