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Enabling poor rural people
to overcome poverty

Republic of Guinea

President's memorandum

Sustainable Agriculture Development Project in the Forest Region (loan no. 589-GN)

Amendment to the loan agreement and reallocation of loan proceeds

Executive Board — Ninety-sixth Session
Rome, 29–30 April 2009

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 proposed amendment to the loan agreement and reallocation of loan proceeds for the Sustainable Agriculture Development Project in the Forest Region as contained in paragraph 23.

President's memorandum

Sustainable Agriculture Development Project in the Forest Region (loan no. 589-GN)

Amendment to the loan agreement and reallocation of loan proceeds

I. Introduction and Background

1. The Sustainable Agriculture Development Project in the Forest Region (SADEP) was approved by the Executive Board on 5 September 2002. The total project cost was estimated at US\$15.5 million, of which the IFAD loan accounted for about US\$12.5 million (equivalent to SDR 9.4 million). The contributions of the Government and the beneficiaries amounted to an estimated US\$1.9 million and US\$1.2 million respectively.
2. The project became effective on 5 August 2004 and was supervised by the United Nations Office for Project Services. The project's performance during implementation was however disappointing. Consequently, following consultations between IFAD and the Government, precautionary measures were taken with the aim of improving the project performance.
3. The first measure agreed on by the two parties was to entrust the supervision of the project to IFAD, starting on 1 January 2007. Thanks to this change in the supervision modality of the project, IFAD and the Government, along with development partners, reviewed the goal, approach and scope of the project. Based on the outcome of this review, IFAD and the Government decided to restructure the project to:
 - (a) align it with new government strategies and relevant sector policies as well as with IFAD's result-based country strategic opportunities programme (RB-COSOP);
 - (b) improve performance and sustainability, building on IFAD's and other development partners' lessons;
 - (c) increase complementarity within IFAD's country programme and with other development partners' interventions; and
 - (d) increase short-, medium- and long-term impact with regard to the current food crisis and seize the development opportunities for the agricultural sector offered by soaring food prices.

II. Rationale for changes

4. SADEP was based on a community-driven natural resource management approach. Implementation was characterized by delays in the roll-out of the project's activities, resulting in a low disbursement rate. Only about 20 per cent of the loan proceeds had been disbursed by 30 September 2008.
5. Supervision and implementation review missions revealed that the underlying problems were linked to three main factors: (i) the dramatic deterioration of the macroeconomic and socio-political country context, particularly in the project area, which was affected by rebel attacks and a massive inflow of refugees; (ii) the weak performance of the project coordination unit and the limited and poor quality of service provision in the project area; and (iii) the inadequacy of the project approach in view of a changing institutional context due to the implementation of a new Framework for Decentralization and Local Governance adopted in 2006, the

second Poverty Reduction Strategy Paper (2007) and the national policy for agricultural development (2007). These factors were analysed and taken into account in the development of the results-based COSOP.

6. The Government has stressed the need to foster food production and productivity through a value chain approach in its new policy. IFAD will support the Government in achieving this noteworthy objective. The support will be provided through a restructuring of the existing projects to create a national value chain programme that will tailor its activities to the comparative advantage of each of the four natural ecological regions.
7. The food crisis in the region requires an immediate and effective response. The resources available in the project are critical to address the challenges of the severe localized food insecurity that is being exacerbated by the influx of refugees and extreme poverty in the Forest Region.
8. Based on the lessons learned from IFAD's and other donor agencies' interventions in the country, the redesign of SADEP will be guided by the principles outlined below.
 - (a) The **market-driven agricultural commodity chain approach** to agricultural development adopted by the Government of Guinea has produced good results and made a real impact in Guinea. Rice, palm oil and rubber have proved effective in fighting poverty, given the growing demand on the local and regional markets.
 - (b) **Selectivity and simplicity** are key to achieving significant development results in an environment characterized by weak management capacity and institutions. Therefore, the restructured project will focus on a limited number of pro-poor value chains with high income and food security potential and – within the selected chains – on the most important bottlenecks. The successive expansion of the geographical coverage with additional financing will provide opportunities for implementation reviews every two years. In this respect, the complexity will increase progressively as a function of implementation performance, results achieved, environmental changes and lessons learned.
 - (c) Guinean **farmers' organizations** have been successfully providing their members with production support services and market access. As such, they need to be actively involved in the implementation of the redesigned project to sustain activities and impact.
 - (d) **Effectiveness and efficiency.** Strengthened national institutions and a performing monitoring and evaluation (M&E) system are crucial for effective implementation and accountability. A nationwide programme can be managed more effectively and more efficiently than smaller, isolated regional interventions with regard to institutional strengthening, support to policy dialogue, development of market linkages, and communication/knowledge management.
 - (e) **Complementarity and synergies,** realized through implementation partnerships at different levels, are essential for maximizing project impact. The redesigned project will therefore build on the achievements of previous and ongoing interventions financed by the French Development Agency (AFD), the European Union, the Canadian International Development Agency and the United Nations Common Fund for Commodities to strengthen farmers' organizations. Collaboration will also be sought with the joint United Nations programme¹ and the infrastructure development programmes financed by the

