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Enabling the rural poor
to overcome poverty

President's report

Proposed loan and grant to the Gabonese Republic for the

Agricultural and Rural Development Project

Executive Board — Ninety-first Session
Rome, 11-12 September 2007

For: **Approval**

Note to Executive Board Directors

This document is submitted for approval by the Executive Board.

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Recommendation for approval

The Executive Board is invited to approve the recommendation for the proposed loan and grant to the Gabonese Republic for the Agricultural and Rural Development Project, as contained in paragraph 35.

Map of the project area

Gabon

Agricultural and Rural Development Project



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.

Map compiled by IFAD

Gabonese Republic

Agricultural and Rural Development Project

Financing summary

Initiating institution:	IFAD
Borrower:	Gabonese Republic
Executing agency:	Ministry of Agriculture, Livestock and Rural Development
Total project cost:	US\$8.6 million
Amount of IFAD loan:	SDR 3.8 million (equivalent to approximately US\$5.7 million)
Amount of IFAD grant:	SDR 0.2 million (equivalent to approximately US\$0.3 million)
Terms of IFAD loan:	18 years, including a grace period of three years, with an interest rate equal to the reference interest rate per annum as determined by the Fund annually
Cofinancier(s):	OPEC Fund for International Development (OFID)
Amount of cofinancing:	OFID: US\$0.2 million
Contribution of borrower:	US\$2.2 million
Contribution of beneficiaries:	US\$0.3 million
Appraising institution:	IFAD
Cooperating institution:	United Nations Office for Project Services (UNOPS)

Proposed loan and grant to the Gabonese Republic for the Agricultural and Rural Development Project

I. The project

A. Main development opportunity addressed by the project

1. The Gabonese economy has for some time been heavily dependent on the oil and timber sectors. Following the economic crisis that the country underwent in the 1990s and early 2000s, Gabonese policymakers began seeking ways to diversify livelihood activities. The Woleu-Ntem Province provides this opportunity.

B. Proposed financing

Terms and conditions

2. It is proposed that IFAD provide to the Gabonese Republic a loan in the amount of SDR 3.8 million (equivalent to approximately US\$5.7 million), on ordinary terms, and a grant in the amount of SDR 0.2 million (equivalent to approximately US\$0.3 million) to help finance the Agricultural and Rural Development Project. The loan will have a term of 18 years, including a grace period of three years, with an interest rate equal to the reference interest rate per annum as determined by the Fund annually.

Relationship to the IFAD performance-based allocation system (PBAS)

3. The allocation defined for Gabon (a minimum allocation country) under the PBAS utilizes both the three-year PBAS cycle, 2007-2009, and the subsequent allocation period.

Country debt burden and absorptive capacity of the State

4. Debt servicing payments continue to be high because of the large proportion of non-concessional debt. Gabon is not eligible for debt relief under the Debt Initiative for Heavily Indebted Poor Countries. The total debt-to-GDP ratio declined from 99.5 per cent in 1994 to 62.6 per cent in 2003. With respect to the country's borrowing, disbursement and repayment record, IFAD has financed two operations in Gabon for a total loan amount of US\$21.9 million. The first project closed prematurely and the other was cancelled in 2000, owing to the Government's inability to honour its debt service obligations.

Flow of funds

5. The IFAD loan and grant will be channelled to the Ministry of Economy and Finance. Over the six-year implementation period, the loan and grant proceeds will be disbursed on the basis of the annual workplans and budgets and deposited into bank accounts opened by the Government in a commercial bank acceptable to IFAD.

Supervision arrangements

6. The United Nations Office for Project Services will act as cooperating institution and will undertake at least one supervision mission per annum.

Exceptions to IFAD General Conditions for Agricultural Development Financing and operational policies

7. None.

Governance

8. The following measures are intended to enhance the governance aspects of the IFAD financing: (i) service provider contracts will be awarded and procurement of goods and services undertaken on a competitive basis and in accordance with the procurement guidelines of IFAD and the cooperating institution; (ii) project accounts will be audited by independent auditors; and (iii) project staff will be competitively recruited for two years contingent on a yearly performance review.

