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**IMPLEMENTATION OF THE FIRST CYCLE
OF THE
PROGRAMME FOR PARTICIPATORY RURAL DEVELOPMENT IN HAUTE-GUINÉE
FINANCED UNDER THE FLEXIBLE LENDING MECHANISM**

For: Information

Note to Executive Board Directors

This document is submitted for the information of the Executive Board.

To make the best use of time available at Executive Board sessions, Directors are invited to contact the following focal point with any technical questions about this document before the session.

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**IMPLEMENTATION OF THE FIRST CYCLE
OF THE
PROGRAMME FOR PARTICIPATORY RURAL DEVELOPMENT IN HAUTE-GUINÉE
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1. The attention of the Executive Board is invited to the following information on implementation of the first cycle of the Programme for Participatory Rural Development in Haute-Guinée (PPDR-HG) in the Republic of Guinea, which is funded under the Flexible Lending Mechanism (FLM).

I. INTRODUCTION

2. The Executive Board approved the creation of the FLM at its sixty-fourth session, in September 1998. The three main differences between a loan provided under the FLM and a standard IFAD loan are as follows:

- longer loan periods (10-12 years) to allow for the achievement of sustainable development objectives;
- a continuous and evolving design process through implementation of distinct, three- to four-year cycles; and
- specification of clearly defined preconditions or “triggers” for proceeding on to subsequent cycles.

3. Paragraph 13 of the report on the establishment of the FLM (EB 98/64/R.9/Rev.1) 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. The document presented to the Board will set out the lessons learned from initial cycles and their incorporation into subsequent cycles, the attainment of physical targets, progress towards meeting long-term development objectives, and achievement of the preconditions stipulated in the loan agreements.”

4. The purpose of the present information paper, the contents of which are based on the findings of a first-cycle assessment mission (FCAM) fielded in March 2006, is to report on PPDR-HG progress in achieving the first-cycle triggers. The FCAM comprised staff members at the Office of the Controller, the Office of the General Counsel, and Western and Central Africa Division.

II. BACKGROUND

5. The overall objective of the programme is to contribute, in a sustainable manner, to the improvement of incomes and living conditions among the target group, especially women and other vulnerable groups. Specific objectives include: (i) fostering self-managed sustainable grass-roots organizations capable of undertaking their own development; (ii) promoting sustainable rural financial service systems, with an emphasis on meeting women’s needs; (iii) raising on-farm and off-farm household incomes; and (iv) ensuring the participatory and rational planning and use of programme resources, while promoting coordination with other donors.

6. The main objective of the first cycle of the programme was to set up institutions, mechanisms and procedures, ensure their workability and develop investment activities. The second cycle will continue to strengthen the institutional framework and expand the investment activities. The third and

final cycle will focus on consolidating achievements and implementing an appropriate exit strategy to ensure the sustainability of programme-supported operations.

