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**IFAD**

**INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT**

**Executive Board – Eighty-Third Session**

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**REPORT AND RECOMMENDATION OF THE PRESIDENT**

TO THE EXECUTIVE BOARD ON A PROPOSED LOAN TO THE

**PEOPLE'S DEMOCRATIC REPUBLIC OF ALGERIA**

FOR THE

**RURAL DEVELOPMENT PROJECT IN THE TRARAS AND SEBAA CHIOUKH  
MOUNTAINS OF THE WILAYA OF TLEMEN**



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**CURRENCY EQUIVALENTS**

Currency unit	=	Algerian dinar (DZD)
USD 1.00	=	DZD 70
DZD 1.00	=	USD 0.0143

**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 <sup>2</sup> )	=	10.76 square feet (ft <sup>2</sup> )
1 acre (ac)	=	0.405 hectare (ha)
1 ha	=	2.47 ac

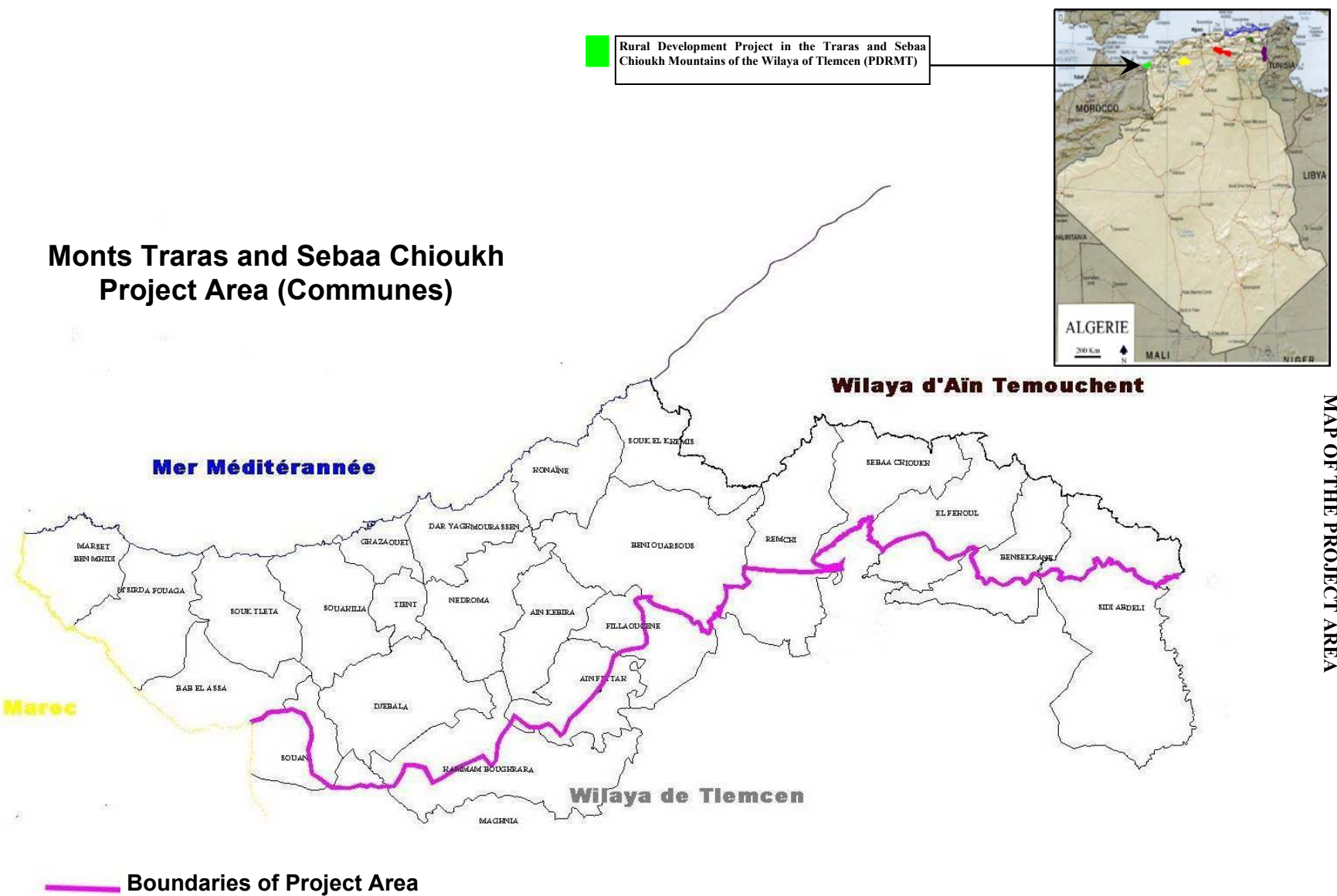
**ABBREVIATIONS AND ACRONYMS**

CDP	Community Development Plan
CMP	<i>Caisse mutuelle de proximité</i> (Local Savings and Loan Association)
GDP	Gross Domestic Product
LRDP	Local Rural Development Project
PMU	Project Management Unit
PNDAR	<i>Plan national de développement agricole et rural</i> (National Agricultural and Rural Development Plan)

**GOVERNMENT OF THE PEOPLE'S DEMOCRATIC REPUBLIC OF ALGERIA****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.

**PEOPLE'S DEMOCRATIC REPUBLIC OF ALGERIA**  
**RURAL DEVELOPMENT PROJECT IN THE TRARAS AND SEBAA CHIOUKH MOUNTAINS**  
**OF THE WILAYA OF TLEMCEM**

**LOAN SUMMARY**

<b>INITIATING INSTITUTION:</b>	IFAD
<b>BORROWER:</b>	People's Democratic Republic of Algeria
<b>EXECUTING AGENCY:</b>	Ministry of Agriculture and Rural Development
<b>TOTAL PROJECT COST:</b>	USD 39.6 million
<b>AMOUNT OF IFAD LOAN:</b>	SDR 7.9 million (equivalent to approximately USD 11.8 million)
<b>TERMS OF IFAD LOAN:</b>	20 years, including a grace period of five years, with an interest rate of one half of the reference interest rate per annum, as determined by the Fund annually
<b>CONTRIBUTION OF BORROWER:</b>	USD 24.5 million
<b>CONTRIBUTION OF BENEFICIARIES:</b>	USD 3.3 million
<b>APPRAISING INSTITUTION:</b>	IFAD
<b>COOPERATING INSTITUTION:</b>	United Nations Office for Project Services (UNOPS)

**PROJECT BRIEF**

**Who are the beneficiaries?** The project will benefit both directly and indirectly the 192 712 rural residents of the project area. The direct beneficiaries will consist of poor households living on smallholdings from which they draw their incomes. The project will also target: (a) impoverished women heads-of-household to improve their living and working conditions; (b) girls who possess vocational skills and wish to engage in off-farm income-generating activities; and (c) young unemployed people interested in starting a microenterprise or acquiring training in agricultural and non-agricultural income-generating activities. Agricultural development activities will yield benefits for 2 745 farms, or some 10 000 households, for a total of approximately 60 000 people. In addition, the local savings and loan associations are expected to provide financial services to 4 495 beneficiaries to develop income-generating activities and microenterprises; 3 154 (70%) of these will be for handicrafts and small livestock production activities practised usually by women and girls. Functional literacy will directly affect some 3 575 persons, including over 2 000 women and girls. A part of the target group will benefit also from a better quality of life thanks to the actions to improve area access and flood and erosion control.

**Why are they poor?** Poverty in the project area derives from inadequate socio-economic services, poor infrastructure and limited income opportunities due to the mismanagement of land and water resources. Unemployment rates are high, ranging from 41-62%. About 80% of farming families have access to 5 hectare or less, with an agricultural production system based on rainfed cereal production and livestock. The principal constraints that beneficiaries are facing are the result of weak support services and the lack of rural financial infrastructure. Other major constraints include the deterioration of rural tracks, leading to limited accessibility to market outlets and appropriate technological packages.

**What will the project do for them?** The project will be implemented over a period of seven years and will focus on: (a) strengthening the participatory programming and capacity-building of grass-roots organizations and provincial local public administrations through the promotion of pro-poor local institutions and the training of their staff and board members in participatory development; (b) the creation of socio-economic and productive assets through improved access by beneficiaries to ongoing national support programmes for the development of agriculture; this will include the rehabilitation of small-scale irrigation infrastructure, soil and water conservation, improved productivity and management of silvopastoral ecosystems, improved livestock production and husbandry, and the rehabilitation of existing rural tracks; and (c) support for initiatives of rural populations that contribute to the increase and diversification of sources of income by the promotion of rural microenterprises through sustainable access to local financial services, especially by women and unemployed youth.

