

Document of
The World Bank

Report No: 24715

PROJECT APPRAISAL DOCUMENT
ON A
PROPOSED LOAN
IN THE AMOUNT OF US\$ 95 MILLION
TO THE
PEOPLE'S DEMOCRATIC REPUBLIC OF ALGERIA
FOR THE
SECOND RURAL EMPLOYMENT PROJECT

March 27, 2003

**Water, Environment, Rural and Social Development
Middle East and North Africa Region**

CURRENCY EQUIVALENTS

(Exchange Rate Effective December 6, 2002)

Currency Unit = Algerian Dinar (DA)

DA 1 = US\$0.0125

US\$1 = DA 79.915

FISCAL YEAR

January 1 -- December 31

ABBREVIATIONS AND ACRONYMS

AER	:	Agricultural Expenditure Review
ANRH	:	<i>Agence National des Ressources Hydrauliques</i> - National Water Resources Agency
AP	:	<i>Autorisation de Programme</i> - Program Authorization (in the Budget)
AR	:	Administrative Regulation
BAD	:	<i>Banque Algérienne de Développement</i> - Algerian Development Bank
BADR	:	<i>Banque d'Agriculture et du Développement Rural</i> - Agricultural and Rural Development Bank
BHC	:	<i>Bureaux d'Hygiène Municipaux</i> - Municipal Hygiene Bureaus
BNEDER:		<i>Bureau National d'Etudes pour le Développement Rural</i> - National Bureau for Rural Development Studies
BP	:	Bank Procedures
CAS	:	Country Assistance Strategy - <i>Stratégie d'Assistance au Pays</i>
CCGP	:	<i>Cellule Centrale de Gestion du Projet</i> - Central Project Management Unit
CCGW	:	<i>Cellule de Coordination et de Gestion de Wilaya</i> - Wilaya level Project Coordination and Management Unit
CDF	:	<i>Conservations des Forêts</i> - Forestry Directorates of the Wilaya
CDMW	:	<i>Commission de Marchés de Wilaya</i> - Governorate Tender Boards
CFAA	:	Country Financial Accountability Assessment
CNM	:	<i>Commission National de Marchés</i> - National Tender Board
CNMA	:	<i>Caisse National de Mutualité Agricole</i> - National Agricultural Credit Union
CP	:	<i>Crédit de Paiement</i> - Payment Credit (advance)
CPAR	:	Country Procurement Assessment Report
CQ	:	Consultant's Qualifications
CREAD	:	<i>Centre de Recherche en Economie Appliquée pour le Développement</i> - Applied Economics for Development Research Center
CQ	:	Consultant's Qualifications
CRMA	:	<i>Caisse Régional de Mutualité Agricole</i> - Regional Agricultural Credit Union
DA	:	Algerian Dinar
DAS	:	<i>Domaines Agricoles Socialistes</i> - State Farms
DC	:	Direct Contracting
DEP	:	<i>Direction d'Equipement (du BAD)</i> - Investment Directorate (of BAD)
DGF	:	<i>Direction Générale des Forêts</i> - General Directorate of Forestry
DHW	:	<i>Direction Hydraulique de Wilaya</i> - Wilaya Water Directorates
DPIEE	:	<i>Direction de la Programmation des investissements et des Etudes Economiques</i> - Directorate of Investment Programming and Economic Studies
DSA	:	<i>Directions des Services Agricoles</i> - Wilaya Agricultural Services Directorates
EA	:	Environmental Assessment

EIA	:	Environmental Impact Assessment
EAC	:	<i>Exploitations Agricoles Collectives</i> - Collective Farms
EAI	:	<i>Exploitations Agricoles Individuelles</i> - Individual Farms
EIE	:	<i>Etudes d'Impact Environnementaux</i> - Environmental Impact Assessment Studies
EMP	:	Environmental Management Plan
ERR	:	Economic Rate of Return
FARAH	:	Financial, Accounting, Reporting and Auditing Handbook
FDRMVTC:	:	<i>Fond de Développement Rural et de Mise en Valeur des Terres par Concession</i> - Fund for Rural Development and Land Development through Concessions
FEF	:	Front end fee
FM	:	Financial Management
FMR	:	Financial Monitoring Reports
FMS	:	Financial Management System
FNDA	:	<i>Fond National de Développement Agricole</i> - National Agricultural Development Fund
FNRDA	:	<i>Fond National de la Régulation et de Développement Agricole</i> - National Agricultural Development and Regulation Fund
FRR	:	Financial Rate of Return
FSL	:	Fixed spread loan
FY	:	Fiscal Year (of the World Bank)
GIS	:	Global Information Systems
GP	:	Good Practice
GPN	:	General Procurement Notice
IBRD	:	International Bank for Reconstruction and Development
ICB	:	International Competitive Bidding
IDA	:	International Development Association
IFC	:	International Finance Corporation
IFAC	:	International Federation of Accountants
IFAD	:	International Fund for Agricultural Development
IGF	:	<i>Inspection Générale des Finances</i> - General Inspectorate of Finance (audit agency)
INPV	:	<i>Institut National de la Protection des Végétaux</i> - National Plant Protection Institute
ISA	:	International Standards of Auditing
IT	:	Information Technology
LS	:	Local Shopping
LSI	:	Large Scale Irrigation
LSMS	:	Living Standards Measurement Study
MADR	:	<i>Ministère de l'Agriculture et de Développement Rural</i> - Ministry of Agriculture and Rural Development
MDF	:	<i>Ministère des Finances</i> - Ministry of Finance
MENA	:	Middle East and North Africa Region
MICL	:	<i>Ministère de l'Intérieur et des Collectivités Locales</i> - Ministry of the Interior and Municipalities
M&E	:	Monitoring and Evaluation
NCB	:	National Competitive Bidding
NPV	:	Net Present Value
NS	:	National Shopping
NGO	:	Nongovernmental Organization(s)
OP	:	Operational Policy
O&M	:	Operation and Maintenance
PAP	:	<i>Plan d'Aménagement Pastorale</i> - Pastoral Management Plan
PCD	:	Project Concept Document

PDAR	:	<i>Programme de Développement Agricole et Rural</i> - Agricultural and Rural Development Program
PER	:	Public Expenditure Review
PER1	:	<i>Projet Emploi Rural</i> - Rural Employment Project
PER2	:	<i>Deuxième Projet d'Emploi Rural</i> - Second Rural Employment Project
PFS	:	Project Financial Statements
PGE	:	<i>Plan de Gestion Environnementale</i> - Environmental Management Plan
PHRD	:	Japan Policy and Human Resources Development Fund
PIM	:	Project Implementation Manual
PIP	:	Project Implementation Plan
PMU	:	Project Management Unit(s)
PNAE-DD	:	<i>Plan National d'Action pour Environnement et Développement Durable</i> - National Action Plan for the Environment and Sustainable Development
PNDA	:	<i>Plan National de Développement Agricole</i> - National Agricultural Development Plan
PNDAR	:	<i>Plan National de Développement Agricole et Rural</i> - National Agricultural and Rural Development Plan
PSD	:	Private Sector Development
PSRE	:	<i>Programme de Soutien à la Relance Economique</i> - Program of Support for Economic Rehabilitation
QCBS	:	Quality and Cost Based Selection
REA	:	Regional Environmental Assessment (for the Project Zone)
SA	:	Special Account
SDP	:	Standard Disbursement Percentages
SME	:	Small and Medium Enterprises
SMI	:	Small and Medium Scale Irrigation
SOE	:	Statement of Expenditures
TTL	:	Task Team Leader
TOR	:	Terms of Reference
UNDB	:	United Nations Development Business
VAT	:	Value Added Tax
WB	:	World Bank
WUA	:	Water User Association

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ALGERIA
SECOND RURAL EMPLOYMENT PROJECT

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MAP(S)
IBRD 32215

ALGERIA
Second Rural Employment Project
Project Appraisal Document
Middle East and North Africa Region
MNSRE

Date: March 27, 2003 Sector Director: Letitia A. Obeng Country Director: Theodore O. Ahlers Project ID: P076784 Lending Instrument: Specific Investment Loan (SIL)	Team Leader: Kutlu Somel Sector(s): Crops (45%), Forestry (35%), Irrigation and drainage (10%), General agriculture, fishing and forestry sector (10%) Theme(s): Rural non-farm income generation (P), Rural services and infrastructure (P), Civic engagement, participation and community driven development (P), Gender (P), Social analysis and monitoring (S)
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Project Financing Data.

Loan Credit Grant Guarantee Other:

For Loans/Credits/Others:
Loan Currency: United States Dollar
Amount (US\$m): 95.0
Borrower Rationale for Choice of Loan Terms Available on File: Yes
Proposed Terms (IBRD): Fixed-Spread Loan (FSL)
Grace period (years): 3

Front end fee (FEF) on Bank loan: 1.00%
Payment for FEF: Capitalize from Loan Proceeds

Initial choice of Interest-rate basis: Maintain as Variable, 6-month LIBOR plus fixed spread

Type of repayment schedule:
 Fixed at Commitment, with the following repayment method (choose one):
 Linked to Disbursement

Financing Plan (US\$m):	Source	Local	Foreign	Total
BORROWER		24.22	0.00	24.22
IBRD		89.00	6.00	95.00
LOCAL SOURCES OF BORROWING COUNTRY		23.67	0.00	23.67
Financing Gap		-89.00	89.00	
Total:		47.89	95.00	142.89

Borrower: GOVERNMENT OF ALGERIA

Responsible agency: MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT

General Directorate of Forestry

Address: Direction Générale des Forêts, Parc Zoologique, Ben Aknoun, Alger, Algérie

Contact Person: Monsieur Salah Bourahla, Directeur Général

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per2bis@yahoo.fr

Other Agency(ies):

Directorate of Investment Programming and Economic Studies

Address: Direction de la Programmation des Investissements et des Etudes Economiques (DPIEE)

Ministère de l'Agriculture et de Développement Rural

Contact Person: Monsieur Idir Bais, Directeur

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Estimated Disbursement in US\$m Equivalent (Bank FY/Semesters):

Source	FY	2003	2004	2005	2006	2007	2008	2009	
		Sem. 1 Sem. 2							
IBRD			5.03	10.47	16.59	8.87	6.30	0.45	
			5.03	10.48	16.60	8.87	6.31		
Cumulative			\$10.06	\$31.01	\$64.20	\$81.94	\$94.55	\$95.00	

Project implementation period: Five and a half years

Expected effectiveness date: 07/01/2003 **Expected closing date:** 06/30/2009

CPIC P40 Form Rev. March, 2000

A. Project Development Objective

1. Project development objective: (see Annex 1)

The Project seeks to generate and stimulate rural employment in poor rural mountainous areas of northwest and north-central Algeria. In the first instance, the Project aims to respond in the short-term to the critical problem of unemployment in the target rural areas through direct employment creation, using labor-intensive civil works for natural resource management emphasizing soil erosion control. The longer-term perspective emphasizes the instrument of asset creation for stimulating employment, mainly through natural resource management, protection of the environment, water resource mobilization, and income-generating rural development activities aiming at the substitution of perennial tree crops in place of annual cereal production, with the purpose of increasing labor productivity in a sustainable manner.

Asset creation is defined broadly as the enhanced availability of resources that can be used directly or indirectly in productive activities. Examples are infrastructure with important externalities; maintenance of the natural resource base by reducing soil erosion; perennial fruit tree orchards and vineyards adapted and appropriate for the agro-ecological environment instead of annual low productivity cereals; enhanced availability of water for irrigation and human consumption; etc. Unemployment is a structural problem in Algeria. Hence, longer term solutions are necessary to address the problem. Short term solutions such as direct transfers can alleviate shortfalls in income and consumption flows but need to be complemented by actions and measures with durable effects. In that context, it is necessary to focus on asset creation which will have longer term effects, particularly on labor productivity.

2. Key performance indicators: (see Annex 1)

A baseline survey will be conducted during project implementation by consultants in charge of Monitoring and Evaluation (M&E) to measure progress against. Monitoring and evaluation will comprise regular activities for periodic reports on physical and employment progress and occasional studies on assessing impact, based on surveys and modeling. Key performance indicators are:

- creation of 36,000 person-years of direct employment through labor-intensive activities
- increase in rural household incomes and assets through increases in production
- indirect employment and PSD effects from increased economic activity and incomes
- improved capacity in the central and decentralized Ministry of Agriculture and Rural Development (MADR) and General Directorate of Forestry (DGF) administration through training and studies

B. Strategic Context

1. Sector-related Country Assistance Strategy (CAS) goal supported by the project: (see Annex 1) **Document number: R96-15[Rev.] Date of latest CAS discussion: February 27, 1996**

The current CAS dates from 1996. Preparation of a new CAS is underway and Board presentation is expected in the fourth quarter of FY03. The 1996 CAS was intended to be a 12-month strategy. It followed a difficult period of adjustment in the early 90s, when shortfalls in oil revenues led to debt management problems. In 1994-1995, Algeria initiated a series of measures for macroeconomic stabilization and structural adjustment. Measures entailed a significant devaluation of the overvalued Algerian Dinar (DA), regulatory changes and elimination of extensive producer and consumer subsidies, the former particularly in agriculture, when all producer subsidies (input and product) but those for wheat and irrigation water were eliminated.

Hence, the focus of the 1996 CAS was the management of the transition, particularly the social impact of liberalization. In the environment existing in 1995/1996, the main objective of the transitional strategy was to capitalize on the window of opportunity existing then to deepen and ensure the irreversibility of the reforms as the central condition for future growth. Two key priority elements of the strategy were:

- stimulating private sector-led employment generating growth through a deepening of the reform program; and
- protecting the poor during the transition through targeted operations.

Quick employment generation and protection of the vulnerable groups for employment were seen to be crucial to safeguard the reform program and resolve the social crisis affecting the country. Among the priorities was accelerating the implementation of well-targeted labor intensive programs in agriculture. This was subsequently supported by a poverty assessment study, based on 1988 and 1995 LSMS data, which showed that 70 percent of the poor in Algeria live in rural areas.

The first Rural Employment Project was thus prepared in 1996 and became effective in 1997. Given its satisfactory performance and impact on both rural development and employment, a second Rural Employment project was signaled to be a priority in the context of the dialogue between the Bank and the Government.

The 1996 CAS is still valid in areas of concern to the Second Rural Employment Project. The CAS under preparation is an open, inclusive and collaborative exercise. Several fora were utilized to involve stakeholders, such as the representatives of the private sector, trade unions, the academia and the civil society along with the administration. These general level meetings would be followed by thematic and sectoral meetings (e.g., water sector, social aspects, etc.). In that context, an initial meeting was held between Algeria and the Bank, in Ghardaia in April 2002, towards the preparation of a strategy of cooperation in "agricultural, agro-industrial and rural development," with the participation of the representatives of farmers, the private sector in agricultural services and agroindustry, academicians, agricultural financial institutions, researchers and central and decentralized agricultural administration. The focus of the present project, as well as the performance of the ongoing Rural Employment Project (PER1: Loan 4143-AL; Project No. P043724; PAD Report No. 16343-AL dated March 3, 1997); were discussed. The emphasis on sustainable development and natural resource management was a particular aspect of the discussions which gives credibility to the efforts in the proposed and ongoing project. Furthermore, the sectoral strategy and CAS discussions raised the point that the evolving market-oriented policies of the Government for rural development need to develop an improved strategic framework, be based on sound policy analysis, and emphasize the stimulation of investments in rural areas, as well as to reorient the decentralized administration more used to implementing centrally planned interventions. These recommendations led to the component on Institutional Development for the Ministry of Agriculture and Rural Development (MADR). The documents produced in the sectoral CAS meetings are in the project files.

The Project is consistent with the Bank's Rural Development Strategy, as well as the MENA Regional Strategy, in emphasizing the social problems of poverty and unemployment, in the focus on gender issues and rural women, in promoting diversification, and private sector development (PSD) by encouraging implementation by small and medium enterprises (SME) in the private sector. Finally, the project is also consistent with Government strategies as expressed in the Economic Rehabilitation Support Program (*Programme de Soutien à la Relance Economique* - PSRE) and National Agricultural and Rural Development Plan (*Plan National de Développement Agricole et Rural* - PNDAR) (see next point for definitions and discussion).

2. Main sector issues and Government strategy:

The rural sector in Algeria bears a disproportionate burden in terms of poverty, unemployment and underemployment. The poverty assessment study carried out in 1996 indicates that 70 percent of the poor in Algeria are in rural areas and that there is a close relationship between poverty and unemployment. The rural areas are also affected by underemployment due to the seasonal nature of agricultural activities, hence agricultural labor productivity is considerably lower than that in the other sectors.

Agriculture and agro-industry, dominated by private operators, have been a more dynamic element of the economy, exhibiting average growth rates above the economy-wide average. However, agriculture is also highly susceptible to climatic variability, and particularly drought, which has struck the country persistently since the 90s, with some regions being particularly affected. This results in risk-averse technology choices by producers, with low levels of investment and technology and low average yields in critical (strategic) field crops, such as cereals.

In order to stimulate the rural and agricultural sectors, the Government developed and implemented a National Agricultural Development Plan (*Plan National de Développement Agricole* - PNDA) in 2000. Subsequently, in 2001, the Government initiated the five year PSRE (2001 - 2004) into which the PNDA was incorporated. After 2002, with the incorporation of the rural development perspective, PNDA became PNDAR.

The **objectives** of the PNDAR are: (i) food security; (ii) exploitation of resources based on identified potential; and (iii) protection of the environment. However, the “identified potential” could have been overestimated and thus needs to be based on research on both technical aspects as well as economic aspects (competitiveness). The expectation that this potential is readily obtainable could have led to an emphasis on targeted development incentives through subsidies as the common policy instrument.

