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REPORT AND RECOMMENDATION OF THE PRESIDENT

TO THE EXECUTIVE BOARD ON A PROPOSED LOAN TO

THE REPUBLIC OF GUINEA

FOR

THE VILLAGE COMMUNITIES SUPPORT PROJECT



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CURRENCY EQUIVALENTS

Currency Unit	=	Guinean Franc (GNF)
USD 1.00	=	GNF 1 250
GNF 1 000	=	USD 0.80

WEIGHTS AND MEASURES

1 kilogram (kg)	=	2.204 pounds (lb)
1 000 kg	=	1 metric tonne (t)
1 kilometre (km)	=	0.62 miles (mi)
1 metre (m)	=	1.09 yards (yd)
1 square metre (m ²)	=	10.76 square feet (ft ²)
1 acre (ac)	=	0.405 ha
1 hectare (ha)	=	2.47 acres

ABBREVIATIONS AND ACRONYMS

ADF	African Development Foundation
AFD	Agence française de développement (French Agency for Development)
CRD	Communauté rurale de développement (Rural Communal Entity)
FIL	Fonds d'investissement local (Local Investment Fund)
FIV	Fonds d'investissement villageois (Village Investment Fund)
IDA	International Development Association
LPDRD	Lettre de politique de développement rural décentralisé (Decentralized Rural Development Policy Letter)
M&E	Monitoring and Evaluation
MAEF/DNGR	Direction nationale du génie rural du Ministère de l'agriculture, des eaux et forêts (Rural Works Division/Ministry of Agriculture, Water and Forests)
MID	Ministère de l'intérieur et de la décentralisation (Ministry of Interior and Decentralization)
MID/DND	Direction nationale de la décentralisation du Ministère de l'intérieur et de la décentralisation (Decentralization Division/ Ministry of Interior and Decentralization)
NGO	Non-Governmental Organization
PCU	Project Coordination Unit
PIA	Plan d'investissements annuels (Annual Investment Plan)
PSC	Project Steering Committee
VCSP	Village Communities Support Project

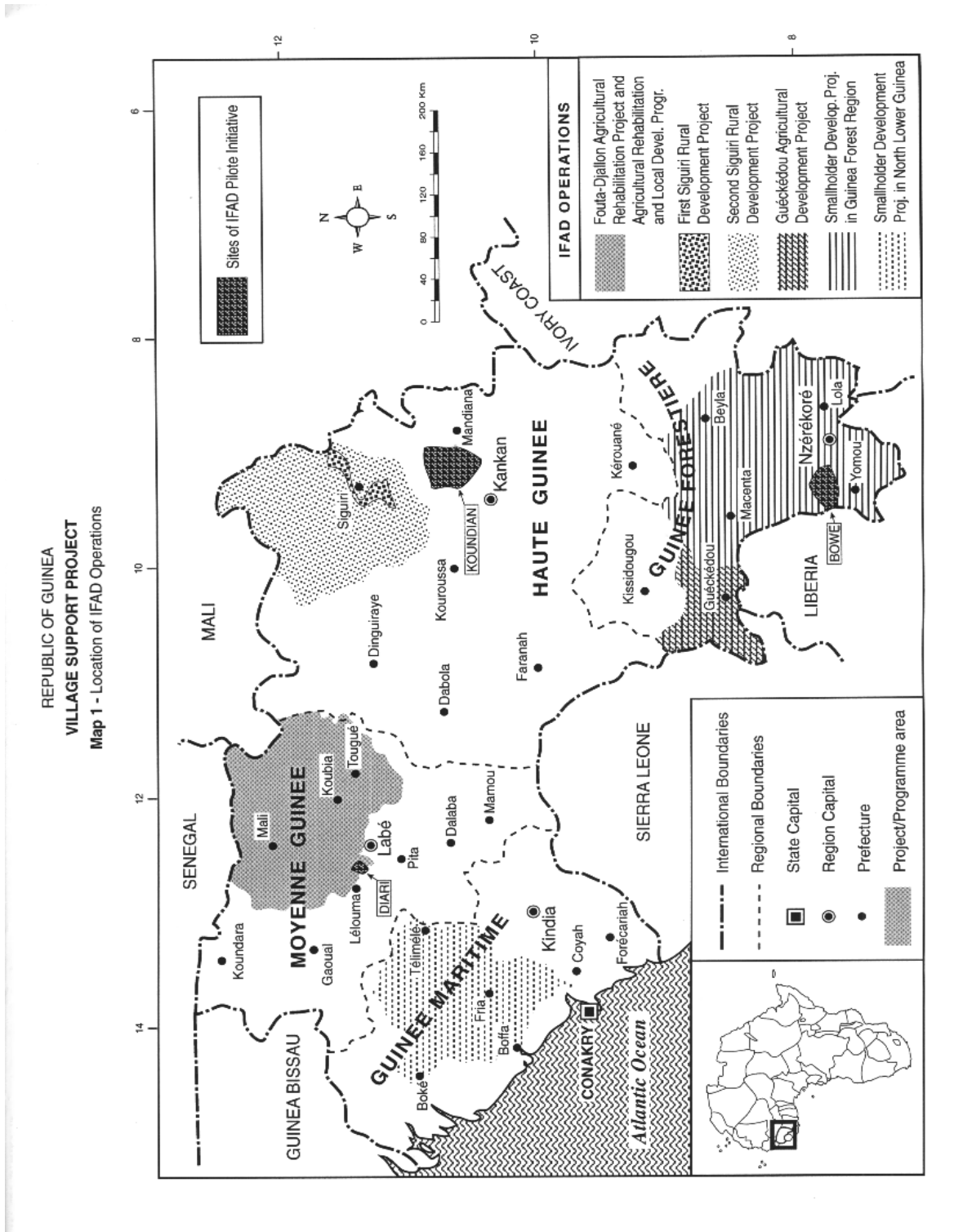


GOVERNMENT OF THE REPUBLIC OF GUINEA

Fiscal Year

1 January - 31 December

MAP OF THE PROJECT AREA



Source: IFAD

The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.



REPUBLIC OF GUINEA
VILLAGE COMMUNITIES SUPPORT PROJECT
LOAN SUMMARY

INITIATING INSTITUTION:	International Development Association (IDA)
BORROWER:	Republic of Guinea
EXECUTING COORDINATION AGENCY:	Ministry of Planning
TOTAL PROJECT COST:	USD 38.7 million
AMOUNT OF IFAD LOAN:	SDR 5 million (equivalent to approximately USD 7 million)
TERMS OF IFAD LOAN:	40 years, including a grace period of ten years, with a service charge of three fourths of one per cent (0.75%) per annum
COFINANCIERS:	IDA <i>Agence française de développement (AFD)</i> African Development Foundation (ADF)
AMOUNT OF COFINANCING:	IDA: USD 22 million AFD and ADF: USD 5.7 million
TERMS OF COFINANCING:	IDA: Credit (same terms as IFAD loan) AFD: Grant ADF: Grant
CONTRIBUTION OF BORROWER:	USD 2 million
CONTRIBUTION OF BENEFICIARIES:	USD 2 million
APPRAISING INSTITUTION:	IDA/IFAD
COOPERATING INSTITUTION:	IDA



PROJECT BRIEF

Who are the beneficiaries?

Poverty in Guinea remains an overwhelmingly rural phenomenon, with poverty rates estimated at over 52% in rural areas and 25% in urban areas (per capita income less than USD 294). The potential number of beneficiaries of this four-year project is about 1.4 million people in 100 rural communal entities (CRDs), representing about one third of Guinea's entire rural population, estimated at approximately 4.8 million people. The project aims at empowering rural communities and provides for the inclusion of vulnerable and marginalized groups in the community-based decision process.

Why are they poor?

At present, there is a dearth of basic rural infrastructure in most of Guinea's rural areas. Poor infrastructure and isolation lead to poor access to essential social services (primary education and health), with a negative impact on well-being and investment capacity. The poor condition of roads limits the access of rural families to social services and to inputs and markets for their economic activities. Only about 30% of the total rural population have access to safe water supply; women, who are heavily involved in agriculture, have to devote a considerable amount of time to transportation of water. Many rural areas lack economic stimulus, new investments in income-generating activities (both agricultural and non-agricultural) and employment opportunities, due to the lack of investment capital available to rural producers and potential entrepreneurs, and related technical assistance.

What will the project do for them?

The project will support: (i) capacity-building to strengthen the Government's ongoing efforts to achieve fiscal, administrative and political decentralization in Guinea; and (ii) the establishment and operation of a local investment fund (FIL) to finance small-scale basic infrastructure, productive investments of a collective nature and services. The type of priority projects financed under FIL will focus on those identified by local communities as most needed by the poor and include improvement of village roads, water supply, education and health facilities. Local implementation of these infrastructures will contribute to increased local employment and income generation, and will mainly benefit the youth. Based on the results of pilot tests to be carried out under IFAD's aegis during the first two years of the project and implemented by non-governmental organizations (NGOs), FIL funding will then be broadened to cover productive community investments.

How will beneficiaries participate in the project?

Beneficiary participation was an integral part of project preparation and design and will be an integral part of project implementation. FIL procedures are designed to promote the direct involvement and the control of communities in the selection, implementation and management of small-scale basic infrastructure in rural areas. A participatory process will be established at community level to ensure that the views and priorities of all segments of the rural population, including women and other vulnerable groups, are represented in the selection of investments to be funded under FIL. Beneficiaries, and the local government (CRDs) will contribute at least 20% of the total investment cost of the subprojects.



**REPORT AND RECOMMENDATION OF THE PRESIDENT OF IFAD
TO THE EXECUTIVE BOARD ON A PROPOSED LOAN TO
THE REPUBLIC OF GUINEA
FOR
THE VILLAGE COMMUNITIES SUPPORT PROJECT**

I submit the following Report and Recommendation on a proposed loan to the Republic of Guinea for SDR 5 million (equivalent to approximately USD 7 million) on highly concessional terms to help finance the Village Communities Support Project. The loan will have a term of 40 years, including a grace period of ten years, with a service charge of three fourths of one per cent (0.75%) per annum. It will be administered by the International Development Association (IDA) as IFAD's cooperating institution.

PART I - THE ECONOMY, SECTORAL CONTEXT AND IFAD STRATEGY¹

A. The Economy and Agricultural Sector

1. Guinea covers an area of 246 000 km². Population estimates for 1996 stand at 7.0 million, with an annual growth rate of 2.6%. The rural population represents 67% of the total population. Social development, as measured by the United Nations Development Programme's Human Development Indicator is low, ranking the country 160th out of 175 countries in 1996. Basic indicators are very depressed, with a life expectancy at birth of 46 years, infant mortality at 122/1 000 births and maternal mortality at 660/100 000 live births. The overall adult literacy rate is 34.8%, while female literacy is among the lowest in the region (19%). The World Bank's 1994-95 poverty assessment revealed that the incidence of poverty remains high at 40% for the total population, with a strong urban and rural bias: 52.5% for rural in contrast to only 15.4% in urban areas.

