

IEG ICR Review

Independent Evaluation Group

1. Project Data:		Date Posted :	03/17/2006	
PROJ ID:	P043724		Appraisal	Actual
Project Name:	Dz-Rural Employment	Project Costs (US\$M)	123.6	110.8
Country:	Algeria	Loan/Credit (US\$M)	89.0	81.0
Sector(s):	General agriculture fishing and forestry sector; Central government administration; Other social services; Roads and highways; General water sanitation and flood protection sector	Cofinancing (US\$M)		
L/C Number:	L4143			
		Board Approval (FY)		97
Partners involved :		Closing Date	03/31/2001	06/30/2005
Evaluator :	Panel Reviewer :	Division Manager :	Division :	
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2. Project Objectives and Components

a. Objectives

The project development objective was to generate and stimulate sustainable rural employment in poor rural areas of northwest Algeria -- more specifically, in rural communities in 67 communes in six perimeters in the mountainous areas of four provinces in northwest Algeria .

The objectives of the project were not revised during implementation, but 2 additional provinces were added to the project after the second mid-term review (November 2000), and seventh province in 2003 as a result of pressing local demand and a special request from the country's President . The number of communes served increased from 67 to 139.

b. Components (or Key Conditions in the case of Adjustment Loans):

The project had two large components and four small components :

(a) **Erosion Control** (\$59.6 million at appraisal, \$50.5 million actual) -- including afforestation, reforestation, and flood control structures, since these activities are amenable to labor -intensive techniques and conducive to significant employment creation, and since these are public goods involving significant externalities .

(b) **Agricultural Development** (\$58.0 at appraisal, \$53.2 actual) -- comprising land improvement through destoning, windbreaks, and fruit trees and grapevines on sloped land to replace cereal monoculture, and maintenance and opening of rural roads to reduce social and economic isolation and to integrate populations into a larger economic area.

(c) **Water Resource Mobilization** (\$1.8 at appraisal, \$2.5 actual) -- through ponds (*retenues collinaires*), and improvement of wells and springs.

(d) **Promotion of Rural Women** (\$0.7 million at appraisal, \$2.0 actual) -- especially disenfranchised women (widows, impoverished women, etc.) such as training workshops, family gardens, etc .

(e) **Institutional Development** (\$2.7 million at appraisal, \$2.1 actual) -- emphasizing capacity development in the decentralized rural organization of the implementation agency, the General Directorate for Forestry (DGF).

(f) **Monitoring and Evaluation** (\$0.4 million at appraisal, \$0.4 actual) -- for independent consultants to monitor project performance.

c. Comments on Project Cost, Financing, Borrower Contribution, and Dates

The Bank contributed 72% of project costs at appraisal and 73% actual. The government contributed 13% of project costs as appraisal and 18% actual. Project beneficiaries contributed 15% of project costs at appraisal and 9% actual. There was no external co-financing. Beneficiary contributions were lower than expected at appraisal because the unit cost of local labor was lower than the appraisal estimates (which had been based on rates used by public works relying on force account), and some of the land management work had to be done mechanically due to very difficult soil conditions.

The project was approved in March 1997 and became effective in July 1997. During project negotiations, the Bank agreed to an initial, unrealistic implementation period of only 3 years, but on the explicit understanding that there would be a mid-term review at the end of the first year that would have the authority to restructure the project to a five-year project. As largely expected, but also due to persistent drought and political unrest during the first year, the closing date was extended by two years after the first mid-term review (October 1998), new project sites were added, and the target volumes for some activities were adjusted to reflect demand. The closing date was extended for an additional two years after the second mid-term review (November 2000) to provide sufficient time for completion of activities in two new provinces, made possible by the cost savings arising from the depreciation of the Algerian dinar and from the use of contracts rather than force account labor. \$8.0 million of the loan was cancelled in 2004.

3. Relevance of Objectives & Design :

The project was highly relevant. It was consistent with the emphasis on alleviating rural unemployment and poverty found in both the government's 1994 policy statement (initiating a structural adjustment program) and the Bank's 1996 CAS. The project was part of a wider effort to address a post-conflict situation (after ten years of civil unrest) -- helping communities return to their homes and re-establish their livelihoods -- as well as to support agricultural growth (a key sector of the economy), to enhance popular support for the reform program, and to alleviate the adverse social effects of adjustment.

The project gave priority to (a) labor-intensive rather than capital-intensive works, (b) small-scale investments accessible to small entrepreneurs, and (c) to a participatory rather than a top-down approach towards rural communities in order to achieve greater local relevance and sustainability of the projects investments.

The project emphasized asset creation, mainly through natural resource management and protection of the environment, with the purposes of addressing rural unemployment and increasing labor productivity in a sustainable manner. Asset creation was conceived broadly as the enhanced availability of resources that could be used directly or indirectly in productive activities. Examples included infrastructure with important externalities, maintenance of the natural resource base by reducing soil erosion, enhanced availability of water for irrigation and human consumption.