C. Target group and participation

Target group

9. The project will target 28,000 smallholder farmers including women, young people, elderly people and Pygmies. This target group – of which women will account for at least 50 per cent and young people 30 per cent – is spread across 160 villages (one-third of the villages in Woleu-Ntem Province) and 240 farmers' organizations. Indirectly, the project will reach 70,000 people through sensitization activities in the province.

Targeting approach

10. In accordance with the IFAD Policy on Targeting, the project will implement a two-level strategy entailing geographical and social targeting. The geographical targeting will focus on Woleu-Ntem Province where the incidence of poverty is high and agricultural potential is great. In the case of social targeting, the rural population will identify the poorest individuals or groups, who will use the microprojects to achieve the project objective.

Participation

11. Farmers' organizations involved in microproject design and implementation will provide feedback on achievements to their members at the village level. They will also participate in the analysis of project support efficiency, and of the project monitoring and evaluation system. Other value chain members will be an integral part of the value chain analysis to identify constraints in order to ensure the success of microprojects. The provincial technical coordination committee to be put in place by the project will be the platform for collaboration between the project and other organizations involved in agricultural and rural development in Woleu-Ntem Province.

D. Development objectives

Key project objectives

12. The overall goal of the project is to help reduce rural poverty in the target area by enhancing the access of the rural poor to value chains with market potential. Specifically, the project aims to: (i) develop value chains (for banana, cassava and peanuts) with significant market potential to the benefit of the target groups; (ii) strengthen the capacity of smallholders and smallholder organizations involved in these value chains; and (iii) strengthen the capacity of the providers of services to rural communities.

Policy and institutional objectives

13. Project activities will contribute to the diversification of the Gabonese economy and to poverty reduction as envisaged under the Orientation Law on the Economic and Social Development Strategy and the Growth and Poverty Reduction Strategy Paper. Upon completion, it is expected that the project will have enabled farmers' organizations to defend the economic interests of their members and that a collaborative spirit will have been created among them. In addition, the project will help gather production data on the proposed value chains and put in place a market information system to improve marketing efficiency.

IFAD policy and strategy alignment

14. A country strategic opportunities programme is not mandatory for Gabon because of its minimum PBAS allocation. The project is fully aligned with the IFAD Strategic Framework 2007-2010 and is also consistent with the IFAD Policy on Targeting.

E. Harmonization and alignment

Alignment with national priorities

15. The goal and objective of the project are in line with the Growth and Poverty Reduction Strategy Paper, which considers agriculture as an engine for economic diversification. To address the challenges of food security, competitiveness and

natural resource management, the agricultural sector will focus on three key areas: (i) promotion of smallholder farming; (ii) support to small and medium-sized agricultural enterprises; and (iii) the shift from extensive to intensive production systems.

Harmonization with development partners

16. The project will work closely with other development partners including government technical services, research and training institutions, NGOs and consulting firms. All such collaboration will be handled by the provincial technical coordination committee, which is designed to coordinate the different interventions and ensure complementarity among all organizations involved in agricultural and rural development.

F. Components and expenditure categories

Main components

17. The total cost of the project is US\$8.6 million. It has three main components: (i) promotion of agricultural value chains with market potential (57.3 per cent of project loan); (ii) strengthening the capacity of various value chain participants (25.5 per cent); and (iii) coordination, and monitoring and evaluation (17.1 per cent).

Expenditure categories

18. There are eight expenditure categories for the proposed loan: (i) civil works (0.5 per cent); (ii) materials, equipment and vehicles (7.4 per cent); (iii) technical assistance, training and information (19.2 per cent); (iv) studies (2.9 per cent); (v) microprojects (36.3 per cent); (vi) service provision (9.2 per cent); (vii) salaries and allowances (10.0 per cent); and (viii) operating costs (4.5 per cent).