2. More than half of the total population (54%) engage in farming. The average size of the 443 000 farm households is about eight persons, half of whom are below 18 years of age. The average farm size is slightly over 2 ha per family, with high variations across regions. Forests cover 59% of the total land area. Agricultural land covers about 46.9% (1994) of total land area. Soils are generally of poor quality, and given the prevalence of low input cultivation techniques, they require long fallow periods to reconstitute their fertility. The climate is tropical, with an average rainfall of more than 1 000 mm/year. It is characterized by alternating rainy seasons of five to eight months and dry seasons of four to seven months. Livestock is an important economic activity with herds of 2.2 million N'dama cattle and 2 million sheep and goats in 1996. Guinea has both fresh and salt water fishing.

3. From independence in 1958 through 1984, Guinea experienced a high level of state control of the economy that resulted in economic stagnation and in the deterioration both of basic infrastructures and the availability and quality of social services provided to the population, especially in rural areas. Major political changes in 1984 paved the way for a series of important institutional and policy reforms. Economic reforms aimed at re-establishing and stabilizing the key macroeconomic equilibria and creating an environment conducive to sustained, broad-based private-sector-led growth, by disengaging the state from production and commercial activities, and liberalizing markets and prices. Institutional reforms focused on the adoption of a legal framework for decentralization and the updating of the legislation pertaining to non-governmental organizations

¹ See Appendix I for additional information.



(NGOs), cooperatives, and other forms of grass-roots organizations. As a result of the decentralization laws, 33 urban communes and 303 rural communal entities (CRDs) were established. Parallel to these reforms, public expenditures were refocused on basic social and economic infrastructure.

4. Largely due to these reforms, economic growth resumed at more than 4% per annum during the 1986-90 period, and has increased to 4.6% since 1991, leading to an annual growth rate of per capita income of 1.9% per year. Stabilization and adjustment policies, supported by the International Monetary Fund and the World Bank, have helped reduce inflation from 37% a year in 1987 to 8.8% a year in 1996. The budget deficit fell from 10% of GDP in 1986 to 7% in 1996 and the balance of payments deficit has been reduced from 13% of GDP to less than 9% during the same period.

5. Agriculture is still the main source of employment and income for 80% of the population, providing 25.8% of GDP. Thanks partly to the trade and market reforms, the growth rate of the sector's value added over the 1991-95 period, at 4.5% per year, has been rather good, thus contributing substantially to the overall economy's growth. The sector's growth has come mainly from increases in food production, with 5% per year for paddy, the most important food crop, and in agricultural export products, cotton, fruits, and rubber. This has resulted in important declines in rice imports from a high of 300 000 in 1992 to 229 000 in 1996, and in increasing the agricultural share in total exports from 8.6% to more than 15% over the same period. However, most of this growth has come from area expansion (over 3%) rather than from yield increases (1%).

B. Lessons Learned from Previous IFAD Experience

IFAD's Portfolio in Guinea

6. So far IFAD has financed seven projects in Guinea, for a total loan amount of SDR 62.7 million (approximately USD 85.5 million), placing Guinea among the major recipients of IFAD's funds in terms of loan volume in sub-Saharan Africa. Of the seven projects financed by IFAD, four have closed: the Guéckédou Agricultural Development Project; the Siguiri Rural Development Projects I and II; and the Fouta Djallon Agricultural Rehabilitation Project. Ongoing projects comprise the following: the Smallholder Development Project in the Forest Region; the Smallholder Development Project in North Lower Guinea; and the Fouta Djallon Local Development Project and Agricultural Rehabilitation.

Main Lessons Learned

7. IFAD has gained considerable experience in community-based rural development in Guinea. The lessons learned during these projects have been reflected in the design of subsequent projects, with a view to improving performance and emphasizing beneficiary participation. Placing rural populations and their decentralized institutions at the center of the development process, and promoting cooperative and/or contractual relationships between the various actors in local development, has been found to be an effective way of reducing the cost of providing community infrastructures. This enhances the equity of access to social services, fosters transparency and accountability, and increases sustainability as a means to ensuring the direct involvement of the population in village-level decisions. Hence the importance of strengthening grass-roots organizations, while securing their legitimacy and sustainability beyond the end of a project is demonstrated. In addition, the promotion of income-generating activities remains a key instrument in any poverty-alleviation strategy. Yet, income-generating activities have little chance of success unless critical social and economic infrastructures are first provided to rural communities. Implementation schedules should be progressive to allow for adjustments to changing circumstances; having an initial action-research phase at the beginning of implementation is essential in developing effective participatory processes. Hence, an IFAD Pilot Initiative on Productive Community Investments has



been designed to develop modalities to make productive investments eligible for funding as soon as possible in the project.

C. IFAD's Strategy for Collaboration with Guinea

Guinea's Policy for Poverty Alleviation

8. A countrywide consultative process, undertaken by the Government in 1996 as part of the preparation of a vision for the country's development, revealed that the top priority needs of the population are education, health, rural roads, and rural development. The population also expressed a strong willingness to take increased responsibilities for local development.

9. However, serious constraints remain that hamper the Government's efforts to reduce rural poverty and address the population's most pressing needs: (i) insufficient participation by civil society (rural communities, vulnerable groups, grass-roots organizations and private-sector institutions) in the identification, design, and management of development programmes; (ii) inadequate and inefficient provision of essential public services to rural populations due to fragmented sectoral policies and programmes, excessive concentration of decision-making, capacity and resources, and limited capacity in both public and private institutions involved in rural development; and (iii) limited availability of financial resources for rural community development.

10. Taking into account these priority needs and the above constraints, the Government, with support from IFAD, drafted a letter of decentralized rural development policy (LPDRD) that spells out its long-term strategy for promoting rural development and reducing poverty. The key features are:

- (a) a more effective implementation of the decentralization policy through the strengthening of elected local government to include the following: improved election procedures; revised legal and regulatory framework; simpler decentralized fiscal and budgetary management; and capacity-building of decentralized institutions and deconcentrated public service;
- (b) the promotion of effective partnerships for local rural development between the various actors, chiefly deconcentrated public services, local government, community and professional organizations, non-governmental and private institutions, for the establishment, rehabilitation, maintenance, and operation of basic social and economic infrastructures; and
- (c) the establishment of a funding mechanism to transfer additional resources to local rural communities to help them meet the population's priority needs in basic infrastructure and essential social services.

The Poverty Alleviation Activities of other Major Donors

11. The World Bank supported the national consultation on population development in formulating its Country Assistance Strategy, and based its 1997-99 Guinea's Country Assistance Strategy on poverty reduction. The United Nations Development Programme helped the Government formulate its Policy for Durable Human Development *Lettre de politique de développement humain durable*, which also focuses on poverty reduction. Several other multilateral and bilateral donors support poverty-reduction development programmes. Others (Canada, the European Union, France, the United States, etc.) support the Government's decentralization policies as means of reinforcing local development. However, the impact of the various programmes and projects on poverty has been



rather limited because of the following: (i) the donors' diverging agendas and different approaches and procedures; and (ii) the weak coordination capabilities of the Guinean administration. The Government recently presented its overall social and economic development strategy and LPDRD to the donors' Consultative Group meeting (June 1998). Both explicitly concentrate on poverty reduction. The Consultative Group committed itself to supporting the Government's efforts, which raises the hope for a government/donor strategic alliance in the fight against poverty in Guinea.

IFAD's Strategy in Guinea

12. Via area-based regional integrated rural development projects, IFAD's portfolio in Guinea focuses on: (i) raising smallholders agricultural income and food security through increased agricultural production on lowlands, facilitating access to credit and markets and improving their living conditions through the provision of basic infrastructure; (ii) the promotion and capacity-building of grass-roots organizations towards participatory self-managed local development; and (iii) targeting the most marginal areas of the four agro-ecological zones of the country.

13. In accordance with IFAD's global corporate strategy, and the regional strategy for West and Central Africa, IFAD emphasizes support to decentralization in Guinea, in line with the Government's new orientation towards broad-based decentralized rural development as an effective means towards rural poverty alleviation. Within a comprehensive framework for action, IFAD's strategy in Guinea entails: (i) building strong partnerships with other donors to harmonize approaches and to foster synergies across the country; (ii) standing at the forefront of innovation in terms of the continuous search for new approaches to decentralization which will foster IFAD's target group empowerment. Those will include continuing experimenting in the development of locally based and owned entities for the provision of financial services; (iii) to that effect, collaborating with NGOs and grass-roots organizations to help build the missing link between civil society, elected local government and central government field administration and so move towards effective and sustainable working relationships; and (iv) enhancing the complementarity between ongoing regional operations and national level interventions.

Project Rationale

14. The principle instrument in implementing the Government's decentralized rural development strategy as spelled out in LPDRD will be the village support programme, a longer-term programme of which the proposed project represents the first phase. It seeks to reduce rural poverty and improve living conditions of the rural populations by: (i) promoting a decentralized and cross-sectoral approach to rural development; and (ii) enabling communities to decide on their priorities and develop projects that respond to their needs, thus giving them greater control over their own destiny. This is congruent with IFAD's strategy in Guinea. By supporting the Government's transfer of power, resources and responsibilities to the local level, and by building the rural communities' capacity for planning and managing local affairs in a participatory and efficient manner, the programme will strengthen local governance and civil society and promote the social and economic empowerment of the rural population, including women, youth, and other marginalized groups.

15. Given the country's limited financial and human resources and the severity of rural poverty, rural development programmes should aim at increasing the economic efficiency of community investments and enhancing social equity by assuring equal access of the various groups of the rural population, especially the marginalized groups (women, youth, the elderly, etc.), to essential social and economic support services. The project's approach is based on the direct involvement of the rural populations and their decentralized institutions in priority setting and in implementing their own community programmes. This offers the best chance for achieving these goals.



16. The project is designed to be flexible in terms of implementation procedures, expanding coverage of rural areas and broadening the types of project support as local capacity is built up. In line with this approach, the project will focus on establishing the institutional and operational basis for decentralized rural development, while addressing: (i) only the most pressing needs of the poorest of the rural population, i.e., community social infrastructures and rural roads; and (ii) covering only about one third of the country's CRDs. A joint review will be conducted midway through the project to assess and update, as needed, implementation procedures, and to determine the opportunity of broadening project funding to productive community investments.

