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IMPLEMENTATION OF THE FIRST CYCLE OF THE UMUTARA COMMUNITY RESOURCE AND INFRASTRUCTURE DEVELOPMENT PROJECT (UCRIDP) IN RWANDA FINANCED UNDER THE FLEXIBLE LENDING MECHANISM

1. The purpose of this information note is to comply with paragraph 13 of the Flexible Lending Mechanism (FLM) guidelines (document EB 98/64/R.9/Rev.1) which stipulates that "…for each FLM loan, and prior to the end of each cycle, IFAD management will decide whether to proceed to, cancel, or delay subsequent cycles. Management will inform the Board accordingly".

I. INTRODUCTION

2. The overall objective of FLM is to introduce a greater degree of flexibility into IFAD's project design and implementation in order to: match the project time frame with the pursuit of long-term development objectives when it is judged that a longer implementation period will be required to meet such objectives; and maximize demand-driven beneficiary participation and reinforce the development of a grass-roots capacity. The specifics of an FLM loan include: (i) a continuous and evolving design process through implementation of distinct, three-to four-year cycles; and (ii) clearly defined preconditions, or "triggers", for proceeding to subsequent cycles.

3. This information paper reports on the progress of the Umutara Community Resource and Infrastructure Development Project (UCRIDP – Loan 537-RW) in achieving the first-cycle triggers. Its contents are based on several sources: the report of the most recent United Nations Office for Project Services supervision mission (November 2003); an internal evaluation report prepared by the Government of Rwanda (October 2003); and the report of the IFAD-Government of Rwanda coorganized interphase evaluation mission that took place in October to November 2003 and was validated in March 2004.

II. BACKGROUND

4. The Umutara Community Resource and Infrastructure Development Project was approved by the Executive Board in May 2000. The loan (537RW) has a ten-year duration and includes three distinct cycles of three, four and three years respectively. In 2001, the complementary UCRIDP Twin (Loan 573-RW) was approved by the Board on a non-FLM basis to cover new districts of the Umutara province for a five-year period. Each of the IFAD loans is linked to an Organization of the Petroleum Exporting Countries (OPEC) loan (791 and 873) for the infrastructural requirements of water supply and roads, and is administered by IFAD.

5. The project has five major components: (i) capacity building (community development and women in development); (ii) infrastructure development (domestic water supply, cattle water points and rural roads); (iii) on-farm productive investments (technology advisory services, agricultural production services, veterinary and livestock production and forestry); (iv) financial services; and (v) institutional support.

III. PROJECT ACHIEVEMENTS DURING THE FIRST CYCLE

6. The project was declared effective on 5 December 2000. During its first three years (January 2001 to November 2003), corresponding to the first FLM cycle, the programme made institutional arrangements for carrying out its activities nationally and in the four target districts and undertook the following activities:

7. **Component (i): Capacity building**

- **Community development.** A major effort has been made under this component to develop a participatory planning process in the districts, sector and cell levels (over 500 community development committees in total), and to create a body of facilitators (about 100). One of the important outputs of this process was the preparation of district development plans that represent the expressed needs and priorities of the communities and provide the base for implementation of the other project components.

- **Women in development.** Implementation focused on training of women's groups at cell level (target 60; 352 formed); gender training of members of representative organizational structures (target and achieved 2 600); a non-governmental organization (NGO)-implemented functional literacy programme (target 2 500 women; 3 455 trained).

8. **Component (ii): Infrastructure development**

- **Domestic water supply** was the most important project activity during the first cycle, with USD 12 million budgeted. A water master plan for the province has been finished (mid-2003) and there is a sound basis for detailed planning of future implementation of water infrastructure.

- **Cattle water points and rural roads.** The project design provided for construction/ rehabilitation of 300 km over the project life. Studies for 151 km were completed in 2003 and as of June 2004 construction/rehabilitation have been completed.

9. **Component (iii): On-farm productive investments**

- **Technology advisory services.** The design of the subcomponent provides for two-thirds of the total funding to be allocated to the National Agriculture Research Institute. The majority of these funds are for staff salaries, vehicles, motorcycles and equipment for the research station.

- **Agricultural production.** This subcomponent responds to one of the most critical constraints for farmers in the province, which is poor seed quality. To date, 130 seed multipliers have been identified, trained and contracted and the amount of seed produced initially for the project targeted seed distribution programme has reached 7 400 households.

- **Veterinary and livestock production.** The paraveterinary medicine scheme did not start until the third year, but with the contracting of an international NGO "Vets without borders", the project was successful in training some 40 community animal health agents and providing them with starter kits and manuals.

- **Forestry.** The objective was to respond to the increasing demand for wood products while addressing the problem of environmental degradation caused by the indiscriminate cutting of forests. Some 164 nurseries were established, which produced sufficient seedlings to plant 1 227 ha of forests and 32.5 ha of fruit-trees, reflecting an achievement rate of 102 and 81%, respectively.

10. **Component (iv): Financial services.** The project was extremely successful in forming some 169 group revolving funds and 654 women's investment funds in all four districts. They operate primarily as community savings associations, the sums are small and very often the uses of the funds are social rather than economic. Nonetheless, they provide an important facility for rural households and are also one of the few initiatives that have allowed women to develop their own savings and, in some cases, obtain access to credit. This initiative formed part of the first subcomponent for financial services: development of microfinance institutions. The implementation of the rest of the component has been delayed because of a number of constraints. However, the project has recently contracted two multilateral financial institutions – Duterimbere and the Service Centre for Cooperatives Ugama – on a trial basis, each responsible for pilot programmes in two districts.