**How will beneficiaries participate in the project?** The project approach will be focused primarily on the participatory preparation of local development plans and on decision-making by local groups and organizations at the community level. The participation of rural communities will be enhanced in all phases of project development, from the analysis of the current situation to the choice and prioritization of development activities, as well as the definition of management options. Three fundamental principles underlie this approach: consultation through outreach support, training and information; participation in the allocation of project resources; and the enhancement of the role of the beneficiaries in implementation through support for the emergence of collective economic interest groups that are autonomous and responsible for the management of community initiatives. This process was already initiated during project design through a participatory rural appraisal undertaken during formulation and validated in two communities during appraisal.



**REPORT AND RECOMMENDATION OF THE PRESIDENT OF IFAD  
TO THE EXECUTIVE BOARD ON A PROPOSED LOAN TO THE  
PEOPLE'S DEMOCRATIC REPUBLIC OF ALGERIA  
FOR THE  
RURAL DEVELOPMENT PROJECT IN THE TRARAS AND SEBAA CHIOUKH  
MOUNTAINS OF THE WILAYA OF TLEMCCEN**

I submit the following Report and Recommendation on a proposed loan to the People's Democratic Republic of Algeria for SDR 7.9 million (equivalent to approximately USD 11.8 million) on intermediate terms to help finance the Rural Development Project in the Traras and Sebbaa Chioukh Mountains of the Wilaya of Tlemccen. The loan will have a term of 20 years, including a grace period of five years, with an interest rate of one half of the reference interest rate per annum, as determined by the Fund annually. It will be administered by the United Nations Office for Project Services (UNOPS), as IFAD's cooperating institution.

**PART I – THE ECONOMY, SECTORAL CONTEXT AND IFAD STRATEGY<sup>1</sup>**

**A. The Economy and Agricultural Sector**

1. **Economic performance.** Social and economic indicators improved markedly during Algeria's oil-boom years as the result of significant investments in education, health services and basic infrastructure, coupled with an important system of subsidies. Following the sharp drop in the price of oil in 1986, subsidies were cut back, and the country entered a ten-year period of economic decline, with marked downturns in per capita gross domestic product (GDP) and in household incomes and consumption. The annual real rate of growth in per capita gross national product fell annually by 1% over the 1990-98 period, while total GDP stagnated in real terms. During this period, the share of agriculture in GDP grew at 3% annually, while industrial growth fell sharply. From 1994-98, the Government implemented a structural adjustment programme with assistance from the International Monetary Fund. In 2002, economic growth was evidenced by an increase in GDP from 2.1% in 2001 to 4.1% in 2002. The structure of the economy is dominated by industry, which in 2002 accounted for 53% of total GDP, while services contributed 37%, and agriculture 10%, although agriculture provided roughly 25% of total employment.

2. **The agricultural sector** is characterized by yearly fluctuations in output related to variations in rainfall. Since the land reforms in 1987, Algeria's agricultural sector has been moving towards a system based on small and medium-sized agriculture, in which the private sector takes the lead not only in production, but also in upstream and downstream activities. Almost all arable land is located in the northern part of the country, in the Tell region. In the steppe areas, the principal activity is pastoralism. The increased use of underground water reserves has allowed the expansion of the agricultural frontier south into the Sahara. However, a number of factors threaten the natural resource base: soil erosion; deforestation; the overgrazing of rangelands; dam siltation; soil salinity; and desert encroachment.

3. **Agricultural production.** Algeria is dependent on imports of cereals, dairy products, sugar and edible oil. Over the past 20 years, the area planted to cereal crops has grown at the expense of perennial crops and rangelands. The area planted to vegetable crops stagnated, and productivity declined. Fruit-tree orchards have been shrinking in size over the past two decades. Except for date

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<sup>1</sup> See Appendix I for additional information.

palms, the output of perennial crops overall has dropped. Livestock accounts for roughly 50% of agricultural production and is a major contributor to food security in meat, but not in dairy products. Agricultural production in 2003 posted strong growth (17%) over 2002. This growth is attributed essentially to the increase in grain production, which rose from 2.9 million tonnes (t) in 2002 to 4.2 million t in 2003. This increase was the result of good weather conditions and the positive impact of the grain intensification programme launched in 2000 as part of the National Agricultural and Rural Development Plan (PNDAR). Thanks to the financial support it receives through national programmes, this plan has also made it possible to expand the growing of fruit-tree crops and irrigated crops.

4. **Constraints and opportunities.** The main obstacles to development in the agricultural sector are: (a) the vulnerability to and fluctuation of climatic conditions, combined with the under-utilization and inadequate mobilization of water resources for irrigation; (b) limited arable land and declining soil fertility; (c) the continuing use of traditional cropping patterns and production techniques, coupled with the limited generation of suitable technological packages and weak support services; (d) the rural population's lack of access to rural financial services; and (e) the shortage of human resources trained in the participatory approach to rural development. The Government's 2000-04, Economic Development Programme and the PNDAR have created a number of opportunities. In the agricultural sector, these initiatives aim to stabilize and enhance agricultural production. The first objective would be attained through the settlement of land tenure issues and the expansion of arable land through land reforms and investments. The second objective would be reached through the rational use of water resources, the provision of incentives for private investment and the improvement of support services in the sector.

### **B. Lessons Learned from Previous IFAD Experience**

5. IFAD was one of the first international agencies involved in agricultural development projects in Algeria with a specific emphasis on smallholders and the integration of women in the development process. The first three projects in the portfolio were conceived at the very beginning of the transitional period (1986-90), when major agricultural reforms were carried out and while the country was initiating a fundamental transformation on many fronts. This justified the highly significant pilot dimension of the projects. They all aimed at the transfer of new methods and approaches directed to the promotion of smallholders through the creation of agricultural services for small farmers and rural women, the elaboration of institutional mechanisms for project management and the strengthening of beneficiary participation. Lessons learned during implementation indicated: (a) the need to link and strengthen research and extension activities in relation to the requirements of smallholder farming systems; (b) develop crop and livestock production systems that are technically sound and environmentally sustainable and that take into account smallholder socio-economic rationales, environmental costs and sector policies; (c) develop labour-intensive programmes that are technically sound, especially for soil and water conservation; (d) promote more focused income-generating activities for women, and (e) introduce the effective delivery of credit and savings through the creation of a rural financial services system compatible with the needs and conditions of IFAD's target group. In the present situation of the disengagement of the state and ongoing decentralization, it is essential to create or strengthen local institutions and grass-roots organizations that will assume responsibility for the operation and maintenance of the investments financed by projects. As such there is a need to: (a) streamline the institutional integration of projects within the current, continuously changing institutional framework; (b) seek the commitment of high-level decision-makers and, simultaneously, support the Government in its decentralization efforts; (c) develop human resources through management training and the exchange of experiences among project staff and through community development among beneficiaries; and (d) develop clear job descriptions for staff at all levels so as to attract and retain qualified people.

### C. IFAD's Strategy for Collaboration with Algeria

6. **Algeria's policy for poverty eradication.** The Government has launched an economic recovery plan (2001-04) aimed at bringing about a sustained qualitative improvement in living conditions by focusing on employment and the upgrading of community infrastructure, especially in the most disadvantaged rural areas. The Government's Economic Development Programme is supported by a national poverty reduction strategy under the auspices of the Ministry of Employment and National Solidarity. In this regard, the Government has been promoting the development of small and medium-scale agriculture, encouraging the private sector not only to boost production, but also to take charge of upstream and downstream activities. Since 2000, the Government has been actively supporting investment in the agricultural and rural sectors by way of the PNDAR, which targets not only farms, but also those rural areas that have historically been left outside the mainstream.

7. To ensure the success of the PNDAR, the Ministry of Agriculture and Rural Development has intensified its dialogue with the rural population and has adapted financial instruments to the specificities of the agricultural and rural milieus. These instruments include: (a) the National Fund for the Regulation and Development of Agriculture, which provides financing for agricultural investments; (b) the Fund to Combat Desertification and Develop Pastoralism in the Steppe Region, which will support livestock-raisers who commit individually or collectively to investment in steppe areas; and (c) the Concession-Based Rural and Land Development Fund, which supports: (i) the development of private state lands by individuals through long-term transferable concessions; and (ii) implementation of local rural development projects (LRDPs) aimed mainly at fostering local rural development to benefit the rural poor. Finally, early in 2004, the PNDAR and its financial instruments were framed in the Ministry of Agriculture and Rural Development's strategy for sustainable rural development, which defined specific strategic thrusts for rural development in the country.

8. **The poverty eradication activities of other major donors.** Many bilateral and multilateral donors are involved in the financing of agricultural development and technical assistance programmes in the agricultural sector. The World Bank, the United Nations Development Programme (UNDP) and the Food and Agriculture Organization of the United Nations (FAO) have focused more on the eradication of rural poverty in some of their projects. The World Bank has just launched the second phase of the Rural Employment Project, which aims at generating employment in rural areas through the rehabilitation of rural infrastructure and the improved management of natural resources. UNDP provided support for the formulation of the country's sustainable rural development strategy, and FAO, within the framework of its Special Programme for Food Security, has supplied backstopping to the Concession-Based Rural and Land Development Fund and for the formulation of LRDPs.