PART II - THE PROJECT

A. Project Area and Target Group

17. The present project will cover 100 CRDs, chosen from all four natural regions of the country, on the basis of key socio-economic criteria that target the poorest areas. In the long run, the programme will eventually cover all 303 CRDs of the country. The project will benefit a population of about 1.4 million or 30% of the rural population.

18. The project is about progressively empowering local communities, with special attention to the most vulnerable groups. Care has been put on making certain that investment priorities reflect those of the local population as a whole, while remaining congruent with those of women. During formulation, participatory diagnostic techniques were used to identify those priorities, with greater weight given to the answers of women and young groups. Women have clearly identified safe drinking water as their utmost priority. It has thus been included in the menu of community microprojects to be funded under the project. They also expressed keen interest, more often than men, in productive, community-based investments. The mid-term review will examine the opportunity of expanding project funding for this type of community investment.

B. Objectives and Scope

19. As a first step towards achieving the long-term objectives of strengthening local governance and civil society in rural Guinea and promoting social and economic empowerment of the rural population, including women, youth and other marginalized groups, the present project aims at: (i) setting up and operationalizing an effective and efficient system for local development; and (ii) increasing the access of the rural population to basic social and economic infrastructures. By the end of the project, supported rural communities and their local governments will have assumed the primary responsibility and acquired the technical and managerial capacity to: (i) decide on the priorities for the community's social and economic infrastructures (type, size and timing); (ii) manage all operations leading to their completion, including contractual and financial arrangements (with local populations, NGOs, private enterprises and/or public agencies); and (iii) operate and maintain them.

20. The project will have three operational objectives: (i) to improve the regulatory, institutional, and fiscal environment, and develop local capacity for decentralized rural development; (ii) to establish an effective and efficient mechanism for transferring public funds to local communities for the financing of prioritized rural community infrastructures; and (iii) to rehabilitate and promote regular maintenance of rural roads critical for improving market access to farmers.

C. Components

21. The project will include four components: (i) local investment fund; (ii) capacity-building for local development; (iii) rural road maintenance and rehabilitation; and (iv) programme management.



22. **Local investment fund (FIL).** This first component will be the mechanism for transferring funds to local communities to finance priority community infrastructure microprojects. The FIL will comprise two funding streams: a **village investment fund (FIV)** and an **innovation support fund**. The FIV will help finance a predetermined menu of basic social infrastructures: education; health; drinking water and sanitation facilities; and village access roads. Funding will operate on a matching grant system, with beneficiaries and CRDs contributing an average 20% of the total cost of each microproject. Stakeholders will identify microprojects at the village level and screen them at the district level. The CRDs will prepare, with project's support, a local development plan and an annual investment plan (PIA). The local development council will set the priorities of the local development plan and PIA. In line with legal provisions, the local development council, currently restricted to elected representatives (two per district), will be formally expanded to include representatives of civil society, in particular women, youth and vulnerable and marginalized groups. Each qualifying CRD will be eligible to receive every year the equivalent of USD 50 000 to help finance its PIA.

23. A set-up for action-research will be established to test and develop, on a continuous basis, alternative planning, implementation, and funding procedures for community infrastructure financing under FIV. The set-up will include test operations, to be funded under IFAD's other projects in Guinea, to prepare for broadening the menu of microprojects eligible for FIV funding (initially limited to social infrastructures), to community productive investments considered by IFAD as essential for poverty alleviation. The opportunity and modalities of FIV funding of such investments will be examined during the mid-term review. The second component is the innovation support fund, which will finance technical support for the planning and implementation of such investments, and other action-research activities in the areas of community participation and representation, i.e., local planning, etc.

24. **Capacity-building for local development.** The objective of this component is to rationalize and make operational the regulatory and institutional environment for local development. The component will comprise five sets of activities. The first set seeks to clarify and make operational the legislative and regulatory framework for decentralization through the following: (i) an in-depth review of all decentralization laws and implementation texts, adoption of amendments and additional implementation texts; (ii) an organizational audit of the Ministry of Interior and Decentralization (MID); and (iii) the establishment of a judicial recourse system to arbitrate competency conflicts in local governance. The second set seeks to establish an effective fiscal and financial decentralization through a diagnosis of the existing system and adoption of appropriate legislative texts to increase the CRDs' capacity for resource mobilization. The third set will target the CRDs' capacity to manage local development programmes and will include: (i) the recruitment of a local development technician (*agent de développement communautaire*) for each CRD receiving FIL; (ii) the establishment of an association of CRDs, to be the dialogue partner with the Government on policy for local development and governance; and (iii) training on local governance. The fourth set of activities will focus on the capacity-building of MID agencies and services responsible for decentralization. The fifth set will focus on sensitization and training of elected local officials and of CRD administrative and technical staff in the areas of local development government, planning, and financial management.

25. **Rural roads maintenance and rehabilitation.** The objectives of this third component are to improve access of isolated rural communities to the national road network and to establish a sustainable rural road maintenance system. Activities will include: (i) the formulation and establishment of a rural roads maintenance strategy, including establishment and support to the village committee for rural road rehabilitation; (ii) the rehabilitation of priority rural roads and critical point treatments; and (iii) institutional support to the Rural Works Division of the Ministry of Agriculture, Water and Forests (MAEF/DNGR). The latter is the implementing agency for this



component, including the restructuring of its maintenance and community support division, and the establishment of an environmental mitigation unit.

26. **Programme management.** This fourth component will cover: (i) project coordination, oversight, and financial management, including the establishment and operation of the national and regional coordinating units; and (ii) the establishment and operation of the monitoring and evaluation (M&E) system. Information from the field regarding implementation will be fed back to the responsible ministries through the regional coordinating units. Given the flexible and innovative nature of the project, the establishment of an effective M&E system within the Project Coordination Unit (PCU) will be paramount in securing dynamic piloting of the project.

D. Costs and Financing

27. **Project costs.** The total costs of the project over a four-year implementation period are estimated at USD 38.7 million², including 4% physical and 8% price contingencies, respectively. Of a total base cost of USD 34.7 million, USD 29.3 million will go towards investments and USD 5.4 million towards recurrent costs. Foreign exchange represents some USD 18.8 million, or 48% of total costs, while taxes and duties amount to USD 1.6 million over the four-year period.

28. **Financing plan.** The project will be financed by the Government, the beneficiaries, IFAD, the International Development Association (IDA), the African Development Foundation (ADF) and *Agence française de développement* (AFD). The IFAD loan of USD 7.0 million equivalent will finance some 18% of total project costs. The IDA will provide a credit of USD 22 million equivalent, while AFD and ADF will contribute, on a grant basis, a total of USD 5.7 million. The Government will finance USD 2.0 million (5%), including all duties and taxes together with some structural recurrent costs. The contribution of the beneficiaries is estimated at USD 2.0 million (5% of total costs), corresponding to their cash, kind and labour equivalent contribution to the FIL funding. The project costs and financing plan are detailed in Tables 1 and 2 below.

TABLE 1: SUMMARY OF PROJECT COSTS^a
(USD '000)

Components	Local	Foreign	Total	% of Foreign Exch.	% of Base Costs
A. FIL	5 194	3 456	8 651	40	25
B. Capacity-building for local development	5 828	3 815	9 644	40	28
C. Rural roads maintenance and rehabilitation	4 203	5 516	9 719	57	29
D. Programme management	2 411	2 753	5 165	53	15
E. Preparation Project Facilities (PPF) refinancing (IDA)		1 482	1 482	100	4
Total baseline costs	17 638	17 023	34 660	49	100
Physical contingencies	634	730	1 364	53	4
Price contingencies	1 600	1 067	2 666	40	8
Total project costs	19 871	18 819	38 690	49	112

^a Discrepancies in totals are due to rounding.

² See Appendix VI for details.

TABLE 2: FINANCING PLAN^a
(USD million)

Components	IFAD		IDA		Others ^b		Government		Beneficiaries		Total		For. Exch.	Local (Excl. Taxes)	Duties and Taxes
	Amt.	%	Amt.	%	Amt.	%	Amt.	%	Amt.	%	Amt.	%			
A. FIL	1.11	11	3.25	33	3.10	31	0.50	5	2.00	20	9.95	26	3.94	5.51	0.50
B. Capacity-building for local development	1.99	19	5.84	55	2.20	21	0.50	5	/	/	10.54	28	4.14	5.99	0.41
C. Rural roads maintenance and rehabilitation	2.65	24	7.73	70	0.10	1	0.60	5	/	/	11.06	29	6.27	4.27	0.52
D. Programme manag.	1.25	22	3.66	65	0.30	5	0.40	8	/	/	5.66	15	2.99	2.48	0.19
E. PPF refinancing (IDA)	/	/	1.48	100	/	/	/	/	/	/	1.48	4	1.48		
Total	7.00	18	22.00	57	5.70	15	2.00	5	2.00	5	38.69	100	18.82	18.25	1.62

^a Discrepancies in totals are due to rounding.

^b Others = ADF and AFD

E. Procurement, Disbursement, Accounts and Audit

29. **Procurement and disbursement.** Under the IFAD/World Bank cofinancing arrangements, procurement for all civil works and goods will follow the World Bank's *Guidelines under IBRD Loans and IDA Credits* (January 1995, revised in January and August 1996, and September 1997). Procurement for vehicles, equipment, materials, and furniture costing more than USD 200 000 will follow international bidding procedures. Contracts for office equipment, vehicles, and materials locally available costing less than USD 200 000, but more than a USD 20 000 equivalent, up to an aggregate amount of USD 0.6 million, will be awarded through national bidding procedures. Office supplies, spare parts, and consumable materials costing less than USD 20 000 will be procured through national shopping. Civil work contracts will not likely attract foreign contracts and will therefore be awarded under the national bidding procedures. Civil works will be carried out under the supervision of MAEF/DNGR. Consultant services will be procured in accordance with the Bank's *Guidelines for the Selection of Consultants* published in January 1997. In order to facilitate project implementation, three special accounts in the names of the three implementing agencies (PCU, MID/Decentralization Division (DND) and MAEF/DNGR) will be opened in commercial banks acceptable to IFAD. Upon loan effectiveness, IFAD will deposit a total initial deposit of USD 700 000. Periodic replenishments of the special accounts will follow IFAD's procedures. The Government will open a project account into which it will transfer its contribution for recurrent costs, excluding foregone taxes, at the beginning of each fiscal year on the basis of the annual work plan and budget. The closing date of the loan is 30 June 2004.

