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Enabling poor rural people
to overcome poverty

President's memorandum

Proposed supplementary financing to the Republic of Gabon for the Agricultural and Rural Development Project

Note to Executive Board representatives

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For: Approval

Map of the project area

République du Gabon

Projet de Développement Agricole et Rural (PDAR)



Les appellations figurant sur cette carte et sa représentation graphique ne constituent en aucun cas une prise de position du FIDA quant au tracé des frontières ou limites, ou aux autorités de tutelle des territoires considérés.

Carte compilée par le FIDA

Recommendation for approval

The Executive Board is invited to approve the recommendation for the proposed supplementary loan to the Gabonese Republic for the Agricultural and Rural Development Project as contained in paragraph 30.

President's memorandum

Proposed supplementary financing to the Republic of Gabon for the Agricultural and Rural Development Project (PDAR)

I. Context

1. During the oil boom of 1975 to 1990, Gabon invested in the agricultural sector by adopting a proactive and production-focused strategy based mainly on agro-industries and crops. Small-scale agriculture gradually declined to the level of subsistence farming. This resulted in the paralysis of socio-economic organizations in villages and rendered rural communities passive and totally dependent on public authorities and on cash transfers from the cities.
2. In order to resolve this situation, to develop agricultural production and to diversify activities in rural areas, on 26 October 2007, the Government and IFAD signed a loan and a grant agreement in the amount of SDR 3,800,000 and SDR 190,000 respectively, for the implementation of the Agricultural and Rural Development Project (PDAR) over a period of six years.
3. The project has two main objectives: (i) development of the cassava, groundnut and plantain value chains, and (ii) capacity-building for various project stakeholders.
4. PDAR is currently the only project in the country aimed at increasing income from agriculture in rural areas. It therefore plays an important role as a catalyst in supporting integrated rural development in the country's rural areas.

II. Project implementation status

5. The project has registered a total disbursement rate of 61.58 per cent distributed across the financing sources as follows: IFAD loan (53.49 per cent); IFAD grant (49.12 per cent); the Government (69.72 per cent); and beneficiaries (187 per cent).
6. It has achieved measurable results in the domain of crop production and support to micro-projects. The project has well exceeded the initial target of 288 micro-projects, by supporting 468 to date, which represents an achievement rate of 162.5 per cent of project objectives. A total of 40.4 hectares of cassava nurseries have been established, an achievement of 122.4 per cent of stated objectives. In addition, 2,825,000 healthy cassava cuttings were harvested and distributed, which represents an achievement of 53.5 per cent.
7. The implementation of commercialization activities has been the project's main weak point. Based on midterm review recommendations, the project has undertaken to set up a structured process for organizing and marketing products with the aim of establishing sustainable commercial relationships. The process will entail the identification of buyers and organization of producers to undertake for product assembly, set up a price information system and conduct commercial negotiations, etc.

8. Capacity-building activities have also witnessed a low level of execution. A strategy is currently being prepared to better define and direct the: (i) sensitization of target groups; (ii) structuring and training of community organizations; (iii) promotion of market operators and small businesses; and (iv) establishment of a rural support centre.

III. Justification of the supplementary financing

9. In 2009, the Government confirmed the importance of the agriculture sector in the country's development through a new strategic plan entitled "Emerging Gabon" aimed at transforming Gabon into an emerging country by 2035. The Government predicts that the new agricultural strategy will result in a 45 per cent increase in agricultural production by 2015 and raise the contribution of agriculture to GDP to 10 per cent, from a level of 3.5 per cent in 2010.
10. The isolation of production areas and difficulties in commercialization of agricultural production continue to be listed among the main hindrances to agricultural development. These hindrances are the result of the poor state of roads linking production areas and high consumption areas, high transportation costs and lack of market infrastructure (markets, warehouses, etc.). In turn, the development of available agricultural resources and improved productivity are constrained by difficulties arising from insufficient distribution and commercialization infrastructure and from post-harvest losses. This situation leads to higher costs and makes the sector less attractive for small farmers, traders and larger-scale investors.
11. The project midterm review revealed that project results are still affected by insufficient commercialization infrastructure in the intervention area. Furthermore, assessments undertaken in partnership with the African Development Bank (AfDB) confirmed the need to invest in rural infrastructure, in order to (i) make better use of project support for the development of targeted value chains, and (ii) contribute to increasing household income through access-to-market infrastructure.
12. On this basis, the project supported technical studies during the design of a rural infrastructure rehabilitation project that was proposed by the Government for AfDB financing. The project will create permanent access to production areas, and contribute to the reduction of post-harvest losses and the development of agricultural products. However, it targets only main roads linking departments and markets located in semi-urban areas.
13. Consequently, the supplementary financing is sought to complement this ongoing initiative at the community level, through the establishment of assembly centres in high-production areas and the rehabilitation of secondary routes to facilitate transportation from farms to main roads.