The PNDAR is developed in the context of a market economy, and signals fundamentals such as “food security rather than self-sufficiency”, “competitiveness”, “comparative advantage”, “optimal use of resources” (especially water), etc. These initiatives need to be supported by thorough policy analysis and have adequate impact monitoring. Staff capacity in the MADR needs to be reinforced in developing coherent programs around well assessed priorities, as well as for effective M&E.

Participation. One important aspect of the PNDAR is that it is more reliant on decentralized processes and beneficiary participation than was the case historically. This is very important for the sustainability of the interventions and for reducing recurrent costs of O&M. The experience of the Rural Employment Project in this respect has been important.

PNDAR is made up of four principal programs: (i) the adaptation of production systems to climatic conditions called *reconversion*; (ii) the modernization of farms, commonly called the *filière* program; (iii) land development by concessions; and (iv) the national program of reforestation.

The Reconversion Program aims to diversify agricultural production in the arid, semi-arid and sub-humid zones by reducing the fallow and by replacing low productivity cereals with other crops and activities that would: (i) manage the drought conditions better; (ii) arrest and reverse environmental degradation arising from cereal monoculture with fallow, especially soil erosion and the encroachment of the desert; and (iii) improve farmer incomes.

The Filière Program targets products with large public consumption such as wheat and milk. These are development programs to encourage production and productivity increases through various incentives

(financing inputs and wheat and milk producer price, interest rate and investment subsidies). They are also ambitious and entail large fiscal outlays which need to be adequately analyzed. The potential and actual impacts of this component need to be assessed.

The Concession Program encourages specific development projects for diverse purposes (e.g., development of a small irrigation perimeter in a given location). The projects need to be economically viable, socially acceptable and environmentally sustainable. There is an element of participation in financing in the costs of each project. If the project is able to remain successful, after five years, all assets, including the land are supposed to be ceded to the beneficiaries. An assessment of the performance of the program is needed. In particular, given the current problematic state of land tenure rights, the cession of land to beneficiaries would have long term repercussions.

The National Program of Reforestation targets the watersheds and mountain areas, using the model of the Rural Employment Project (Loan 4143-AL), namely both reforestation on public lands and expansion of fruit trees on private lands through labor-intensive methods. In addition, forestry related activities, such as plant production, are being introduced under concessions on public lands. The most serious environmental problem in rural areas is soil erosion. A major effort aims to focus defensive forestry and fruit tree establishment activities (reforestation, terracing, etc.) against soil erosion. These are efficient uses of public resources utilizing labor-intensive approaches. The Bank-supported ongoing Rural Employment Project is providing satisfactory results in this area. The Bank has already contributed to the National Program of Reforestation in the PNDAR and the PSRE by including a supplementary program for the wilayate (governorates) of Relizane and Mostaganem under the ongoing Rural Employment Project and by extending the closing date accordingly to allow for the realization of this supplementary program.

New Initiatives for the Steppes. The challenging area of the management of the steppes as an ecological (diversity of flora and fauna) and economic asset (for grazing) will be tackled under a new initiative. These fragile areas are subject to severe pressure from grazing and illicit encroachment of cultivation, causing irreversible damage to the vast *nappes alfatières* which are critical to soil stabilization. Customary use rights based on tribal structures were at odds with development initiatives trying to establish control over the use of resources on these public lands. The new initiative now would recognize communities as the basic unit of development, in the spirit of decentralized and participatory approaches.

Agricultural and Rural Development. The program of new Government appointed after the elections of May 2002 has reaffirmed the priority of agricultural and rural development and the continuation of the initiatives under PNDAR, focusing on employment, sustainable development and preservation of natural resources. One particular development was the establishment of State Minister (*Ministre Délégué*) post for Rural Development in the Ministry of Agriculture, which was renamed Ministry of Agriculture and Rural Development (*Ministère de l'Agriculture et du Développement Rural - MADR*).

The ongoing Rural Employment Project has influenced policy perspectives on matters related to decentralized operations and participatory approaches for rural development. In this context, a new Agricultural and Rural Development Program (PADR) is being developed in the spirit of the Rural Employment Project with a "*mise en valeur en proximité*" perspective, implicating the decentralized administration of other ministries in the wilayate as well. In this respect, several inter-ministerial decisions have already been signed, in particular, one between the Ministry of the Interior and Municipalities (MICL) and the Ministry of Agriculture and Rural Development (MADR). The former is represented by the wali (governor), the chief administrator in each province. Hence, coordination for rural development is assured under the wali, implicating diverse ministries involved in rural development

such as water resources, housing, health, education, etc. The proposed Second Rural Employment Project will thus be the driving element of the PDAR and *mise en valeur en proximité* efforts in the targeted wilayate as well as the country as a whole.

Financing of PNDAR. The PNDAR programs are financed through arrangements supported by different funds. The most important of these are the National Fund for the Regulation and Development of Agriculture (*Fond National de la Régulation et de Développement Agricole - FNRDA*), which is now joined by the Fund for Rural Development and Land Development by Concessions (*Fonds de Développement Rural et de Mise en Valeur des Terres par Concessions - FDRMVTC*). The FNRDA combines the two old funds for the Minimum Guaranteed Prices and the National Fund for Agricultural Development (*Fond National de Développement Agricole - FNDA*). The National Agricultural Credit Union (*Caisse National de Mutualité Agricole - CNMA*), through its regional agencies of the Regional Agricultural Credit Union (*Caisse National de Mutualité Agricole - CRMA*), and the Agricultural and Rural Development Bank (*Banque de l'Agriculture et du Développement Rural - BADR*) through its agencies, are the specialized financial institutions for the management of the funds mentioned above.

The agricultural sector has been allocated a Program Authorization (*Autorisation de Programme - AP*) of 65 billion DA under the PSRE, which is equivalent to 12 percent of the total AP of 525 billion DA for a five year period (2001-2004). This total will be higher if the irrigation sector components, which are currently under the *Hydraulique* heading, and the rural infrastructure activities are included. The bulk of the AP for agriculture has been allocated to the reinforcement of programs supported by FNRDA (53.9 billion DA).

There is a close dialogue and cooperation between the Government and the Bank in agriculture and rural development, which will be strengthened through the Institutional Development Component for MADR, focusing on training and studies on areas such as capacity development, M&E systems, rural poverty reduction, food security and competitiveness, agricultural credit mechanisms, etc. These activities will complement and provide inputs for the Rural Development Sector Strategy Note, planned for FY03.

3. Sector issues to be addressed by the project and strategic choices:

Addressing the problem of *rural unemployment* is the main focus of the proposed Project. The instruments to be used in the Project emphasize *natural resource management* and *protection of the environment*. These instruments are conducive to labor-intensive techniques and employment generation.

The Project represents continued commitment for what is a turning point for rural projects in Algeria. It embodies the following strategic choices that the Government has made in addressing the problem of rural poverty and unemployment: (i) a shift in emphasis from capital-intensive approaches to labor-intensive ones, in line with the prevailing factor proportions in the country; (ii) the priority accorded to small scale interventions; and (iii) finally, a change from centralized, top-down approaches to a decentralized one where communities would be more involved in projects at various stages. Hence, following upon the seeds of participatory approaches cast in the ongoing Rural Employment Project to build the base for generating community involvement, the second Rural Employment Project will expand the use of such approaches.

Preliminary observations in the field and assessment of the on-going project lead to a strategic choice on the fundamental development impact with respect to reducing rural poverty. The poor farmers of the target regions are primarily involved in low yield cereal production for family consumption, with livestock to balance diets, budget and consumption flows. The events of the last decade had actually even

forced some to abandon their lands from which they derived their meager subsistence. This low level equilibrium production system is not conducive to any accumulation for investments which could take these farmers out of their poverty. The project would basically provide this possibility by supporting investment in assets whereby farmers can rise out of poverty. That they will participate and have participated in the investment process through their labor input enhances the ownership of the assets created.

C. Project Description Summary

1. Project components (see Annex 2 for a detailed description and Annex 3 for a detailed cost breakdown):

Project design focuses on the basic objectives of direct and indirect employment creation. Direct employment creation aims to respond to the immediate problem of high unemployment in the project area, and indirect employment creation aims to enhance the options for medium to long term development for more sustainable employment through increased and more diversified production, both on-farm and off-farm through increased demand for upstream and downstream services. The project also aims to integrate rural women in project activities through direct access to project activities in general and through specific activities targeting rural women, difficult as this may prove to be given the existing socio-cultural conditions.

As indicated in Annex 11 on Social Assessment, the project focuses on participatory approaches in order to enhance ownership of interventions and activities that are responsive to beneficiaries' needs. A preliminary survey, using project staff who received basic training in participatory approaches, assisted by trainers who had received training under the ongoing Rural Employment Project (PER1 – Loan 4143-AL) and coordinated by a team of consultants, used diverse techniques to assess the needs and constraints of men and women in the project zones (see *Sondage Préliminaire* in Documents in Project Files). This was a new experience for both the project staff and the beneficiaries in the project zones: the former for being able to work closely with the beneficiaries and respond to their needs, and the latter to find government agencies interested in their perspective on issues and priorities. As a consequence, project components were modified during project preparation to reflect the critical constraints in the project zone. These changes are mainly in the increased emphasis on water resource mobilization and technical aspects of diversification. Ultimately, project implementation will also entail a degree of flexibility as is the case under PER1, to adapt to evolving conditions.

The project will comprise the following components to be implemented by the centralized and decentralized administration of the Ministry of Agriculture and Rural Development (MADR) and the General Directorate of Forestry (DGF) through competitive market based procurement procedures, emphasizing small lots as the basis of contracts to encourage SME.

Component 1: Soil Erosion Control (Total cost US\$ 50.2 million; US\$ 40.1 million Bank financing)

This is the critical project component that will serve as the instrument for direct short-term employment creation, using labor-intensive techniques. The emphasis is on natural resource management targeting the critical problem of soil erosion. A critical aspect of this component is the employment of forest area riparians in a participatory manner to ensure the sustainability of interventions. Furthermore, where pertinent, forestry and forage species will be combined in planting activities to respond to the agro-pastoral characteristic of the project zone and pastoral management plans will be developed to promote the sustainable exploitation of the natural resource base for grazing.

Specific activities comprise the following: reforestation; river bank management; terracing and biological control; flood control infrastructures; forestry rehabilitation; and silvicultural activities.

Component 2: Agricultural Development (Total cost US\$ 66.7 million; US\$ 34.4 million Bank financing)

This component aims to address employment within a medium to long term perspective through agricultural development activities in the mountainous project areas. These areas are currently characterized by a cereal-livestock system, mainly barley for feed and some wheat, and livestock, mainly ovines (sheep and goats). This component aims to diversify the production base by expanding the limited fruit tree production in the project area. Participation is a critical element of most agricultural development activities. In fruit tree planting activities beneficiaries will contribute to 50 percent of costs for digging the troughs and planting the trees. This participation will be either in the form of labor or actual financial contribution. No mechanical methods will be allowed except for the deep ploughing necessary for viticulture. In land clearing, beneficiaries will contribute 30 percent of costs through labor or finances. Women will benefit from agricultural development activities in an integral manner as well as through specific activities targeting rural women.

Fruit tree, grapevine and small livestock activities will be closely associated with extension efforts through the Wilayate Agricultural Services Directorates (DSA - *Directions des Services Agricoles*) and the Wilayate Forestry Directorates (CDF - *Conservations des Forêts*), with emphasis on the requirements for reaching female beneficiaries, choice of adapted species, cultural practices, including water-saving irrigation methods.

Specific activities under this component are: rustic fruit tree plantations and irrigated fruit tree plantations; viticulture; plant material production; windbreaks; land clearing; rural roads (upgrading and rehabilitation); small livestock production; and artisanal activities.

Component 3: Water Resource Mobilization (Total Cost US\$ 15.5 million; US\$12.4 million Bank financing)

Water resource mobilization is critical to project activities. The project zone is characterized by low rainfall with significant intra- and inter-annual variation. While irrigation is practiced in the lower valleys through large irrigation schemes, in the mountainous and hilly areas the water potential is not adequately exploited for irrigation or potable water. In the project zone, capturing and managing existing water resources will be a critical factor in relieving some of the risks arising from variable agro-climatic conditions. This will also make clean potable water available to rural populations. As for irrigation, certain activities will require the prerequisite of water availability (e.g., irrigated fruit trees). Irrigation, in general, will allow more intensive and diversified agricultural production. Close coordination will be maintained with the *Directions Hydraulique de Wilaya* (DHW – Governorate Water Directorates) in water resource mobilization activities, particularly for the activities of hill dams and wells. The choice of the sites for the hill dams and deep wells will be authorized by the DHW, complemented by additional studies and exploratory drilling where necessary. In all cases, water has to be of adequate quantity and quality for the subsequent investment activity to be authorized.

The specific activities under this component are as follows: hill dams (*retenues collinaires*) (where the height of the dam does not exceed 15 meters); water points; rehabilitation of springs; and shallow (30 – 50 m) and deep (50 – 100 m) wells.

A hill dam will be subject to several conditions for the associated investments to be authorized by the Bank:

- Compliance with safeguards related to safety of dams (OP4.37) where necessary;
- Prior environmental impact studies; and
- Prior establishment and training of water users associations (WUA).

Depending on the scale of the operation, WUA would also be required for deep wells.

Complementary water saving irrigation equipment, such as drip irrigation systems, will be financed under the ongoing PNDAR/FNRDA activities.

Component 4: Support for the Central Project Management Unit (*Cellule Centrale de Gestion du Projet - CCGP*) and Wilaya Coordination and Management Units (*Cellules de Coordination et de Gestion de Wilaya - CCGW*) (Total Cost US\$ 4.6 million; US\$ 3.2 million Bank financing)

This component covers diverse activities such as training for DGF staff, required studies, consultant services for M&E, and equipment and vehicles for the project management and implementation structure. The two important elements of this component are the training in participatory approaches for project staff and the independent M&E. These two activities are recent innovations for the DGF which are also having wider effect in other MADR projects.

Specific activities will entail the following: (i) **training** activities such as participatory approaches, with a special perspective on gender-specific issues pertaining to women, targeting both male and female DGF staff; project management; information technology (IT), technical forestry subjects, etc.; (ii) **studies** such as the baseline survey, technical and environmental studies for water resource mobilization and rural road activities and marketing and socioeconomic impact; Monitoring and Evaluation (M&E) which will be carried out by independent consultants in a manner complementary to project implementation; and (iii) **equipment** comprising computers; office equipment, and vehicles.

Component 5: Institutional Development for the Ministry of Agriculture and Rural Development (MADR) (Total Cost US\$ 4.5 million; US\$ 3.5 million Bank financing)

During sectoral strategy discussions in the context of the new CAS and during project preparation, complementarities between some of the PNDAR and the two Rural Employment Projects objectives and instruments were noted in areas such as production diversification, protection of natural resources and water resource mobilization. Hence, a broader Institutional Development component for MADR was developed, targeting both the broader areas of policy design and implementation and M&E of development programs, and the specific context of the project area. For the project area, the focus would be on the complementarities between wilaya (governorate) level agencies, namely, the CDF, the DSA, and the Wilaya Water Directorates (*Directions Hydrauliques de Wilaya - DHW*), providing them with adequate training and/or equipment to ensure effective support to the collaborative project efforts in areas such as extension, facilitation of credit applications, etc. On the general focus of the Institutional Development component, a significant part of the resources would be allocated to training programs targeting the decentralized administration. This training would facilitate capacity development in implementing market-oriented rural development programs, giving authority and responsibility to regional and wilaya staff through diverse tools such as participatory approaches.

The Institutional Development activities for MADR comprise the following: training for the central and decentralized administration on rural development strategies; impact assessment of development policies and policy analysis instruments; M&E instruments and methods, and pilot integrated rural development projects for training purposes. The Institutional Development activities will also incorporate gender-specific matters focusing on women and targeting both male and female staff.

Component	Indicative Costs (US\$M)	% of Total	Bank-financing (US\$M)	% of Bank-financing
Erosion control measures	50.17	35.1	40.14	42.3
Agricultural development	66.72	46.7	34.44	36.3
Water resource mobilization	15.51	10.9	12.40	13.1
Support for the CCGP and CCGW	4.61	3.2	3.16	3.3
Institutional Development for MADR	4.47	3.1	3.45	3.6
Unallocated	0.46	0.3	0.46	0.5
Total Project Costs	141.94	99.3	94.05	99.0
Front-end fee	0.95	0.7	0.95	1.0
Total Financing Required	142.89	100.0	95.00	100.0

2. Key policy and institutional reforms supported by the project:

There are no foreseen policy issues that would need to be addressed in the context of the present project. As indicated above, the policy dialogue for the agricultural sector will be carried out in the context of the preparation the CAS, as well as the Agricultural Sector Strategy Note planned for FY03. The Institutional Development component for MADR will be a critical instrument and serve as a basis for the sectoral policy dialogue by providing specific studies on strategic and policy issues.

The following actions concerning institutional and implementation matters have been adopted in the case of the ongoing Rural Employment Project (Loan 4143-AL) and have also been agreed upon with the Borrower for the proposed Project.

- Investments in hill dams will require prior engineering studies, including social and environmental impact assessments and the creation of Water Users Associations (WUA) to undertake O&M responsibilities.
- Investments in rural roads will require prior engineering studies, including social and environmental impact assessments.
- Beneficiaries will contribute a certain part towards the costs of on farm-investments through labor or means of production, at the rate of 50 percent of labor costs for planting fruit trees and grapevines and 30 percent of the labor costs for destoning.
- There will be no force account implementation. Procurement of goods, works and services will be based on competitive procedures in which both private and public enterprises can participate.
- Monitoring and Evaluation will be undertaken by independent consultants, based on TOR to be agreed upon at negotiations.