30. **Accounts and audit.** Project accounts and all the separate accounts for each of the three components will be audited annually by an internationally reputable audit firm acceptable to IFAD. The audit firm will provide a specific opinion on the procedures of contracting to implementing partners, the accountability of such partners and the management of project resources by them. It should also include a separate opinion on the utilization of the special accounts and the statements of expenditures. The report will be submitted to the Government and to IFAD within six months after the close of the fiscal year.

F. Organization and Management

31. **Beneficiary participation.** Overall design of the project was a collaborative effort involving local teams comprised of consultants, government officials from all relevant ministries, CRD members and presidents, and an international support team. Preparation also included a grass-roots participatory process, in the form of four pilot operations, conducted by locally based international



NGOs and ADF. They collaborated with local NGOs in the four regions of the country to test and fine-tune the implementation proposed for the project. Beneficiary participation is also an integral part of project implementation. All critical decisions are in the hands of beneficiary populations, their grass-roots organizations and their elected local governments. These include the selection, funding, implementation, operation and maintenance of community infrastructure funded under the project. Beneficiary communities and their CRDs also contribute to the financing of their infrastructures for 20% of total cost. The capacity-building component will provide support, so that rural communities, via their local governments, become effective partners in a dialogue with the Government regarding local development policies. CRDs will play a key role in monitoring local development activities, and the proposed evaluation system has beneficiary assessments as its principal feature.

32. **The organizational structure**³. The structure of the project is based on the existing institutions of both central and local government. Overall management and coordination will be the responsibility of the Ministry of Planning and Cooperation (MPC), through PCU. The PCU will also be responsible for overseeing the implementation of FIL, supported by four regional coordinators. Implementation of the capacity-building for local development component will be the responsibility of MID/DND. The execution of the component for the maintenance and rehabilitation of rural roads will be the responsibility of the rural works division within the ministry responsible for agriculture, currently MAEF. In addition, the project will maintain close links with the ministries responsible for basic education and health to make certain that the facilities being constructed are consistent with the plans of the two ministries, and that they will be properly staffed with qualified teachers and health workers upon completion.

33. Project oversight and orientation will be the responsibility of a **project steering committee (PSC)** composed of representatives of the implementing agencies and the key stakeholders. The PSC will organize at least one annual joint meeting with the Government and the donors participating in the project's financing. The meeting will: (i) review the proposed annual work project; (ii) review the implementation status and progress towards achievement of project's objectives; (iii) decide on necessary corrective actions relative to project implementation; and (iv) coordinate the various projects in the area of decentralized rural development.

34. The **CRDs** will be responsible for implementation of community infrastructure microprojects qualifying for FIL funding, along the following principles: (i) identification, selection, operation, oversight and maintenance, by and for the benefit of village communities; (ii) contractual implementation of works by local artisans, private enterprise or by the communities themselves; and (iii) responsibility for technical supervision and monitoring of microproject implementation shared by CRDs, territorial administration, and deconcentrated sectoral services.

35. Since early 1998, and as part of the project's preparation, concepts and approaches are being tested in four pilot CRD programmes, through sub-contracts to local NGOs with relevant field experience in participatory techniques and community development. Based on the lessons learned during these pilots, the project approach will be reviewed and the details of its implementation adjusted prior to credit effectiveness. These will be incorporated into the project's manual of procedures.

36. **M&E**. The objective of the M&E system is to provide pertinent and timely information to the chief actors involved in project implementation and to those responsible for project orientation and oversight, especially the Government and donors.⁴ Although complementary, M&E will be carried out as two distinct activities. A small M&E unit will be established within PCU to coordinate and

³ See Appendix VI.

⁴ Essential outputs of the M&E system will be the principal performance indicators presented in Appendix III.



support all M&E activities. It will be directly responsible for the monitoring of FIL-related activities, which represent the core of the project, and are the most demanding in monitoring terms. In this regard, process monitoring will be an important element and will require specific attention. The M&E unit will provide support to CRDs for the establishment and operation of their own internal monitoring systems, and will have an M&E staff attached to each of the four regional coordinators for this purpose. The M&E unit will also provide support to the other two implementing agencies, MID and DNGR, which will be responsible for constructing and operating their specific monitoring systems. It will also help establish the monitoring requirements to be attached to all major service contracts committed under the project.

37. Evaluation will be carried out mostly as an independent activity to be contracted out to qualified organizations, including universities and NGOs. The M&E unit will prepare terms of reference, contracts for studies and surveys assessing the performance and impact of the project and its implications for the design and adjustment of the remainder of the programme. Assessments will address both project processes and impact, and will systematically involve beneficiary assessments. The M&E unit will present the findings and recommendations to PCU and PSC. A joint government donor review will be conducted by the end of the second year. During this review, implementation progress in light of key performance indicators will be assessed, and possible changes in the project's manual of procedures will be reviewed and decided upon.

G. Economic Justification

38. **Benefits and beneficiaries.** By improving village accessibility, providing safe water and assisting with infrastructure for primary education and basic health care, the project will improve access to basic services and have a positive effect on the well-being and productivity of the population. The project's participatory processes and selection criteria will ensure that the beneficiaries' views and priorities are fully represented and that they can take an active part in the planning and decision making. This will be supported by representation of women, youth, and other traditionally disadvantaged groups on project committees at the CRD, district and community levels. These initiatives, combined with better provision of services and increased ease of marketing agricultural surpluses through improved accessibility, will have a direct impact on poverty reduction. Contracting out of village infrastructure construction and rehabilitation will support local artisans and small-scale entrepreneurs, and generate local employment opportunities. The project will increase CRD capacity to function effectively and responsibly and improve the ability of beneficiaries, including the most vulnerable groups, to address their aspirations and priorities. By so doing, the project will increase ownership and participation in local governance and thus help ensure the sustainability of the initiatives financed under the project.

39. **Gender impact.** Women are expected to fully participate and benefit from the project. This should have a positive impact on their income through an easier access to the market, to improved health and to education. The identification and prioritization of investments to be financed under FIV were based on women's expressed needs. Rules of participation for improved local governance will include wider participation of women and youth at community meetings, in which investment priorities are decided. The M&E systems will place due emphasis on women's satisfaction and their evaluation of project impact.

40. **Economic viability.** The proposed project is largely oriented towards capacity-building, community-initiated rural infrastructure microprojects, and rural roads. It does not lend itself to detailed cost-benefits analysis and rate-of-return calculations. Although the major types of community-based rural infrastructure microprojects are known (essentially, health and school facilities, drinking water, and village access roads), the beneficiaries will determine the scope and mix of such investment types. Since the beneficiary communities will select the microprojects that



respond to their highest priorities, and will contribute to their financing, the microprojects are expected to be very beneficial to community members, and have a positive net social return.

41. The average community infrastructure microproject is expected to cost between USD 15 000 and USD 20 000. Beneficiaries will be required to contribute 15 to 20% of total cost, in materials, labour, and cash. Such contributions are in line with the current practices for construction of basic rural infrastructure for ongoing traditional projects. It is high enough to provide incentives for increased ownership and sustainability of subprojects, while being sufficiently modest to encourage participation by poor communities. Beneficiaries will assume responsibility for operation and maintenance of completed infrastructure. Corresponding recurrent costs to the beneficiaries will typically be modest, in the range of 5-10% annually of the investment cost. Setting up a maintenance committee will be required before approval of funding for individual microprojects. For these reasons, project-funded community infrastructures are expected to be cost-efficient in their establishment and sustainable in terms of their operation and maintenance. Sustainability is further enhanced because: (i) recurrent costs for community programme administration will be relatively low, as the project implementation relies on existing institutions, competitive contractual arrangements and simplified and standardized preparation, costing, and evaluation procedures for microprojects; and (ii) mechanisms to ensure transparency and accountability have been incorporated in the project's implementation procedures.

H. Risks

42. There are three chief risks that might jeopardize the achievement of the project's objectives. The first would arise if the Government were to waver in its commitment to promote effective decentralization. To mitigate the risk, project support will be provided for the formulation and implementation of decentralization reforms. The second risk involves the possibility of excessive interference and abuse of power by territorial administration officials. Measures to reduce the risk include information and sensitization activities, and the establishment of a judicial recourse process. The third risk pertains to possible fraud and lack of transparency in the management of funds at the local level. Direct involvement of beneficiary communities in implementation and funding of microprojects, tight project controls on the use of funds and penalties for fraud will greatly reduce this risk. In addition, an acceptable level of representation for marginalized groups in local decision-making bodies will be closely monitored and enforced.

I. Environmental Impact

43. The small-scale community infrastructures to be constructed under the project will have limited negative environmental impacts. To mitigate potentially adverse environmental and social consequences, local development technicians will be trained in environmental management through on-the-job training programmes; they will help CRDs in the environmental screening of microprojects and integrating required mitigation measures in microproject design. With regards to the rural roads rehabilitation and maintenance component, an environmental mitigation unit will be established within the Rural Works Division to monitor environmental effects of project activities, propose and implement appropriate mitigation plans.

J. Innovative Features

44. For the first time in Guinea and the subregion, IFAD is participating at the national level, through the formulation of the LPDRD, both in the very definition of the Government's policy towards decentralized rural development, and in the design, in partnership with the World Bank, of its main implementation instrument. The focus on decentralization, and on the working through permanent local government, within a national policy framework, rather than through *ad hoc* project-created, albeit grass-roots entities, is new for IFAD in Africa. To ensure overall coherence and



promote synergies within IFAD's portfolio in Guinea, direct linking between the national programme and the ongoing regional operations is secured through the IFAD Pilot Initiative for Productive Community Investments.

45. With the placing local communities experiences and initiatives at the forefront, the involvement of NGOs and regular consultations with local stakeholders being an integral part of the process, project design has been a truly dynamic and participatory exercise. The pilot initiative is part of a dynamic action-research mechanism built into the project that allows a continuous improvement of project design during implementation. Thus it provides increased flexibility to adapt and adjust, as required by changing circumstances or new findings during implementation. Since NGOs will implement it, the pilot operation will benefit from their long practical experience with participatory processes. Finally, it confers a leading role on IFAD in the introduction of innovation in the project.

PART III - LEGAL INSTRUMENTS AND AUTHORITY

46. A loan agreement between the Republic of Guinea and IFAD constitutes the legal instrument for extending the proposed loan to the Borrower. A summary of the important supplementary assurances included in the negotiated loan agreement is attached as an annex.