G. Management, implementation responsibilities and partnerships

Key implementing partners

19. The lead agency will be the Ministry of Agriculture, Livestock and Rural Development. The key implementing partners will be farmers' organizations; other value chain participants; and the public, private and civil society (NGO) service providers operating in Woleu-Ntem Province.

Implementation responsibilities

20. A project management unit with administrative and financial autonomy will be established in Woleu-Ntem Province to oversee the implementation of activities, which will be contracted out to service providers by the project.

Role of technical assistance

21. The project will receive assistance from national and international technical experts. Two United Nations volunteers will work for two years and additional international experts for 13 months to help the project start operations. National technical assistance will work with the project to respond to the needs of farmers' organizations.

Status of key implementation agreements

22. The project will sign conventions with research and academic institutions and with Government organizations at the national, provincial and departmental level to obtain specialized technical assistance. These conventions are aimed at supporting the design of microprojects.

Key financing partners and amounts committed

23. The IFAD loan totals US\$5.7 million (66.4 per cent), while the grant provides US\$0.3 million (3.2 per cent). The Government will contribute US\$2.2 million (25.2 per cent) and the beneficiaries US\$0.3 million (3.0 per cent). The OPEC Fund for International Development is expected to provide US\$0.2 million (2.3 per cent).

H. Benefits and economic and financial justification

Main categories of benefits generated

24. Project benefits will include: (i) enhanced production of cassava, banana and peanuts by 100 per cent; (ii) an increase of nearly US\$2 million per annum in the income of smallholder farmers for the three commodities; (iii) improved access by smallholder farmers to support services through better organization; and (iv) better health, hygiene and living conditions for the target group through provision of relevant information.

Economic and financial viability

25. The economic analysis of the project yields an economic internal rate of return of 13 per cent. This rate can be considered satisfactory, given that the underlying assumptions are conservative. The economic net present value, using a 12 per cent opportunity cost of capital, is estimated at US\$0.3 million.

I. Knowledge management, innovation and scaling up

Knowledge management arrangements

26. The project will adopt a holistic approach to knowledge management. It will collect all necessary information and disseminate this material to the network of value chain participants. The project will also issue reports that will be posted on the website of the statistics department of the Ministry of Agriculture and that of FIDAFRIQUE¹ and IFAD's Rural Poverty Portal. It will organize exchange missions between Gabonese farmers' organizations and their counterparts in other countries. Particularly important is the exchange of information between the proposed project and other IFAD-funded cassava projects (in Cameroon, Benin, Ghana and Nigeria), and the Regional Cassava Processing and Marketing Initiative.

Development innovations that the project will promote

27. The project will rely on the following innovative approaches: (i) provision of relevant information to all stakeholders in the value chain (smallholder farmers and their organizations, public and private support services, and traders) to help them identify and address problems; (ii) the Centre for Rural Development will help identify services to be provided to smallholder farmers and guide these farmers on how best to access these services; and (iii) implement the IFAD Policy on Targeting to reach out to vulnerable groups, particularly women and Pygmies.

Scaling-up approach

28. The project will scale up activities by: (i) transforming farmers' associations into economic interest groups to defend their concerns; (ii) training liaison farmers within farmers' organizations to disseminate relevant information and techniques to other smallholder farmers; (iii) training technical agents and creating a network of service providers; and (iv) identifying and addressing constraints along the value chains.

J. Main risks

Main risks and mitigation measures

29. The main project risks relate to the quality of service providers. The project will minimize these risks by hiring – on a competitive basis – and using to good advantage the best qualified resource people and adopting a participatory approach in preparing and selecting microprojects. In addition, a disproportionate share of project benefits could be captured by the least vulnerable villagers or by better off individuals born in the villages but now living in cities. This risk will be mitigated by providing resources to groups rather than to individual farmers. Furthermore, all beneficiaries must be permanent residents in the targeted villages.