9. **IFAD's strategy in Algeria.**<sup>2</sup> The strategy currently pursued by IFAD in Algeria is compatible with the Government's sustainable rural development strategy. It seeks to boost the productivity and income levels of sustainable activities undertaken by women and men in the target group. IFAD is concentrating its efforts on three agro-ecological zones where the incidence of poverty is higher than the national average and where non-farming activities are limited (i.e., the mountainous areas of the north, the steppes and the Saharan areas in the south), as well as on the artisanal fisheries subsector. The focus is on: (a) addressing the basic needs and aspirations of the target group through the creation of an enabling environment for growth and stronger linkages with the specific situation of the target group through an area-based development approach; (b) the promotion of decentralized planning and implementation through support for the creation and strengthening of local institutions and grass-roots organizations; (c) the broadening of the target group's access to productive resources, namely, land, water, technological know-how and financial services; and (d) encouragement for natural resource management, together with the diversification of production, through support for commodities offering comparative advantage on the market.

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<sup>2</sup> See Appendix III for additional information.

10. **Project rationale.** The project is compatible with the rural poverty reduction policies of IFAD and the Government which focus on smallholders, unemployed young people and rural women. It meshes with the Ministry of Agriculture and Rural Development's sustainable rural development strategy, one of the pillars of which is local rural development. The goal is to foster development in mountain regions with a high incidence of poverty. The project will help to test and validate various modalities and approaches for subsequent scaling-up and replication in other mountainous areas of the country. In this light, the project will serve as a platform to continue the policy dialogue with the Government on various issues of relevance to the rural poor, including the decentralization of decision-making, the creation of pro-poor local institutions, and access for the rural poor to resources such as land, water and financial services.

11. **Project approach and strategy.** The project focuses on scattered or remote rural communities. It falls within the framework of the Government's LRDPs, which are designed to involve rural communities and ensure participation by all stakeholders in the programming and implementation of local development plans. It will focus primarily on the involvement and active participation of the beneficiaries, beginning with the participatory formulation of community development plans (CDPs) among targeted communities. Each pluriannual CDP will be broken down into annual LRDPs. Once a CDP has been validated at the grass-roots level and consolidated at the *commune* level, it will be submitted for approval at the provincial level. For each LRDP, financing will be mobilized through project funds and the various national sectoral development programmes and support funds in accordance with applicable procedures.

## PART II – THE PROJECT

### A. Project Area and Target Group

12. **Project area.** The project area covers 143 953 ha in a mountainous region in the northern part of Tlemcen Province, encompassing the Traras mountains to the west and the Sebaa Chioukh mountains to the east. The area comprises 23 *communes*. The *dechra* (community) is the basic unit of social organization at which group solidarity is generally present, and it would be the main interlocutor of the project during the formulation and execution of the CDPs. The *dechra* is a subdivision of the *douar* (village) and usually comprises a number of homes (averaging 30 households). The project area includes some 791 *dechras*.

13. **Target group.** The project will benefit both directly and indirectly the 192 712 rural residents of the project area. The direct beneficiaries will consist of poor households living on small farms from which they draw part or all of their incomes. The project will also target: (a) poor women who are heads of household in order to improve their living and working conditions; (b) girls who possess vocational skills and wish to engage in off-farm income-generating activities; and (c) young unemployed men interested in starting a microenterprise or acquiring training in agricultural and non-agricultural activities. Unemployment in the project area ranges from 41-62%, compared with the national average of 24%, and is most prevalent among young people.

14. **Constraints and opportunities.** The participatory rural appraisal carried out during formulation and validated at appraisal confirmed that the main constraints in the project area lie in: (a) the high unemployment rates; (b) small farm sizes, generally under 5 ha (mainly rainfed cropping); and (c) the rural exodus and the de-capitalization of farm holdings resulting from the events of the past decade. At the same time, the area is characterized by potential opportunities, including: (a) the potential for the enhanced exploitation of fisheries resources and the relatively high agricultural and forestry resources potential; (b) rainfall of over 400 millimetres in a normal year; (c) the existence of a dense and extensive hydrographic system that favours the mobilization of surface water resources and can be suitably tapped to meet the needs of scattered communities; (d) the very active role of rural women in agricultural and craft activities; and (e) the exposure of local staff to the participatory approach thanks to the experience gained by field agents during the implementation of the Rural Employment Project.

## B. Objectives and Scope

15. **Objectives.** The overall objective of the project is to contribute to the reduction of rural poverty through the diversification and sustainable growth of rural household incomes, coupled with the rehabilitation and sustainable management of the natural resources that constitute the basis for the survival of the target groups. The specific objectives are to: (a) build local capacity for planning the management of rural development, design and implementation of local development projects by targeting the most disadvantaged populations, especially those people who abandoned their farms during the events of the past decade; (b) support and ensure the sustainability of agricultural development through the mobilization of surface water, measures to reduce soil degradation and intensify and diversify agricultural production; and (c) provide sustained access to financial services to those who currently have little or no such access, especially women and young people, in order to support initiatives to secure, increase and diversify stable sources of income.

## C. Components

16. To attain the above-mentioned objectives, the project will be implemented over a period of seven years and will include the following five components: (a) local capacity-building; (b) natural resource management and area access; (c) intensification and diversification of agricultural production; (d) support for rural financial services and the promotion of microenterprises; and (e) project coordination and management.

17. **Local capacity-building.** Through this component, community initiatives will be captured and developed for the design, implementation, monitoring and evaluation of the CDPs and LRDPs so as to ensure gender sensitivity. This will be achieved through awareness-building campaigns, training, the promotion of functional literacy and the dissemination of information, with support from teams of men and women community development agents and technicians previously trained in the participatory approach and in local planning techniques. Each targeted community will be assigned a team composed of one male community development agent, one female community development agent and a technician, who would be backstopped by subject-matter specialists from the project management unit (PMU) and the provincial technical services and their subdivisions. The teams would assist in the elaboration of the CDPs. The various teams will be grouped into five outreach, programming and monitoring units spread out over the project area according to homogeneous zones and the size of each community. Each unit will be provided with vehicles, computers and office equipment. The project will also provide training in the participatory formulation of CDPs.

18. **Natural resource management and area access.** The objectives of this component include the improved management of water and land resources, as well as improved access to markets and support services. These will be attained through the following three subcomponents: (a) mobilization of surface water resources; (b) soil and water conservation; and (c) improved access.

- (a) **Mobilization of surface water resources.** In this subcomponent, the activities will include: (i) civil engineering works to mobilize surface water, including 230 water-intake systems from *wadis* (watercourses), consisting of pumps, small reservoirs and conduits to convey the water to the plots; the rehabilitation of 100 water springs; and 160 small-scale infrastructure works for water storage, including small storage reservoirs, underground or semi-exposed cisterns, steel tanks, etc.; (ii) drip irrigation systems for 45 greenhouses for demonstration purposes; (iii) technical and management training for users' groups; and (iv) the financing of a study on surface water resources. The project will provide institutional support to the Tlemcen office of the *Agence Nationale pour les Ressources Hydrauliques* (National Water Board). These activities will be used collectively and will be financed by the project at the request of the interested communities, provided they are organized into users' groups that will ensure the sustainability of the investments through proper operation and maintenance.

- (b) **Soil and water conservation.** The activities in this subcomponent will include: (i) the rehabilitation of 1 000 ha of bench terracing; (ii) the reclamation of 1 000 ha of land; (iii) forest rehabilitation on 650 ha in coastal areas with high potential for ecotourism; (iv) the planting of 120 km of hedgerows; (v) the creation of 15 ha of dry-stone terraces on a pilot basis; and (vi) flood and erosion control through 5 000 m<sup>3</sup> of gabions, 25 000 m<sup>3</sup> of earthen retaining barriers and 500 ha of bank protection. Training activities and the monitoring of erosion processes will also be financed by the project.
- (c) **Improved access.** To improve access to markets and technical support services, the project will involve the rehabilitation of 200 km of rural tracks located mainly in areas severely affected by the security situation that has prevailed in the last few years and help in building the capacity of users associations through a training and outreach programme.

19. **Intensification and diversification of agricultural production.** This component is divided into two subcomponents each with its specific objectives (described below): (a) support for the development of agricultural production; and (b) rangeland improvement and the development of livestock production.