47. The Republic of Guinea is empowered under its laws to borrow from IFAD.

48. I am satisfied that the proposed loan will comply with the Agreement Establishing IFAD.

PART IV - RECOMMENDATION

49. I recommend that the Executive Board approve the proposed loan in terms of the following resolution:

RESOLVED: that the Fund shall make a loan to the Republic of Guinea in various currencies in an amount equivalent to five million Special Drawing Rights (SDR 5 000 000) to mature on and prior to 1 October 2038 and to bear a service charge of three fourths of one per cent (0.75%) per annum, and to be upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented to the Executive Board in this Report and Recommendation of the President.

Fawzi H. Al-Sultan
President



SUMMARY OF IMPORTANT SUPPLEMENTARY ASSURANCES INCLUDED IN THE NEGOTIATED LOAN AGREEMENT

(Loan negotiations concluded on 18 November 1998)

1. Except as the Government of the Republic of Guinea (the Government) and IFAD shall otherwise agree, the Government shall:

- (a) open an account in Guinean Francs in a commercial bank acceptable to IFAD (the Project Account); and thereafter maintain said Project Account under terms and conditions acceptable to IFAD until the completion of the Project;
- (b) deposit into the Project Account: (i) an initial amount equivalent to USD 300 000; and (ii) thereafter, on the first day of each calendar quarter, replenish the Project Account by the amounts required to finance the Government's contribution for expenditures under the Project other than those financed from the proceeds of the Loan, or grants and credit made available by Donors, as shall be agreed upon between the Government and IFAD; and
- (c) ensure that funds deposited into the Project Account in accordance with paragraph (b) of this Section shall be used exclusively to finance expenditures under the Project other than those financed from the proceeds of the Loan, or grants and credit made available by Donors.

2. The following are specified as additional events for the suspension of the right of the Government to make withdrawals from the Loan Account for the purposes of Section 9.02(q) of the General Conditions:

any condition of suspension specified in the Development Credit Agreement shall have occurred.

3. The following is specified as an additional event for the acceleration of maturity for the purposes of Section 9.08(e) of the General Conditions:

any condition for the acceleration of maturity specified in the Development Credit Agreement shall have taken place.

4. Except as IFAD shall otherwise agree, the following is specified as an additional condition to the effectiveness of this Agreement for the purposes of Section 10.01(g) of the General Conditions:

in accordance with Section 10.01(e) of the General Conditions, the Development Credit Agreement has been declared effective.

5. Notwithstanding the provisions of paragraph 1 of the table set forth in Schedule 2 of the Loan Agreement, no withdrawals shall be made:

- (a) in respect of a Grant unless the Grant has been made in accordance with the procedures, and on the terms and conditions set forth or referred to in Schedule 4 to the Development Credit Agreement; and
- (b) in respect of payments made for expenditures prior to the date of the Loan Agreement.



ANNEX

6. The Government shall implement the Project in accordance with the procedures, guidelines, timetables and criteria set forth in the Project Implementation Manual (PIM) and, except as IFAD shall otherwise agree, the Government shall not amend or waive any provision of said PIM if, in the opinion of IFAD, such amendment or waiver may materially and adversely affect the implementation of the Project.



COUNTRY DATA GUINEA

Land area (km² thousand) 1995 1/	246	GNP per capita (USD) 1996 2/	560
Total population (million) 1996 1/	7	Average annual real rate of growth of GNP per capita, 1990-96 2/	1.9
Population density (people per km²) 1996 1/	30	Average annual rate of inflation, 1990-96 2/	8.8
Local currency	Guinea Franc	Exchange rate: USD 1 =	GNF 1 250
<hr/>			
Social Indicators		Economic Indicators	
Population (average annual population growth rate) 1980-96 1/	2.6	GDP (USD million) 1996 1/	3 934
Crude birth rate (per thousand people) 1996 1/	43	Average annual rate of growth of GDP 1/ 1980-90	n.a.
Crude death rate (per thousand people) 1996 1/	18	1990-96	3.9
Infant mortality rate (per thousand live births) 1996 1/	122	Sectoral distribution of GDP, 1996 1/	
Life expectancy at birth (years) 1996 1/	46	% agriculture	25.8
Number of rural poor (million) 1/	n.a.	% industry	35.6
Poor as% of total rural population 1/	n.a.	% manufacturing	4.8
Total labour force (million) 1996 1/	3	% services	38.6
Female labour force as% of total, 1996 1/	47.3	Consumption, 1996 1/	
Education		General government consumption (as% of GDP)	8.1
Primary school gross enrolment (% of relevant age group) 1995 1/	48.0	Private consumption (as% of GDP)	81.9
Adult literacy rate (% of total population) 1994 3/	34.8	Gross domestic savings (as% of GDP)	10.0
Nutrition		Balance of Payments (USD million)	
Daily calorie supply per capita, 1992 3/	2 390	Merchandise exports, 1996 1/	774
Index of daily calorie supply per capita (industrial countries=100) 1992 3/	77	Merchandise imports, 1996 1/	810
Prevalence of child malnutrition (% of children under 5) 1990-96 1/	24.0	Balance of merchandise trade	- 36
Health		Current account balances (USD million)	
Health expenditure, total (as% of GDP) 1990-95 1/	n.a.	before official transfers, 1996 1/	- 280
Physicians (per thousand people) 1994 1/	0.2	after official transfers, 1996 1/	- 177
Access to safe water (% of population) 1990-96 3/	55	Foreign direct investment, 1996 1/	24
Access to health service (% of population) 1990-95 3/	80	Government Finance	
Access to sanitation (% of population) 1990-96 3/	21	Overall budget surplus/deficit (including grants) (as% of GDP) 1995 1/	n.a.
Agriculture and Food		Total expenditure (% of GDP) 1995 1/	n.a.
Food imports as percentage of total merchandise imports 1996 1/	n.a.	Total external debt (USD million) 1996 1/	3 240
Fertilizer consumption (hundreds of grams per ha of arable land) 1994-96 1/	16	Total external debt (as% of GNP) 1996 1/	61
Food production index (1989-91=100) 1994-96 1/	126	Total debt service (% of exports of goods and services) 1996 1/	14.7
Land Use		Nominal lending rate of banks, 1996 1/	21.5
Agricultural land as% of total land area, 1994 4/	46.9	Nominal deposit rate of banks, 1996 1/	17.5
Forest area (km ² thousand) 1995 1/	64		
Forest area as% of total land area, 1998 5/	59		
Irrigated land as% of cropland, 1994-96 1/	10.9		

n.a. not available.

Figures in italics indicate data that are for years or periods other than those specified.

1/ World Bank, *World Development Report*, 1998

2/ World Bank, *Atlas*, 1998

3/ UNDP, *Human Development Report*, 1997

4/ World Bank, *The World Development Indicators CD-ROM*, 1998

5/ Ministry of Agriculture, Water and Forests: *Lettre de Politique Agricole* (LPDAZ), March 1988



PREVIOUS IFAD LOANS IN GUINEA

Project Name	Initiating Institution	Cooperating Institution	Lending Terms	Board Approval	Loan Effectiveness	Current Closing Date	Loan Acronym	Approved Loan Amount	Disbursement (as% of approved amount)
Siguiiri Rural Development	IFAD	AfDB	HC	05 Dec 80	30 Apr 81	31 Dec 92	56 - GU	9 850 000	89.6%
Gueckedou Agricultural Development	World Bank: IDA	World Bank: IDA	HC	04 Sep 85	26 Sep 86	30 Jun 92	170 - GU	5 050 000	25.3%
Second Siguiiri Rural Development	IFAD	AfDB	HC	04 Sep 91	22 Jan 93	16 Jun 97	285 - GU	9 400 000	34.8%
Smallholder Development in the Forest Region	IFAD	UNOPS	HC	02 Dec 92	23 Feb 94	31 Mar 00	313 - GU	9 850 000	59.8%
Fouta Djallon Agricultural Rehabilitation	IFAD	UNOPS	HC	14 Sep 88	06 Jan 90	31 Dec 96	S12 - GU	11 400 000	94.4%
Smallholder Development in North Lower Guinea	IFAD	UNOPS	HC	14 Sep 95	01 Jul 96	31 Dec 04	389 - GU	10 200 000	13.8%
Fouta Djallon Local Development and Agricultural Rehabilitation	IFAD	UNOPS	HC	04 Dec 96	28 Jan 98	30 Jun 05	430 - GN	6 950 000	04.3%

All amounts are in SDR

Note: HC = highly concessional

LOGICAL FRAMEWORK

Narrative Summary	Key Performance Indicators	Monitoring and Evaluation	Critical Assumptions
<p>Long-term development objectives:</p> <ul style="list-style-type: none"> • Strengthen local governance and civil society in rural Guinea • Promote social and economic empowerment of rural population, including women, youth, and other marginalized groups 	<ol style="list-style-type: none"> 1. New, demand-driven decision-making processes and structures for rural development established and operational 2. Greater transparency and accountability at all levels 3. Broader access to higher quality, lower cost and sustainable basic services 4. Enhanced local capacity to mobilize the resources for the establishment, rehabilitation, operation, and maintenance of basic community infrastructure 5. Broader representation of previously under-represented groups (women, youth, migrants, the poor) to give them a voice in local affairs 	<ul style="list-style-type: none"> • Beneficiary assessments and citizen satisfaction surveys • External financial audits of national, regional, and local budgets • Annual VCSP progress reports • Periodic reports by prefectures, CRDs and service providers • Mid-term and final project evaluations • Statistical records of infrastructure use 	<p>The Government remains committed to decentralization, and strengthens policies for decentralized and participatory rural development</p> <p>Rural populations respond to new opportunities for expanded economic and social participation</p> <p>Consistent tangible progress towards goals</p>
<p>Project objectives</p> <ul style="list-style-type: none"> • Set up and operationalize an effective and efficient decentralized system for local development • Increase access of rural population to basic infrastructure and services 	<ol style="list-style-type: none"> 1. Central government agencies and decentralized services are effectively supporting local development efforts 2. Additional CRDs are prepared for mobilization under an eventual Phase II 3. CRDs plan, execute, maintain, and evaluate basic infrastructures, and can design comprehensive local development plans 4. Improved access by roads to rural areas, increased reliability of feeder road system, and reduced transportation costs 	<ul style="list-style-type: none"> • External financial audits of national, regional, and local budgets • Review of diagnostic studies, PIAs and training programmes • Periodic DNGR reports • Annual VCSP progress reports • Periodic reports by CRDs and service providers • Mid-term and end of Phase I project evaluations • Beneficiary assessment 	<p>Banking system operational at local level</p> <p>Participatory approaches adopted by all project stakeholders at central and local level</p> <p>Local government representatives have been elected in a transparent manner</p>