3. Benefits and target population:

The project is expected to generate significant economic, social, environmental and institutional benefits. These benefits would accrue at the national, regional and local levels.

Economic benefits. Benefits generated would be in the form of: (i) increased rural employment, about

36 thousand person-years of direct employment and a significant amount of indirect employment; (ii) diversified and increased agricultural production; (iii) higher incomes and asset values for poor rural households; and (iv) higher levels of private sector activity. Other economic benefits would arise from the improved infrastructure which would increase local community access to basic social services. Although more difficult to quantify, economic benefits will also arise from the protection of agricultural land and other natural resources through the implementation of soil and water conservation activities.

Social benefits. The project aims to create an enabling environment conducive to participatory, inclusive and gender-balanced development, an outcome which is primarily social in nature. Social benefits will accrue at the individual and community level. At the individual level, benefits will accrue from beneficiary participation in project investments. Social benefits will accrue to community groups from improved basic infrastructure and social services. In addition, local community participation will improve the communication between the Administration and the population which should result in improved targeting and higher degree of integration of all sectors of the population, including women, into the social and economic life of the communities. Furthermore, local community participation will result in more pertinent interventions and more appropriate methods in the design of development programs, increasing the impact and efficiency of public expenditures. This approach will also increase local community ownership of interventions, leading to sustainability of investments made.

Environmental benefits. A large part of the project activities are targeted to reducing soil erosion and improving natural resource management. The use of improved and sustainable techniques in agricultural production, natural resource and forestry management will significantly improve the status of these scarce resources in a zone where degradation is a serious problem. The environmental benefits go beyond the immediate intervention zone as the effects also accrue to adjacent areas as well as downstream of watersheds treated. As such, environmental benefits from the project are expected to be significant.

Institutional benefits.

DGF. Institutional benefits will accrue at the national, regional and local levels. At the national level, benefits will accrue from the institutional strengthening activities, such as training which should contribute to improved planning, implementation and M&E competence in DGF. With some adaptation, positive lessons learnt from the present and the previous Rural Employment Projects can also be replicated nationally, as the ongoing project has already inspired and served as a model for part of the programs under the PNDAR. The improved efficiency in the implementing agencies resulting from the institutional strengthening activities should translate to cost effectiveness in the project executing agencies, and hence in improved development impact. At the regional and local levels, benefits will accrue to the decentralized implementing offices through their participation in training and capacity building measures. These activities target the three principal *wilaya* level agencies which will have a role in the project: the CDF, DSA and DHW. Essentially, the process entails a transition from centralized implementation to one where the central administration focuses on strategic development, policy analysis and M&E, while actual implementation is decentralized to *wilaya* level administration and below. In this context, the regional and local levels will benefit from capacity building activities targeted to increase decentralized implementation efficiency, a key prerequisite to increasing local community participation. Another important benefit at the regional and local level will be the skills gained in the development and use of participatory approaches to improve the potential for sustainability in investments made. Additional benefits at the local level will accrue in the context of private sector development (PSD) as private SME participate in the implementation of project activities.

Institutional Development for MADR. There are close linkages between the PNDAR and the proposed

and ongoing Rural Employment Projects, and the PNDAR is an integral part of the PSRE. The proposed Rural Employment Project will play a critical role in the implementation modalities of the Government programs in agricultural and rural development, namely the PDAR being prepared with a *mise en valeur en proximité* perspective. As a consequence, in the context of the sectoral strategy and the CAS dialogues, meetings have taken place to identify issues and constraints in rural development. Based on this continuing dialogue, a Institutional Development program was developed for MADR (cf. Project Files). The benefits of the Institutional Development program will arise on the national scale and will entail: (i) improved strategy design and policy analysis based on sound information at the level of the central administration; (ii) improved M&E of the impact of the development programs and policies; and (iii) improved implementation capacity at the regional and local levels through focused training programs.

Target Groups

The **target group** is the population in specific communes in the mountainous areas of the *wilayate* of Tiaret, Tissemsilt, Chlef, Aïn Defla, Médéa and Bouira. The population in these communes is 1.2 million, in 92,000 households. The project zones extend eastward from the ongoing Rural Employment Project (Loan 4143-AL) in Northwest Algeria towards the north-center of the country and cover 1.4 million ha. Specifically, the project zones are: (i) Zone 1: Monts de Gargar and Monts de Frenda (watershed of the Mina river) in the wilaya of Tiaret and Monts de l'Ouarsenis Sud in the wilaya of Tissemsilt; (ii) Zone 2: Monts de Dahra and Monts de l'Ouarsenis occidental in the wilaya of Chlef and Monts de l'Ouarsenis Nord in the wilaya of Aïn Defla; (iii) Zone 3: Monts du Titteri occidental and Monts du Sersou in the wilaya of Médéa and Monts du Titteri oriental in the wilaya of Bouira.

The project targets rural areas which have a high incidence of poverty. The project zone is characterized by mountainous isolated areas with sloped, vulnerable lands, with high degree of erosion due to the severe droughts, under-exploited water resources and the over-exploited natural resources. The degree of vulnerability of the local populations is high as a consequence of their isolation and remoteness, lack of access to sustainable economic opportunities, lack of access to social services, and the current conjuncture.

The social analysis undertaken during project preparation has identified the following **vulnerable groups**:

- **Agro-pastoralist farmers with a low asset base** include owners of small landholdings, owners of land under joint property rights (*indivision*), tenants on marginal lands, and small landholders without official deeds of their property. These farmers behave in a risk averse manner, which is reflected in the cultivation of traditional crops with low market risks (e.g., subsidized cereals or barley as feed) and livestock production.
- **Rural landless** are unskilled workers who do not have access to land and who depend on seasonal demand for labor in agriculture and in rural informal, small-scale industries and services. The landless rural workers are vulnerable to fluctuations in the demand for labor, wage rates, and food prices.
- **Agro-pastoralist families** who have been displaced due to difficult conditions, which have resulted in an exodus in search of better living conditions in other *douars* (villages) of the project areas.
- **Young unemployed** with low educational status, who suffer from high income instability due to their reliance on casual labor contracts and often have no choice but to abandon rural areas and move towards urban areas.

- *Women from low-income households.* Within this category, three main groups of women seem to be particularly vulnerable: *women-headed households*, particularly widows (women-headed households tend to be smaller than male-headed households, and thus, possess less available labor for farm work.); *married women*, whose ascribed gender role of food and care providers combined with demands for family labor in the farm household economy results in heavy workloads and severe time constraints; and, *young girls* whose low educational status restrains their access to labor market opportunities.

For the institutional development activities, MADR and DGF staff, as well as the beneficiaries are targeted, focusing on participatory approaches and an improved performance of the MADR structure, particularly at the decentralized levels.

4. Institutional and implementation arrangements:

Implementation period: Five and a half years (last six months for *ex post* assessment).

Executing agency: General Directorate of Forestry (DGF) of the Ministry of Agriculture and Rural Development (MADR) for the first four components (Erosion Control; Agricultural Development; Water Resource Mobilization; and Support for the CCGP and CCGW) and the Directorate of Investment Programming and Economic Studies (DPIEE) of the MADR for the fifth component (Institutional Development for the MADR).

The project will use the same implementation design as the ongoing Rural Employment Project (Loan 4143-AL), with minor modifications. The staff of the CDF in charge of implementing the ongoing project met with the staff of the CDF in the proposed project and discussed organizational issues, among others, in the context of lessons learnt. In addition, the *Conservateurs* of the proposed project have had a field visit to observe implementation of the ongoing project in September 2002.

This implementation design maintains the basis of the decentralized DGF structure, which devolves responsibility for day-to-day management of project activities to local levels of the *wilaya* level organization:

- Central level. A central project management unit (CCGP) within the DGF would be responsible for overall project coordination and administration, including project accounting and disbursement; management of the project special account; and ensuring timely audits and M&E (see below). It would also be the principal interlocutor of the Bank on procurement matters, periodic progress reporting, etc., in accordance with procedures agreed upon at appraisal and integrated into the PIM, similar to those used in the ongoing Rural Employment Project. CCGP staff will entail a multidisciplinary team comprising a project manager (*Chef de Projet*), a forester/agronomist (to be nominated), an economist, a sociologist and an accountant responsible for procurement and financial management. There will be close coordination with the Project Management Unit (CGP) of the ongoing Rural Employment Project.
- Regional level. The DGF's Directorates (CDF) in each *wilaya* will be responsible for project implementation, which will be coordinated by a *wilaya* level project management unit (CCGW) under the responsibility of the Director (*Conservateur*) and headed by a unit chief (*Chef de Cellule*). The CCGW will have technical expertise, staff responsible for procurement and financial management, staff in charge of the integration of rural women in project activities and office staff. Specifically, CCGW will execute the annual programs and coordinate project actions in the respective *wilayate* at the level of the perimeter (see next point); manage the human, financial and material resources at the *wilaya* level, including procurement for works; and

coordinate the M&E of project performance at the *wilaya* level, through supervising each perimeter. The CCGW will be responsible for liaison with the DGF hierarchy as well as public and private agencies or organizations (Chambers of Agriculture, NGO, cooperatives, Directorates of Agricultural Services - DSA, Directorates of Water Resources-DHW, extension agents, etc.).

- Communal level. Groups of 6-12 contiguous communes in the project area will be organized into Perimeters (*Périmètres*) under a *Chef de Périmètre*. The Perimeter will be the basic unit for project implementation and interface with the communities, with support from the CCGW staff. The Perimeter will be responsible for the physical monitoring of project activities as well as the linkages with the communities. The Perimeter staff will comprise the technical DGF staff at the *circonscription* (commune) level.
- For the Institutional Development component for MADR, the implementing agency will be the Directorate of Investment Programming and Economic Studies (DPIEE) of the MADR. However, to facilitate processes and take advantage of the experience of the DGF, procurement will be managed by the DGF, while DPIEE, through the services of a consultant, will be in charge of developing the TOR for the various institutional development activities under the component and supervise and coordinate the products.

At the perimeter level, commune level DGF field staff will work directly with beneficiaries at the grass roots *douar* level, using participatory approaches in implementing the project. This process will enhance bottom-up flows that will affect project activities. In order to ensure that the project reaches out the intended beneficiaries, specific targeting criteria have been incorporated in the project design (See Annex 11 on Social Assessment). The use of a double approach to beneficiary targeting (self-targeting mechanisms and direct targeting by the DGF staff) will allow vulnerable groups to be the main beneficiaries of project interventions. All DGF field agents who will be involved in project implementation will receive training on participatory and gender-sensitive approaches that will help them build effective partnerships with the project beneficiaries.

Within the above decentralized management framework, project activities would be executed mainly by local private and public enterprises through competitive processes. Force account will not be used. Maintenance of investments on private lands will be the responsibility of the beneficiaries themselves. For certain water resource mobilization activities, water users associations (WUA) will be established to manage and maintain the water infrastructures through a *cahier de charges*.

The Project organization described above is in place, with all but a few staff remaining to be nominated. Some of these staff have already benefited from ongoing training in participatory approaches and project management. They have also been actively involved in project preparation activities. One area which needs to be improved upon is the identification, recruitment and maintaining of effective female staff who will be the main counterparts of women beneficiaries. The inherent difficulties reflect partly the social and cultural context and are expected to be resolved gradually during project implementation.

Project organization will be reinforced with diverse training activities for project management, M&E, gender issues, participatory approaches, technical training, IT training, etc., and be equipped with vehicles and office equipment.

The responsibility for the financial management of the project for the first four components of PER2 will be with the DGF, and for the fifth component will be with the DPIEE. The financial management system at the implementing agencies is based on principles and procedures defined by the legal framework applicable to the public sector which follow strict enforcement procedures through formal stages of expenditure (commitment, service delivery, payment order, and payment). The financial management system, which is summarized in Annex 6b and detailed in the PIM, is adequate and meet the minimum

accounting and reporting requirements of the Bank for accounting and reporting. Both the DGF and each of the six CDF will incur project expenditures, and approve payments following the budget execution processes that are in line with the prevailing laws and regulations in Algeria. The *Banque Algérienne de Développement* (BAD) and its regional offices acting both as the financial controller (*Contrôleur financier*) and the public treasurer (*Trésorerie Publique*) will be responsible for control of expenditure and making payments. On a centralized basis, at the DGF, the CCGP will be responsible for accounting, record-keeping and reporting functions. The CCGP will undertake all the required administrative functions relating to the budget at the central level at the DGF. In this connection, the CCGP's financial management functions will be integrated with the already existing structures at the DGF. CGP will consolidate financial records from the CDF as part of its coordination function. At the decentralized level, in each of the six CDF, the Coordinators will keep the accounting and financial recording of the transactions on a contract-accounting basis similar to the one that is already in use for the ongoing PER1. With respect to fifth component which will be managed on a centralized basis, the CCGP will perform the same functions for the DPIEE.

The CCGP will also be responsible for the preparation of the quarterly Financial Monitoring Reports (FMR) and the annual Project Financial Statements (PFS). The content and format of the FMR have been discussed and agreed upon with the Borrower and this will be documented during negotiations. The PFS will be audited by auditors acceptable to the Bank.

Project organization charts and job descriptions for different levels of project management are available in Project Files.

D. Project Rationale

1. Project alternatives considered and reasons for rejection:

Unemployment and poverty continue to be a crisis in rural areas. The ongoing Rural Employment Project (Loan 4143-AL) has demonstrated the effectiveness of a flexible decentralized participatory development approach in addressing this crisis and has created 23,500 person years of employment in less than five years of implementation. It has also addressed diverse issues of soil erosion, asset creation and private sector development directly and indirectly. Hence, the same project modalities were chosen to continue to benefit from the experience gained.

In developing design alternatives, the option of establishing of a Social Fund could have been considered. This approach has worked well in other countries, and was also effective under the First Social Safety Net Project (Loan 4006-AL), with an extra-budgetary financial system. However, this structure has met with administrative difficulties. The proposed Second Rural Employment Project would thus rely on conventional delivery mechanisms, as is the case under the ongoing first Rural Employment Project.

The proposed project also offers an alternative to classical support mechanisms targeting the poor areas in Algeria. This has been guaranteed minimum cereal prices by the Government, without any differentiation by region, agro-ecological zone, or farm size. While this policy would have provided incentives in high potential cereal areas, in the low rainfall and low potential areas, it essentially served as a social transfer mechanism. Furthermore, by encouraging area expansion in good rainfall years, it had the adverse effect of opportunistic cereal cultivation in vulnerable marginal areas of pastures, steppes and sloped mountainous zones. For the mountainous areas, the project supports asset creation, namely planting perennial fruit trees and grapevines for product diversification and to increase income flows as an instrument to address poverty and unemployment issues.

Finally, even though unemployment issues are prevalent over the country, it was decided to maintain a regional approach in order not to diffuse effort and resources over wide and discrete areas. Hence, the Project focuses on a relatively contiguous area in north-central Algeria, neighboring the areas of the ongoing project, allowing this proximity to create synergy and the possibility to share experiences.

2. Major related projects financed by the Bank and/or other development agencies (completed, ongoing and planned).

Sector Issue	Project	Latest Supervision (PSR) Ratings (Bank-financed projects only)	
		Implementation Progress (IP)	Development Objective (DO)
<p>Bank-financed The Project aimed mainly to promote improved natural resource management through research and extension. It was restructured to take into account the problems faced in the research component. The extension component made marginal progress. (Closed: 12/31/97)</p>	Research and Extension Loan 3216-AL	S	S
<p>The Project supported, among other objectives, natural resource management and protection of the fragile resources in the south of Algeria. The Project met its development objectives only partially. (Closed: 06/30/98)</p>	Sahara Development Ln. 3405-AL	U	U
<p>The Project served the objective of natural resource management and the protection of the environment. The watershed component faced problems due to preconditions related to training in participatory approaches. With some restructuring, the project met some of its objectives. (Closed: 12/31/98)</p>	Forestry and Pilot Watershed Management Loan 3487-AL	U	S
<p>The Project aimed to generate employment and improve infrastructure in a disadvantaged areas. Although the loan was not fully disbursed, the number of jobs created under the labor-intensive public works exceeded projections (24,500 person-years of employment created as opposed to a target of 20,000 person-years.). Closed: 03/31/01)</p>	Social Safety Net Loan 4006-AL	S	S

<p>The Project aims to assist the Government of Algeria to improve living and housing conditions. It has environmental and social policy components that are in urban slums and low-income areas with high incidence of poverty.</p>	<p>Low Income Housing Loan 4361-AL</p>	<p>S</p>	<p>S</p>
<p>The project objective is to assist the government of Algeria in reducing pollution, which causes ecological degradation. It initiates a program in the industrial sector of Annaba for mitigating the adverse environmental and health effects of pollution.</p>	<p>Industrial Pollution Control Loan 4034-AL</p>	<p>S</p>	<p>S</p>
<p>The Project intends to generate rural employment in poor areas of northwest Algeria, using the instruments of natural resource management. It emphasizes asset creation with the purpose of increasing labor productivity in a sustainable manner.</p>	<p>Rural Employment Loan 4143-AL</p>	<p>S</p>	<p>S</p>
<p>Other development agencies This is a Project that has taken place in the East of Algeria. While there was progress on the ground, there were disbursement delays due to procedural reasons. (Closed.)</p> <p>The project focuses on the watershed of the Zardesas Dam and has become effective on February 18, 2003.</p> <p>The project is being prepared and has been identified in September 2002.</p>	<p>Oued Mellegue (IFAD)</p> <p>River Safsaf Watershed Management Project in the Mountainous Zones of Skikda. (IFAD)</p> <p>Integrated Watershed Management in Msila (IFAD)</p>		

IP/DO Ratings: HS (Highly Satisfactory), S (Satisfactory), U (Unsatisfactory), HU (Highly Unsatisfactory)

3. Lessons learned and reflected in the project design:

The ongoing Rural Employment Project (Loan 4143-AL) has produced considerable experience, both positive and negative, from which important lessons can be derived. These experiences are being assessed in a systematic manner by the Borrower, through the services of the independent consultants in charge of M&E and have been utilized during project preparation. Conceptually, Bank experience with rural development projects using participatory approaches, such as the North-West Forestry Development projects in Tunisia, have also borne evidence and provided guidance on project design matters with respect to technical and social issues. Some of the lessons derived are summarized below:

Institutional

- **Decentralized and flexible project implementation** increases ownership among implementation staff. **Participatory approaches** improve communication between administration staff and the close and open dialogue between the administration and the communities lead to increased trust, confidence and effective results. The use of these dynamic methods has caused a profound change in mentality at both the central and decentralized levels of the DGF. As a result, PER2 staff in the six *wilayate* were actively involved in the preliminary survey that was carried out and were able to see the benefits of working closely with communities. Training is planned under PER2 for such methods.
- It is important to have a motivated and efficient **banking system** to facilitate smooth procurement and disbursement. Project implementation experienced delays resulting from slow transfer of funds and payments to the executing units, which was compounded at the level of the local offices of the *Banque Algérienne de Développement* (BAD). As a mitigating measure, the ongoing project shifted to a direct *credit de paiement* (CP) system which will also be used in the proposed project.