- (a) **Support for the development of agricultural production.** The strategy seeks to boost farm incomes through the conversion of production systems as follows: (i) the promotion of fruit-tree and grapevine growing on the 1 000 ha of land benefiting from the land reclamation activities, the 1 000 ha of rehabilitated bench terraces and the 15 ha of dry-stone terraces; (ii) the extension of greenhouse agriculture by means of 920 greenhouses in the areas fed by the water-intake systems from the *wadis*; (iii) the upgrading of production techniques; (iv) the strengthening of extension services; and (v) the training of farmers and the staff and technicians of the provincial agricultural services and their subdivisions. Agreements will be signed between the project and various specialized technical institutes to carry out a programme of demonstrations and extension support, to be financed through the project, on topics identified by the farmers during the formulation of the CDPs.
- (b) **Rangeland improvement and the development of livestock production.** The objective is to rebuild the livestock herd and promote improved animal production and the management of forage resources. The activities aimed at the development of forage resources and improved management of silvopastoral ecosystems include: (i) a study of the forage and honey-producing potential of silvopastoral resources; (ii) the biomonitoring of silvopastoral resources; (iii) the planting of forage crops on 1 500 ha; and (iv) training and demonstrations in the techniques of plantation, production and exploitation of forage shrubs. Livestock production will be supported through: (i) the study of animal production systems and the monitoring of livestock activities; (ii) the promotion of small livestock production units as an income-generating activity aimed at the reconstitution of the livestock herd and at the diversification of sources of income; (iii) the institutional strengthening of veterinary services through the provision of equipment and vehicles; and (iv) the training in livestock management practices and demonstrations on the handling of hay and the production of feed blocks.

20. **Support for rural financial services and the promotion of microenterprises.** These two activities are interdependent and indissociable. The objective of the component is the creation in the project area of financial and non-financial intermediaries accessible to the target groups, thus allowing them to increase and diversify their sources of income. It will do so through the following two sub-components:

- (a) **Rural financial services.** In order to provide the target group with sustained access to rural financial services and the sources of financing under existing national support programmes and to foster the creation of microenterprises, the project would support the

establishment of 30 *caisses mutuelles de proximité* (local savings and loans associations) (CMPs) at the community level. The CMPs would be linked legally and operationally to the network of the *Caisse Nationale de Mutualité Agricole* (National Agricultural Mutual Fund) and would finance all or part of the non-supported portion of all on-farm investments according to the beneficiary's need. The CMPs would be overseen by five inter-CMP supervisory committees and by the *Caisses Régionales de Mutualité Agricole* in the project area.

- (b) **Promotion of microenterprises.** Activities to promote the creation of microenterprises will include: (i) financing by the CMPs in the project area of all or part of the financial contribution needed by beneficiaries in order to access government support programmes; (ii) the strengthening of ten private-sector agricultural consulting firms to provide business counselling services to microentrepreneurs; (iii) the provision of technical assistance to train staff in business counselling services and the organization of marketing plans for the products of artisanal, agricultural and fisheries microenterprises; and (iv) the financing of sub-sectoral marketing studies for potential microenterprise development.

21. **Project coordination and management unit.** The project will finance the creation of a PMU, based in Ghazaouet and consisting of a project manager, seven subject-matter specialists, a management information systems officer, an agricultural economist responsible for monitoring and evaluation, an accountant, 13 technicians and four general support staff. It will also finance the procurement of vehicles, office furniture, equipment and supplies, the renovation of office buildings, training and study tours, project monitoring and evaluation activities and impact assessment studies.

#### D. Costs and Financing

22. **Project costs.** Total project costs over the seven-year implementation period, including physical and price contingencies, are estimated at USD 39.6 million. The amount in foreign exchange will account for 32% of the total costs (USD 12.6 million), while duties and taxes will account for 13.6% of the total (USD 5.4 million). Project costs by component are summarized in table 1.

23. **Project financing.** The project will be financed through an IFAD loan of USD 11.8 million, representing 29.8% of the total project cost. The Government's contribution, including duties and taxes, operation and maintenance costs, salaries and part of the civil works, as well as the contributions of the various government support funds, will total the equivalent of USD 24.5 million, or 61.8% of the total project cost. The contribution of the beneficiaries is estimated at USD 3.3 million (8.4% of the total cost) and corresponds mainly to their share of on-farm investments in agricultural activities. The financing plan is presented in table 2.

**TABLE 1: SUMMARY OF PROJECT COSTS<sup>a</sup>**  
(USD '000)

Components	Local	Foreign	Total	% of Foreign Exchange	% of Total Base Costs
<b>A. Local Capacity-Building</b>	2 692	831	3 523	24	10
<b>B. Natural Resource Management and Area Access</b>					
1. Mobilization of surface water resources	5 711	2 311	8 023	29	23
2. Soil and water conservation	2 568	1 096	3 664	30	10
3. Improved access	2 221	915	3 136	29	9
<b>Subtotal</b>	<b>10 501</b>	<b>4 322</b>	<b>14 822</b>	<b>29</b>	<b>42</b>
<b>C. Intensification and Diversification of Agricultural Production</b>					
1. Support for the development of agricultural production	2 965	1 318	4 282	31	12
2. Rangeland improvement and the development of livestock production	4 442	1 828	6 270	29	18
<b>Subtotal</b>	<b>7 406</b>	<b>3 146</b>	<b>10 552</b>	<b>30</b>	<b>30</b>
<b>D. Support for Rural Financial Services and the Promotion of Microenterprises</b>					
1. Rural financial services	405	1 683	2 089	81	6
2. Promotion of microenterprises	208	149	357	42	1
<b>Subtotal</b>	<b>613</b>	<b>1 833</b>	<b>2 446</b>	<b>75</b>	<b>7</b>
<b>E. Project Coordination and Management Unit</b>	<b>2 559</b>	<b>1 032</b>	<b>3 590</b>	<b>29</b>	<b>10</b>
<b>Total base costs</b>	<b>23 771</b>	<b>11 163</b>	<b>34 934</b>	<b>32</b>	<b>100</b>
Physical contingencies	1 008	449	1 457	31	4
Price contingencies	2 227	1 002	3 229	31	9
<b>Total project costs</b>	<b>27 007</b>	<b>12 614</b>	<b>39 620</b>	<b>32</b>	<b>113</b>

<sup>a</sup> Discrepancies in totals are due to rounding.

**TABLE 2: FINANCING PLAN<sup>a</sup>**  
(USD '000)

Components	IFAD		Government		Beneficiaries		Total		Foreign Exchange	Local (Excl. Taxes)	Duties and Taxes
	Amnt.	%	Amnt.	%	Amnt.	%	Amnt.	%			
<b>A. Local Capacity-Building</b>	1 126	28.9	2 775	71.1	-	-	3 902	9.8	919	2 563	419
<b>B. Natural Resource Management and Area Access</b>											
1. Mobilization of surface water resources	1 644	17.9	7 105	77.4	428	4.7	9 178	23.2	2 646	5 208	1 324
2. Soil and water conservation	1 468	35.2	2 539	60.9	164	3.9	4 171	10.5	1 247	2 301	623
3. Improved access	3 049	83.3	599	16.4	14	0.4	3 662	9.2	1 070	2 054	538
<b>Subtotal</b>	<b>6 161</b>	<b>36.2</b>	<b>10 243</b>	<b>60.2</b>	<b>606</b>	<b>3.6</b>	<b>17 011</b>	<b>42.9</b>	<b>4 963</b>	<b>9 562</b>	<b>2 485</b>
<b>C. Intensification and Diversification of Agricultural Production</b>											
1. Support for the development of agricultural production	548	11.2	3 293	67.5	1 039	21.3	4 879	12.3	1 501	2 630	748
2. Rangeland improvement and the development of livestock production	442	6.2	5 095	70.9	1 648	22.9	7 185	18.1	2 096	4 017	1 072
<b>Subtotal</b>	<b>990</b>	<b>8.2</b>	<b>8 388</b>	<b>69.5</b>	<b>2 687</b>	<b>22.3</b>	<b>12 064</b>	<b>30.4</b>	<b>3 597</b>	<b>6 647</b>	<b>1 820</b>
<b>D. Support for Rural Financial Services and the Promotion of Microenterprises</b>											
1. Rural financial services	2 157	93.8	92	4.0	50	2.2	2 299	5.8	1 840	367	92
2. Promotion of microenterprises	295	73.7	105	26.3	-	-	400	1.0	165	194	41
<b>Subtotal</b>	<b>2 452</b>	<b>90.8</b>	<b>197</b>	<b>7.3</b>	<b>50</b>	<b>1.9</b>	<b>2 699</b>	<b>6.8</b>	<b>2 004</b>	<b>561</b>	<b>133</b>
<b>E. Project Coordination and Management Unit</b>	<b>1 070</b>	<b>27.1</b>	<b>2 874</b>	<b>72.9</b>	-	-	<b>3 945</b>	<b>10.0</b>	<b>1 130</b>	<b>2 283</b>	<b>532</b>
<b>Total disbursement</b>	<b>11 799</b>	<b>29.8</b>	<b>24 478</b>	<b>61.8</b>	<b>3 343</b>	<b>8.4</b>	<b>39 620</b>	<b>100.0</b>	<b>12 614</b>	<b>21 616</b>	<b>5 390</b>

<sup>a</sup> Discrepancies in totals are due to rounding.