11. **Component (v): Institutional support.** This investment component provides for the salaries of the project coordination unit (PCU) plus the associated vehicles, equipment and some civil works (offices and two houses). The original staffing proposed for the PCU was underestimated, and the contracting arrangements with NGOs and especially international NGOs, organized in a consortium, were too complex to be easily operational, which has weighed heavily upon the pace of implementation and disbursement.

12. **Financial management.** Of the overall IFAD loan of 11.85 million Special Drawing Rights (SDRs), a total of SDR 5.65 million was allocated for the first cycle (2000-03). At the end of June 2004, SDR 4.20 million had been disbursed, which is 75% of the first cycle allocation. The first cycle will be concluded with further disbursement at an anticipated level of SDR 5.00 million. The second cycle due to begin on 1 August 2004 has been budgeted for an overall disbursement of SDR 5.35 million.

IV. LESSONS LEARNED

13. A review of the project's achievements and performance in the first cycle highlights a number of lessons that are essential for the implementation and design of the second cycle (and for a better approach to some key activities and implementation arrangements).

- The project design and allocation of project resources need to be better integrated with the country's **decentralization process**, with districts increasingly having the central role.

- The **participatory demand-driven approach** being employed by the project is appropriate but needs to be more directly linked to the delivery of project investments and services.
- The concept of implementing the project through **performance-based contracts** is sound but does not reduce the workload of the PCU (rather it changes the balance of the workload).

- Promotion/mainstreaming of **gender** cannot be achieved through isolated women-in-development initiatives.

- Planning of a **feeder road programme** needs to be done more rigorously and by professionals experienced in the field.

- With the importance and potential of **livestock** in the province, more project resources need to be allocated to supporting the development and commercialization of the sector.

- A more **balanced strategy for supporting agricultural development** is required, with promotion of income-generating activities given a higher profile.

- As participatory rural appraisals (PRAs) have shown, the **achievement of physical targets** is of diminished value if the preconditions for sustainability of the investments made are not given enough importance and met first.

V. ACHIEVEMENT OF FIRST-CYCLE TRIGGERS

14. As specified in the IFAD loan agreements, 64 performance monitoring indicators were listed in the first project appraisal report as triggers for passage from the first to the second cycle of the project. While the number of indicators is impressive, many are only early preconditions to the implementation of activities, others are intermediate institutional events that facilitate project actions in the current cycle and many are linked to the achievement of training, orientation and participatory processes in the first cycle. A few are directed specifically at construction/establishment of infrastructure or the purchase of equipment.

15. In order to deal with the trigger indicators in a way that facilitates a practical decision regarding the transition from the first to the second cycle, the indicators have been grouped into two broad categories, which are the following.

- **Actions that facilitate delivery of project investments and provision of project services to the people**, including: (i) necessary preconditions for project implementation; (ii) training, planning and orientation necessary to facilitate implementation of a component or activity; (iii) formation of groups or associations needed to ensure operation and maintenance of infrastructure; and (iv) preparation of feasibility studies including master plans. While the picture is not uniform, it can be said that the project has been successful in achieving the first group of indicators. The participatory planning programme has been completed in all eight districts, key staff have been trained, most PRAs have been completed and subsequent district development plans have been prepared in practically all districts with the few remaining districts currently in the process of finalizing their own plans. While there has been less progress in forming the associations and groups required to manage project investments in infrastructure and to implement agricultural programmes, this process is now under way and groups and associations are being formed.

- **Realization of investments, services and other project "deliverables"**, including, for example: at least 200 km (of feeder roads) have been commissioned; 40 technology tests on farmers' fields have been initiated; 200 successful boreholes have been equipped; six women's halls have been constructed; or at least one-third of new water points have been constructed.

  In terms of the preparation of feasibility studies and master plans in particular, the project has made good progress and a water master plan, forestry master plan and livestock master plan are now available and provide the basis for rational project investment in these sectors.

16. In summary, a number of the 64 indicators have been met only partially. Nevertheless, the majority of those needed to facilitate project implementation and delivery of project investment and services in the second cycle have been achieved. Plus, during the last six months, clear improvements have been made for those indicators still incomplete relating to investments (forestry, roads and valley dams).

VI. CONCLUSIONS

17. The project design involved a high level of complexity and institutional innovation and was put under the FLM to accommodate the need for flexibility and change. Substantial progress has been made in the first cycle to establish the institutional and planning environment that will enable the necessary investments to be successfully implemented.

18. IFAD management considers that there is now a firm basis for the continuation of the project. The Government of Rwanda has shown clear commitment in reforming the project for the past 14 months (most results were achieved in 2003) and the proposed reformulation of the various projects in one comprehensive programme to rationalize the implementation modalities should bring better performance for the second cycle. OPEC has also committed, in principle, to extending its loans as part of the overall project approach.

19. Following field review, validation workshop and detailed discussions in Rwanda with IFAD Office of the General Counsel and Office of the Controller, UCRIDP will now proceed to the second cycle, and: (i) start the second cycle on 1 August 2004; (ii) allocate second-cycle loan resources to the revised expenditure categories, and transfer the balance of the first cycle to the second cycle; (iii) adjust the triggers for proceeding from the second to the third cycle to take into account recent implementation experiences and the need to assign high priority to impact monitoring; and (iv) streamline the project components and subcomponents and implementing arrangements based on lessons learned during the first cycle. These changes in project scope and financing are being submitted for Executive Board approval through a President's Memorandum, EB 2004/82/R.13.