Narrative Summary	Key Performance Indicators	Monitoring and Evaluation	Critical Assumptions
Project outputs: Support to local development processes 1. Overall policy, legal, fiscal, and institutional frameworks strengthened to enable decentralization	1. Review of decentralization's legal and regulatory texts completed by mid-term, and changes promulgated before end of project 2. New system for fiscal transfers, and local tax collection and utilization is tested 3. Laws, decrees, other texts on decentralization translated into local languages, distributed and explained to prefectures and CRDs	<ul style="list-style-type: none"> • Legal studies • "Journal Officiel," ministerial decrees, and other legal texts • VCSP progress reports • Election observation reports • CRD and service provider reports • Specific and technical studies 	Efficient coordination of agencies responsible for programme implementation in the three components
2. Capacity of key ministries, governmental institutions, and regional authorities improved to support decentralization	4. Training to strengthen capacity of national, regional and decentralized services is provided based on continuous skill-gap analysis 5. Decentralization observatory established and functioning effectively 6. DNGR maintenance unit restructured and MID agencies responsible for decentralization rationalized 7. Quality and timely provision of support by decentralized services, prefectures, and CRDs for local development are improved	<ul style="list-style-type: none"> • VCSP financial reports • Analytical accounting system • Annual audit • Organigrams and work description of decentralized public services • Diagnosis and PIAs 	Availability and quality of private services Democratic process remains functional (transparency and no political interference) Possibility of abuse of power and financial fraud
3. Capacity of CRDs, local institutions, and communities strengthened to identify, plan, implement, evaluate, and maintain basic infrastructure and services	8. Training to strengthen local capacity provided, based on continuous skill-gap analysis 9. Community forums convene regularly, and maintain transparent records of their deliberations 10. Participating CRDs prepare diagnostics and PIAs in participatory manner 11. Participatory tools for local development plan (PDL) designed/tested	<ul style="list-style-type: none"> • Skill-gap analysis reports • Studies • Annual training programmes • Community forum meeting minutes • Annual budget of CRDs • Training material 	
Local investment fund Demand-driven village investment fund and innovation support fund set-up and operating	1. Contractual agreements signed with 70 CRDs 2. CRDs successfully raise the 20% local community contribution (including labour, material and funds) for microprojects 3. Funds are passed in transparent and timely manner to the local level, and from local level to contractors, for approved community activities 4. CRDs successfully complete microprojects funded under their PIA 5. Maintenance fund, equivalent to 1% of the value of completed microprojects, established in 70 CRDs	<ul style="list-style-type: none"> • PIAs • Analytical accounting system • Annual audits • Community forum meeting minutes • Diagnosis PIAs • Quarterly progress VCSP regional unit reports • Semi-annual VCSP • Coordination unit progress report 	MID, VCSP Coordination units and DNGR provide timely review and response to CRDs requests Timely availability of budgetary resources to provide matching funds to implement CRD requests.
Maintenance and rehabilitation of rural roads Environment-friendly rural roads renovation and maintenance programme being executed locally	1. Maintenance strategy formulated and implemented 2. SME contractors will rehabilitate 86 kms, and maintain 2000 kms of priority feeder roads 3. Locally-selected maintenance committees (CVEP) are operational in participating communities 4. Environmental mitigation plan designed	<ul style="list-style-type: none"> • Mid-term and end of project evaluation reports • Beneficiary assessment of services providers 	

Narrative Summary	Key Performance Indicators	Monitoring and Evaluation	Critical Assumptions
Project components, sub-components: 1. Local investment fund 1.1 Village investment fund 1.2 Innovation fund	Project inputs: 1. USD 9.95 million	<ul style="list-style-type: none"> • Financial reports and audits • CRD management and procurement, and financial reports • 	
2. Support to the local development process 2.1 Improvement and enforcement of regulatory framework 2.2 Formulation of a fiscal decentralization strategy and execution of reforms 2.3 Capacity-strengthening of central and deconcentrated government services involved in decentralization (DND, DNAT, Prefectures) 2.4 Capacity-strengthening of CRDs 2.5 Information and awareness programme	2. USD 10.54 million	<ul style="list-style-type: none"> • Financial reports and audits 	Support to the M&E system
3. Maintenance and rehabilitation of rural roads 3.1 Institutional support to DNGR 3.2 Elaboration and implementation of a rural roads maintenance strategy 3.3 Implementation of priority rehabilitation programme	3. USD 11.05 million	<ul style="list-style-type: none"> • Financial reports and audits • VCSP coordination unit, MID and DNGR management and procurement reports 	
4. Overall programme management 4.1 Establishment of a project management unit 4.2 Implementation of a monitoring and evaluation system	4. USD 5.66 million	Financial reports and audits	

KEY PERFORMANCE INDICATORS

Indicators	Units	Benchmarks		
		Baseline	Mid-term	End of project
Development objectives indicators				
1. CRDs with functional community forums, fully utilizing FIV	No	5	25	60
2. Women and youth represent at least 20% of community forum membership	No	5	20	50
3. CRDs satisfied with relations with territorial administration and with support from deconcentrated services	No	na	20	50
4. Completed community infrastructures with functional maintenance committees	Per cent	na	50%	70%
5. CRDs having achieved 20% of local contributions to the financing of infrastructure microprojects	No	na	15	40
6. CRDs with all villages with year-round accessibility	No	0	15	40
Output indicators				
1. Revised legislation on legal and regulatory framework for decentralization	NA	-	Adopted by the National Assembly	Implemented
2. Revised legislation on fiscal decentralization and local finance	NA	-	Diagnostic and reform proposal completed	Adopted by the National Assembly
3. Restructuring DNGR, MID, and establishment of DO and APC	NA		Completed	Fully functional
4. CRDs having completed at least two infrastructure microprojects	No		25	60
5. Functional village committees for rural roads rehabilitation (CVEPs)	No	5	120	200
6. Annual maintenance of rural roads	Kms		400	500



QUANTITATIVE INPUTS, TARGETS AND KEY PROJECT FACTORS

Components	Units	PY 1	PY 2	PY 3	PY 4	Total	Instruments
A. Fonds d'Investissement Local							
Inputs: Functional community forums	No	13	17	16	24	70	Sensitization
Annual diagnostics (Infrastructure & HR)	No	13	30	46	70	169	Participation
Local development plans (PDL)	No	13	17	16	24	70	Technical support
PIA	No	13	30	46	70	169	Technical support
Annual training plans prepared & completed	No	13	30	46	70	169	Training
Infrastructure microprojects approved (i)	No	26	60	92	140	316	Matching grants
Impact: Infrastructure microprojects completed (i)	No	18	51	93	132	294	
B. Support for local development							
Inputs: Vehicles (4WD)		4				4	
Motorcycles		23	27	26	57	133	
Offices equipped and furnished		9				9	
Review of legal and regulatory texts	Pers/mo	6				6	Studies
Diagnostic of local taxation and finance	Pers/mo	8	8	10	5	31	Studies
Review of judicial recourse process	Pers/mo						Studies
Operational audit of MID	Pers/mo			8	5	13	Studies
Decentralization observatory	Pers/mo	2	2	1	1	6	Technical support
National, regional workshops	No	1	7	1	5	13	Sensitization
Dissemination of legal texts	Docs	1000				1000	Information
Training	Pers/wks	86	100	90	228	504	Training
Recruitment of ADCs	No	13	17	16	24	70	Technical Support
Impact: Adoption of legal texts		*	*		*		
Association of CRDs established							
C. Rural Roads rehabilitation and maintenance							
Inputs: Vehicles (4WD)	No	2				2	
Motorcycles	No	40				40	
Offices equipped and furnished	No	5	2	2	2	13	
Rural roads maintenance strategy	Pers/mo	7	5	3	3	18	Studies
Village rural roads maintenance committees (CVEP)	No	100	100	25	25	250	Technical support
Organizational audit of DNGR	Pers/mo	5	2			7	Studies
Impact: Critical point treatments	Km	120	50			170	
Rural roads rehabilitation	Km	48	38			86	
Mechanical maintenance	Km	500	500	500	500	2000	
D. Management, Coordination and M&E							
Inputs: Vehicles (4WD)	No	2				2	
Vehicles (Pickup)	No	4				4	
Vehicles (sedans)	No	2				2	
Motorcycles	No	4				4	
Offices equipped and furnished	No	10				10	
Mid-term evaluation	Pers/mo			6		6	GOG/Donors
End of project review	Pers/mo				2	2	GOG/Donors
M&E (ii)	Pers/mo	11	5	6	4	26	Studies
Beneficiary assessment	USD1000				18	18	Studies
Impact: FIV funding (excl contingencies)	USD1000	650	1500	2300	3500	7950	
Semi-annual financial reports	No	2	2	2	2	8	
Semi-annual progress reports	No	2	2	2	2	8	

Notes: (i) Assumptions are: two microprojects per year per CRD; CRDs complete one microproject in the first year with the FIV, three in the second year, and two a year thereafter.
(ii) M&E will conduct yearly targeted beneficiary assessments.



COST AND FINANCING TABLES

Expenditure Accounts by Components (USD '000)

	Appui au processus de développement local										
	FIL	Décentral. financière	Amélioration et application du cadre légal et réglementaire	Renforcement des capacités nationales et déconcentrées	Appui aux CRDs	Sensibil. et Inform.	Entretien et Réhabilitation des pistes rurales	Gestion du Programme Cellule de coordinatio n	Suivi et évaluation	Refinancem. de l'avance PPF	Total
I. Coûts d'investissement											
A. Génie Civil											
1. Entretien et réhab. routes rurales	-	-	-	-	-	-	7603.1	-	-	7603.1	
2. Réhabilitation des bureaux	-	-	-	-	-	-	531.8	-	-	531.8	
Total partiel	-	-	-	-	-	-	8134.9	-	-	8134.9	
B. Véhicules	-	-	-	243.1	86.6	-	197.1	153.3	46.0	726.2	
C. Equipement et matériel	-	-	-	79.7	478.5	-	70.8	159.4	35.0	823.5	
D. Fonds d'investissement villageois (FIV)	9265.3	-	-	-	-	-	-	-	-	9265.3	
E. Fonds d'innovation	685.4	-	-	-	-	-	-	-	-	685.4	
F. Services de consultants et études	-	1234.1	258.8	188.6	12.8	-	608.9	1137.2	575.1	4015.5	
G. Appui animation	-	-	-	-	202-	43.8	-	-	-	2063.8	
H. Formations, ateliers et information	-	363.9	165.8	1026.8	1722.9	538.5	1409.2	-	289.2	5516.3	
I. Refinancement de l'avance PPF	-	-	-	-	-	-	-	-	1482.0	1482.0	
Total	9950.7	1597.9	424.6	1538.3	4320.8	582.3	10421.0	1449.9	945.3	1482.0	32712.8
II. Dépenses renouvelables											
A. Salaires et indemnités	-	-	-	67.5	1018.8	-	-	918.3	375.6	2380.2	
B. Entretien/fonct. véhicules	-	-	-	336.4	-	-	200.3	199.3	69.9	805.9	
C. Autres fonctionnements	-	425.4	-	29.4	201.4	-	434.1	1486.1	215.1	2791.4	
Total	-	425.4	-	433.3	1220.1	-	634.4	2603.7	660.6	-	5977.5
COÛT TOTAL DU PROJET	9950.7	2023.4	424.6	1971.6	5540.9	582.3	11055.4	4053.5	1606.0	1482.0	38690.3
Taxes	497.5	39.5	8.3	89.8	246.9	29.1	518.9	140.1	51.0	-	1621.2
Dépenses en devises	3939.2	1432.3	291.5	923.9	1376.4	115.1	6265.0	2174.6	818.9	1482.0	18819.0