### E. Procurement, Disbursement, Accounts and Audit

24. **Procurement.** For IFAD-financed expenditure, the procurement of goods and works will be undertaken in accordance with IFAD guidelines. To the extent possible, vehicles, materials, equipment and contracts for rural infrastructure will be bulked into sizeable packages for bidding. The procurement of goods for an amount over the equivalent of USD 280 000 will follow international competitive bidding procedures. Contracts for goods over the equivalent of USD 85 000, but below or equal to USD 280 000 will follow local competitive bidding procedures. Contracts for goods and works valued at USD 85 000 or less will follow local shopping procedures. Consultant contracts will be drawn up in accordance with national regulations and the cooperating institution's procurement guidelines, acceptable to IFAD. Consultant contracts over the equivalent of USD 55 000 will follow international or local competitive bidding procedures. For consultant contracts equal to or below USD 55 000, local shopping procedures on the basis of three price quotes approved by the cooperating institution will apply.

25. **Disbursement.** The project will be implemented over a period of seven years. Withdrawals from the loan account may be made against statements of expenditure for categories of expenditure that will be jointly determined by the Government, IFAD and the cooperating institution at loan negotiations. The project will retain the relevant documentation justifying such expenditure and make it available for inspection by supervision missions and external auditors. All other withdrawals from the loan account will be made on the basis of full supporting documentation.

26. The Government will open a Special Account denominated in United States dollars with the Bank of Algeria in the name of the project. Upon loan effectiveness, IFAD, upon demand by the borrower, will make an initial deposit of USD 850 000. The Special Account will be replenished in accordance with established IFAD procedures. The borrower will allocate at the beginning of each fiscal year the amounts equal to the counterpart funds as per the annual workplan and budget for the year under consideration in accordance with its national procedures.

27. **Accounts and audit.** The PMU will maintain financial records relating to project activities both for the project and for the various contractual partners. It will ensure that records are maintained in accordance with government practices and with procedures acceptable to IFAD. The General Inspectorate of Finance or any other auditor approved by the Ministry of Finance and IFAD will audit financial records annually. Certified audit reports, which will include a statement on the adequacy of the executing agency's accounting systems and internal controls and contain a separate opinion in respect of the statements of expenditure and the special account, will be transmitted to IFAD no later than six months after the end of the fiscal year.

### F. Organization and Management<sup>3</sup>

28. The overall responsibility for project implementation lies with the Ministry of Agriculture and Rural Development, which will, in turn, entrust project management and coordination to its *Direction Générale des Forêts* (General Directorate of Forestry). A national coordination committee, headed by the Minister for Agriculture and Rural Development (or his representative) and composed of the directors of the different departments and institutions involved in project implementation at the national level, will approve the annual workplan and budgets and policy issues. At the regional level, the provincial technical committee, chaired by the provincial *wali* (governor) and made up of the project manager and other stakeholders involved in project implementation, will be responsible for ensuring the consensus on and coordination of activities among the various financing and implementation partners. Project implementation at the field level will be under the responsibility of a PMU, which will report directly to the General Directorate of Forestry. Subsidiary agreements between the PMU and the regional administrations will define the precise responsibility of the various

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<sup>3</sup> The organizational chart of the project is presented in Appendix V.

local administrations and specialized technical institutes involved in the implementation of project activities.

### G. Economic Justification

29. **Beneficiaries.** The project will promote a number of different activities that touch upon various aspects of the economic and social lives of the target group. Consequently, the majority of the population is expected to benefit directly or indirectly from the project. The project will benefit some 2 745 farms and 176 artisanal fishermen, or some 10 000 households, for a total of approximately 60 000 people. The target group also includes the unemployed, mainly women and girls. For this group, the project will promote various income-generating activities and microenterprises. The CMPs are expected to provide credit to 4 495 beneficiaries. Of these, 3 154 (70%) will be for handicrafts and small livestock production activities that are usually practised by women and girls. Functional literacy will reach some 3 575 persons, including over 2 000 women and girls. A part of the target group will benefit also from a better quality of life thanks to the actions to improve area access and flood and erosion control.

30. **Benefits.** The main economic benefits anticipated are: (a) an increase in agricultural production and pastoral resources and, consequently an increase in the income earned from agricultural activities; (b) improved socio-economic infrastructure and living conditions (rural tracks, literacy for women and better nutritional balance for rural households); (c) a diversification and increase in incomes from income-generating activities and microenterprises, the fostering of entrepreneurship through business counselling services and the creation of microfinance institutions accessible to the target groups; (d) lower transaction costs as a result of improved access to road infrastructure, the enhanced capacity of producers and microentrepreneurs and broader access to credit; and (e) improved natural resource management. The quantifiable economic benefits are found in the incremental production expected to result from a more diversified agricultural production base (an increase of 2 700 t of grains, 700 000 units of forage, 710 t of fruits, 5 300 t of leguminous crops and 3 600 t of vegetables), in addition to the net benefits yielded by microenterprises. The project will also generate substantial economic benefits that cannot be easily quantified, such as: (a) the reduced degradation of farm, range and woodlands, improved soil fertility through soil and water conservation actions, improved farm practices and flood and erosion control; (b) the safeguarding of the rich biodiversity of natural vegetation; (c) better retention of surface water and replenishment of the water table; (d) the economic value of rural track rehabilitation and literacy training; and (e) the stronger capacity of local communities and grass-roots organizations to take charge of their own development.

31. **Financial and economic return.** Farm and activity models were assessed to ascertain the financial viability of the various agricultural and microenterprise investments. The increases in net income are significant under all the models, ranging from 44-93%. An economic analysis was carried over a 30-year period. If all costs are taken into account, the project would yield an economic internal rate of return of about 14%. If the benefits linked to microenterprises are not included, the figure would be 11%. This rate of return does not reflect a number of non-quantifiable benefits cited above, in paragraph 30, that are significant and constitute one of the project's main contributions in socio-economic terms. The sensitivity analysis showed a fairly robust economic internal rate of return.

### H. Risks

32. The main risk that could affect the project outcome relates to the insufficient development of skills in the application of the tools in the participatory approach. This could limit the ability of the community development agents to establish a dialogue of mutual trust and commitment among beneficiaries, project staff and the various technical services involved in project implementation. To mitigate this risk, the project will promote outreach activities, especially information, communication and awareness-raising, and will provide appropriate training. In addition, a low level of precipitation could influence the growth of fruit tree plantations and forage shrubs, as well as the regeneration of the

natural vegetation. The improved management of natural resources through soil and water conservation and the rational management of rangelands would reduce the impact of drought.

### **I. Environmental Impact**

33. The project is classified as category B. The expected impact is positive overall, particularly given its strong orientation towards the rational management of natural resources, including water, plants, soil and fisheries. The project approach and strategy will promote a process of community development that integrates natural resources as a means of ensuring sustainable economic development. Lower soil erosion rates and the restoration of the plant cover will have the effect of helping to maintain the physical and chemical fertility of the soil. The project will have a positive impact on water resources through: (a) improvement in the capture and control of surface water; (b) the promotion of water-saving irrigation systems; (c) the establishment of a system of continuous monitoring of water tables; and (d) the acquisition of more knowledge about surface water behaviour.

### **J. Innovative Features**

34. The project possesses several innovative features in the context of the mountain zones in Algeria. Local rural development will be fostered through the adoption of the basic socio-territorial unit closest to the household as the level for the implementation of local participatory development plans. It will create a local rural financial infrastructure for the mobilization of savings and the delivery of credit that is now absent. In view of the area's considerable underexploited fisheries resources, the project would help to strengthen and promote artisanal fishing and related activities as rural microenterprises. The project would also support local initiatives linked to the development of ecotourism to capitalize on the appeal of the coastline and its hinterland.

## **PART III – LEGAL INSTRUMENTS AND AUTHORITY**

35. A loan agreement between the People's Democratic Republic of Algeria 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.

36. The People's Democratic Republic of Algeria is empowered under its laws to borrow from IFAD.

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

## **PART IV – RECOMMENDATION**

38. 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 People's Democratic Republic of Algeria in various currencies in an amount equivalent to seven million nine hundred thousand Special Drawing Rights (SDR 7 900 000) to mature on or prior to 15 September 2024 and to bear an interest rate of one half of the reference interest rate per annum as determined by the Fund annually, 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.