IV. Description of the intervention

A. Area of intervention and target group

14. The activities supported by the supplementary financing will be implemented in the PDAR target area, i.e. Woleu-Ntem Province. The province is located in the north of Gabon on the border with Cameroon and Equatorial Guinea and is made up of five departments: Woleu, Ntem, Okana, Upper Ntem and Upper Komo.
15. The target group for the supplementary financing is also the same as for PDAR.

B. Objective

16. The supplementary financing is aligned with the specific goal of PDAR to develop promising value chains for the benefit of target groups. The objective is to reinforce marketing capacities of target groups by developing community infrastructure to store agricultural products and to facilitate transportation of agricultural products.

C. Activities

17. The activities planned for supplementary financing are included in component (i) of the PDAR (promotion of agricultural value chains with market potential), and more specifically in the third subcomponent related to commercialization and competitiveness.
18. These activities include: (i) construction of 12 assembly centres; (ii) rehabilitation of 104 km of secondary roads; and (iii) establishment of sustainable mechanisms for managing and maintaining the investments.
19. The implementation will be carried out in four stages: (i) awareness-raising of stakeholders on opportunities related to rural infrastructure; (ii) participatory identification of community infrastructure; (iii) execution of community infrastructure; and (iv) support to beneficiaries to ensure sustainable use of the investments.

V. Management of activities and monitoring

20. Activities will be managed by the PDAR team, which comprises six staff based in the project management unit, and 15 community organizers based in the target villages. The project management team has recently been recruited by the Government with the aim of revitalizing project implementation and performance. The supplementary financing will be managed using the same fund flow channels and IFAD procedures. Given that project results have been affected by several factors which have slowed implementation, an extension of the existing financing period, in alignment with the new supplementary financing implementation period, will be required.
21. Although the implementing capacity of the new PMU has not been reviewed by a supervision mission yet, the Government is confident that the new team in place will achieve the planned objectives within the extended time frame. Specific financial management training and implementation support have already been provided by IFAD to the new PMU staff, in particular on aspects that have given rise to audit qualifications in previous years and have negatively affected project execution and performance.
22. A rural engineering expert will be recruited to supervise the implementation of the community infrastructure activities.
23. With regard to monitoring and evaluation, PDAR's logical framework has been revised to integrate measurable infrastructure-related indicators.

VI. Risks and mitigation measures

24. The main risks include:
 - (i) Weak capacity of implementation structures, hence the need to mobilize technical assistance and to provide coaching and close supervision through the country office, the Controller's and Financial Services Division and the country programme management team;
 - (ii) Weakness of community organizations that could lead to unsustainable results, hence the importance of focusing on the establishment of well-run organizations and establishing a sound and periodical monitoring of the activities performed by them;
 - (iii) Financing and treasury constraints that could delay or even disrupt the dynamics of the operation, hence the importance of mobilizing counterpart funds on schedule as well as supporting PMU in establishing periodical treasury plans and financial reports to avoid cash flow stress; and

- (iv) Delays in the delivery of infrastructure that could discourage producers and other stakeholders in the value chains, hence the importance of continuous monitoring of the contractual performance of suppliers.

VII. Project costs

- 25. The total revised project cost is US\$15.2 million over ten years. The sources of financing are (i) IFAD, with an original loan of SDR 3.8 million equivalent to approximately US\$5.73 million (38 per cent), a supplementary loan of approximately US\$5.4 million (36 per cent) and a grant of approximately US\$0.27 million (2 per cent); (ii) the Government, with US\$3.19 million (21 per cent); (iii) beneficiaries, with US\$0.40 million (2 per cent); (iv) and the OPEC Fund for International Development (OFID) with US\$0.2 million (1 per cent).
- 26. The IFAD supplementary loan is extended to the Gabonese Republic on ordinary terms. Changes in the amounts allocated to the IFAD original loan expenditure categories will be reflected in annex II of the amended financing agreement. The supplementary financing will be allocated in accordance with the category structure of the existing loan and in particular against the categories: (i) civil works (63 per cent); (ii) equipment and vehicles (2 per cent); (iii) technical assistance, training and information (18 per cent); (iv) studies (6 per cent); (v) salaries and allowances (3 per cent); and (vi) operating costs (8 per cent).

VIII. Proposed modifications to the financing agreement

- 27. Upon approval of the proposal by the Executive Board, the financing agreement of PDAR will be amended to reflect the proposed activities and the supplementary financing in the project budget. This supplementary financing complements the financing plan initially agreed at design.
- 28. The Gabonese Republic is empowered under its laws to receive financing from the Spanish Food Security Cofinancing Facility Trust Fund, acting through IFAD in its capacity of Trustee of the Trust Fund.
- 29. I am satisfied that the proposed additional financing will comply with the Agreement Establishing IFAD and the Policies and Criteria for IFAD Financing.

IX. Recommendation

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

RESOLVED: that the Spanish Food Security Cofinancing Facility Trust Fund, acting through IFAD in its capacity as Trustee, shall provide a loan on ordinary terms to the Gabonese Republic in an amount equivalent to four million two hundred and fifty thousand euros (EUR 4,250,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Kanayo F. Nwanze
President