Expenditure Accounts Project Cost Summary

	(GNF Million)			(USD '000)			% Dépenses en devises	% Total Coût de base
	Monnaie locale	Devises	Total	Monnaie locale	Devises	Total		
I. Coûts d'investissement								
A. Génie Civil								
1. Entretien et réhab. routes rurales	3156	4725	7881	2630	3938	6568	60	19
2. Réhabilitation des bureaux	219	328	547	183	274	456	60	1
Total partiel	3375	5053	8428	2813	4211	7024	60	21
B. Véhicules	-	797	797	-	665	665	100	2
C. Equipement et matériel	-	885	885	-	738	738	100	2
D. Fonds d'investissement villageois (FIV)	5809	3866	9675	4841	3221	8063	40	24
E. Fonds d'innovation	424	282	706	353	235	588	40	2
F. Services de consultants et études	-	4519	4519	-	3766	3766	100	11
G. Appui animation	1817	453	2270	1514	378	1892	20	6
H. Formations, ateliers et information	4891	1220	6111	4076	1017	5092	20	15
I. Refinancement de l'avance PPF	-	1778	1778	-	1482	1482	100	4
Total	16316	18855	35171	13597	15712	29309	54	85
II. Dépenses renouvelables								
A. Salaires et indemnités	2614	-	2614	2178	-	2178	-	6
B. Entretien/fonct. véhicules	342	513	855	285	427	713	60	2
C. Autres fonctionnements	1893	1060	2953	1577	883	2461	36	7
Total	4849	1573	6422	4041	1311	5351	24	16
COÛT TOTAL DE BASE	21165	20427	41592	17638	17023	34660	49	100
Provisions pour aléas matérielles	761	875	1636	634	730	1364	53	4
Provisions pour aléas financiers	1919	1280	3200	1600	1067	2666	40	8
COÛT TOTAL DU PROJET	23846	22583	46428	19871	18819	38690	49	112





ORGANIZATION AND MANAGEMENT MECHANISMS

Overall Institutional Arrangements

1. Project oversight and orientation will be the responsibility of a PSC, composed of representatives of the implementing agencies and the key stakeholders. Project management and oversight will be the responsibility of the Ministry of Planning and Cooperation (MPC) through a project coordination unit (PCU). The PCU will also be responsible for direct oversight of the implementation of FIL and for the coordination of the other two components. Implementation of the capacity building for local development component will be the responsibility of the *Direction Nationale de la Décentralisation* of the ministry responsible for decentralization, currently MID. The execution of the component for the maintenance and rehabilitation of rural roads will be the responsibility of the *Direction Nationale du Génie Rural* within the ministry in charge of agriculture, currently MAEF. In addition, the project will maintain close links with the Ministries of Education and Health to ensure that the facilities being constructed are consistent with the plans of the two ministries and to assure that, once constructed, there will be teachers and health workers available to staff them.

Project Oversight

2. The PSC will be established to: (i) facilitate relations with ministries and other public agencies, with NGOs and other private-sector institutions, and with donors and other international development organizations; (ii) to review and approve annual consolidated work programmes and budgets and review annual progress reports; and (iii) to ensure representation of the key stakeholders in terms of overall project orientation. The PSC will meet at least twice a year. The PSC's composition will be as follows:

- a representative from the ministry responsible for decentralization, who will be the PSC's President;
- two representatives from the ministry (ies) responsible for agriculture and rural development, one of whom will be the PSC's Vice-president;
- one representative each from the ministries responsible for finances, education, health, and equipment/infrastructure;
- three representatives from civil society (NGOs and other private institutions); and
- four representatives of CRD's presidents, one from each of the four natural regions.

3. The PSC will organize at least one annual joint meeting with the Government and the donors participating in the project's financing. The meeting will: (a) review the proposed annual work project; (b) review the implementation status and progress towards achievement of projects objectives; (c) decide on necessary corrective actions relative to project implementation; and (d) coordinate the various projects and projects in the area of decentralized rural development.

Responsibilities for Implementation of Project Components

4. **Management and coordination.** The overall management and coordination of the project will be entrusted to a PCU within MPC. It will be a lightweight structure with most of the day-to-day management of project activities being the responsibility of existing line ministries. Its main focus will thus be coordination, liaison, supervision, monitoring, and longer-term planning and policy support. In addition, it will assure overall financial management and accounting. It will also have direct responsibility for overseeing the operation of FIL, whose day-to-day management will be handled by four regional offices. This will reduce time delays and bring FIL operations closer to the CRDs and communities. While the regional coordinators will monitor FIL activities and ensure the



correct use of FIL funds, they will have no power to reject or change microprojects proposed by the CRDs, unless they do not conform to the agreed criteria. The decision on which priority microprojects to submit for funding will rest completely with CRDs. The regional offices will authorize transfer of funds directly from project accounts to the bank accounts of the concerned CRDs.

5. **FIL.** Management of FIL at the national level will be the responsibility of a project coordinator who heads the project coordinating unit. Funds for FIL will be lodged in a special account at a commercial bank in Conakry, from which transfers in local currency will be made to individual accounts of qualifying CRDs. The special account will be under the responsibility of PCU. The CRDs will be responsible for the proper use of the transferred funds as well as the funds coming from CRDs' own contributions and those coming from beneficiary contributions. Individual CRD accounts will be established at branches of local commercial banks following approval by PCU and the World Bank (IDA).

6. The CRDs will be responsible for implementation of community infrastructure microprojects qualifying for FIL financing along the following principles: (i) identification, selection, operation, oversight and maintenance, by and for the benefit of village communities; (ii) contractual implementation of works by local artisans, private enterprises, or by the communities themselves; (iii) responsibility for technical supervision and monitoring of microproject implementation shared by CRDs, territorial administration and deconcentrated sectoral services.

7. In line with legal provisions, the CRD Council (*le Conseil Communautaire*), will be expanded by adding representatives of civil society - in particular women, youth, and other key persons involved in the development process - to the current elected members (two per district). It will decide annually on the microprojects to receive funding from among the priority projects proposed to CRD by the communities, and in general coordinate development initiatives. It will recruit a technical field officer (*agent polyvalent*) to assist it in providing support for the local subproject process, from animation through project execution. He will combine technical and animation skills, be a conduit for information between CRD, FIL management, and the communities, and act as an honest broker and adviser to the communities. The capacity of the communities to manage and finance the ongoing operation and maintenance of the infrastructure established will be strengthened, and the means/organizational arrangements to take on the new responsibilities created.

8. Over a one-year period commencing in January 1998, project concepts and approaches are being tested in four pilot CRD programmes through sub-contracts to local NGOs with relevant field experience in participatory techniques and community development. Based on the lessons learnt during these pilots, the project approach will be reviewed, and the details of its implementation adjusted prior to credit effectiveness to better reflect local realities; these will be reflected in an implementation manual to form part of the ongoing process of project preparation.

9. **Capacity-building for local development.** Implementation of the capacity building for local development component will be the responsibility of the *Direction Nationale de la Décentralisation* of the ministry responsible for decentralization, currently MID. Most of the planned studies, training and communication/animation activities will be contracted out to qualified national and international implementing agencies, NGOs, and/or private-sector consulting firms.

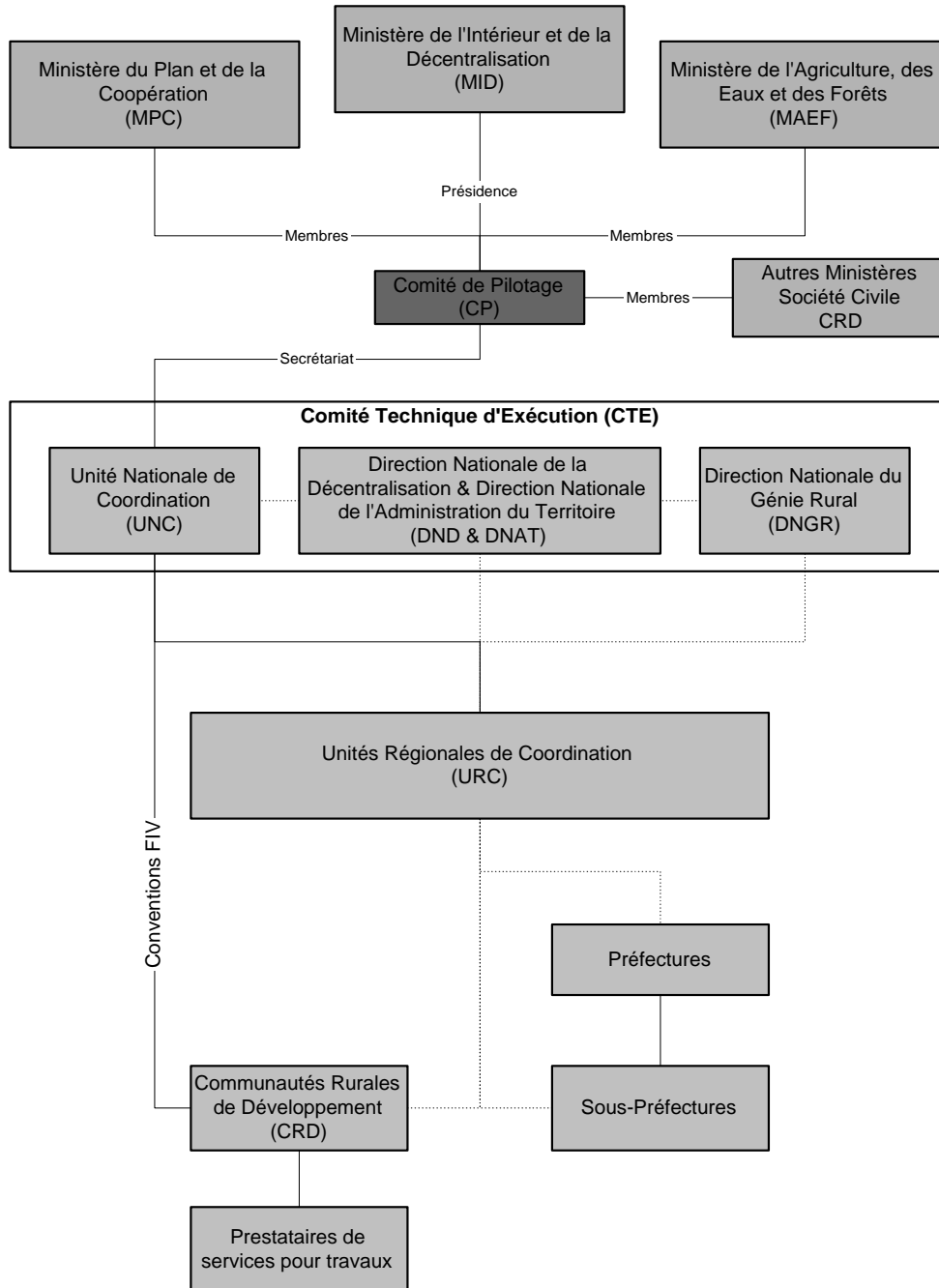
10. **Rural roads maintenance and rehabilitation.** The execution of the component for the maintenance and rehabilitation of rural roads will be the responsibility of the *Direction Nationale du Génie Rural* within the Ministry in charge of agriculture, currently MAEF/DNGR. The DNGR will be responsible for the definition and oversight of the overall strategy for component implementation to be validated at the regional and local levels. Works for rehabilitation and for critical point treatments will be contracted out to qualified small and medium enterprises (SMEs), and DNGR's



