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Enabling poor rural people  
to overcome poverty

## **Republic of Rwanda**

### **Implementation of the second cycle of the Umutara Community Resource and Infrastructure Development Project under the Flexible Lending Mechanism**

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For: **Information**

## **Note to Executive Board Directors**

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## **Abbreviations and acronyms**

FLM	Flexible Lending Mechanism
M&E	monitoring and evaluation
PCU	project coordination unit



# Implementation of the second cycle of the Umutara Community Resource and Infrastructure Development Project under the Flexible Lending Mechanism

## I. Introduction

1. The Executive Board approved the establishment of the Flexible Lending Mechanism (FLM) at its sixty-fourth session in September 1998. The specifics of an FLM loan include: (i) a continuous and evolving design process through implementation of distinct, three- to four-year cycles; and (ii) clearly defined preconditions, or "triggers", for proceeding to subsequent cycles.
2. Paragraph 13 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".
3. An information note (EB 2004/82/INF.4) was presented to the Board at its eighty-second session in September 2004 to report on the progress of the Umutara Community Resource and Infrastructure Development Project in achieving the first-cycle triggers. It was concluded that all triggers had been achieved for proceeding to the second cycle. At the same session, the Executive Board approved revisions to the project's scope and implementation arrangements. For the second cycle, the project structure was streamlined from five to three components; the project area was expanded from four districts to eight; the loan categories were revised and resources reallocated accordingly; and the triggers for proceeding from the second to the third cycle were adjusted, including a reduction in their number from 32 to 7 (EB 2004/82/R.13).
4. This information note presents progress made in achieving the second-cycle triggers. Its content is drawn from several sources: progress reports by the project coordination unit (PCU); supervision reports prepared in house and by the United Nations Office for Project Services, as cooperating institution; the findings of the inter-phase evaluation mission conducted jointly by IFAD and the Government of Rwanda in June 2008; and the 2006 country programme evaluation undertaken by IFAD's Office of Evaluation.

## II. Background

5. The project was approved by the Executive Board in May 2000 and financed by an FLM loan (537-RW) of SDR 11.85 million (approximately US\$16.0 million). It was to be implemented over a ten-year period in three cycles of three, four and three years, respectively. In December 2001, a complementary loan (573-RW) of SDR 9.40 million (approximately US\$12.0 million) was approved by the Executive Board on a non-FLM basis to cover new districts of the then Umutara Province, over a five-year implementation period. Each of the two IFAD loans is cofinanced by an OPEC Fund for International Development loan (791 P and 873 P) for water supply and road infrastructure. The project has three components. Component 1, covering support for decentralization and infrastructure development, represents a project investment of approximately US\$23.7 million (net of contingencies), and comprises four subcomponents: (i) infrastructure investment; (ii) equal and sustainable access to development benefits; (iii) district-level institution-building; and (iv) provincial institution-building. Component 2, providing for rural economic transformation, represents approximately US\$15 million of project investment and comprises three subcomponents: (i) support for agricultural, livestock and forestry development; (ii) rural enterprise development; and (iii) rural financial services. These were

supported by a third project management component, which included support for technical and management advisers to provincial and district governments.

### III. Project achievements during the second cycle

6. The project's second cycle began on 1 August 2004. The main results from second-cycle implementation are described below:

#### **Component 1: Support for decentralization and infrastructure development**

7. **Infrastructure investment.** The infrastructure built is substantial and of high quality, including: 80 per cent of planned water supply infrastructure, providing at least 93,000 rural people with higher quality water for household and livestock use; 326 km of feeder roads (55 per cent of the target); and about 70 per cent of other community infrastructure (mainly sector administration building and women's centres). Comparison of unit construction costs indicates that road construction unit costs are lower than those for other government-supported road activities. Construction quality, particularly in the case of roads, is better than other development projects reviewed. However, the operating and maintenance systems for infrastructure are not fully developed, largely due to limited capacity among local institutions and service providers.
8. **Equal and sustainable access to development benefits.** The project has been highly successful in mainstreaming gender at all levels and in empowering women. Gender has also been integrated in all planning. Significant progress has been made in mapping poverty, and in the development and use of targeting methodologies. An excellent unity and reconciliation strategy has been elaborated for implementation during the third cycle, and its elements have been built into planning activities at all levels. Mobilization and training of local leaders, and support to community, youth and school activities, are progressing well.
9. **Local institution-building and community empowerment.** The implementation of local institution-building activities has been very positive, as evidenced by the significant progress made in district- and sector-level planning and budgeting, albeit with substantial support from consultants.
10. As a result of the community empowerment activities, participatory bottom-up planning is functional and consistent with both project design and government mandate. The process of participatory decision-making through awareness campaigns among local leaders and communities has been reinforced by the parallel government policy of *ubudehe*.<sup>1</sup> In addition, the implementation of functional literacy and community sensitization activities is on track. Provincial-level capacity-building has also taken place. As a result, the work programme has been completed.