Lennart Båge  
President



**SUMMARY OF IMPORTANT SUPPLEMENTARY ASSURANCES  
INCLUDED IN THE NEGOTIATED LOAN AGREEMENT**

(Loan negotiations concluded on 20 November 2004)

1. The Government of the People's Democratic Republic of Algeria (the "Government") will make available to the Ministry of Agriculture and Rural Development (MADR) and to each of the project parties such facilities and services as to carry out the project in accordance with the provisions of the loan agreement.
2. The Government will also make counterpart funds available to MADR, during the project implementation period, in accordance with its national procedures in force. Such counterpart funds will cover all duties, taxes and levies on goods and services needed for the project, personnel and operating costs, as well as its contribution to the costs of the project, including its contribution to the support funds. To this end, the Government will make budget allocations each fiscal year for the amount of the counterpart funds as provided for in the annual workplan and budget (AWP/B) for the respective year.
3. The Government undertakes to pursue all appropriate measures, throughout the duration of the project, in order to finance the relevant portion of the support funds.
4. The Government undertakes to second or recruit the 13 technicians for the provincial technical services, to recruit the community development agents, the information systems specialist and the accounting assistant within the three months following the effective date.
5. The Government undertakes to conclude, within the six months following the effective date, the framework agreements between MADR and the Ministry of Small and Medium-Sized Enterprises and Craft Industries, between MADR and the national agency for employment support for young people, between MADR and the national agency for microcredit management, and between MADR and the Agriculture and Rural Development Bank.
6. The Government undertakes to include complementary operations to rehabilitate bench terracing and to plant fruit and other trees on public-domain property within the framework of the sector programme of the General Directorate of Forestry in pace with project implementation and in collaboration with the PMU.
7. The Government will ensure that the national animal health programme for the Wilaya of Tlemcen gives priority coverage to the project area and is carried out during the first four years of the project.
8. The Government undertakes to give preference – all other things being equal – to female candidates for project posts.
9. The Government will insure project staff against health and accident risks in accordance with its customary practice in respect of its national civil service.
10. As part of maintaining sound environmental practices as required by Section 7.15 (Environmental Factors) of the *General Conditions for Agricultural Development Financing*, the Government will implement or will ensure the implementation of appropriate pest management practices under the project and, to that end, will ensure that pesticides procured under the project do not include any pesticide either proscribed by the International Code of Conduct on the Distribution

and Use of Pesticides of the Food and Agriculture Organization of the United Nations, as amended from time to time, or listed in Tables 1 (Extremely Hazardous) or 2 (Highly Hazardous) of the World Health Organization's Recommended Classification of Pesticides by Hazard and Guidelines to Classification, 1996-1997, as amended from time to time.

11. The monitoring and evaluation (M&E) system to be put in place will ensure, as from the baseline situation, the programming of actions to be undertaken, monitoring of the performance of such actions on the ground, and evaluation of their impact on beneficiaries and on the environment. The proposed system will be organized on three levels:

- (a) **Grass-roots.** Evaluation meetings will be held regularly to quantify and qualify services delivered by partners to the beneficiaries; the meetings will involve the units for community development, programming and monitoring as well as the members of groups and associations.
- (b) **Operating partners.** These partners will provide the applicable materials to the respective officers and monthly notes on the status of implementation and quarterly and annual activity reports to the project's M&E unit.
- (c) **PMU.** An M&E unit will be established under the responsibility of an agricultural economist, assisted by an information technology officer. The unit will be responsible for: (i) setting up a database; (ii) consolidating all reports and data gathered from the various partners in order to prepare the quarterly activity reports on main problems encountered; (iii) preparing the overall schedule of project actions and following up on them; and (iv) preparing a draft AWP/B each year and submitting it to the director of the PMU.

12. With technical assistance support and in line with the logical framework, the project will define the M&E system, including indicators of project performance, physical and financial outcomes, and impact; frequency of monitoring activities; data gathering method; and methods and support for dissemination and use of data. Data analysis and the drafting of the yearly reports will be outsourced to a specialized consulting firm selected on the basis of a competitive tender. Three support missions to implement the system and train staff in its use are planned for the first three years of the project.

13. The director of the PMU, the seven subject-matter specialists, the agricultural economist responsible for M&E and the administrative and financial officer will be recruited under local competitive bidding arrangements published in the national press, in accordance with current procedures of the Government and excluding all forms of discrimination. The recruitment of these officers and, if applicable, any decision to terminate their contracts will be decided upon in agreement with IFAD. Staff so recruited may be drawn from the civil service, in which case they will be considered to be on secondment, or they may be recruited under a renewable contract subject to annual performance evaluations. Their contract may be terminated on the basis of the findings of said evaluations. The recruitment and management of support staff will observe the procedures in force in the People's Democratic Republic of Algeria.

14. The following are conditions precedent to effectiveness:

- (a) the Government has made premises available for the PMU;
- (b) MADR has set up the PMU at Ghazaouet, and the project director, the seven subject-matter specialists, the agricultural economist responsible for M&E and the administrative and financial officer have been appointed;

## ANNEX

- (c) a framework agreement between MADR and *Caisse Nationale de Mutualité Agricole* has been signed for implementation of CMPs in the project area, after prior approval by IFAD;
- (d) the loan agreement has been duly signed and the Government has forwarded to IFAD a presidential decree approving the loan agreement; and
- (e) a legal opinion, issued by the General Secretary of the Government, in form and substance acceptable, has been presented by the Government to IFAD.





APPENDIX I

COUNTRY DATA

ALGERIA

<b>Land area (km<sup>2</sup> thousand) 2002 1/</b>	2 382	<b>GNI per capita (USD) 2002 1/</b>	1 720
<b>Total population (million) 2002 1/</b>	31.32	<b>GDP per capita growth (annual %) 2002 1/</b>	2.5
<b>Population density (people per km<sup>2</sup>) 2002 1/</b>	13	<b>Inflation, consumer prices (annual %) 2002 1/</b>	1.4
<b>Local currency</b>	Algerian dinar (DZD)	<b>Exchange rate: USD 1.00 =</b>	DZD 70
<b>Social Indicators</b>		<b>Economic Indicators</b>	
Population (average annual population growth rate) 1996-2002 1/	1.5	GDP (USD million) 2002 1/	55 914
Crude birth rate (per thousand people) 2002 1/	22	Average annual rate of growth of GDP 1/ 1982-92	1.5
Crude death rate (per thousand people) 2002 1/	5	1992-02	2.7
Infant mortality rate (per thousand live births) 2002 1/	39	Sectoral distribution of GDP 2002 1/	
Life expectancy at birth (years) 2002 1/	71	% agriculture	10
Number of rural poor (million) (approximate) 1/	n/a	% industry	53
Poor as % of total rural population 1/	n/a	% manufacturing	8
Total labour force (million) 2002 1/	10.95	% services	37
Female labour force as % of total 2002 1/	29	Consumption 2002 1/	
<b>Education</b>		General government final consumption expenditure (as % of GDP)	15
School enrolment, primary (% gross) 2002 1/	108 a/	Household final consumption expenditure, etc. (as % of GDP)	44
Adult illiteracy rate (% age 15 and above) 2002 1/	31	Gross domestic savings (as % of GDP)	41
<b>Nutrition</b>		<b>Balance of Payments (USD million)</b>	
Daily calorie supply per capita, 1/	n/a	Merchandise exports 2002 1/	19 130
Malnutrition prevalence, height for age (% of children under 5) 2002 2/	18 a/	Merchandise imports 2002 1/	10 791
Malnutrition prevalence, weight for age (% of children under 5) 2002 2/	6 a/	Balance of merchandise trade	8 339
<b>Health</b>		Current account balances (USD million)	
Health expenditure, total (as % of GDP) 2002 1/	4 a/	before official transfers 2002 1/	n/a
Physicians (per thousand people) 1/	n/a	after official transfers 2002 1/	n/a
Population using improved water sources (%) 2002 2/	89 a/	Foreign direct investment, net 2002 1/	n/a
Population with access to essential drugs (%) 1999 2/	95-100	<b>Government Finance</b>	
Population using adequate sanitation facilities (%) 2002 3/	92 a/	Overall budget deficit (including grants) (as % of GDP) 2002 1/	4 a/
<b>Agriculture and Food</b>		Total expenditure (% of GDP) 2002 1/	31 a/
Food imports (% of merchandise imports) 2002 1/	28 a/	Total external debt (USD million) 2002 1/	22 800
Fertilizer consumption (hundreds of grams per ha of arable land) 2002 1/	137 a/	Present value of debt (as % of GNI) 2002 1/	41
Food production index (1989-91=100) 2002 1/	139	Total debt service (% of exports of goods and services) 2002 1/	n/a
Cereal yield (kg per ha) 2002 1/	1 129	Lending interest rate (%) 2002 1/	9
<b>Land Use</b>		Deposit interest rate (%) 2002 1/	5
Arable land as % of land area 2002 1/	3 a/		
Forest area as % of total land area 2002 1/	1 a/		
Irrigated land as % of cropland 2002 1/	7 a/		

a/ Data are for years or periods other than those specified.