¹ Internet-based network of organizations and projects dedicated to fighting rural poverty in West and Central Africa.

Environmental classification

30. Pursuant to IFAD's environmental assessment procedures, the project has been classified as a Category B operation in that it is not likely to have any negative environmental impact. The area under cultivation will increase by only 770 hectares, most of which will previously have been fallow land. In addition, improved technology will take the form of new plant varieties rather than the use of chemical inputs. Moreover, the project will introduce retting technologies that do not pollute rivers and water points. The technical committee reviewing the microprojects will be responsible for the environmental assessment of these projects before they are approved.

K. Sustainability

31. Sustainability of project activities is ensured through the following measures: (i) the participatory approach adopted by the project, which is such that all microprojects stem from priorities identified by farmers' organizations; (ii) the value chain approach, which helps identify and address constraints by involving all market participants; and (iii) the strengthening of service provider capacity, which will allow smallholder farmers to benefit from advice even after project completion.

II. Legal instruments and authority

32. A project financing agreement between the Gabonese Republic and IFAD will constitute the legal instrument for extending the proposed financing to the borrower. Important assurances included in the negotiated agreement are attached as an annex.
33. The Gabonese Republic is empowered under its laws to borrow from IFAD.
34. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD.

III. Recommendation

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

RESOLVED: that the Fund shall make a loan to the Gabonese Republic in various currencies in an amount equivalent to three million eight hundred thousand special drawing rights (SDR 3,800,000) to mature on or prior to 15 December 2025 and to bear an interest rate equal to 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 herein.

RESOLVED FURTHER: that the Fund shall provide a grant to the Gabonese Republic in various currencies in an amount equivalent to one hundred and ninety thousand special drawing rights (SDR 190,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Lennart Båge
President

Important assurances included in the negotiated project financing agreement

(Negotiations concluded on 28 June 2007)

Pest management practices

1. The Government will comply with the International Code of Conduct on the Distribution and Use of Pesticides and ensure that pesticides procured under the project do not include any pesticides classified as extremely hazardous or highly hazardous by the World Health Organization.

Monitoring and evaluation

2. The monitoring and evaluation (M&E) system set up under the project will make it possible to track and measure project impact in accordance with the basic principles of IFAD's Results and Impact Management System (RIMS).
3. The M&E system will be organized around the following elements: (i) internal monitoring by each partner and by the project management unit based on the annual workplans; (ii) external monitoring by consultants and/or consulting firms; (iii) external periodic and/or thematic evaluations; and (iv) baseline surveys. The M&E system will be participatory and will be used as a management tool.
4. A socio-economic baseline survey will be undertaken at project start-up, entailing both the adoption of RIMS methodology and the carrying out of participatory appraisals in target villages. The RIMS survey will provide an insight into the livelihood strategies of a sample of the most vulnerable people in the intervention areas. Anthropometric and socio-economic surveys will be undertaken in the first year, at midterm and again in the sixth year of the project to track project impact, tracing the progress made since project start-up.

Insurance of project personnel

5. The Government will insure project personnel against health and accident risks according to national regulations governing labour laws and social security.

Use of project vehicles and other equipment

6. The Government will ensure that:
 - (a) All vehicles and other equipment transferred or procured under the project are dedicated solely to project use and implementation.
 - (b) The types of vehicles and other equipment transferred or procured under the project are appropriate to the needs of the project.

Recruitment of project personnel

7. Project staff will be recruited on a competitive basis through national calls for offers published in the national press, according to Government procedures. Staff will be recruited on the basis of two-year, renewable contracts that will exclude all forms of discrimination and may in no case exceed the duration of the project. The recruitment of key project staff – namely, the project manager, the administrative and financial officer, the M&E officer and the accountant– and any decision to terminate their contracts will be done in agreement with IFAD. Project staff will be subject to performance evaluations under modalities to be defined in the procedures manual, and their contracts may be terminated on the basis of the findings of those evaluations. Management of staff will be subject to procedures in force within the Government's territory. The Government will encourage women to apply for technical positions under the project.