Project design

- **Flexibility** must be built into project design, particularly when implementing a project in areas where there are problems due to the current conjuncture. A flexible design allowed the implementing agency and the Bank to adjust the implementation program without causing serious delays. Flexibility also allows the inclusion of changing perspectives of the beneficiary communities.
- **Impact on poverty reduction and implications for targeting.** The project requirement of beneficiary contribution to costs through labor input has proven to be an effective self-targeting mechanism. Poor farmers are willing to offer family labor as part of investments in productive assets financed by the project. Yet, in some cases, owners of medium-size holdings also benefited from the project. In order to ensure that the typical profile of project beneficiaries remains the rural poor, a two-pronged approach to beneficiary targeting will be used, combining self-targeting mechanisms with direct targeting by the DGF field staff based on direct observations on beneficiaries' assets and livelihood strategies.
- In rural areas in the project zones, in communes, *douar*, villages, etc., there are uncultivated and marginal lands in the public domain (i.e., state property) that are *de facto* used as commons for grazing. As such, they provide meager nutrition for livestock and over-exploitation leads to the adverse environmental consequence of soil erosion. The project aims to design actions to revive these areas under the soil erosion control component through the use of an appropriate mix of plant material comprising forestry and forage species (trees and bushes) for both long term and short term perspectives for forage provision and soil stabilization. This will be done through **Pastoral Management Plans** (PAP - *Plans d'Aménagement Pastoral*), which is a participatory tool successfully used in the ongoing PER1, whereby riparians are surveyed to assess characteristics and preferences, are involved in the choice of methods and species and assume responsibility in managing the plantations with respect to rotation and intensity of use. The PAP will be supported by appropriate extension activities in technical areas.
- Project design will also encourage **effective private sector participation in project implementation.** In the ongoing PER1, critical thresholds for prior review were kept low to encourage the use of small procurement lots, which allowed SME with limited means to participate competitively for works. In addition, force account was categorically excluded. Thus,

today, nearly two thirds of the financial volume of works implementation is by the SME generating an impact in PSD. Private sector participation increases implementation efficiency. The elimination of force account implementation and the use of competitive procedures have resulted in improved activity designs and reduced unit costs.

- In contrast, SME participation in forestry activities was limited. Technical specifications for forestry related activities were more rigid and in some cases, forestry areas faced problems due to the conjuncture. These implicit and explicit risks precluded SME participation in forestry activities. As such, these activities have remained in the domain of public enterprises, which have exhibited a varied performance, generally more problematic on average than the private sector. The situation has since improved and SME are expected to participate in forestry activities.
- To increase competitiveness and SME participation in forestry plantation activities in a country where the public sector dominates the production of seedlings, it is necessary to separate the production of seedlings from the planting and maintenance processes. Thus, in the proposed project, plants will be independently produced under competitive contracts for the DGF and will be provided to firms for planting.
- Procurement processes with SME do pose some problems. One issue during project implementation arose with firms which successfully bid for several lots. Some of these decide subsequently to withdraw because they do not have adequate capacity to undertake all the bids they have won. This causes implementation delays as the procurement process has to be extended. As a mitigating measure, DGF is compiling a register of accredited firms to minimize such disruptions, which in itself is considered counterproductive (see Annex 6.A). Such accreditation is not acceptable to the Bank. Instead, objective eligibility criteria will be incorporated in bidding documents to ensure that firms with adequate capacity, means and technical staff participate in procurement activities.
- Early on in the implementation of the ongoing Rural Employment Project, delays were observed at the decentralized implementation of procurement at the *wilaya* level where the review and clearance processes have affected the time bound biological activities. These problems have been resolved and procurement takes place in a timely manner now. In addition, the Walis and officials of the proposed project areas were sensitized to this concern and they provided their assurances, emphasizing the priority nature of the project for the Government.
- **Environmental impact assessment.** It is important to set aside adequate time to carry out the EIA for specific activities (e.g., hill dams), as these studies can often take longer than anticipated, causing implementation delays. The ongoing PER1 suffered implementation delays for various reasons linked to the preparation of such studies. To avoid a similar occurrence it has been decided to start the preparation of these prerequisite studies as soon as the project is effective.
- **Integrating women in project activities.** Women's activities must be included as an integral part of project activities to increase their potential benefits. Given the circumstances in 1996, when the ongoing Rural Employment Project was prepared, women were incorporated in a marginal way and somewhat limited to a predetermined set of activities. Yet, the active role of the female forestry agents in identifying and reaching women door-to-door was very effective and recognized by the beneficiaries themselves. In the proposed project, through a more thorough assessment of women's needs and priorities, women will be integrated into the project in a fundamental manner.
- In harsh climates, such as that in the project intervention zone, species must be selected so that they are sufficiently adapted to target sites to improve survival, productivity and environmental benefits envisaged from improved vegetative cover.
- Preparatory activities for more bulky investments (e.g., engineering studies for rural roads and

hill dams) have been slow and have caused implementation delays. The experience gained will now allow for a more realistic procurement planning for these activities.

Monitoring and evaluation

- The use of an independent M&E consultant is an effective approach as it leaves the implementing agency sufficient time to attend to the day-to-day project implementation while the consultant focuses on assessing impact, using specialists in diverse areas. The objective views of the independent consultant provided a critical perspective on project progress in terms of the successes to build upon as well as corrective measures for the problems identified.
- The use of an independent local consultant firm has also been particularly important given the difficult situation due to the conjuncture, which has limited Bank staff missions in the field. Being independent of the implementing agency, the M&E consultant has provided the Bank with an objective and detailed view of the situation in the field, even during very difficult times when Bank missions could not visit the field. The limited field visits by Bank staff subsequently confirmed the M&E consultant's observations. This modality will be applied again to the proposed project, first due to the efficiency of the arrangement, and second due to the continuing conjunctural situation.

4. Indications of borrower commitment and ownership:

During the MENA RVP's visit to Algeria in October 2001, a Second Rural Employment Project was signaled from the high levels of the Government to be one of the four high priority areas for Bank assistance in the short-term. In the context of policy directives contained in the PSRE, under which employment is a key focus, and the PNDAR which incorporates several instruments towards that end, both MADR and the DGF have reconfirmed the priority of a second Rural Employment Project.

In this respect, DGF has honored its commitments for preparation agreed to in a Memorandum of Understanding signed with the Bank in October 2001. These include TOR for preparation activities to be financed under a proposed PHRD grant (TF050503) for project preparation and the preparation of a comprehensive *fiche technique* for the project. DGF is successfully managing the implementation of the preparation activities financed by the PHRD grant. DGF has also efficiently used the participatory approach capacity created under the ongoing project in the preparation of the proposed project.

The Government's commitment to the proposed second Rural Employment Project can also be observed in its treatment of savings created under the ongoing project. Instead of canceling about \$12 million of savings which arose due to the devaluation of the DA and reduced costs due to competitive processes, the Government proposed a three year Supplementary Program for the two neighboring wilayate of Relizane and Mostaganem, with the same development objectives and instruments as the Rural Employment Project. The ongoing Rural Employment Project was restructured to accommodate this Supplementary Program.

Following a sectoral workshop held in April 2002 in the context of CAS preparation, the need for institutional and capacity development of MADR was identified for more effective and efficient implementation of development programs and for M&E. A Government proposal to add a component to the proposed Second Rural Employment Project was favorably viewed by the Bank. This has led to the fifth component on TA for the MADR. Finally, the program of the new Government appointed after the elections of May 2002 has reaffirmed the priority of agricultural and rural development, focusing on employment, sustainable development and preservation of natural resources. One particular development was the establishment of State Minister (*Ministre Délégué*) post for Rural Development in the Ministry

of Agriculture, which was renamed Ministry of Agriculture and Rural Development (MADR).

As indicated above in the section on Government Strategy, a new Agricultural and Rural Development Program (PADR) is being developed in the spirit of the Rural Employment Project with a "*mise en valeur en proximité*" perspective, implicating the decentralized administration of other ministries in the wilayate as well. In this respect, several inter-ministerial decisions have already been signed.

The Government's commitment is also evident in the following principles it has adopted under the ongoing project to enhance the sustainability of project interventions:

- labor-intensive approaches used in rural projects instead of over capital intensive ones;
- move towards small-scale operations rather than the large scale *grands chantiers* approach;
- local populations involved in different stages of projects, instead of centralized, top-down approaches;
- emphasis on improving project implementation capacity and local participation; and
- use of independent consultants for monitoring project performance to facilitate rapid resolution of constraints and problems.

5. Value added of Bank support in this project:

The contributions of the Bank stem from the international experience gained in employment and social safety net type projects. This experience was influential in changing the policy perspectives in the MADR and DGF from relatively more capital-intensive towards small-scale, labor-intensive options. Again based on its international experience, the Bank has been able to cast the seeds of participatory approaches, limited and gradual as they may have been initially. This has been a major improvement over traditional top-down approaches. DGF has also found the technical, environmental, economic and social perspectives that the Bank has introduced to be effective, even if they were cumbersome to implement initially. This has now increased the rigor of the activities that DGF designs and implements. The Bank's emphasis on decentralized implementation and in the project design has encouraged and reinforced the decentralization of the DGF with activities that complement technical capacity with project management. Finally, the institutional development component targeting MADR will also benefit from Bank experience in policy analysis, M&E and participatory development.

E. Summary Project Analysis (Detailed assessments are in the project file, see Annex 8)

1. Economic (see Annex 4):

- Cost benefit NPV=US\$140.9 million; ERR = 23.56 % (see Annex 4)
- Cost effectiveness
- Other (specify)

Part of the project activities, such as establishment of fruit trees, grape wines, irrigation, etc., are subjected to standard cost-benefit analysis (ERR and NPV). Employment creating activities are assessed in terms of cost effectiveness. However, some activities with principally an environmental or capacity development focus, are not conducive to routine economic analysis due to the difficulties in valuing the effects and externalities they create.

Project benefits, to the extent they can be quantified in monetary terms and included in the cost benefit analysis, are as follows: (i) for the erosion control component, increased water accumulation in downstream dams due to reduced siltation, and modest wood production; (ii) for the agricultural component, increased production of tree fruits and grapes; and (iii) for water resource mobilization (hill

ponds), increased irrigated production. These three components account for a large part of total project costs, and are also expected to yield significant environmental benefits – in terms of improved land quality, reduced erosion, reduced runoff and increased recharge – that can not be taken into account in the NPV and ERR calculations.

In addition to a 10 percent discount rate, the key assumptions underpinning the cost-benefit analysis are: (i) an economic value of labor equivalent to 30 percent of its financial value (as in the ongoing Rural Employment Project) given the prevalence of high levels of unemployment in the project area; and (ii) an economic value of water equal to 150 percent of its financial value, to reflect the current subsidized water tariffs.

Based on this framework, the project is economically sound, with a NPV of US\$ 141 million equivalent and an ERR of 23.6 percent.

PNDAR objectives and instruments have also been assessed for consistency and complementarity between the PNDAR and the second Rural Employment Project. The need for close coordination between the CDF, DSA and the DHW in technical areas, particularly as they pertain to water resource mobilization, has led to capacity development and equipment being provided to DSA in addition to the CDF in the project zones. Under instructions issued by the Ministry of Agriculture and Rural Development and in the context of interministerial decisions, DHW involvement in matters such as water resource inventories, exploratory studies, etc., will be arranged at the local level through the offices of the Walis.

A key assumption in the economic analysis is that conjunctural conditions in the country and the region would be conducive to the effective implementation of the Project. Given that this factor would likely have much more of an impact on expected outcomes than the project-specific assumptions and risks, but is not amenable to quantification, a formal risk and sensitivity analysis is not meaningful.

2. Financial (see Annex 4 and Annex 5):

NPV=US\$ 49.5 million; FRR = 13.39 % (see Annex 4)

The financial assessment is based on the financial cost of project inputs and outputs to estimate NPV and FRR, using a 10 percent discount rate. The project will be implemented through competitive procurement procedures, based on market conditions. Under these circumstances, firms are required to pay market wages, on which there is a floor determined by minimum wage legislation, which cannot be avoided. Experience indicates that for a wide variety of contracts under the first Rural Employment Project, wages gravitated to the minimum wage, except for some skilled tasks. In addition to the wages, there are social charges and taxes (essentially transfers) of 38.5 percent which increase labor costs further. Hence, due to the much higher financial wage, financial NPV and FRR are lower at US\$ 50 million and 13.4 percent respectively. Another factor in the low FRR and financial NPV are the large components 4 and 5 for DGF capacity development and MADR institutional development respectively.

At the level of individual farmers, the profitability of various investment activities are expected to be more attractive than would be indicated by the overall project FRR (e.g., destoning, which is equivalent to creation of new or more productive cultivable land, and fruit trees).

Fiscal Impact:

The fiscal impact of the project is based on three factors: (i) the part of increased fruit production that will be marketed through official channels, assumed to be around 25 percent of the total, will increase tax

receipts by about US\$6.3 million; (ii) as fruit tree production increases on cereal lands, cereal (wheat) production will decrease and government subsidies for cereals will thus also decrease. As not all the wheat produced is marketed, only 50 percent of the estimated decrease in wheat production is considered to have an impact on subsidies. This is equivalent to an NPV of around US\$ 6 million (decrease); (iii) finally, the difference between the financial and economic price of water is considered to be an implicit subsidy, with a NPV of around US\$ 3 million. Thus, on balance, the project will have a potential fiscal impact with a NPV of around US\$ 9.3 equivalent.

3. Technical:

The technical design uses essentially labor-intensive natural resource management and environmental interventions as the basic instruments to achieve the project objective of employment creation. From a technical point of view, the choice and design of the project activities take into account the key limiting factors in the project zone, namely, water availability; the harsh, rugged and generally sloping terrain with a degraded natural resource base, mainly due to soil erosion; and the agro-climatic environment characterized by recurrent droughts. In addition, the technical options in the proposed project have adapted techniques applied in the first Rural Employment Project, in due consideration of the specific natural and social characteristics of the proposed project zones. Specifically, the technical design is based on: (i) the national resource management and development strategy of the MOA/DGF as part of the PNDAR targeting mountainous areas; (ii) the existing technical experience and lessons learned in Algeria and in neighboring countries; (iii) the effectiveness of the environmental protection techniques; and (iv) the social acceptability and potential economic returns (income generation, sustainable production improvement, etc.) of the proposed technical instruments. The basic approach for improved land management on cultivated lands is to diversify production currently based on annual crops (essentially monoculture of cereals, mainly barley) on vulnerable sloping areas with perennial crops through a gradual process, using fruit and wood trees which provide better protection for the soil. Emphasis is also being placed on matching ecosystems and species used to increase the commercial value of the products, thereby increasing community ownership and sustainability.

4. Institutional:

The institutional and implementation arrangements, described in section C.4 above, have already been successfully used under the ongoing Rural Employment Project. The regional (decentralized) organization in the new Project has been assessed and necessary reinforcement measures (training, equipment, etc.) have been incorporated into project design, with some of these activities taking place during preparation. Centrally, DGF has the experience and the organization to manage the accounting, financial reporting and auditing arrangements. Some issues in the organization of project data and reporting are being addressed under the ongoing project and would be incorporated into the new Project. As already noted, DGF has a decentralized structure with increased representation at the *wilaya* and *daira* levels. Actual responsibility for project operations has devolved to these levels. Key nominations to the decentralized project management structure have been made, which has allowed staff to participate in project preparation activities at an early stage. An institutional development component is included in the Project to reinforce the decentralization efforts of DGF with training and equipment.

4.1 Executing agencies:

See Section C.4.

4.2 Project management:

See Section C.4.