1/ World Bank, *World Development Indicators* CD ROM 2004  
2/ UNDP, *Human Development Report*, 2004

**PREVIOUS IFAD FINANCING IN ALGERIA**

<b>Project Id</b>	<b>Project Name</b>	<b>Initiating Institution</b>	<b>Cooperating Institution</b>	<b>Lending Terms</b>	<b>Board Approval</b>	<b>Loan Effectiveness</b>	<b>Current Closing Date</b>	<b>Loan Acronym</b>	<b>Approved Loan Amount (SDR million)</b>
197	Cereal and Livestock Smallholder Development Project in the Wilaya of Tiaret	IFAD	AFESD	O	03 Dec 86	24 Sep 87	31 Mar 97	L - I - 197 - AL	8.5
226	Pilot Project in Algeria and Tunisia for the Integrated Rural Development of the Mellegue Watershed	IFAD	AFESD	O	15 Sep 88	09 Sep 89	30 Jun 99	L - I - 226 - AL	10.9
276	Artisanal Fisheries Pilot Development Project	IFAD	UNOPS	O	12 Dec 90	01 Aug 92	30 Jun 01	L - I - 276 - AL	8.1
581	Pilot Project for the Development of Mountain Agriculture in the Watershed Province of Oued Saf Saf	IFAD	UNOPS	I	06 Dec 01	18 Feb 03	30 Sep 10	L - I - 581 - DZ	9.7
628	Rural Development Project for the Mountain Zones in the North of the Wilaya of M'Sila	IFAD	UNOPS	I	18 Dec 03	17 Aug 04	31 Dec 11	L - I - 628 - DZ	12.15

Notes: AFESD = Arab Fund for Economic and Social Development  
 I = Intermediate  
 O = Ordinary  
 UNOPS = United Nations Office for Project Services

## IFAD PORTFOLIO AND STRATEGIC FRAMEWORK

### IFAD's Assistance

1. IFAD's assistance to Algeria has been geared towards supporting government strategy and related reforms initiated in 1996. The focus of the strategy has been to shift emphasis from a centrally planned agricultural sector to a market-oriented one driven by the private sector. On this basis and considering the limited capacity of existing agricultural support services to meet the needs of private farmers, IFAD's strategy has so concentrated on pilot interventions potentially replicable country-wide, targeted towards lower income groups and priority subsectors involving basic food products and production systems.

2. IFAD has so far supported five projects in Algeria (See Appendix II) with a total cost of USD 124.8 million, of which IFAD loans financed a total of USD 66.6 million or 53%, while the Government financed the other 47%. Two loans (197-AL and 226-AL) were administrated by the Arab Fund for Economic and Social Development (AFESD), which did not provide cofinancing. The three other projects (276-AL, 581-DZ and 628-DZ) were assigned to the United Nations Office for Project Services. The first three loans were on ordinary terms, while the last two are on intermediate terms. The average implementation period of closed loans was 9.5 years.

### IFAD's Strategic Framework

3. The general framework within which IFAD's strategy for Algeria is set, relates to assisting the Government in four main directions. They are:

- **Area-based community development.** The focus will be on area-based rural development rather than on commodity-specific agricultural development. Agricultural development and improved living conditions for farmers can only be achieved if they are addressed in the context of a community-driven rural development approach in addition to commodity-specific support. Productivity of farmers cannot be isolated from the availability of the required rural infrastructure (including rural roads, electrification, water, education, health, etc.), access to markets and locally available rural financial services. Addressing the basic needs and aspirations of farming communities creates a favourable environment for growth and a stronger linkage between the population and the rural milieu.
- **Food security and production diversification.** This will place a focus on food security at the national and household levels by supporting commodities with a comparative advantage on national and international markets, and by creating a favourable environment for a healthy private sector.
- **Decentralization.** Devolved/decentralized planning and implementation will be emphasized through support for the creation and strengthening of local institutions and grass-roots organizations and devolution of human and financial resources to the regions.
- **Access to resources.** Promote the access of the private sector, in particular poor rural households, to productive resources including land, water, technological know-how and financial services.

**LOGICAL FRAMEWORK**

<b>PROJECT DESCRIPTION</b>	<b>OBJECTIVELY VERIFIABLE INDICATORS</b>	<b>VERIFICATION SOURCES</b>	<b>ASSUMPTIONS AND RISKS</b>
<p><b>Overall objective:</b> The living conditions and income of poor households in communities targeted by the project are improved.</p>	<ul style="list-style-type: none"> <li>By the end of the project, the average poverty index of households in the targeted community is down by 30%.</li> </ul>	<ul style="list-style-type: none"> <li>Project impact survey</li> </ul>	
<p><b>Project objective:</b> The local capacities in the participatory management of communities for a sustainable rural development process contributing to the increase, diversification and stability of income are strengthened.</p>	<ul style="list-style-type: none"> <li>Average household income in project area increased by 15% at the end of the project.</li> </ul>	<ul style="list-style-type: none"> <li>Project impact survey</li> </ul>	
	<ul style="list-style-type: none"> <li>By the end of the project, 50% of the families who had left their home have returned.</li> </ul>	<ul style="list-style-type: none"> <li>Annual Progress Reports</li> <li>Project impact survey</li> </ul>	
	<ul style="list-style-type: none"> <li>By the end of the project, the CDCs (Community Development Committees) are operational in at least 50% of targeted communities.</li> </ul>	<ul style="list-style-type: none"> <li>Annual Progress Reports</li> </ul>	
	<ul style="list-style-type: none"> <li>By the end of the project, at least 15% of the CDCs operating in the project area could implement other development actions beyond those of the project.</li> </ul>	<ul style="list-style-type: none"> <li>Annual Progress Reports</li> <li>Project impact survey</li> </ul>	
<p><b>Project results:</b> <b>Comp. 1: Reinforcement of local capacities</b> 1.1. The participatory process of programming, implementation and monitoring of local development actions involving the various stakeholders is operational.</p>	<ul style="list-style-type: none"> <li>The number of PDCs (Community Development Plans) approved by the project and being implemented by the CDCs increases from 52 in the 2<sup>nd</sup> project year to 300 by the end of the project.</li> </ul>	<ul style="list-style-type: none"> <li>Annual Progress Reports</li> <li>PMU monitoring forms</li> </ul>	<p>- Low mobilization of women due to cultural constraints</p>
<p>1.2. Participation by women and young people in the participatory process of programming, implementation and monitoring of local development actions is strengthened.</p>	<ul style="list-style-type: none"> <li>By the end of the project, the disadvantaged social groups (women and young people) are represented by at least one member in the CDCs for at least 50% of targeted communities.</li> </ul>	<ul style="list-style-type: none"> <li>Annual Progress Reports</li> <li>Articles of incorporation for CDCs</li> </ul>	
	<ul style="list-style-type: none"> <li>The number of micro-enterprises filed by women and completed increased from 20% by mid-term to 40% by the end of the project.</li> <li>The number of micro-enterprises filed by young people and completed increased from 15% by mid-term to 30% by the end of the project.</li> </ul>	<ul style="list-style-type: none"> <li>Annual Progress Reports</li> <li>PMU monitoring forms</li> </ul>	