7. Main programme components include:

- **Local capacity-building.** This component aims at strengthening the capacity of communities and grass-roots groups, especially women and other vulnerable groups, to undertake their own development. To this end, the programme will: (i) launch an information campaign on its approach, gender focus, potential support and limitations and (ii) support a participatory analysis of the main constraints faced by men and women in the target villages, their priorities for overcoming such constraints and the resources they will be able to mobilize for this purpose. Existing social structures and organizations will support voluntary group formation. Care will be taken to ensure that women's interests are safeguarded in terms of priority setting in the implementation schedule and in group formation. Functional literacy training will be provided to members of voluntary groups and to other interested persons
- **Support for local initiatives and agricultural development.** The programme will finance both: (i) microprojects identified and designed in a participatory manner; and (ii) agricultural development and local initiatives that cannot be considered microprojects. Microprojects will include: (i) social infrastructure (schools, health posts, drinking water supplies, literacy training centres, community centres, etc.); and (ii) infrastructure investments that help reduce local transaction costs, including road repairs and upgrading, building, or repair of marketplaces, slaughterhouses and village stores. The programme will also provide funding for agriculture and marketing support activities.
- **Rural financial services.** The programme will support the establishment of about 50 local associations focusing on women's needs. Financial services associations (FSAs) will focus mainly on modest, short-term individual loans. For productive microprojects requiring long-term financing, such as for processing equipment, other sources of financing will be needed. For this purpose, if and when possible, the programme will provide funding for short- and medium-term loans to existing financial intermediaries such as *Crédit rural* or by means of guarantees with commercial banks. The financial activities of FSAs will be supervised by the Central Bank, while the Ministry of Agriculture and Livestock will be involved in monitoring the technical aspects of this innovative local financial service. Both institutions will be supported by the programme through the provision of equipment, staff training and operating costs for field visits.
- **Programme coordination and management.** The programme is being implemented under the responsibility of the Ministry of Agriculture and Livestock. A programme coordination unit with administrative and financial autonomy has been established in Kankan and is responsible for the overall coordination of the implementation of project activities. A programme steering committee, chaired by the ministry, is responsible for approving the annual workplan and budget. In the third cycle, a representative of the beneficiaries will co-chair the steering committee. A participatory monitoring and evaluation system has been established to monitor programme results.

III. PROGRAMME ACHIEVEMENTS DURING THE FIRST CYCLE

8. The programme experienced initial difficulties mainly because of repeated portfolio suspensions due to arrears, high turnover among project staff and insufficient and late disbursement of counterpart funds. These difficulties resulted in delays in project implementation and caused the first cycle to last five years instead of three. During the first five years of the programme implementation period (2001-2006),¹ institutional arrangements have been made for carrying out programme activities at the national level and in the Kankan administrative region that constitutes the programme zone.

9. Key activities undertaken to date include the following:

- Of the 100 farmers groups that have been structured or consolidated, 73% have obtained legal status and internal regulations. Ten participatory diagnoses and development plans have been prepared.
- About 7,200 persons, of whom about 60% are women, have been trained in numerous areas, notably group management and literacy education.
- About 70 microprojects have been identified in a participatory manner.
- About 50 km of rural roads and bridges have been constructed.
- The 13 FSAs that have been formed are fully operational and are providing credits. About 8,800 loans have been made by FSAs, of which 65% have benefited women.
- Studies have been undertaken, including an anthropometric study and a study on the diagnosis of the shea tree production chain.

10. Of the overall IFAD loan of SDR 10.2 million, US\$2.3 million was allocated for the first cycle. As of the end of September 2006, the entirety of this amount will be disbursed. Disbursement delays have been encountered in most of the categories due to long periods of IFAD portfolio suspension.

IV. LESSONS LEARNED

11. A number of important lessons have been learned during the first cycle of PPDR-HG. The relevance of the lessons have sometimes gone beyond the scope of the programme itself.

12. **Institutional set-up.** The relevance and effectiveness of the institutional architecture for programme management and governance need to be monitored on a regular basis. During the FCAM, programme stakeholders raised a number of issues that may call for design adjustments. These include:

- **Consultative communities committees.** The creation of these committees was not considered appropriate because their responsibilities and roles are similar to those of the community councils in the local decentralized government system.
- **Microprojects financing.** The strategy set out in the appraisal report for financing microprojects through small loans from banks was unrealistic in a region such as Kankan with no banking institutions. Other mechanisms and strategies should have been sought to deal with this important issue.

¹ Due to IFAD successive portfolio suspensions as a result of arrears, during the five-year implementation period under consideration, the effective implementation period of the programme was about three years.

- **Implementing agencies.** The financial, human and technical capacity of the majority of implementing agencies in the region was very weak. Therefore, the established criteria in terms of the modalities of payment should have been adapted to local conditions.
- **Exit strategy.** The exit strategy and the sustainability issue were not fully discussed at the design stage. This strategy needs to be thoroughly analysed and put in place during the first year of implementation of the second cycle.
- **Staff turnover.** The programme faced a high rate of staff turnover, especially in the administrative and financial unit. This negatively impacted the financial management of the programme.
- **Portfolio suspension.** The successive IFAD portfolio suspensions seriously hampered the implementation of the programme.