4.3 Procurement issues:

A CPAR is currently being prepared for Algeria. Overall, Algeria has thorough procurement regulations and practices, largely in conformity with Bank guidelines. Currently, the main issues that procurement faces in works and services are: (i) the reluctance of international firms to be involved in Algeria, particularly in rural areas, due to conjunctural concerns (with some firms unable to obtain insurance for activities in Algeria); and, (ii) in some cases, particularly for services, the limited capacity among the national firms and consultants, which inevitably leads to *consultation restreinte* or single source contracts. The problems of local SME capacity in bidding for works procurement has been mentioned above in the section on lessons learnt. An *ex post* procurement review was carried out in April 2002 for the ongoing Rural Employment Project to coincide with the pre-appraisal of the proposed Project (May-June 2002) in order to identify and address actual and potential procurement issues. There are no major issues and those issues that have been noted are discussed in Annex 6A.

4.4 Financial management issues:

Overall, the financial management arrangements for the PER2 are adequate and build on the experience gained from the ongoing PER1 for which financial information and audit reports were submitted to the Bank within the prescribed periods. The Bank has not yet conducted a Country Financial Accountability Assessment for Algeria and thus an assessment of the inherent risks in the management of public finances cannot be made. However, based on the experience of the ongoing PER1, so far there have not been any systemic issues adversely affecting the financial management in the executing agency. Also, control risk is considered modest as there are strict public accounting rules with clear flow of funds process through the BAD (acting as the public treasurer), in addition to its financial control function. To avoid inconsistent implementation of the financial management aspects of the projects in the wilayate: (i) procedures are developed and incorporated in a comprehensive Project Implementation Manual (PIM), and (ii) continued synergy between the ongoing PER1 and the PER2 financial management staff is strongly encouraged. Risk of lack of counterpart funds is considered negligible as this has never been an issue in the ongoing PER1. The recent Administrative Regulation (AR) No. 21 (*Instruction 21* of July 25, 2001) that is intended to ensure flexibility in the procedures for the availability funds of has not yet been fully implemented and its impact will need to be assessed during project implementation. During project supervision, regular reviews will be carried out to ensure: (i) consistent application of the PIM, (ii) existence of regular cross fertilization of experiences between the financial staff of the ongoing PER1 and the PER2, and (iii) improved flexibility in the disbursement process with respect to the full implementation of the AR 21.

5. Environmental:

Environmental Category: B (Partial Assessment)

5.1 Summarize the steps undertaken for environmental assessment and EMP preparation (including consultation and disclosure) and the significant issues and their treatment emerging from this analysis.

Project activities are expected to result in positive environmental benefits and significant environmental issues are not anticipated. The project area exhibits acute soil erosion and degradation. The project's emphasis on measures that would result in controlled run-off, reduced soil erosion and increased ground cover should contribute to alleviating this issue. However, possible environmental issues could stem from activities such as the construction of hill dams and rural roads (upgrading and rehabilitation). For these activities, specific EA activities will be carried out during implementation phase of the project. For the regions covered by the project and extending over six *wilayate* (Tiaret, Tissemsilt, Chlef, Ain Defla, Bouira and Médéa) detailed reports describing the technical, environmental, social and economical aspects of the projects have been prepared during the preparation phase. The environmental analyses conducted for each project zone have provided the basis for a Regional Environmental Assessment (REA) as the appropriate environmental assessment instrument in compliance with the guidelines set

forth in the relevant Bank's Operational Policy (OP 4.01). The REA has been disclosed in-country, in the project areas as well as at DGF headquarters. Moreover, the project is participatory by design and contains many features and tools that will ensure appropriate stakeholder participation. One of these tools will be Pastoral Management Plans to respond to the needs of agro-pastoralists as well as to environmental concerns by incorporating an appropriate balance of forage and forest plants in reforestation type activities. The experience of Ras El Ma in Sidi Bel Abbes under the ongoing Rural Employment Project, where similar issues are being addressed in a participatory manner through a Pastoral Management Plan, will serve as a model. The potential issue of pesticide use as a result of project activities has been addressed although it is considered not significant considering the cultural patterns and practices in the project zones. Nevertheless, this aspect will be monitored appropriately during the course of the project by DGF, CDF and DSA (*Direction des Services Agricoles*) with the assistance of the National Plant Protection Institute (INPV - *Institut National de la Protection des Végétaux*).

5.2 What are the main features of the EMP and are they adequate?

A Regional Environmental Assessment (REA), including an Environmental Management Plan (EMP), has been prepared for the project zones as a whole, in which the activities to be funded by the project have been described, including, *inter alia*, the potential risks, recommendations on mitigating measures, implementation arrangements and monitoring indicators as appropriate. For rural roads and hill dams, independent consultants or firms with adequate capacity will carry out activity specific EA during project implementation. Implementation arrangements for the EMP designed as part of the REA will ensure that the recommendations of these specific EA to be carried out during project implementation would be included in bidding documents and contracts awarded. Where possible, activity specific EA would incorporate social analysis to reduce the potential for implementation delays. The overall REA for the project zones have been organized in multidisciplinary project preparation teams parallel with the social assessments and as such has included the participation of a representative sample of farmers, local authorities and other stakeholders identified. Appropriate cost allocation has been included in the project financing plan in order to implement the mitigating and monitoring measures.

5.3 For Category A and B projects, timeline and status of EA:

Date of receipt of final draft: October 2002

The REA report has been prepared and finalized, based on project preparation reports, and is available in Project Files. The client has provided a letter authorizing disclosure through the Bank's Information System (Infoshop) and informing the Bank on the disclosure process in-country. The final version of the REA has been sent to the Infoshop on December 9, 2002 and disclosed through the Infoshop. In Algeria, disclosure has been advertised in a national newspaper, providing access to the report at DGF Headquarters and at the six CDF in the project *wilayate*.

5.4 How have stakeholders been consulted at the stage of (a) environmental screening and (b) draft EA report on the environmental impacts and proposed environment management plan? Describe mechanisms of consultation that were used and which groups were consulted?

During project preparation, multidisciplinary teams have undertaken social and environmental analysis in a participatory manner, which entailed considerable preliminary consultation with stakeholders in structured (questionnaires) and informal (focus group) formats. These project preparation activities involved and were guided by an earlier Preliminary Survey (*Sondage Préliminaire*) which was also carried out in a participatory perspective and also addressed environmental issues, particularly related to soil erosion and water in the context of identifying priority project interventions. During project

implementation and as part of the screening procedures for project activities, stakeholders will be consulted explicitly, particularly the potentially affected people. Moreover, the project is based on a participatory approach that will ensure that stakeholders' voice is heard. Disclosure in Algeria will include public access to the REA as well as discussion of related general and specific issues with stakeholders, particularly the beneficiaries and/or the potentially affected people in the project zones.

5.5 What mechanisms have been established to monitor and evaluate the impact of the project on the environment? Do the indicators reflect the objectives and results of the EMP?

The REA, in the Environmental Management Plan section, includes a detailed description of the mitigation measures to be implemented during project implementation as well as capacity strengthening activities to benefit the main implementing agency (*Direction Générale des Forêts*). Supervision and monitoring procedures will also be defined in an Operation Manual that will be part of the Project Implementation Plan. Soil erosion rates would be monitored with data from field stations to be developed in the project areas as part of M&E and modeling would be used to generalize and assess the effects of biological and mechanical measures to reduce run-off. For the activities that will be identified, prepared and assessed during project implementation (e.g., *retenues collinaires*), procedures have been defined that will ensure proper environmental screening, specific EA preparation as required, implementation of mitigation measures as well as appropriate supervision and monitoring based on realistic and practical indicators. The relevant conclusions and recommendations of these activity-specific EA will be incorporated into technical specifications of bidding documents and will become an integral part of the works contracts. Although the project is not financing the acquisition of pesticides, its use in the orchards and vineyards supported by the project will be monitored by the implementing agency and the independent consulting firm that will be in charge of project M&E, in close coordination with the local DSA and INPV.

6. Social:

6.1 Summarize key social issues relevant to the project objectives, and specify the project's social development outcomes.

Significant social issues and risks are not expected as the project will implement activities that are expected to result in positive social benefits. Overall, based on the experience of the ongoing Rural Employment Project, the social impact of the project would be expected to be positive in terms of employment creation and income generation through asset creation. The project aims to create an enabling environment conducive to participatory development through strengthening local capacity on participatory approaches and identifying mechanisms to ensure the participation of project beneficiaries, an outcome that is primarily social in nature. The core principles in the preparation and implementation of the project are that: (i) beneficiaries in the communities, both male and female, and particularly from vulnerable groups, have the opportunity to participate in the process of planning, implementation and monitoring and evaluation of the project; and (ii) individuals and communities will not be adversely affected by project interventions.

The main social issues highlighted in the social assessment summarized in Annex 11 include:

- socioeconomic situation of the population in the project areas, characterized by a severe degree of vulnerability and high income and gender-based inequality
- presence of specific social groups particularly vulnerable to risks
- the resilience and ingenuity of vulnerable groups to cope with risk, as illustrated by the wide

- range of coping strategies
- the role of social institutions and informal rules in coping with risk
- the underlying causes of vulnerability and the limits to coping with risk
- needs and priorities of the target groups, including women
- perceptions of stakeholders about the project, and assessment of local institutional capacities
- opportunities and constraints for effective gender integration and inclusion of vulnerable groups.

Overall, the social impact of the project would be expected to be positive. The project aims at achieving the following social development outcomes:

- increasing access to productive assets and employment opportunities by vulnerable groups in the project areas
- reducing exposure of the target population to natural, economic and social risks
- increasing the capabilities, at the individual and organizational level, of beneficiary communities, SME and the DGF staff
- bringing the administration closer to the target population and providing channels for increased voice and participation of vulnerable groups
- addressing gender disparities by promoting women's access to productive resources and training and by improving their organizational capabilities.

6.2 Participatory Approach: How are key stakeholders participating in the project?

Social analysis in the context of project preparation has been an iterative and inclusive process. The social assessment preparation process has provided a framework for dialogue on development priorities in the project areas with key stakeholders: vulnerable groups, including women in the project areas, central and local government officials and DGF staff.

Participatory processes have helped elicit the analytical insights and expectations of different stakeholders, ensuring the legitimacy of the social assessment findings, building a sense of project ownership and a project design that responds to the needs of the vulnerable groups in the project areas. The direct involvement of the DGF field staff along with academics and local consultants in conducting a participatory social analysis has helped strengthen local institutional capacities on participatory approaches and has built a sense of commitment towards the project social development outcomes. The composition and terms of reference of project preparation teams have had a clear mandate to integrate gender concerns in the overall project design.

The social analysis during project preparation has involved the following activities:

- Organizing an introductory workshop on participatory approaches for DGF field staff
- Conducting a preliminary field survey (*sondage preliminaire*), with the direct involvement of DGF staff from the ongoing Rural Employment project and other forestry field staff who will be involved in the current project
- Organizing a two-day information-sharing workshop to present the results of the preliminary survey to the stakeholders concerned
- Conducting detailed social assessment studies for each of the project areas combining quantitative and qualitative methodologies (household surveys, key-informant interviews, focus-groups)
- Conducting complementary sociological appraisal in the context of field trips organized during

project pre-appraisal mission.

- During project implementation, appropriate participatory mechanisms have been designed as part of the project social analysis to ensure a continuous information flow and informed participation of beneficiaries in project activities, with particular attention to gender concerns.

Project M&E will be designed as a participatory feedback process. Within this process, several social impact monitoring exercises will be undertaken throughout project implementation, including a baseline survey at the beginning of the project implementation.

6.3 How does the project involve consultations or collaboration with NGOs or other civil society organizations?

Due to the particular circumstances of NGO in Algeria, they are not considered to be directly involved in the implementation of project activities. The social assessment has revealed the potential role of existing associations in the project area and has identified appropriate consultation mechanisms with these associations during project implementation.

One of the social development objectives of the project is to strengthen local organizational capabilities of beneficiary groups based on common interest (water user associations; women's groups, etc).

6.4 What institutional arrangements have been provided to ensure the project achieves its social development outcomes?

The institutional arrangements proposed by the project social analysis are:

- a social inclusion and gender framework;
- a participation plan; and
- a M&E framework that incorporates social aspects and impact of the project.

Section C.4 and Annex 2 describe the organizational, staffing and capacity-building arrangements proposed for project implementation, and their cost implications have been incorporated in the project budget.

6.5 How will the project monitor performance in terms of social development outcomes?

The project design includes a M&E framework based on the experience of the ongoing Rural Employment Project. The indicators to monitor performance will focus on: (i) social and gender impact; (ii) effectiveness and quality of beneficiary participation; and (iii) compliance with relevant Bank safeguard policies as they pertain to social issues. A baseline survey will be conducted at the outset of project implementation.

In the context of project implementation, M&E will be carried out by independent consultants, as is the case in the ongoing Rural Employment Project which has proven to be an effective approach. The composition and of the M&E team will reflect multidisciplinary expertise and gender-balance that will be necessary to assess social impact and achievement of social development outcomes. The flexible approach to be followed during project implementation would allow, as is the case in the ongoing Rural Employment Project, rapid reaction to problems and continuous assessment and readjustment.

M&E will entail a participatory feedback process whereby social impact monitoring exercises undertaken on a regular basis during project implementation will elicit beneficiaries' perceptions of the project's progress in providing equity of opportunity and participation to vulnerable groups. Information disaggregated by gender will be generated, analyzed and incorporated in project implementation.

It should be noted that under local circumstances, the achievement of gender balance and participatory development that the project intends to foster will be a gradual process. Hence, monitoring progress in both areas will need to be measured through qualitative methodologies. Provisions will be made to train project staff on participatory and gender-sensitive M&E.

7. Safeguard Policies:

7.1 Are any of the following safeguard policies triggered by the project?

Policy	Triggered
Environmental Assessment (OP 4.01, BP 4.01, GP 4.01)	<input type="radio"/> Yes <input type="radio"/> No
Natural Habitats (OP 4.04, BP 4.04, GP 4.04)	<input type="radio"/> Yes <input type="radio"/> No
Forestry (OP 4.36, GP 4.36)	<input type="radio"/> Yes <input type="radio"/> No
Pest Management (OP 4.09)	<input type="radio"/> Yes <input type="radio"/> No
Cultural Property (OPN 11.03)	<input type="radio"/> Yes <input type="radio"/> No
Indigenous Peoples (OD 4.20)	<input type="radio"/> Yes <input type="radio"/> No
Involuntary Resettlement (OP/BP 4.12)	<input type="radio"/> Yes <input type="radio"/> No
Safety of Dams (OP 4.37, BP 4.37)	<input type="radio"/> Yes <input type="radio"/> No
Projects in International Waters (OP 7.50, BP 7.50, GP 7.50)	<input type="radio"/> Yes <input type="radio"/> No
Projects in Disputed Areas (OP 7.60, BP 7.60, GP 7.60)*	<input type="radio"/> Yes <input type="radio"/> No

7.2 Describe provisions made by the project to ensure compliance with applicable safeguard policies.

Safeguard issues have been addressed in conformity with Bank policies under the ongoing Rural Employment Project, and similar activities will be implemented under the proposed project. These activities include environmental assessment for rural roads and *retenues collinaires*. If the dimensions or other conditions related to a specific *retenue collinaire* deem it necessary, a panel of experts will be employed to ensure compliance with Bank policies on the Safety of Dams (OP4.37).

The REA specifies that the recommendations of these activity specific EA, to be carried out during project implementation, will be included in bidding documents and contracts awarded to ensure that they are taken into consideration during works implementation and monitoring and evaluation. Moreover, pesticides will not be procured as part of project activities, however the likelihood for pesticide use as a result of the project has been assessed and found negligible due to the agricultural practices and the dry agro-climatic conditions in the project zones. However, this issue will be monitored and the National Plant Protection Institute (INPV) will be included in related follow up. The REA has been prepared in parallel with the social assessment of this project and thus includes the participation, through preliminary surveys, of a representative sample of farmers, local authorities and any other stakeholders concerned.

During project preparation, the new Bank policy on involuntary resettlement OP4.12 was presented and discussed thoroughly with the Borrower. The Borrower was informed that adequate compliance with OP4.12 includes compensation to people losing land they have held under customary or traditional rights, people utilizing common property resources, squatters residing on public lands, and encroachers deprived of established access to resources. Given the incompatibilities between national regulations and the OP4.12 compensation requirements, and the inability of the DGF as an executing agency of the Ministry of Agriculture and Rural Development to tackle national policy issues, the position of the DGF is to exclude from the project any investment activity entailing displacement and/or resettlement as defined by OP4.12. Furthermore, the reform of the land tenure system and related legislation on compensation processes are structural issues that fall outside the scope of an investment project and that can only be addressed with a long-term land policy reform perspective. Management has also decided that the present

proposed project will not address policy issues. For the infrastructure activities under the proposed project, the Borrower will identify sites that will not entail displacement or resettlement as per OP4.12. The selection of these sites will be subject to specific environmental review. The screening criteria will include an assessment of the status of the land, its present use, who owns it and who uses it. The activity specific environmental assessments describing any safeguard-related issues will be prepared by the local consultants and submitted to the Bank team for review and clearance.

During project implementation, adequate training on safeguard monitoring issues will be provided to the DGF project team. Bank staff or consultants with appropriate background will be included as part of the Bank project supervision teams to ensure adequate compliance with Bank safeguards.

F. Sustainability and Risks

1. Sustainability:

The sustainability of the Project would depend on both macroeconomic policies concerning the labor market, and microeconomic factors related to the project environment. An over-riding aspect related to sustainability and risks is that reasonably stable conditions would be maintained in the project area.

There are two factors to consider on the macroeconomic front, which depend on the transition process as Algeria moves towards a private sector and market based economy.