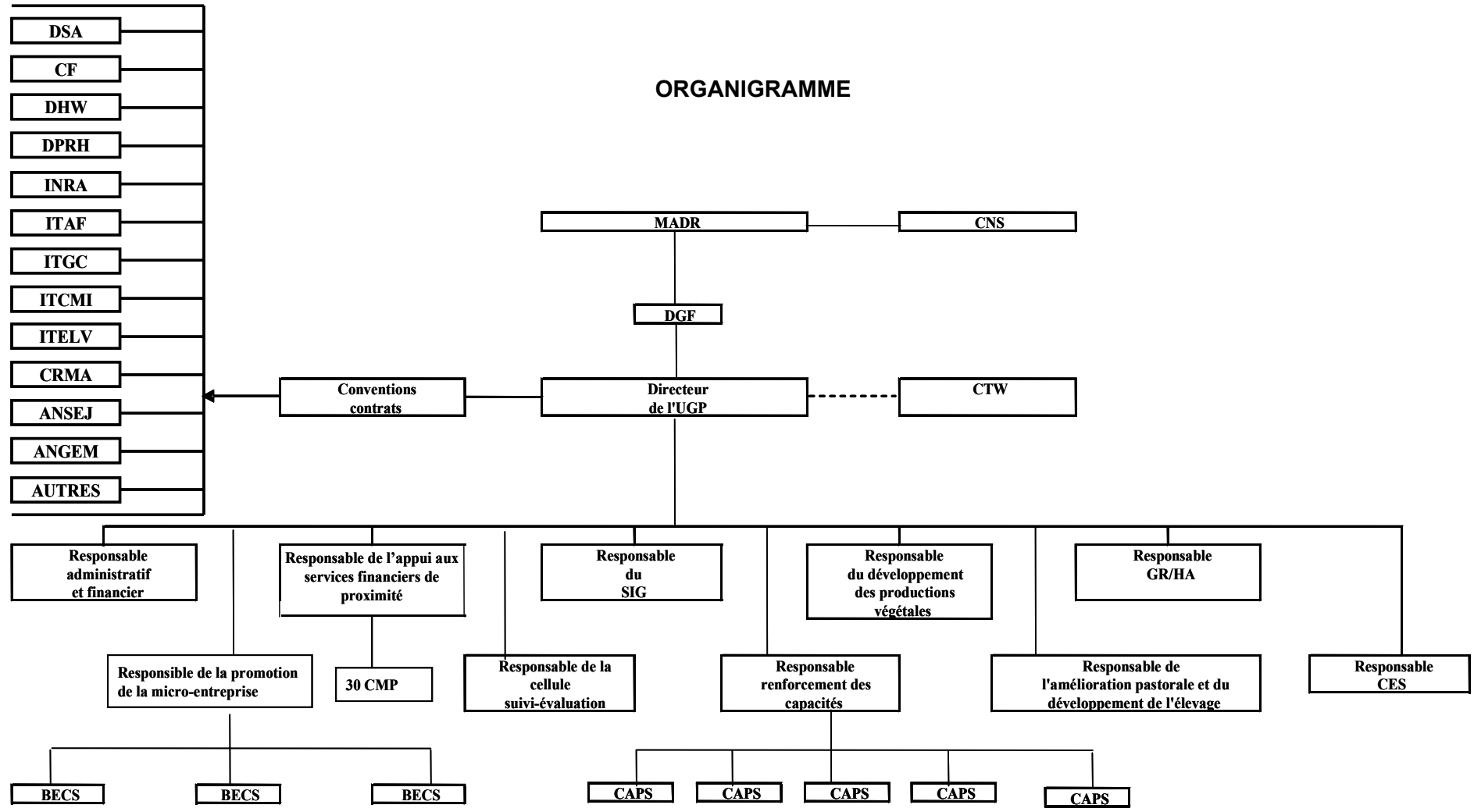
PROJECT DESCRIPTION	OBJECTIVELY VERIFIABLE INDICATORS	VERIFICATION SOURCES	ASSUMPTIONS AND RISKS
<b>Comp. 2: Natural resources management</b>			
2.1. Water and soil conservation works and measures to protect the project infrastructures are applied by the communities.	<ul style="list-style-type: none"> <li>• 25% of farmed land is improved by soil and water conservation measures by the end of the project.</li> <li>• 50% of the project infrastructures are protected by flood control works by the end of the project.</li> </ul>	<ul style="list-style-type: none"> <li>• Project impact study</li> <li>• Annual Progress Reports</li> </ul>	
2.2. The collective infrastructures for mobilization of surface waters created under the PDCs are managed rationally by the communities.	<ul style="list-style-type: none"> <li>• The irrigated surfaces in the poor household farms in the project area were up by 15% at the end of the project.</li> <li>• By the end of the project, 80% of the collectively owned infrastructures for mobilization of surface water are managed and maintained by users groups operating on the basis of internal procedures formulated with assistance from the project.</li> </ul>	<ul style="list-style-type: none"> <li>• Project impact study</li> <li>• Annual Progress Reports</li> <li>• Annual Progress Reports</li> <li>• Project stakeholders' visit reports</li> </ul>	
2.3. The rural tracks built under the PDCs are maintained regularly by the communities.	<ul style="list-style-type: none"> <li>• By the end of the project, 80% of rural tracks are managed and maintained by users associations operating on the basis of internal procedures formulated with assistance from the project</li> </ul>	<ul style="list-style-type: none"> <li>• Annual Progress Reports</li> <li>• Project stakeholders' visit reports</li> </ul>	
<b>Comp. 3: Intensification/diversification of agricultural production</b>			
3.1. Adapted cropping systems to local conditions are intensified.	<ul style="list-style-type: none"> <li>• 50% of targeted farms in the project area introduced at least one intensifying technique in the cropping pattern for main productions by the end of the project.</li> </ul>	<ul style="list-style-type: none"> <li>• Annual Progress Reports</li> <li>• PMU monitoring forms</li> <li>• Farmers Surveys Reports</li> </ul>	
3.2. The productivity of the agropastoral system is improved.	<ul style="list-style-type: none"> <li>• Pasture and forage production in the project area is up by 8% at the end of the project.</li> </ul>	<ul style="list-style-type: none"> <li>• Annual Progress Reports</li> <li>• PMU monitoring forms</li> <li>• Rangeland biological monitoring form</li> </ul>	
	<ul style="list-style-type: none"> <li>• 50% of targeted farms in the project area show growth in their herd by the end of the project.</li> </ul>	<ul style="list-style-type: none"> <li>• Annual Progress Reports</li> <li>• PMU monitoring forms</li> <li>• Farmers Surveys Reports</li> </ul>	
	<ul style="list-style-type: none"> <li>• By the end of the project, 40% of the women having received thematic trainings (including functional literacy) are involved in income-generating activities.</li> </ul>	<ul style="list-style-type: none"> <li>• Annual Progress Reports</li> <li>• PMU monitoring forms</li> </ul>	

PROJECT DESCRIPTION	OBJECTIVELY VERIFIABLE INDICATORS	VERIFICATION SOURCES	ASSUMPTIONS AND RISKS
<b>Comp. 4: Support for local rural financial services and for promotion of micro-enterprises</b>  4.1. Local rural financial services providing access to credit for disadvantaged social groups and managed by associations and groups of beneficiaries are operating.	<ul style="list-style-type: none"> <li>At the end of the project, at least one woman is a member of one of the governing bodies of each CMP.</li> </ul>	<ul style="list-style-type: none"> <li>Annual Progress Reports</li> <li>CMP monitoring forms</li> <li>Project impact study</li> </ul>	
	<ul style="list-style-type: none"> <li>Among the beneficiaries of rural financial services created by the project, the proportion of women is 25% at mid-term and 35% at the end of the project.</li> </ul>	<ul style="list-style-type: none"> <li>Annual Progress Reports</li> <li>CMP monitoring forms</li> <li>Project impact study</li> </ul>	
	<ul style="list-style-type: none"> <li>The recovery rate for loans granted is 90% at the end of the project.</li> </ul>	<ul style="list-style-type: none"> <li>Annual Progress Reports</li> <li>CMP monitoring forms</li> </ul>	
4.2. Support the creation of micro-enterprises by target groups is strengthened.	<ul style="list-style-type: none"> <li>The rate of operational micro-enterprises among those created is 40% at the end of the project.</li> </ul>	<ul style="list-style-type: none"> <li>Annual Progress Reports</li> <li>PMU monitoring forms</li> <li>Statistics by partner banks</li> </ul>	
	<ul style="list-style-type: none"> <li>Among the operational micro-enterprises, those led by women constitute 25% at mid-term and 40% at the end of the project.</li> </ul>	<ul style="list-style-type: none"> <li>Annual Progress Reports</li> <li>PMU monitoring forms</li> <li>Statistics by partner banks</li> </ul>	
<b>Comp. 5: Project coordination and management</b> 5.1. Project Management is operating efficiently.	<ul style="list-style-type: none"> <li>A Project Management Unit is fully operational by the end of the 1<sup>st</sup> project year at the latest.</li> </ul>		<ul style="list-style-type: none"> <li>- Selection of the Regional Coordination Committee members is appropriate.</li> <li>- The PMU location is appropriate.</li> </ul>
5.2. The M&E system for project activities is operational.	<ul style="list-style-type: none"> <li>The minimal rate of completion of the monitoring-evaluation matrix for the effects and impact of the project is 50% at mid-term and 70% at the end of the project.</li> </ul>		
<b>Project activities:</b> (cf. attached list of activities)			

## LIST OF ACTIVITIES

- 1.1.1. Train project management and other stakeholders and line agencies staff as well as the Community Development Agents on the participatory approach
- 1.1.2. Carry out a communication and information program at the community level
- 1.1.3. Formulate the CDPs and LRDPs with the target population
- 1.2.1. Sensitize women and young people about participation in the CDCs
- 1.2.2. Train women on income-generating activities and inform them about market access conditions
- 2.1.1. Promote the implementation of small-scale surface water mobilization infrastructures in a participatory manner
- 2.1.2. Formulate internal procedures for users groups and associations who will be managing and maintaining small infrastructure created by the project
- 2.1.3. Formulate a programme for the management of space in the project area (soil and water conservation work)
- 2.2.1. Promote the rehabilitation of rural tracks in a participatory manner
- 2.2.2. Formulate internal procedures for users associations who will be managing and maintaining rural tracks rehabilitated by the project
- 3.1.1. Promote fruit tree planting
- 3.1.2. Promote the development of greenhouse farming
- 3.1.3. Define in a participatory manner a programme for technical support and demonstration to be implemented by the specialized technical institutes
- 3.2.1. Promote the reconstitution of the livestock herd to improve animal production in the project area
- 3.2.2. Formulate in a participatory manner a programme for advisory support and demonstration to be implemented by the Livestock Technical Institute
- 4.1.1. Introduce the local rural financial services (Savings and Loans Associations), through a partnership with the national mutualist credit system and the communities concerned
- 4.1.2. Sensitize the community members about the advantages of participation in the Savings and Loans Network
- 4.1.3. Support the organization of women for improved access to credit
- 4.2.1. Support beneficiaries, especially young people, in design, implementation and monitoring of micro-enterprises
- 4.2.2. Support women in access to advisory support, equipment, raw materials and markets
- 5.1.1. Create an autonomous Project Management Unit
- 5.1.2. Prepare annual workplans and activity progress reports
- 5.2.1. Introduce a monitoring and evaluation system for project activities
- 5.2.2. Monitor project activities regularly

**ORGANIGRAMME**



- DSA
- CF
- DHW
- DPRH
- INRA
- ITAF
- ITGC
- ITCMI
- ITELV
- CRMA
- ANSEJ
- ANGEM
- AUTRES

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