4. Achievement of Objectives (Efficacy) :

The objectives of the project were **substantially achieved**, since the project succeeded in generating and stimulating sustainable rural employment in poor rural areas of northwest Algeria which extend beyond the original targets -- from 4 to 7 provinces and from 67 to 179 communes. Utilizing labor-intensive techniques, the project financed 41,000 person-years of employment, compared to the appraisal target of 40,000 person-years.

The project has generated long-term employment in agricultural production, in operation and maintenance of erosion control structures, and in income-generating activities (such as beekeeping and poultry) for women. Farmers, now convinced of the importance of upstream erosion control, willingly help protect and repair project investments. With income from their new cash crops (compared to previous low returns from traditional cereal crops) and from off-farm enterprises, farmers also have the means to invest in further production.

The project has financed investments in roads, water delivery points, and the environment, and has rejuvenated economic life in areas which had been abandoned during ten years of civil unrest. It has become part of a wider process of participatory development that now has powerful champions, both in the Cabinet and at high levels of the administration. The government has included similar activities -- erosion control, agricultural development, water resource mobilization, and programs for rural women -- in the Rural and Local Development Project (approved November 2001) and the Second Rural Employment Project (approved April 2003).

5. Efficiency :

The ICR re-estimated the overall project ERR at 23% compared to 27% at appraisal. The decline is mainly due to the substantially higher investment costs for plantations, delays in starting up several project activities, and the need for irrigation for tree crops due to the drought.

The ERR calculation includes benefits relating to (a) the increased volume of water available for farm use and consumption, arising from increased water retention and reduced sedimentation, (b) increased production of fruit crops (apples, pears, apricots, olives, almonds, grapes, etc.), and (c) income-generation from off-farm enterprises such as beekeeping. It does not include benefits from other activities such as the construction and rehabilitation of rural roads.

6. M&E Design, Implementation, & Utilization:

Due to the adverse security situation and the limited M&E capacity of the implementing agency (the DGF), M&E was contracted out to a national consulting firm based in western Algeria, which was also located closer than the PMU to the project sites and to the provincial offices of the DGF. The firm collected and regularly provided project information, identified implementation problems, and proposed solutions to the PMU and the Bank. While data collection focused largely on project outputs and employment creation outcomes, a number of field surveys also contributed useful data on project achievements.

7. Other (Safeguards, Fiduciary, Unintended Impacts--Positive & Negative):

The project was rated environmental category "B" environmental rating, since the erosion control and agricultural development activities were expected to have positive environmental effects -- among other things, by mitigating the serious land erosion problems in the project areas which were also causing serious sedimentation in downstream reservoirs. The project's environmental protection activities were also expected to contribute to the achievement of over 80 percent of the project's rural employment goals.

As planned at appraisal, proper environmental assessments were carried out in relation to the road construction and rehabilitation activities, and mitigation measures were prescribed and carried out. Feasibility and environmental impact studies were also carried out in relation to dam construction, as a result of which this activity was downsized from the 12 dams planned at appraisal to 2. Water users associations (WUAs) have been established for their management, and WUA members have been trained in operation and maintenance.

8. Ratings:	ICR	ICR Review	Reason for Disagreement /Comments
Outcome:	Satisfactory	Satisfactory	
Institutional Dev.:	Substantial	Substantial	
Sustainability:	Likely	Likely	Nonetheless, rural communities need to be given a greater role in decision-making, and legal and administrative frameworks need to be amended to foster decentralized development.
Bank Performance:	Satisfactory	Highly Satisfactory	Both project preparation and supervision were well done in a difficult conflict-affected situation.
Borrower Perf.:	Satisfactory	Satisfactory	
Quality of ICR:		Exemplary	

NOTES:

- When insufficient information is provided by the Bank for IEG to arrive at a clear rating, IEG will downgrade the relevant ratings as warranted beginning July 1, 2006.
- ICR rating values flagged with ' * ' don't comply with OP/BP 13.55, but are listed for completeness.

9. Lessons:

The ICR has extracted a number of useful lessons from the experience with this project.

- 1. It is possible to address urgent issues of rural unemployment in conflict -affected and otherwise unstable political situations and, at the same time, create economic assets with long -term benefits that contribute to sustainable livelihoods.** The erosion control and agricultural development activities were labor -intensive activities that generated both employment in the present and productive investments for the future.
- 2. It is important to involve local communities throughout planning and implementation of project activities** in order to ensure their willing and effective collaboration with governmental organizations and private agencies. Project staff need to be trained to work with them and to understand what makes them willing participants. Simple, easy-to-manage investments are typically preferred by beneficiary communities and also have a better chance of being sustainable beyond the life of the project.
- 3. It is possible to effectively outsource M&E activities**, in this case to a national consulting firm, as long as these remains closely connected to project management and as long as the data generated by the M&E system are constantly and readily available to decision makers. This is a particularly important lesson for projects in conflict-affected areas, or where the implementing agency is too weak. The firm satisfactorily complemented the work of Bank supervision missions whose movements were restricted by the security situation -- a model endorsed by QAG for other conflict-affected situations.

10. Assessment Recommended? Yes No

11. Comments on Quality of ICR:

This a high quality ICR that covers all the bases and is well -written.