- Consistent employment policies would need to be implemented in nonagricultural sectors, especially in promoting employment in industry and services. Agriculture should not be expected to absorb labor in a disproportionate manner, after accounting for differences in social costs of maintaining labor in rural and urban areas. SME-SMI, which would utilize more labor-intensive techniques than the large-scale capital-intensive public enterprises, would need to be encouraged in rural areas to promote labor absorption. Ultimately, labor-intensive industrialization and complementary macroeconomic and structural policies would be needed for a coherent employment strategy.
- The long-term policy perspective for poverty reduction would have to emphasize asset creation which would increase labor productivity, rather than purely social transfers.

With respect to the Institutional Development component for MADR, it is expected that training on strategic perspectives and policy analysis will improve the effectiveness of the central agricultural administration. Furthermore, training for central and decentralized staff in project design, analysis, management, M&E and impact assessment will also enhance the coordination and implementation of decentralized rural development programs. However, as is the case with all strategic thinking and policy analysis, the receptivity of the political decision makers to the options developed will be critical to their translation into action. The Bank would need to maintain an open continuous policy dialogue with the Government in this context.

In the specific case of the sustainability of project interventions, there are seven elements:

- Adequate O&M resources need to be allocated in the budget for maintenance activities to be managed by the Government. This is an issue that merits attention in the context of a Public Expenditure Review (PER) and Agricultural Expenditure Review (AER). However, the priority given to rural employment by the Government is reflected in the increased resources being allocated to the DGF and its organization in a decentralized structure.
- Financing of O&M costs of interventions on public lands during the life of the Project would be

shared between the Bank and the Government due to the incremental nature of the interventions. Costs of interventions on private lands would be shared by the beneficiaries through in kind (e.g., as family labor) or financial contributions, as these interventions are expected to create externalities in reducing soil erosion. Subsequently, O&M expenditures would be the responsibility of the Government for activities on public lands and the beneficiaries for activities on private lands and are included in financial and economic analyses. In particular, all maintenance costs for interventions on private lands would be borne by the beneficiaries of agricultural development type interventions. In water resource mobilization operations for the *retenues collinaires*, WUA would take over the management of the infrastructure as a concession and contribute towards O&M.

- In this respect, developing capacity for participatory approaches to promote community involvement is critical for the proposed Project and for the longer term programs of the Government. The involvement of communities in project activities through participatory approaches has been a radical departure from traditional top-down approaches. Gradual as it may be, it has increased the sensitivity of the communities to the justification for the interventions and enhanced their “ownership” of the resources created, leading to better chances for sustainability.
- One other aspect that would contribute to the sustainability of project interventions is the increased income flows from diversified production, namely fruit trees and grapes. These income flows will enhance the maintenance of the on-farm investments.
- As the Government has parallel programs under PNDAR to promote the conversion of marginal cereal lands to fruit trees, the gradual increase in fruit tree production could bring about decreases in fruit prices. Currently, demand for fruits is strong, particularly for almonds and *pommiers* and Algeria imports fruits. A marketing study is being initiated by the DGF and fruit prices will be monitored during project implementation with view towards program adjustments.
- The project focus in general and the specific actions, particularly the erosion control interventions, are consistent with the National Environmental Action Plan for Sustainable Development (PNAE-DD) developed partly with Bank support and discussed in an international conference in Algiers in June 2002.
- Finally, as indicated in the strategic context of the project, the ongoing Rural Employment Project has influenced policy perspectives on matters related to decentralized operations and participatory approaches for rural development. In this context, a new Agricultural and Rural Development Program (PDAR) is being developed in the spirit of the Rural Employment Project with a “*mise en valeur en proximité*” perspective, implicating the decentralized administration of other ministries in the wilayate as well. The proposed Second Rural Employment Rural Project will thus be the driving element of the PDAR and *mise en valeur en proximité* efforts in the targeted wilayate as well as the country as a whole.

2. Critical Risks (reflecting the failure of critical assumptions found in the fourth column of Annex 1):

Risk	Risk Rating	Risk Mitigation Measure
<p>From Outputs to Objective Labor-intensive techniques may not be used in implementation, respected by firms and enforced by the DGF through technical specification of contracts and through M&E.</p>	N	Clear specification of contracts for delivery of obligations for employment and effective M&E backed by sanctions; restrictions on the use of machinery.
Participatory approaches to enhance the communities' receptivity to and	M	Intensive participatory consultations have been held from project preparation on and will be

<p>ownership of project activities may meet resistance due to mistrust of the Government.</p>	N	<p>maintained during implementation but the main mitigating effect will be early impact which will win the trust of the communities.</p>
<p>Farmers may not have timely access to agricultural services and seasonal finance.</p>	N	<p>Through the coordination of decentralized services of MADR, priority access to existing financial instruments will be accorded to beneficiaries; once fruit production is established, cash flows are expected to be adequate for seasonal finance.</p>
<p>Motivated personnel may not be identified to ensure the integration of the capacity built into the fundamental business processes of DGF and MADR.</p>	N	<p>DGF does not have high turnover and association of staff with PER1/PER2 is considered a privileged position; effective MADR personnel should be appointed to and maintained in key positions.</p>
<p>Viable and sustainable rural development strategies, policies and impact assessment processes are developed but not implemented effectively.</p>	M	<p>Policy dialogue with the Government will be maintained in the context of the institutional development components and in general to ensure the effective translation of institutional development efforts to actions, eventually with possible financing.</p>
<p>From Components to Outputs Participatory approaches to enhance ownership of interventions by communities may meet resistance due to mistrust of the Government.</p>	M	<p>Intensive participatory consultations have been held from project preparation on and will be maintained during implementation but the main mitigating effect will be early impact which will win the trust of the communities.</p>
<p>Adverse climate effects will affect results.</p>	S	<p>Small scale water resource utilization activities will be supported by the project and complementary efforts will be sought under the PNDAR.</p>
<p>Security conditions may affect implementation.</p>	H	<p>Flexibility is required in shifting resources and activities to other areas; however, project activities should also reduce conjunctural problems.</p>
<p>Farmers may be constrained in contributing to project activities on their fields.</p>	N	<p>Interventions on farmers' lands will flexibly entail contributions in labor, in kind or in financial terms by the beneficiaries.</p>
<p>Beneficiaries will assume O&M costs and poverty may affect sustainability adversely.</p>	M	<p>Through the coordination of decentralized services of MADR, priority access to existing financial instruments will be accorded to beneficiaries; once fruit production is established, cash flows are expected to be</p>

Capacity created may not remain associated with the project, DGF and MADR.	N	adequate for seasonal finance. DGF does not have high turnover and association of staff with PER1/PER2 is considered a privileged position; overall turnover in MADR is more internal than external, but effective staff should be maintained in key positions.
Conjunctural conditions may affect M&E after implementation.	N	Authorities are expected to provide adequate security arrangements for M&E consultants.
Fruit prices may fall with increased production	N	A marketing study will be carried out by DGF to assess potential market constraints. Fruit prices will be monitored during project implementation with a view towards potential adjustment of activities.
Overall Risk Rating	S	Experience indicates that project implementation would face negligible to moderate risk, but the substantial risk rating reflects the conjunctural conditions in Algeria.

Risk Rating - H (High Risk), S (Substantial Risk), M (Modest Risk), N (Negligible or Low Risk)

3. Possible Controversial Aspects:

The project distinguishes itself in its emphasis on participatory approaches, giving a higher voice to the beneficiaries and partners in the rural development process. In addition, it focuses on: (i) labor-intensive methods which are more pertinent in the face of the existing factor proportions and unemployment in Algeria, rather than capital-intensive techniques; and (ii) decentralized implementation, whereby the center assumes a planning, regulation and coordination role while actual operations are under the control of decentralized staff, who are closer to the beneficiaries and the reality of field conditions.

In the context of the ongoing Rural Employment Project, this experience has already made its mark and has inspired other programs and actions with similar characteristics. The PDAR with the *mise en valeur en proximité* approach will be a critical catalyst in creating synergy with other sectors' development programs in rural areas.

Finally, activities under the Water Resource Mobilization component need to be consistent with water sector policies and strategies. Currently, Algeria is facing a persistent drought which has affected the

water sector seriously. The priority is to ensure potable water, particularly to urban centers. A new water resource management perspective is evolving in Algeria and the Bank has been requested to contribute to the development of the sectoral strategy as well as financing specific investments, including an integrated water resource management project for the East.

The present project, as well as the ongoing Rural Employment Project would have a critical impact in reducing soil erosion which, thereby increasing the life of downstream reservoirs (through sustainable participatory approaches in watershed management). As such, it would have a positive effect on the water sector. For the Water Resource Mobilization activities, which are critical to sustainable impact in the essentially semi-arid project zones, prior authorization from the water sector authorities, supported with adequate technical and environmental studies, as well as exploratory assessment of the water quality and quantity, would ensure a high degree of consistence with current water sector policies.

G. Main Loan Conditions

1. Effectiveness Condition

None.

2. Other [classify according to covenant types used in the Legal Agreements.]

- For hill dams (*retenues collinaires*) prior to the authorization of the specific investment activity the following will be required:
 - The activity specific Environmental Assessment Report acceptable to the Bank, which is required for the Bank authorization of the technical and engineering studies to proceed;
 - The technical study acceptable to the Bank, which incorporates the mitigation measures of the activity specific Environmental Assessment report into the technical bidding documents, which will also be reviewed and cleared by the Bank;
 - A panel review according to OD4.37 if technical specifications indicated in OD4.37 are triggered, with the implementation of Bank recommendations based on the results of the panel review; and
 - The creation of a water user association in conformity with the *Code des Eaux* and associated implementation texts.
- For rural roads renovation, prior to the authorization of the specific investment activity, the following will be required:
 - The activity specific Environmental Assessment Report acceptable to the Bank, which is required for the Bank authorization of the technical and engineering studies to proceed; and
 - The technical study acceptable to the Bank, which incorporates the mitigation measures of the activity specific Environmental Assessment report into the technical bidding documents, which will also be reviewed and cleared by the Bank.
- Any activity that entails resettlement as defined by OD4.12 will not be financed under the Loan.

H. Readiness for Implementation

- 1. a) The engineering design documents for the first year's activities are complete and ready for the start of project implementation.
- 1. b) Not applicable.
- 2. The procurement documents for the first year's activities are complete and ready for the start of project implementation.

- 3. The Project Implementation Plan has been appraised and found to be realistic and of satisfactory quality.
- 4. The following items are lacking and are discussed under loan conditions (Section G):

I. Compliance with Bank Policies

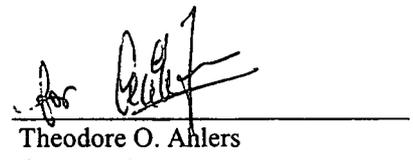
- 1. This project complies with all applicable Bank policies.
- 2. The following exceptions to Bank policies are recommended for approval. The project complies with all other applicable Bank policies.



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Team Leader



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Annex 1: Project Design Summary
ALGERIA: Second Rural Employment Project

Hierarchy of Objectives	Key Performance Indicators	Data Collection Strategy	Critical Assumptions
<p>Sector-related CAS Goal: Increase employment</p> <p>Improved governance and effective development management</p>	<p>Sector Indicators: Creation of 36,000 person-years of employment through labor-intensive activities using the instruments of environmental protection and agricultural development interventions targeted to the poor rural mountainous zones in east-central Algeria</p> <p>Secondary effects of SME in rural areas on incomes and employment</p> <p>Development of effective rural strategies and policies</p>	<p>Sector/ country reports: Project Start-up Workshop</p> <p>DGF, DPIEE and independent M&E consultants financed by the Project will assess impact through contract and physical monitoring (monthly data sheets and quarterly and annual reports), surveys and modeling of indicators</p>	<p>(from Goal to Bank Mission) A consistent rural development and employment policy framework which promotes labor intensive choices in the economy, reducing the disproportionate burden on agriculture to absorb labor</p>
<p>Project Development Objective: Generate rural employment both in the short-term and in a sustainable manner in the medium-term in the targeted mountainous areas</p>	<p>Outcome / Impact Indicators: Creation of 36,000 person-years of employment through labor-intensive project activities</p> <p>Increase in rural household incomes</p> <p>Additional employment due to indirect secondary effects of increased economic activity and incomes</p> <p>Improved project management and implementation capacity</p>	<p>Project reports: DGF and independent M&E consultants financed by the Project will assess impact through contract and physical monitoring (monthly data sheets and quarterly and annual reports), surveys and modeling of indicators</p> <p>A baseline survey will be carried out to measure progress against</p> <p>Mid-term and <i>ex post</i> reviews</p>	<p>(from Objective to Goal) Adequate O&M resources for the project interventions on public and private lands</p> <p>Favorable macroeconomic policies for labor-intensive techniques</p> <p>Favorable market conditions for private sector operations for increased employment</p> <p>Rural women will be integrated into project activities to the extent possible and certain activities will target women specifically</p>

<p>Improved rural strategy and policy design and higher impact of rural programs for sustainable development and reducing poverty</p>	<p>Improved capacity in the centralized and decentralized administration of MADR for developing rural development programs and for implementing these programs in a better coordinated manner</p>	<p>in the central and decentralized DGF administration</p> <p>Statistics; implemented M&E processes for national rural development programs; quarterly and annual reports by M&E consultants and DPIEE, based on annual implementation plans; implementation of results and recommendations of reports of studies carried out; and evaluation reports of training activities</p>	<p>The momentum will be maintained in the shift from centrally planned to market based rural development policies and programs</p>
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Hierarchy of Objectives	Key Performance Indicators	Data Collection Strategy	Critical Assumptions
<p>Output from each Component: Reduced soil erosion through forestry activities and diversification of production</p>	<p>Output Indicators: Reduction in soil erosion (ha, t/km²/yr)</p>	<p>Project reports: Central and regional DGF organization, PMU and consultants, will collect systematic information and data on physical, income and employment effects through M&E, surveys, procurement and disbursement records and through modeling of indicators on erosion and income generation</p> <p>A baseline survey will be carried out to measure progress against</p>	<p>(from Outputs to Objective) Labor-intensive techniques will be used in implementation, respected by firms and enforced by the DGF through technical specification of contracts and through M&E</p> <p>Participatory approaches will enhance the communities' receptivity to and ownership of project activities</p>
<p>Agricultural development interventions to create assets, increase diversification in agricultural production and reduce social and economic isolation</p>	<p>Estimates of fruit tree and grape production and fruit prices</p> <p>km of rural roads built or rehabilitated</p> <p>m³ of water mobilized</p>		<p>Farmers will have timely access to agricultural services and seasonal finance through existing financial instruments</p> <p>Strong demand will continue for fruits, and stable fruit prices will be maintained</p>
<p>Institutional development through training for decentralized project management and implementation through participatory approaches</p>	<p>Number of persons trained (staff and beneficiaries)</p> <p>Training courses, workshops and seminars</p>	<p>Progress and final reports on training by DGF and consultants</p>	<p>Motivated personnel will be identified to ensure the integration of the capacity built into the fundamental business processes of DGF</p>
<p>Improved rural strategy design and policy analysis, improved rural development programs; and effective, efficient and better monitored public expenditures with significant rural development impact in reducing rural poverty</p>	<p>Number of staff trained</p> <p>Number of strategy and policy design studies</p> <p>Databases and IT systems for policy design and M&E</p>	<p>Quarterly and annual reports by M&E consultants and DPIEE, based on annual implementation plans; implementation of results and recommendations of reports of studies carried out; and evaluation reports of training activities</p>	<p>Motivated personnel will be identified to ensure the integration of the capacity built into the fundamental business processes of MADR</p>

Hierarchy of Objectives	Key Performance Indicators	Data Collection Strategy	Critical Assumptions
<p>Project Components / Sub-components:</p> <p>Erosion control measures</p> <p>Agricultural development through diversification by substituting perennial crops for annual cereals to reduce erosion on farmers' lands</p>	<p>Inputs: (budget for each component)</p> <p>US\$ 50.2 million;</p> <p>ha reforested;</p> <p>ha river bank stabilization;</p> <p>ha rehabilitation and biological stabilization of terraces;</p> <p>volume of plant material produced;</p> <p>m³ flood control structures to reduce runoff and water induced erosion;</p> <p>ha forest rehabilitation;</p> <p>ha silvicultural activities</p> <p>US\$ 66.7 million;</p> <p>ha fruit trees;</p> <p>ha grapevines;</p> <p>ha or km windbreaks against wind erosion;</p> <p>ha land clearing by destoning of fields;</p> <p>km rural roads built or rehabilitated to reduce economic and social isolation;</p> <p>number of small livestock distributed</p>	<p>Project reports:</p> <p>Monthly, quarterly and annual reports by M&E consultants and DGF through CCGP, based on annual implementation plans</p>	<p>(from Components to Outputs)</p> <p>Participatory approaches will enhance ownership of interventions by communities</p> <p>Adverse climate effects will be minimal</p> <p>Conjunctural conditions may affect implementation, flexibility is required in shifting resources and activities to other areas</p> <p>Through participatory approaches, interventions on farmers' lands will entail contributions in kind or in financial terms by the beneficiaries</p> <p>Beneficiaries will assume O&M costs and poverty may affect sustainability adversely; through the coordination of decentralized services of MADR, existing financial instruments will be used to support seasonal finance</p> <p>Security conditions may affect implementation; flexibility is required in shifting resources and activities to other areas</p> <p>Stable fruit prices and strong demand for fruits will be maintained.</p>
<p>Water resource mobilization for irrigation, potable water and livestock</p>	<p>US\$ 15.5 million;</p> <p>(number, m³, m³/sec) hill dams (<i>retenues collinaires</i>); wells;</p> <p>deep wells, springs and watering points (<i>madjens, djoubs, diguettes</i>)</p>		<p>Apart from economic, technical and environmental assessment in the preparation of engineering designs for rural roads and <i>retenues collinaires</i>, WUA will need to be established for <i>retenues collinaires</i> for Bank approval of the investments</p> <p>Conjunctural conditions may affect implementation;</p>

<p>Support for the CCGP and CCGW</p>	<p>US\$ 4.6 million; number of people trained in project management, participatory approaches, gender issues, technical areas and project organization (beneficiaries and project staff); number of vehicles, computers and office equipment; monitoring and evaluation; other consultants' services</p>		<p>flexibility is required in shifting resources and activities to other areas</p> <p>Capacity created remains associated with the project and DGF</p> <p>Conjunctural conditions may affect M&E after implementation; authorities are expected to provide adequate security arrangements</p>
<p>Institutional Development for the Ministry of Agriculture and Rural Development (MADR)</p>	<p>US\$ 4.5 million; number of central and decentralized administration staff trained, number of pilot projects implemented</p>	<p>Quarterly and annual reports by M&E consultants and DPIEE, based on annual implementation plans; reports of studies carried out; and evaluation reports of training activities</p>	<p>Capacity created remains associated with MADR in effective positions; policy and strategy studies are utilized effectively</p>

Annex 2: Detailed Project Description
ALGERIA: Second Rural Employment Project

Project design focuses on the basic objectives of direct and indirect employment creation: the former to respond to the immediate problem of severe unemployment in the project area, and the latter, to enhance the options for medium to long term development for more sustainable employment creation through increased and more diversified production, both on-farm and off-farm, through increased demand for upstream and downstream services. The project also aims to integrate rural women in project activities, difficult as this may prove to be, given the existing socio-cultural conditions, through direct access to project activities in general and through specific activities targeting rural women.