Fraud and corruption

8. The Government will promptly bring to the attention of IFAD any allegations or concerns of fraud and/or corruption in relation to the implementation of the project of which it has knowledge.

Suspension by IFAD

9. IFAD may suspend, in whole or in part, the right of the Government to request withdrawals from the loan account and the grant account if:
- (a) The financing agreement has not become effective by the stipulated date or such other date as may be set for such purpose.
 - (b) The counterpart funds are not available under conditions satisfactory to IFAD.
 - (c) The manuals, or any provision thereof, or the annual workplans and budgets or the respective procurement plan have been suspended, rescinded in whole or in part, waived or otherwise modified without the prior consent of IFAD, and IFAD has determined that such event has had, or is likely to have, a material adverse effect on the project.
 - (d) IFAD has given notice to the Government that credible allegations of corrupt or fraudulent practices in connection with the project have come to the attention of IFAD, and the Government has failed to take timely and appropriate action to address the matters to the satisfaction of IFAD.
 - (e) Procurement has not been or is not being carried out in accordance with IFAD's procurement guidelines.

Suspension in the event of non-compliance of audit requirement by the Government

10. IFAD will suspend the right of the Government to request withdrawals from the loan account and the grant account if it has not received the audit reports within the six months following the six-month period set forth in the financing agreement.

Conditions precedent to withdrawal

11. No withdrawal will be made for any category until such time as:
- (a) The special account, the advance grant account and the project account have been duly opened by the Government and the Government has made an initial deposit into the project account.
 - (b) The procedures manual prepared by the Ministry of Agriculture, Livestock and Rural Development (the lead project agency) has been submitted to IFAD for its non-objection.
 - (c) A draft for the first annual workplan and budget, including a procurement plan for the first 18 months, has been submitted to IFAD.

Conditions precedent to effectiveness

12. The financing agreement will become effective upon the fulfilment of the following conditions precedent:
- (a) The financing agreement has been signed by a duly empowered representative of each of the parties.
 - (b) The Government has delivered to IFAD a favourable legal opinion, acceptable in form and substance, issued by the authority having competence within the territory of the Government.
 - (c) The project manager, the administrative and financial officer, the M&E officer and the accountant have been selected by the lead project agency and approved by IFAD.
 - (d) A national steering and monitoring committee has been established.
 - (e) The project management unit has been set up.

Key reference documents

Country reference documents

1. Loi No 021/2005 du 10 janvier, 2006 portant Loi d'orientation de la stratégie de développement économique et social (LODES) en République gabonaise.
2. Loi de développement et d'aménagement du Territoire (LDAT). Rapport au Gouvernement. Synthèse. Janvier 2003. Ministère de la Planification et de la programmation du développement.
3. Politique de développement agropastoral et rural. Mai 2005. Ministère de l'agriculture, de l'élevage et du développement rural.
4. Projet de Loi cadre portant orientation du développement de l'agriculture gabonaise. Avril 2004. Vice-Primature. Ministère de l'agriculture, de l'élevage et du développement rural, chargé des droits de l'homme et des missions.
5. Document de stratégie de croissance et de réduction de la pauvreté. Document final. Décembre 2005. Ministère de la planification et de la programmation du développement.
6. Objectifs du Millénaire pour le Développement. Premier rapport national. Décembre 2003. Ministère de la planification et de la programmation du développement.
7. Gouvernement de la République Gabonaise. Programme national d'investissement à moyen terme (PNIMT). Octobre 2005. Mise en œuvre du Programme détaillé pour le développement de l'agriculture africaine (PDDAA). Nouveau partenariat pour le développement de l'Afrique (NEPAD). FAO
8. Enquête socio-économique dans la zone du projet. Rapport principal. Octobre 1994. Projet Appui au Paysannat Gabonais (APG). Ministère de l'agriculture, de l'élevage et du développement rural.
9. Enquête gabonaise pour l'évaluation et le suivi de la pauvreté (EGEP). 2004. Programme des nations unies pour le développement (PNUD)
10. Gabon - Etude sur la pauvreté. Juin 1996. Banque mondiale (BM).
11. Etude sur la vulnérabilité du jeune pygmée du Gabon face aux IST/VIH-Sida – Rapport de l'étude. 2004. ONUSIDA
12. République du Gabon - Note sur la stratégie pour le développement agricole national – Horizon 2015. Novembre 2003. FAO