¹ Programme Conjoint du Système des Nations Unies pour la Relance des Dynamiques Locales de Développement Economique et Social en Guinée Forestière.

World Bank. In addition, partnerships will be developed with interventions focusing on good governance and decentralization, in particular with the Village Communities Support Programme, cofinanced by the World Bank, AFD and IFAD, and the *Faisons Ensemble* Governance Project financed by the United States Agency for International Development.

III. Scope of the restructuring

9. The redesign of the SADEP has resulted in the National Programme to Support Agricultural Value Chains (PNAAFA). The restructuring began with an assessment by the rural poor themselves, and involved a large number of stakeholders, including the Government, civil society, professional organizations, as well as bilateral and multilateral development agencies. This process was closely coordinated with the design of the RB-COSOP, which was presented to the Executive Board in December 2008 (EB 2008/95/R.13/Rev.1). Furthermore, the design of the restructured project was discussed at an in-country design clinic and has been subject to IFAD's quality enhancement and quality assurance process, with highly satisfying results. The programme design report is available on the IFAD website.
10. The PNAAFA has been conceived as a nationwide, long-term intervention, which will be scaled up through supplementary financing from IFAD and through cofinancing. The PNAAFA will initially cover two of the four agroecological regions of the country: (i) the Forest Region and the (ii) Middle-Guinea Region. A supplementary grant will be presented for the Executive Board's approval in September 2009 in an amount corresponding to the balance of the allocation under the current performance-based allocation system (PBAS) cycle (US\$8.70 million). As outlined in the COSOP, the programme will be extended to other regions through additional supplementary financing under the next PBAS cycle (2010-2012).

IV. Description of the restructured project: National Programme to Support Agricultural Value Chains

A. Objectives and components

11. The programme's goal is to improve in a sustainable manner the incomes and food security of the rural poor in Guinea. The specific objective is to increase the productivity and the competitiveness of the economic activities of the rural poor, by strengthening the capacity of organizations active in prospering agricultural value chains.
12. The programme has three components: (a) support to apex farmers' organizations and to their investments; (b) institutional and financial support; and (c) knowledge management and programme coordination.
13. The first component aims to: (i) support the National Confederation of Guinean Farmer Organizations (CNOFG) in planning, policy dialogue, monitoring and evaluation, and specialized training for their members; (ii) assist the unions and federations in planning, implementation and monitoring of their economic activities; and (iii) facilitate the access of the target group to infrastructure and equipment related to production, processing and transport as well as to commercialization of the selected commodities. This component, which will absorb the bulk of project resources, will be based on the annual business plans of the concerned unions, federations and CNOFG.
14. The second component aims to create an environment that is favourable to value chain development. Activities foreseen under this component are: (i) strengthening of public institutions in planning, monitoring and evaluation, and mobilization of technical assistance for value chain development; (ii) development of specific financial services; and (iii) consolidation of existing financial service associations.