#### **Component 2: Rural economic transformation**

11. **Agriculture.** The flexibility built into second-cycle design allowed for the streamlining of activities and the development of an agricultural strategy with significantly fewer activities. High-yield and disease-resistant varieties of a wide range of crops suited to the Eastern Province were identified and have contributed to significant yield increases reported by farmers. Seed production (maize and bean) was effectively supported with the construction of eight seed centres.
12. The capacity of district and provincial extension services to provide sound advice to farmers remains weak, given their limited knowledge in technical areas such as diseases and pests.
13. **Livestock.** Despite satisfactory disbursements, technical support for this subcomponent was below average. The project provided support as planned to the Union of Dairy Producer Cooperatives. Rehabilitation and equipping of the Nyagatare

<sup>1</sup> *Ubedehe* is a government policy that builds on the tradition of mutual assistance. It operates at the lowest administrative unit, the cell, and brings all members of the community together to assess their socio-economic conditions and define their priorities.

dairy plant is largely complete, with commissioning under way. In the important area of feeds and feeding of dairy cattle, the distribution of Napier grass by the Institute of Agronomic Science (ISAR) progressed satisfactorily.

14. The Veterinary Drugs Revolving Fund and the Diseases Outbreak Emergency Revolving Fund were established in Nyagatare and, with improved management structures, will be expanded to Gatsibo and Kayonza. Cattle marketing infrastructure and related activities are almost complete.
15. **Forestry.** Following advice from the cooperating institution that the forestry activities, which had progressed above target, were duplicating activities of another project in the area, this subcomponent was closed at the end of 2005.
16. **Rural enterprise development** activities were satisfactory, with 1,686 rural small and microentrepreneurs (55 per cent of them women) reached. The equivalent of US\$255,000 in loans has been advanced to 246 entrepreneurs, of whom 23 per cent are women.
17. **Rural financial services.** 736 members have been trained and 23 financial cooperatives have been created. A total of US\$325,000 equivalent in savings has been mobilized and loans worth the equivalent of US\$500,000 disbursed, reaching some 22,000 clients (63 per cent of them women). Credit portfolio quality is good.
18. The performance of the three financial-service providers has been satisfactory. The institutions have improved their portfolio management, including sharing information on defaulters to reduce the incidence of default. This will be further improved by installing a portfolio management information system. The financial-service providers need technical advice to develop suitable loan packages for on-farm production and agroprocessing. The project has supported group solidarity credit, which fosters sustainability by providing associations with an incentive to manage repayments.

### **Component 3: Project management**

19. The design of the second cycle allocated significant resources to both the PCU and district levels to strengthen project implementation. These resources have been instrumental in developing capacity and boosting limited resources at district level, in turn improving management by local government. The increasing focus of the Government of Rwanda on decentralization has led to additional resources being allocated at this level. The project adviser inputs have achieved the project objectives and can now be scaled back.
20. Following the recent resignation by the project coordinator, an experienced coordinator was appointed to ensure that implementation stays on track and to address outstanding project management issues before the start of the third cycle. A comprehensive project monitoring and evaluation (M&E) manual was developed and is currently being put into practice. Supervision recommendations to improve financial management and accounting are being implemented and are having visible results.

### **Overall second-cycle performance**

21. Based on the project's performance, all triggers for proceeding from the second to the third project cycle have been achieved. Details are provided in the table below.