APPENDIX VI

regional services (*Bureaux des Travaux de Génie Rural (BTGR)*), which will be in charge of the contractual arrangements. Maintenance of district level roads will be the responsibility of local maintenance committees (*Comités Villageois d'Entretien des Pistes (CVEP)*), to be trained for these functions by DNGR and BTGRs.

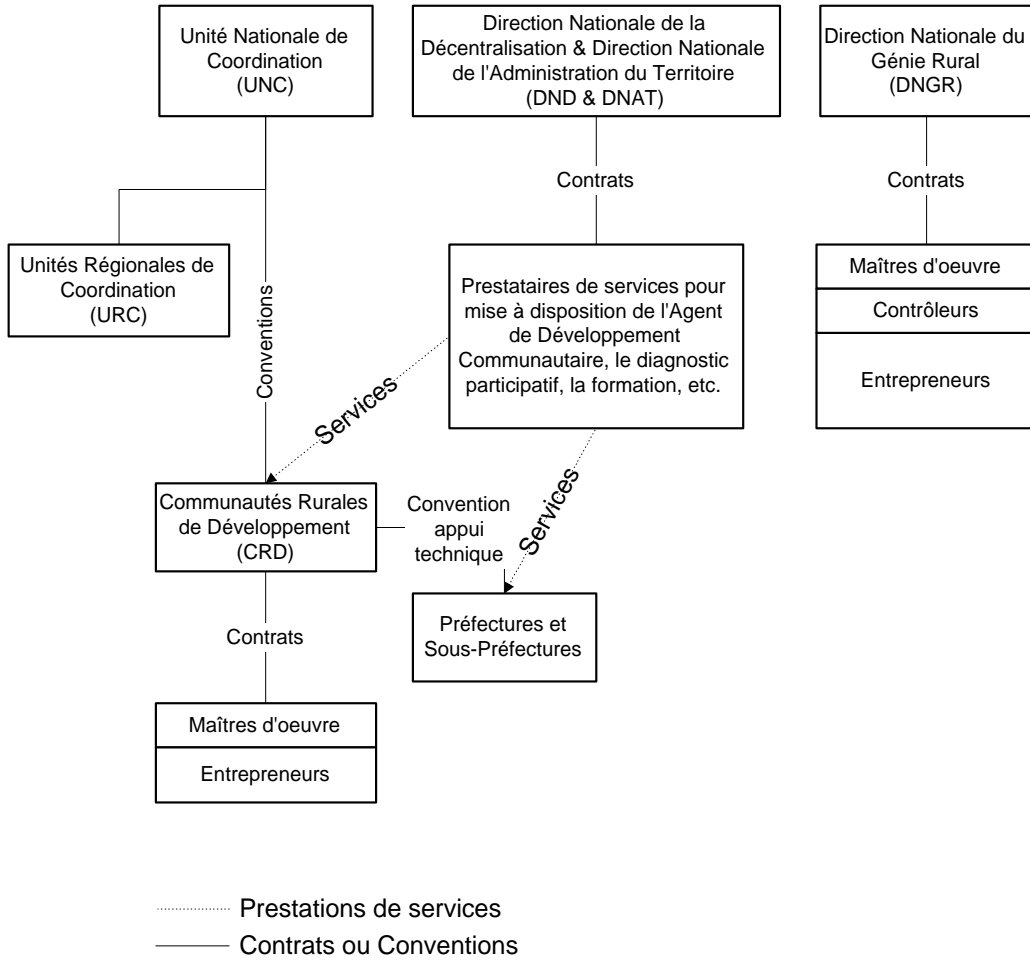
Organigramme of VCSP



..... Transfert d'informations
—— Liaison contractuelle ou institutionnelle



Financial Organization of VCSP





ECONOMIC AND FINANCIAL ANALYSIS OF THE PROJECT

1. **Adequacy of policy environment.** The Government is committed to the establishment of a policy environment that is favourable to sustainable and equitable growth, especially in the rural sector. In recent years, it has had some success addressing a number of the critical issues affecting rural development by: (i) allocating a higher share of scarce public resources to basic and economic infrastructure in rural areas; (ii) instituting a legal framework for decentralized development in both rural and urban areas; and (iii) promoting increased rural community participation in local development programmes, especially in education, health, and rural infrastructure. The Government has prepared, with the World Bank's and IFAD's support, the LPDRD; and the Village Communities Support Project will be the key instrument for its implementation. The letter identifies the need to increase the economic and social efficiency of public investments in rural areas, and adopts an approach to rural development based on: (i) more effective implementation of the decentralization policy through the strengthening of elected local government (including improved election procedures, revised legal and regulatory framework, simpler decentralized fiscal and budgetary management, and capacity-building); (ii) the establishment of partnerships for local rural development (in part through transparent contractual relations) between the various actors, i.e., deconcentrated public services, local government, community and professional organizations, and non-governmental and private institutions, for the establishment, rehabilitation, maintenance, and operation of basic social and economic infrastructure; and (iii) the institution of a funding mechanism to transfer additional resources to local rural communities to help them meet the population priority needs in basic infrastructure and essential social services.

2. **Economic analysis of project sub-components.** The first phase of the project will focus largely on the following major components: (i) institutional support to local development; (ii) FIV; and (iii) the rehabilitation and maintenance of rural roads. All three components and the project management and coordination component do not lend themselves to quantitative cost-benefits analysis and rate of return calculations. The FIV will finance basic community rural infrastructure microprojects. Although the types of eligible microprojects are known (essentially health, school, drinking water, sanitation facilities, and village access infrastructure), the scope and mix of such investments can not be known in advance, since they will be determined by the beneficiary communities. Therefore, cost-benefit analysis cannot be applied to this component. Because of the scope and social nature of most of these investments, eligibility for funding under the FIV will be based on the priority ranking by recipient communities and on a cost per unit basis. The rural roads component will include a capacity-building sub-component, another sub-component for the preparation and the implementation of a rural roads strategy, and a third sub-component dedicated to alleviate severe désenclavement of some rural communities. None of these sub-components lends itself to cost-benefit/internal rate of return analysis. The rural roads to be rehabilitated and the critical point treatments to be included have been selected following a stringent prioritization process based on the severity of poverty and désenclavement indicators.

3. **Social and economic benefits accruing from local community investments.** Beneficial economic effects will be derived by project beneficiaries mostly from the community-based microprojects funded under matching grants by the local investment funds, FIV, and the innovation fund (FI). Effects derived from the first phase of the programme, the project, will be essentially indirect in nature, and will consist mainly of short and long-term effects.

4. **Cost-efficiency and sustainability.** The programme will be designed so that community-level investments are demand-driven, giving communities the power to decide on their priorities for social and economic infrastructure (type, size and timing of their project), on how they put it in place



(private contractors, community work, NGOs, or public agencies), and on how they operate, manage and maintain it. This approach will lead to lower costs for the establishment of rural infrastructure, as beneficiary communities will have a vested interest in achieving the best quality/price ratio. Transferring the responsibility for operation and maintenance to the local communities will increase the useful life of such infrastructure, and ensure a broader access to services. Costs of programme administration will be relatively low, as the project relies for implementation on existing institutions, contractual arrangements, and simplified and standardized preparation, costing, and evaluation procedures for each microproject type. Village communities will play an active role in the operation, maintenance and management of the newly-established infrastructure.

5. **Financial analysis.** The objective of the financial analysis is to assess the viability of the VCSP from the perspective of the main stakeholders, especially the beneficiary communities, the CRDs, and the central Government, with a view to check whether they have the incentives and means to implement the project/programme as designed.

6. **The fiscal impact on central Government budget** is expected to be negligible. No changes during the project phase are planned with respect to transfers from the national budget to local Government, to the level of expenditures at both the national and the deconcentrated levels (prefectures), and to the level of government fiscal receipts⁵.

7. **Financial impact on beneficiary communities.** For construction of basic infrastructure under the first phase of VCSP, beneficiary communities will be required to contribute at least 15 percent of total investment cost of microprojects, in kind and/or cash. Such a contribution is in line with, though somewhat higher than, current practices for construction of basic rural infrastructure under ongoing traditional projects. It is high enough to provide incentives for increased ownership and sustainability of subprojects, while being sufficiently modest to encourage participation by poor communities. The average investment is expected to be less than USD 15 000 to 20 000. Beneficiaries will assume responsibility for operation and maintenance of basic infrastructure funded under FIV, in line with current policies and practices. Corresponding recurrent costs to the beneficiaries will usually be modest, in the range of 5-10 percent annually of the subproject investment cost.

8. **Financial impact on CRDs** is expected to be positive during the project phase, because the project will provide them with to improve collection of local taxes (census, reduction of leakages, etc.). The positive effects on the CRDs' finances will be more substantial in the subsequent programme phases, as reform of local taxation is adopted and implemented.

⁵ Tax receipts related to project inputs would not have occurred without the project.