13. **Relevance of the FLM approach.** PPDR-HG is an innovative intervention inasmuch as it attempts to establish higher-level representation organizations that will serve as decision-making bodies and continue rural development activities once the programme comes to an end. It also seeks to achieve greater beneficiary participation in the selection and oversight of microproject service providers than has historically been the case in Guinea. It was understood that putting these ambitions into effect would be a long-term process and would call for considerable flexibility because the most appropriate institutional architecture was not yet defined at the outset. It was also understood that it would be essential to carry out periodic assessments and to adjust the design of the programme as more and more experience was gained. In view of these considerations, the FLM approach was thought to be conducive to meeting these needs.

14. While the FLM approach appears to be an appropriate vehicle for improving programme effectiveness, strengthening the institutions envisaged at the design stage so that they may fulfil their roles effectively will clearly take considerable time. During the FCAM, all stakeholders, including the Government and participating institutions, acknowledged the need for adjusting the programme design.

V. ACHIEVEMENT OF FIRST-CYCLE TRIGGERS

15. The main objective of PPDR-HG during the first cycle was to set up programme institutions, mechanisms and procedures, ensure their workability and develop investment activities. These objectives are reflected in the six triggers selected to set in motion the transition from the first to the second cycle. Each trigger is specified below, and information is provided on their current status.

Institutional Triggers

- (i) A financial management and internal control system has been established and provides relevant management and financial information.

The system has been established and provides relevant information. However, the financial management of the programme still needs to be improved.

- (ii) A monitoring and evaluation system is performing well in evaluating the fulfilment of the triggers for proceeding from one cycle to the next. Reports have been prepared within the established timetable and before the deadline, and planned participative evaluations have been undertaken.

The monitoring and evaluation system has been established, but it is not performing well. The system still needs to be fine-tuned.

- (iii) The mechanism and procedures for financing action plans and microprojects have been clearly spelled out in the implementing manual on “Funds to support local initiatives”.

This trigger has been met.

Economic, Technical and Financial Triggers

- (iv) The action plans and the microprojects take into account the priorities and the needs of the most vulnerable groups.

This trigger has been met

- (v) At least 30% of the basic initiatives have directly benefited women.

This trigger has been met

- (vi) At least 12 FSAs have been formed and are in operation.

Thirteen financial associations have been formed and are in full operation. This trigger has been met and has exceeded the established target.

VI. CONCLUSION

16. PPDR-HG is the first IFAD intervention that was approved for funding under the FLM in Guinea. In this particular case, the FLM has served its original purpose of compelling programme stakeholders, including IFAD staff and management, to put greater attention on implementation effectiveness and on ensuring that there is a continuously evolving process of design based on experience. The fielding of four supervision missions and numerous follow-up and technical implementation support missions demonstrates this increased focus on implementation effectiveness. Moreover, the FCAM was undertaken with the strong participation of IFAD staff (Office of the General Counsel, the Office of the Controller, and the Western and Central Africa Division), government representatives, other institutions and resource persons. A reformulation of the programme for the second cycle has been undertaken and is taking into account the lessons learned during the first cycle and the conclusions and recommendations of the FCAM.

17. Given that the first cycle lasted five years (2001-2005) instead of three and in light of the remaining implementation period of five years instead of seven, it was recommended that the second and the third cycles be merged into one. Additionally, it was recommended that disbursements for the second cycle will be subject to the submission of borrower’s proposal for the improvement of financial management and the monitoring and evaluation system, as well as borrower’s settlement of arrears in counterpart funds amounting to approximately US\$200,000.

18. Given that the triggers have been largely met and subject to the conditions indicated above, PPDR-HG has been considered ready to move from cycle I to cycle II subject to an amendment to the loan agreement, including a merge of cycle II and cycle III loan resources into one cycle (totalling US\$7.89 million).