IFAD reference documents

13. Projet d'appui au paysannat gabonais (APG). Prêt FIDA 246 GN. Rapport d'évaluation intermédiaire. Novembre 1998. Bureau de l'évaluation et des études. Cabinet du Président.
14. Mission de revue du portefeuille du FIDA au Gabon. Août 1998. FIDA.
15. Conseil d'administration – Quatre-vingt-huitième session, 13-14 septembre, 2006 : Atteindre les ruraux pauvres : Politique du FIDA concernant le ciblage.
16. Conseil d'administration – Quatre-vingt-quatrième session, 18-20 avril 2005 : Politique du FIDA en matière d'approches sectorielles du développement agricole et rural.
17. Conseil d'administration – 18-20 avril 2005 : Stratégie du FIDA pour le secteur privé : développement et partenariat.
18. La politique du FIDA relative aux entreprises rurales.

Other miscellaneous reference documents

19. Système des Nations Unies Gabon : Plan cadre des Nations Unies pour l'aide au développement 2007 – 2011. Mars 2006
20. World Bank: Country Assistance Strategy for the Gabonese Republic 2005-2009. May 2005
21. African Development Bank-Operations Department: Gabonese Republic. Country Strategy Paper 2003-2005. June 2003

Logical framework

Narrative Summary	Objectively verifiable indicators (by gender/age where feasible)	Means of verification	Assumptions & important comments
1. OVERALL OBJECTIVE			
Help reduce poverty in rural areas by improving the access of the rural poor to value chains with market potential	<ul style="list-style-type: none"> • No. of households with improved asset ownership index • Percentage of reduction in the prevalence of child malnutrition • No. of households enjoying greater food security 	<ul style="list-style-type: none"> • Baseline survey on poverty • Study and impact reports • Monitoring of household food security • Monitoring reports, RIMS indicators, midterm review and completion evaluation report 	
2. SPECIFIC OBJECTIVES			
1. The priority value chains with market potential accessible to the rural poor are developed in the target area	<ul style="list-style-type: none"> • No. of functional farmers' organizations by value chain disaggregated by gender • Percentage of poor and women in the different target groups belonging to project partner groups • Impact on the income of the target individuals/households (disaggregated by gender) • Quantity of commodities supplied in the without and with project cases (evaluation by truck) • Production and price data available and updated 	<ul style="list-style-type: none"> • Internal and external monitoring & evaluation reports of project • Activity reports of farmers' organizations • Surveys of agricultural markets and producers • Activity report of MINADER 	<ul style="list-style-type: none"> • Willingness of target value chain participants to strengthen their relationships with target farmers' organizations • Target commodity prices are attractive
2. The capacity of farmers' organizations is strengthened	<ul style="list-style-type: none"> • 484 villages are informed and sensitized on project approach and objectives using radio • 240 farmers' organizations functional (at least 50% women) with the management committees of liaison farmers trained • 384 farmers participate in exchange visits and study tours (at least 50% women) • Number of umbrella farmers organizations created and operational 	<ul style="list-style-type: none"> • Internal and external monitoring & evaluation reports of project • Report of specialised service providers • Reports of farmers' organizations • Surveys of target groups 	<ul style="list-style-type: none"> • Government staff affected to project is competent and interest in project activities