## Performance on milestones during the second cycle of project implementation

<i>Second-cycle triggers</i>	<i>Performance</i>
<p>1. At least 2 of the 3 districts have taken responsibility for the planning and implementation of project activities within their districts.</p> <ul style="list-style-type: none"> <li>• 3 districts are in a position to budget investment resources and account for their use.</li> <li>• All 224 cells and 40 sectors are able to prepare community action plans.</li> <li>• 3 districts, with minimum support from PCU and the province through participatory (bottom-up) approach, have prepared five-year development plans.</li> <li>• Project 2008 annual workplan and budget is fully integrated in district development plans and medium-term expenditure frameworks.</li> </ul>	Target achieved
<p>2. Poorer groups have access to project benefits.</p> <ul style="list-style-type: none"> <li>• 130 associations of vulnerable groups, totalling 3,043 members, of whom 78 per cent are women, accessed support worth US\$88,000 through groups.</li> </ul>	Target achieved
<p>3. Gender is mainstreamed in all project activities.</p> <ul style="list-style-type: none"> <li>• 7 out of 8 women's centres have been completed, 5 are fully equipped; 570 women are regularly using the completed centres.</li> <li>• Gender mainstreaming strategic plan is under preparation.</li> <li>• Annual congresses of National Women's Council members to elaborate annual workplans (cell to district level participate).</li> </ul>	Target achieved
<p>4. The province is fully able to backstop project activities during the third phase with only part-time support from PCU.</p> <p>The province:</p> <ul style="list-style-type: none"> <li>• Is fully able to guide, coordinate and report on district activities.</li> <li>• Is responsible for and capable of guiding the implementation and monitoring of the three districts under its jurisdiction.</li> <li>• Has created district joint action forums, which are responsible for joint planning, implementation and mobilization of resources for development.</li> </ul>	Target achieved
<p>5. An M&amp;E information system is functioning effectively and the project implementation and impact are being monitored.</p> <ul style="list-style-type: none"> <li>• The M&amp;E system is being operationalized on the basis of the project M&amp;E manual and with the assistance of district M&amp;E advisors. A project management information system is being developed with support from the Central Projects and External Finance Bureau (CEPEX). Poor second cycle logframe led to unclear component and subcomponent structure, with too many output objectives and few purpose level indicators.</li> <li>• The availability of reliable, timely and accurate M&amp;E data, beyond activity and output levels, leaves room for improvement due to incomplete monitoring and baseline data.</li> </ul>	Target achieved
<p>6. Market-oriented/commodity chain approach applied to farm and off-farm activities.</p> <ul style="list-style-type: none"> <li>• <b>Agriculture and forestry:</b> 3 out of 4 commodity chains chosen (maize, pineapple and bananas) were supported. There are islands of success. Farmers successfully market seed maize, maize grain, pineapples, beans and vegetables. Eight seed centres constructed and equipped, but ongoing management and operating and maintenance arrangements need to be clarified and implemented.</li> <li>• <b>Livestock:</b> Nyagatare dairy plant rehabilitated, partially equipped and commissioned. Production management team appointed.</li> <li>• 8 veterinary pharmacies organized, equipped and fully functioning.</li> </ul>	Target achieved
<p>7. At least 80 per cent of infrastructure is in use and being maintained.</p> <ul style="list-style-type: none"> <li>• <b>Domestic water supply:</b> 9 out of 10 gravity and pumped systems rehabilitated and delivering water with 208 km of pipeline rehabilitated. All 41 planned spring sources protected, maintained and used; 77 public standpipes in use by the community; 58 valley dams (of 69 planned) constructed or rehabilitated; 80 per cent functioning; 65 boreholes rehabilitated, of which 50 per cent are operational; 222 boreholes drilled, equipped with hand pumps and in use.</li> <li>• <b>Roads:</b> 326 km of feeder roads built, rehabilitated or under construction, of 477 km planned; 8 (of 8 planned) road brigades formed; 53 trained and equipped road committees carrying out monthly umuganda road maintenance activities.</li> </ul>	Target achieved



#### **IV. Lessons learned and focus during the third cycle**

22. The integration of project design and the allocation of project resources within the country's decentralization process contributed significantly to ownership and hence to smooth implementation and sustainability.
23. The participatory demand-driven approach employed by the project proved appropriate (e.g. farmers involved in activity planning). More importantly, direct linkages to the planning and delivery of project goods and services were found to be essential.
24. A balance of technical knowledge and contract management skills is needed to successfully manage implementation activities through service providers.
25. Successful contracting of studies and activities requires a clear description of planned outputs, and should be supported by realistic budget allocations.
26. Contracting out the supervision of activities to service providers has been an effective way to support implementation and build the capacity of private businesses.
27. Revolving funds based on physical assets (such as livestock and seeds) or microloans, when managed through established organizations separate from the project (such as established microfinance institutions or NGOs working in the project area), operated efficiently, given the significant task of closely monitoring repayments and ensuring that resources were directed to the project's target groups.
28. The harmonization of project activities with those of existing and new actors in the project area is critical and requires enhanced attention to ensure effectiveness.
29. The use of volunteers to assess commercial microfinance or rural microenterprise proposals is not sustainable. Processes to remunerate assessment committee members therefore need to be developed.

#### **V. Conclusions**

30. The project has provided valuable infrastructure and support services to more than 100,000 people in the project area.
31. Microenterprise and microfinance activities have successfully targeted large numbers of poor clients (1,686 microentrepreneurs and 22,000 microfinance clients), more than half of them women, and have supported the growth of existing and new small and microenterprises.
32. Sanitation awareness and community ownership of improved water supply need to be enhanced to ensure that benefits are sustained.
33. Infrastructure construction, the focus of the first two cycles, is largely complete (80 per cent of the target) and significant progress has been made in institutional capacity-building at district and sector levels. It is recommended that these achievements be consolidated and institutionalized during the third cycle. This will increase outreach and impact, and thus ensure sustainability of the activities before project implementation is completed in December 2010.
34. Transition to the third cycle on 1 February 2009 has been approved by IFAD's President.