15. The third component is concerned with raising awareness and providing information within the target group, and ensuring learning and knowledge sharing. Overall programme coordination (financial management, monitoring and evaluation) also forms part of this component. A light national coordination unit, with branches in each of the regions covered by the programme (initially in Nzérékoré and in Labé) will facilitate programme implementation.

B. Targeting approach

16. The programme will reach about 50,000 households, or 300,000 people in the Forest Region and in the Middle Guinea Region. The primary target group is composed of smallholders and other stakeholders active in the selected value chains who are organized into professional organizations. These actors are characterized by: (i) low yields and productivity due to lack of access to modern inputs; (ii) weak water management; (iii) little access to post-harvest infrastructure and equipment; and (iv) food insecurity during the "hungry season". Among these poor households, special attention will be given to woman-headed households and young people.

C. Implementation arrangements

17. The Ministry of Agriculture remains the implementing agency and chairs the steering committee responsible for ensuring consultation at the national level. This steering committee will be composed of (i) all concerned ministries; (ii) representatives of farmers' organizations (which constitute at least 50 per cent of the quorum); (iii) representatives of other professional organizations; and (iv) the national coordination unit and the regional project management team in each agro-ecological region (initially, only in the Forest Region).
18. Regional committees will be established to review and validate the eligibility for financing of the activities proposed in the annual business plans. These committees will be chaired by a representative of the CNOPG.
19. The CNOPG will organize regional consultations to share knowledge and experiences emerging from field implementation, identify complementarities, harmonize approaches, and reflect on the development of a strategy for organizing and professionalizing the value chain actors. These consultations will involve representatives of the farmers' organizations, the private sector, village development committees, NGOs, chambers of agriculture and commerce, regional directorates of the concerned ministries and the regional coordination team.
20. The first component will be implemented entirely by local, regional and national farmers' organizations (unions, federations and the confederation) active in the selected value chains. The farmers' organizations will: (i) prepare and implement their annual business plans; (ii) be responsible for procurement, contract management and evaluation of service providers; (iii) participate in consultations and committees (described in paragraphs 17-19); (iv) ensure information provision to and communication with grass-roots organizations; (v) establish an internal monitoring and evaluation system; and (vi) prepare progress reports to be presented to the general assembly, the national coordination unit, the Government and also to IFAD and future cofinanciers.
21. The second component will be implemented by the national coordination unit and the regional programme office, whose main responsibilities include: (i) consolidating the annual workplan and budget and monitoring its implementation; (ii) assisting weaker farmers' organizations in implementing the first component; (iii) developing and implementing a communication and knowledge management strategy with implementation partners; (iv) coordinating, monitoring and evaluating project activities, results and impacts; (v) organizing the meetings of the steering committee and the regional committees; (vi) signing agreements with farmers' organizations and other implementation partners; (vii) ensuring

financial management and control (including the transmission of non-objection requests, and withdrawal applications to IFAD); (viii) supervising and evaluating the project implementation partners; (ix) monitoring the targeting and gender dimensions of the programme; (x) monitoring the environmental effects of the activities; (xi) mobilizing technical assistance; and (xii) facilitating communication between the implementation partners, the Government, IFAD and potential cofinanciers.

V. Reallocation of loan proceeds

22. To date, a balance of SDR 7.5 million is available for disbursement. To reflect the revised scope and emphasis on priority activities, a new cost category "conventions with agricultural professional organizations" shall be created. The undisbursed amounts from the third cost category (the agricultural development fund and rural infrastructure development fund), from the sixth category (microprojects) and from the seventh category (studies and surveys), which are no longer relevant within the new approach, will be reallocated to other categories.

VI. Recommendation

23. I recommend that the Executive Board approve the proposed recommendation in terms of the following resolution:

RESOLVED: that the Executive Board shall approve the necessary amendments to loan agreement 589-GN in order to reflect the project's new scope and approach, which are based on the conclusions of direct supervision and implementation reviews, a portfolio review and a series of redesign missions and the formal request submitted by the Government of Guinea to IFAD to amend the loan agreement.

Kanayo F. Nwanze
President