As indicated in Annex 11 on Social Assessment, the project focuses on participatory approaches in order to enhance ownership of interventions and activities that are responsive to beneficiaries' needs. A preliminary survey, using project staff who received basic training in participatory approaches, assisted by trainers who had received training under the ongoing Rural Employment Project (PER1 – Loan 4143-AL) and coordinated by a team of consultants, used diverse techniques to assess the needs and constraints of men and women in the project zones (see *Sondage Préliminaire* in Documents in Project Files). This was a useful experience for both the project staff and the beneficiaries. As a consequence, project components were developed during project preparation to reflect the critical constraints in the project zone. These are reflected mainly in the increased emphasis on water resource mobilization. Ultimately, project implementation will also entail a degree of flexibility as is the case under PER1, to adapt to evolving conditions.

The activities to be implemented under the first three components entailing works are indicated in the table below:

Activities	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Reforestation (ha)	-	1,596	2,789	1,780	1,036	7,200
Forest rehabilitation (ha)	-	900	1,650	1,300	550	4,400
Silviculture (ha)	1,550	2,390	3,430	2,700	1,680	11,750
Terracing (ha)	-	1,128	1,778	852	398	4,156
River bank protection (ha)	-	670	1,395	1,190	495	3,750
Flood control structures (m ³)	140,000	253,500	218,500	114,000	74,000	800,000
Fruit trees (ha)	1,000	4,292	5,593	2,471	1,364	14,720
Fruit trees, irrigated (ha)	-	564	1,618	622	406	3,210
Viticulture (ha)	70	215	235	170	40	730
Land clearing - destoning (ha)	2,000	3,350	4,025	2,275	3,250	14,900
Windbreaks (km)	50	383	399	340	229	1,401
Rural roads rehabilitation (km)	90	315	510	365	205	1,485
Rural roads upgrading (km)	20	230	350	170	105	875
Hill dams (U)	-	-	11	1	-	12
Water points (U)	26	44	46	29	28	173
Rehabilitation of springs (U)	41	51	32	16	19	159
Beekeeping (U)	-	4,200	5,400	5,200	3,900	18,700
Poultry (U)	-	23,750	23,750	23,750	23,750	95,000
Cuniculture (U)	-	2,250	3,700	4,250	2,800	13,000
Artisanal activities (U)	-	605	790	650	455	2,500
Wells (U)	-	38	48	40	24	150
Rehabilitation of wells (U)	-	24	31	31	14	100
Deep wells	-	44	47	39	33	163

The project will comprise the following components to be implemented by the centralized and decentralized administration of the Ministry of Agriculture and Rural Development (MADR) generally, and the General Directorate of Forestry (DGF) specifically, through competitive market based procurement procedures, emphasizing small lots as the basis of contracts to encourage SME.

By Component:

Project Component 1 - US\$50.20 million

Soil Erosion Control

This is the critical project component that will serve as the instrument for direct short-term employment creation, using labor-intensive techniques. The emphasis is on natural resource management targeting the critical problem of soil erosion. A critical aspect of this component is the employment of forest area riparians in a participatory manner to ensure the sustainability of interventions. Specific activities comprise the following:

- Reforestation targeting degraded mountainous areas: this will entail both forestry and forage species, as trees or as bushes. This approach aims to respond to the agro-pastoral characteristic of the project zone, with over-exploitation of the natural resource base for grazing. Pastoral management plans will be developed in a participatory manner to enhance the sustainability of these interventions, using the model of Ras El Ma in Sidi Bel Abbes under PER1, where similar issues are being addressed in a participatory manner.
- River bank protection entails the biological stabilization of river banks which are susceptible to soil erosion due to erratic flows.
- Terracing and biological control entails the building or the rehabilitation of terraces on steep slopes susceptible to serious erosion. Terraces serve to break the force of water flows. Biological control through trees and bushes enhance the process of stabilizing soils. As in the case of reforestation, where pertinent, these activities will also be subject to pastoral management plans developed through participatory approaches.
- Plant material production: to ensure plant material of adequate quantity and quality in a timely manner, plant production will be contracted independently and plants will be provided to contractors. The costs associated with this activity are accounted for in tree planting activities as the cost of the plants.
- Flood control structures. while the forestry based activities described above depend on a planting season, flood control structures can be built around the year, particularly during summer months when seasonal unemployment increases. These structures have been shown to be highly effective in reducing soil erosion and in creating employment. In some instances, these structures have also protected downstream settlements, saving human lives and property from the ravages of floods.
- Forest rehabilitation is similar to reforestation but targets established forests which have become degraded. Planting densities are lower around established plants. As in the case of reforestation, pastoral management plans will be developed in a participatory manner, focusing on both forestry and forage species.
- Silvicultural activities, which are also very labor intensive, aim at cleaning up degraded forest areas with plants that are old, dead or suffering from pests. It will also entail clearing undercover growth to remove undesirable plants and weeds that can put pressure on trees.

Project Component 2 - US\$66.70 million

Agricultural Development

This component aims to address employment within a medium to long term perspective through agricultural development activities in the mountainous project areas. These areas are currently characterized by a cereal-livestock system, mainly barley for feed and some wheat, and livestock, mainly ovines (sheep and goats). The extensive nature of livestock production has led to an over-exploitation of the natural resource base. This component aims to diversify the production base by expanding the limited tree fruit production in the project area. Field assessment has indicated that diversification will be a relative process in that cereal production will continue in an alley cropping system.

Participation is a critical element of most agricultural development activities. In fruit tree planting activities beneficiaries will contribute to 50 percent of costs for digging the troughs and planting the trees. This participation will be either in the form of labor or actual financial contribution. No mechanical methods will be allowed except for the deep ploughing necessary for viticulture. In land clearing, beneficiaries will contribute 30 percent of costs through labor or finances.

Women will benefit from agricultural development activities in an integral manner. However, in response to women's expressed wishes and taking into consideration social and cultural factors that characterize the project areas, specific activities targeting women were also developed.

Finally, fruit tree and small livestock activities will be closely associated with extension efforts through the DSA and the CDF, with a specific focus on the requirements for reaching female beneficiaries.

Specific activities under this component are:

- **Fruit tree plantations** which will be carried out under two systems:
 - Rainfed fruit tree plantations will focus on species adapted to rainfed conditions, such as almonds, figs, olives, etc.
 - Irrigated fruit tree plantations such as pears, apples, etc., which require an assured quantity of water. This activity will depend on the prerequisite of water of adequate quantity and quality.
- **Viticulture** aims to establish vineyards in appropriate environments, reestablish or expand vineyards in areas where there was or is a tradition of grape production. In general, viticulture is a rainfed activity and will follow the same procedures as rainfed fruit tree plantations. Viticulture is also the only exception to mechanical practices whereby an initial deep ploughing is allowed to ensure deep root growth for grape vine stock.
- **Windbreaks** aim at protecting planted areas, particularly young plantations, from wind and wind erosion.
- **Land clearing** entails destoning of land to allow a shift from cereal to fruit tree production. These lands are expected to be converted to fruit tree orchards or vineyards under the project.
- **Rural roads (upgrading and rehabilitation)** enhances market access and overall social and economic integration of remote mountain villages. Technical expertise will be provided from project resources during implementation and by the Bank for supervision and technical support. The PIM will include an operational manual of procedures to be followed for the implementation of this activity from the activity specific EA to realization.
- **Small livestock.** This entails a shift to commercial or subsistence production of small animals,

mainly poultry, beekeeping and rabbits.

- **Activities targeting rural women.** These are diverse artisanal activities such as sewing, embroidery, etc., and will entail provision of equipment, materials and training. Other individual or group initiatives (such as product processing and marketing) will also be assessed and considered.

Project Component 3 - US\$ 15.50 million

Water Resource Mobilization

Water resource mobilization is critical to project activities. The project zone is characterized by low rainfall with significant intra- and inter-annual variation. While irrigation is practiced in the lower valleys (outside the project zones) through large irrigation schemes, in the mountainous and hilly areas the water potential is not adequately exploited for irrigation or potable water. This is a general characteristic of the water sector in Algeria, whereby the emphasis is on large schemes while small and medium scale irrigation (SMI) and potable water for small settlements have lower priority. Both surface and groundwater are actually and potentially important sources for SMI, and are exploited extensively officially and through illicit means. In fact, in Algeria, agricultural land irrigated by SMI is several times the area irrigated by large scale irrigation (LSI).

In the project zone, capturing and managing existing water resources will be a critical factor in relieving some of the risks arising from variable agro-climatic conditions. Clean potable water will also become available to rural populations. As for irrigation, certain activities will require the prerequisite of water availability (e.g., irrigated fruit trees). Irrigation, in general, will allow more intensive and diversified agricultural production.

Close coordination will be maintained with the *Directions Hydraulique de Wilaya* (DHW – Wilaya Water Directorates) in water resource mobilization activities, particularly for the activities of hill dams and wells. The DHW have *wilaya* water resource plans and associated studies (even though some may need to be updated). The choice of the sites for the hill dams and deep wells will be authorized by the DHW, complemented by additional studies and exploratory drilling where necessary. In all cases, water has to be of adequate quantity and quality according to national standards for the subsequent investment activity to be authorized. Financing for hill dams and deep wells will include equipment such as pumps, distribution channels, etc., as well as instrumentation, such as piezometers, meters, etc. Critical factors such as water tables, water quality will be monitored to prevent adverse environmental effects. In particular, it will be ensured through extension and monitoring that water used for food production for human consumption is free of pollution and meets national standards. For hill dams, the PIM includes an operational manual of procedures to be followed for the implementation of this activity, particularly for the activity specific EIA.

The specific activities under this component are as follows:

- **Hill dams (*retenues collinaires*)** serve a double function as reservoirs with small capacity for irrigation and potable water and as an element of erosion control strategies. It is also claimed that they help groundwater recharge by slowing down surface flows. The height of the dam for the hill dams will not exceed 15 meters. A hill dam will be subject to several conditions (apart from normal engineering and geological studies) before associated investments can be authorized by the Bank:
 - Compliance with safeguards related to safety of dams (OP4.37) where necessary;

- Prior environmental impact studies;
- Prior establishment and training of water users associations (WUA).
- **Water points** are small collections of runoff points to be used mainly for livestock and for the irrigation of small areas.
- **Rehabilitation of springs** entails building covered or open tanks for collecting spring water for use as potable water with sanitizing (chlorination - *javelisation*) and for livestock. Irrigation potential is negligible, if any.
- **Shallow wells** (around 30 – 50 m depth on average) entail both the construction of new shallow wells as well as the rehabilitation of existing shallow wells and include the provision of pumps, meters and distribution equipment.
- **Deep wells** (around 50 – 100 m depth on average) also entail both the construction of new deep wells as well as the rehabilitation of existing deep wells and include the provision of pumps, meters and distribution equipment. Depending on the scale and capacity of the deep well, establishment of WUA would be recommended.

The Algerian Government, through the PNDAR/FNRDA, is emphasizing increasing water use efficiency by promoting water saving techniques, essentially drip irrigation. The cases observed under the ongoing Rural Employment Project have demonstrated the significant complementarity between the project and PNDAR initiatives. The impact is considerably enhanced in that a given amount of water can be used to irrigate a larger area through drip irrigation. Given water scarcity in Algeria, this is an initiative and technique that needs to be encouraged. The Algerian Government will finance irrigation equipment through the PNDAR/FNRDA in a manner complementary to the project activities.

Project Component 4 - US\$4.60 million

Support for the Central PMU (CCGW) and the Wilaya level PMU (CCGW)

This component covers diverse activities such as training for DGF staff, required studies, consultant services for M&E, and equipment and vehicles for the project management and implementation structure, as well as for the DSA. The two important elements of this component are the training in participatory approaches for project staff and the independent M&E. These two activities are recent innovations for the DGF which are also having a wider impact on other MADR projects.

Specific activities will entail the following:

- Training activities targeting central and field staff of the DGF as well as the field staff of DSA and DHW and the beneficiaries:
 - Participatory approaches will emphasize various approaches and techniques to involve beneficiaries in project implementation, including both theoretical work and field work through on-the-job training in the laboratory provided by the project; this will include a special perspective on gender-specific issues pertaining to women, targeting both male and female DGF staff;
 - Project management will focus on both coordination and implementation aspects, emphasizing approaches, procedures and instruments, such as financial management, procurement, record keeping, reporting, etc.;
 - Information technology will focus on specific software and hardware to be used in project implementation;
 - Technical training will target both project staff and beneficiaries and emphasize the specific

- project related topics as tree fruit production techniques, small livestock production (for poultry, rabbits and beekeeping); operational procedures for the WUA, maintenance of water and irrigation equipment, etc.;
 - Training activities targeting rural women, focusing on specific areas such as marketing and processing of agricultural and nonagricultural products, sewing and embroidery, etc ; and
 - Advanced technical training of short duration (2-3 month courses) on, e.g., restoration of degraded mountainous lands, soil erosion monitoring, etc.
- Studies:
 - A baseline survey will be conducted in the first year of the project to compile data with which to assess progress and impact;
 - Technical studies for water resource mobilization and rural road activities, entailing environmental, feasibility, engineering, geological, etc., assessment; and
 - Marketing and socioeconomic impact studies.
- Monitoring and Evaluation (M&E) will be carried out by independent consultants in a manner complementary to project implementation.
- Equipment comprising the following:
 - Computers (desktop and laptop) with associated hardware (e.g., printers) and software;
 - Office equipment (fax machines, photocopiers, etc.);
 - Audio-visual equipment (projectors, cameras, video recorders, tape recorders, etc.); and
 - Vehicles (cars, all terrain 4x4 cars and pickup trucks, motorcycles and spare parts).

Project Component 5 - US\$4.47 million

Institutional Development for the Ministry of Agriculture and Rural Development (MADR)

This component arose in the context of the ongoing CAS discussions, which are being held in an open, inclusive and transparent manner, giving voice to many stakeholders. In the context of the CAS initiative, sectoral discussions are also being held. Such a workshop was held in Ghardaia in April 2002 on Sustainable Rural Development, with the participation of around 45 persons from diverse areas such as farmers, private and public sector representatives in agricultural and agro-industrial sectors, officials from central and local agricultural administration as well as related ministries of Land Use and Environment, and Water Resources. The workshop discussions and recommendations noted the positive developments on the policy front in the context of the PNDAR but also signaled constraints in the areas of policy design and analysis, decentralized implementation and M&E.

In particular, it was signaled that the policy changes from a centrally planned management of the agricultural sector to one emphasizing a market environment with targeted development projects were positive developments. However, the new policy environment required policy analysis, M&E and impact assessment capacity at the center. More importantly, for the policy changes to succeed, it was imperative that the decentralized MADR administration be equipped to address development initiatives in a dynamic manner. The newly appointed State Minister for Rural Development in MADR noted that while they had the policy instruments to some extent, implementation faced constraints at the decentralized level due to lack of capacity.

During project preparation, it was also observed that there were complementarities between some of the PNDAR and PER objectives and instruments in areas such as production diversification, protection of natural resources and water resource mobilization.

Finally, the ongoing Rural Employment Project has influenced policy perspectives on matters related to decentralized operations and participatory approaches for rural development. In this context, a new Agricultural and Rural Development Program (PADR) is being developed in the spirit of the Rural Employment Project with a "*mise en valeur en proximité*" perspective, implicating the decentralized administration of other ministries in the wilayate as well. In this respect, several inter-ministerial decisions have already been signed, in particular, one between the Ministry of the Interior and Municipalities (MIDL) and the Ministry of Agriculture and Rural Development (MADR). The former is represented by the Wali, the chief administrator in each wilaya. Hence, coordination for rural development is assured under the governor, implicating diverse ministries involved in rural development such as water resources, housing, health, education, etc. The proposed Second Rural Employment Rural Project will thus be the driving element of the PDAR and *mise en valeur en proximité* efforts in the targeted wilayate as well as the country as a whole.

Hence, it was decided to incorporate a broader Institutional Development component for MADR targeting both the broader areas of policy design and implementation and M&E of development programs, and the specific context of the project area. For the project area, the focus will be on the complementarities between the CDF, DSA and DHW, providing them with adequate training and equipment to ensure effective support to the collaborative project efforts. A Ministerial Instruction has been sent to the Walis, the agricultural services (DSA and various institutes) indicating their roles in the project in this context.

The training activities are also based on a MADR document on a Training Plan for Agricultural Policy Analysis and Planning.

On the general focus of the Institutional Development component, it was decided that a significant part of the resources would be allocated to training programs targeting the decentralized administration. This training would facilitate capacity development in implementing market oriented rural development programs, giving authority and responsibility to regional and wilayate staff through diverse tools such as participatory approaches. At least 25 percent of this component will be allocated to training activities targeting the decentralized administration.

The Institutional Development activities will also incorporate gender-specific matters focusing on women and targeting both male and female staff.

The Institutional Development activities will entail the following structure:

Activity	Target
Training on rural strategy analysis, design and implementation; policy analysis, policy decision models and instruments	Focus on the Central Administration
Training in project management: project evaluation (economic, financial, social, including gender issues, environmental and technical), financial management, M&E and impact assessment	Focus mainly on the Decentralized Administration but also involving the Centralized Administration in M&E and impact assessment in the context of efficiency of public expenditures
Training in participatory approaches	Focus mainly on the Decentralized Administration but also involving the Centralized Administration in terms of principles of participation

Pilot Integrated Rural Development Projects

These micro projects will be held in different agro-ecological environments and will serve as laboratories for the training activities in the context of PADR with a *mise en valeur en proximité* perspective.

Annex 3: Estimated Project Costs
ALGERIA: Second Rural Employment Project

Project Cost By Component	Local US \$million	Foreign US \$million	Total US \$million
Erosion control	45.61	0.00	45.61
Agricultural development	60.66	0.00	60.66
Water resource mobilization	13.51	0.00	13.51
Support for the Central PMU and the Wilaya level PMUs	2.47	2.14	4.61
Technical assistance for the MADR	2.02	2.45	4.47
Non-allocated	0.00	0.46	0.46
Total Baseline Cost	124.27	5.05	129.32
Physical Contingencies	6.31		6.31
Price Contingencies	6.31		6.31
Total Project Costs¹	136.89	5.05	141.94
Front-end fee		0.95	0.95
Total Financing Required	136.89	6.00	142.89

Project Cost By Category	Local US \$million	Foreign US \$million	Total US \$million
Goods	0.34	1.64	1.98
Works	133.75	0.00	133.75
Services	0.82	0.53	1.35
Training	1.42	2.42	3.84
Unallocated	0.00	0.46	0.46
Other (PMU operating costs)	0.56	0.00	0.56
Total Project Costs¹	136.89	5.05	141.94
Front-end fee		0.95	0.95
Total Financing Required	136.89	6.00	142.89

¹ Identifiable taxes and duties are 0 (US\$m) and the total project cost, net of taxes, is 142.89 (US\$m). Therefore, the project cost sharing ratio is 66.48 % of total project cost net of taxes

Annex 4: Cost Benefit Analysis Summary
ALGERIA: Second Rural Employment Project

[For projects with benefits that are measured in monetary terms]

	Present Value of Flows		Fiscal Impact	
	Economic Analysis	Financial Analysis ¹	Taxes	Subsidies
Benefits: US\$m	220.9	208.0	6.3	-6.0
Costs: US\$m	80.1	158.5		3.0
Net Benefits: US\$m	140.9	49.5	6.3	-3.0
IRR: %	23.56	13.39		

¹ If the difference between the present value of financial and economic flows is large and cannot be explained by taxes and subsidies, a brief explanation of the difference is warranted, e.g. "The value of financial benefits is less than that of economic benefits because of controls on electricity tariffs."

Summary of Benefits and Costs:

The analysis is based on activity-specific (e.g., reforestation, land clearing, fruit tree plantation, flood controls structures, wells, etc.) *fiches techniques*, which provide technical coefficients on the investment activity, operation and maintenance activities and, when pertinent, products. These coefficients are then associated with market information on unit costs and prices. These technical coefficients and market information are based largely on the experience of the ongoing Rural Employment Project (PER1 - Loan 4143-AL). However, yields and plant density parameters have been adjusted to reflect agricultural practices (mainly cereal intercropping) and lower yields due to agro-climatic conditions in the PER2 zones. Institutional development activities are included in project costs for purposes of economic and financial analysis. Benefits of water resource mobilization are reflected in the net benefits of irrigated production activities.

In estimating the benefit flows from erosion control activities, including fruit tree plantations on private lands, it was assumed that there would be reduced silting in downstream dams and reservoirs through the reduced sedimentation arising from soil erosion. This reduced silting would translate into an increased amount of water available, whose value was included in the benefit flows. This approach is based on a detailed soil erosion model prepared in the context of M&E under the ongoing PER1. This model is based on 528 observations of sediment collected in special receptacles over several seasons in 264 pairs of treated and untreated test plots following a rainfall event. The data are divided into two sets, covering biological (e.g., reforestation) and mechanical (e.g., flood control structures – *corrections torrentielles*) interventions. Factors affecting the rate of erosion (kg/km²), such as the slope, rainfall amount, ground cover and intervention) are analyzed in a regression model to arrive at the impact of the intervention. Mean values are then used to predict average impact in terms of the volume of sediment reduced. This is then translated into water gained, which is then reduced by half to account for the *volume mort* in

reservoirs and dams and to err on the conservative side. (The soil erosion model is available in Project Files.) The water gained is valued according to the economic and financial cost of water.

This approach allows a significant part of the benefits to be accounted for. However, significant environmental benefits arising from improved natural resource management, as well as the benefits of improved human capacity through institutional development activities are not accounted for in quantitative terms. As such, the rates of return are underestimated.

A baseline survey is planned during the first year of the project to assess eventual project impact on household incomes and production. Sound data do not exist for the project zones to assess and project such impact.

Based on this framework, the estimated ERR is 23.6 percent, reflecting a NPV equivalent to US\$ 141 million; and the estimated FRR for the project is 13.4 percent, reflecting a financial NPV equivalent to US\$ 49.5 million).

The recurrent costs associated with the project have been quantified and incorporated into the cost-benefit analysis. Recurrent costs associated with interventions on farmers' fields will be the responsibility of those beneficiaries. However, recurrent costs associated with interventions on public lands, such as reforestation, are included under the Government contribution to project financing.

Employment Creation and Cost Effectiveness

Employment creation under the project is expected to be around the equivalent of 36,000 person-years based on a 240 day work year. However, certain activities under the project target direct employment creation through labor-intensive methods. These activities, which will create around 27,000 person-years of employment, are presented in the table below. The assessment of the cost effectiveness of these activities indicate that overall, labor costs comprise 54 percent of total costs. The cost of creating the equivalent of one day of employment is around US\$9.52, whereas net wage rates are US\$3.37. This reflects the effects of imperfect labor markets, minimum wage legislation for contractual labor hire and the high social charges of 38.5 percent. Hence, the principal activities targeting direct employment creation, namely the soil erosion control activities, are quite cost effective in terms of employment creation. Overall, considering the long term development effects as well, project activities will have a significant impact on rural employment.

Cost Effectiveness of Activities Targeting Direct Employment

ACTIVITY	Labor	Total	%	Employment	Gross Wage	Net Wage	Employment
	Costs	Costs	Labor	Cost/Day	Rate (US\$)	Rate (US\$)	Person-years
	(US\$ m)	(US\$ m)	Costs	(US\$)			
Reforestation (ha)	4.38	7.43	59.00%	9.62	5.68	3.69	3,217
Forest rehabilitation (ha)	1.83	3.28	55.64%	10.25	5.70	3.71	1,335
Silviculture (ha)	3.09	4.57	67.57%	4.60	3.11	2.02	4,146
River bank protection (ha)	3.29	5.43	60.66%	9.34	5.67	3.68	2,421
Terracing (ha)	1.23	1.82	67.57%	8.56	5.78	3.76	888
Flood control structures (m ³)	13.87	24.97	55.55%	10.20	5.67	3.68	10,200
Destoning (ha)	3.22	8.62	37.32%	12.53	4.67	3.04	2,867
Windbreaks (km)	0.62	1.13	55.33%	10.35	5.72	3.72	455
Rural road rehabilitation (km)	2.00	4.36	45.94%	12.60	5.79	3.76	1,442
TOTAL	33.54	61.62	54.43%	9.52	5.18	3.37	26,971

Fiscal Impact

The fiscal impact of the project is based on three factors:

- (i) It is expected that increased fruit production will increase tax receipts through the VAT of 17 percent. However, not all the fruit marketing channels allow the VAT to be effected, due to direct consumption, evasion, etc. It is thus assumed that only 25 percent of the increased fruit production will be subject to VAT. This creates tax receipts with a NPV of around US\$ 6.3 million.
- (ii) As fruit tree production increases and takes over, at least partly, cereal lands, cereal production will decrease. Public expenditures for subsidies for wheat will thus also decrease. Again, as not all the wheat produced is marketed, only 50 percent of the estimated decrease in wheat production is considered to have an impact on subsidies. This is equivalent to an NPV of around US\$ 6 million (decrease).
- (iii) Finally, the difference between the financial and economic price of water is considered to be an implicit subsidy. This has a NPV of around US\$ 3 million.

Thus, on balance, the potential fiscal impact of the project will have a NPV of around US\$ 9.3 equivalent.

Main Assumptions:

The discount rate used is 10 percent. For prices and costs:

- Market prices have been used for inputs, products, services and labor
- Labor costs include 38.5 percent social charges over wages, obligatory on contractual labor hire
- VAT of 17 percent have been included in costs
- A profit margin of 15 percent has been included in costs
- A total of 10 percent has been allowed for price and physical contingencies, except for *retenues collinaires* (hill dams) for which these contingencies are 20 percent (10 percent each)

The project zone is characterized by a high level of employment. Hence, while contractual arrangements for labor hire are regulated by minimum wage laws, the opportunity cost of labor is considerably lower. This is reflected in the low conversion factor for labor, distinguishing between skilled and unskilled labor. To reflect water scarcity, water prices are increased by 50 percent over financial prices, based on average water costs.

Hence, the following percentages were used as factors to convert financial prices to economic prices:

Unskilled labor	30
Skilled labor	70
Equipment and Transport	70
Plants	100
Water	150
Cultivation services (mechanical)	100
Low quality wood	100
Fruits	100
Honey	100
Other	100

On benefits, it was assumed that cereal intercropping will be maintained under fruit tree plantation, where plant densities are lower than it would be if such intercropping did not take place. Land clearing (through destoning) is assumed to result in fruit tree planting as described. Reforestation type activities entail 60 percent evergreens and 40 percent deciduous trees. Low quality wood production, arising mainly from maintenance activities, and limited to 1 m³/ha, start from the 30th year for evergreens and from the 16th year for the deciduous.

Hill dams are assumed to irrigate 90 ha on average. As individual hill dams are identified and subjected to technical assessment, actual irrigated areas will be used to re-evaluate their impact. In particular, if drip irrigation techniques are adopted, actual area irrigated with a hill dam would be considerably higher than this average.

Sensitivity analysis / Switching values of critical items:

A key assumption in the economic analysis is that conjunctural conditions in the country and the project zones would be conducive to the effective implementation of the Project. Given that this factor would likely have much more of an impact on expected outcomes than the project-specific assumptions and risks, but is not amenable to quantification, a formal risk and sensitivity analysis is of limited use *per se*.

However, as indicated in the following table, the effect of varying certain assumptions on the economic analysis was assessed. Overall, the project shows robust economic and financial returns, whereby ERR and FRR remain in a viable range in response to increases in costs and decreases in benefits, increases in the economic costs of labor and to a reduced rate of realization of water resource mobilization. One particular issue of concern is the market risk posed by emerging marketing issues related to fruits. As the Government has parallel programs in support of promoting fruit trees in marginal areas, there could be downward pressure on market prices, even though there is high demand for fruits and Algeria imports fruits to meet this demand. The results show that a reduction in fruit prices would have the hardest impact on the rates of return. An internal study is being initiated at the DGF to assess potential issues and solutions with respect to fruit marketing in Algeria and fruit prices will need to be monitored during project implementation.

Variation	ERR	FRR
Basic analysis	23.56	13.39
25 percent increase in costs	20.13	10.58
25 percent decrease in costs	28.29	17.25
25 percent increase in benefits	27.19	16.35
25 percent decrease in benefits	19.19	9.80
25 percent increase in economic costs of labor	22.37	-
25 percent reduction in irrigated areas	23.25	13.00
25 percent reduction in fruit prices	18.60	9.27

Annex 5: Financial Summary
ALGERIA: Second Rural Employment Project
Years Ending

	IMPLEMENTATION PERIOD						
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Total Financing Required							
Project Costs							
Investment Costs	12.0	29.0	45.8	21.6	14.0	0.5	0.0
Recurrent Costs	0.0	0.5	3.3	7.2	8.0		0.0
Total Project Costs	12.0	29.5	49.1	28.8	22.0	0.5	0.0
Front-end fee	1.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Financing	13.0	29.5	49.1	28.8	22.0	0.5	0.0
Financing							
IBRD/IDA	10.1	21.0	33.2	17.7	12.5	0.5	0.0
Government	2.5	5.5	8.4	4.5	3.3		0.0
Central	2.5	5.5	8.4	4.5	3.3		0.0
Provincial	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Co-financiers	0.0	0.0	0.0	0.0	0.0	0.0	0.0
User Fees/Beneficiaries	0.4	3.0	7.5	6.6	6.2		0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Project Financing	13.0	29.5	49.1	28.8	22.0	0.5	0.0

Main assumptions:

Annex 6(A): Procurement Arrangements
ALGERIA: Second Rural Employment Project

Procurement

1. **Procurement Responsibilities.** The executing agencies for the project would be the General Directorate of Forestry (DGF) of the Ministry of Agriculture and Rural Development (MADR) for the first four components (Erosion Control, Rural Development, Water Resource Mobilization and Support for the CCGP and CCGWs) and the Directorate of Investment Programming and Economic Studies (DPIEE) of the MADR for the fifth component (Institutional Development for the MADR). The project will use the same implementation design as the ongoing PER. This design is based on the decentralized DGF structure, which devolves responsibility for day-to-day management of project activities to local levels of the *wilaya* (governorate) organization. At the central level, the Central Project Management Unit (CCGP – *Cellule Centrale de Gestion du Projet*) within the DGF would be responsible for overall project coordination, including procurement of goods, works and services, and make sure that proper procurement procedures are followed. CCGP/DGF would also be the principal interlocutor of the Bank. At the decentralized level, the *Conservations des Forêts* (CDF - Forestry Departments) in each *wilaya* will be responsible for project implementation and would each be responsible for procuring goods and works. These agencies have long experience in local procurement procedures that are in line with Bank Guidelines.

2. Procurement for the proposed project will be carried out in accordance with World Bank "Guidelines: Procurement under IBRD Loans and IDA Credits," published in January 1995 and revised in January/August 1996, September 1997, and January 1999, and "Guidelines: Selection and Employment of Consultants by World Bank Borrowers," published in January 1997 and revised September 1997, January 1999, and May 2002, and the provisions stipulated in the Loan Agreement. National Competitive Bidding (NCB) will be carried out with procedures acceptable to IBRD as summarized in paragraph 9 below.

3. **Procurement Arrangements.** The methods to be used for the procurement under this project, and the estimated amounts for each method, are summarized in Table A. The threshold contract values for the use of each method are fixed in Table B.

4. The project essentially entails works implemented in a decentralized manner in the six *wilayate*. The CDF at each of the six *wilayate* will be responsible for procurement for works at the *wilayate* level. The *wilaya* level procurement processes and decisions are reviewed and cleared by the "*Commission de Marchés de Wilaya*" (CDMW – Wilayate Tender Boards). The CCGP will handle procurement for essentially goods and services which is reviewed and cleared by the *Commission des Marchés Publics within the DGF*. Contracts which exceed certain limits according to Algerian regulations on public procurement have to be reviewed and cleared by the *Commission National des Marchés* (CNM – National Tender Board); these limits are currently DA200 million (US\$2.5 million equivalent) for works, DA100 million (US\$1.25 million equivalent) for goods, and DA60 million (US\$750 thousand equivalent) for services.

5. The works comprise two sets of activities:
 - o physical construction type activities (e.g., flood control infrastructures - *corrections torrentielles*) which are independent of any seasonality but are usually done under dry conditions during the summer months; and

- biological activities (e.g., reforestation), which are highly dependent on a seasonal cycle which is time bound by the planting season from October to March.

6. Prior and *ex post* review of procurement, as well as routine M&E of the ongoing Rural Employment Project (PER1 - Loan 4143-AL) have provided some lessons, which have been discussed with the Borrower (the PER1 Report on the *ex post* Procurement Review is available in PER2 Project Files). Some problems observed early on during implementation have largely been resolved and procurement takes place in a timely manner now. The lessons derived from the ongoing project are as follows:

- **Project design encourages effective private sector participation in project implementation.** In the ongoing PER1, critical thresholds for prior review were kept low to encourage the use of small procurement lots, which allowed SME with limited means to participate competitively for works. In addition, force account was categorically excluded from inception as part of project design. Thus, today, nearly two thirds of the financial volume of works implementation is by the SME generating an impact in PSD. Private sector participation increases implementation efficiency. The elimination of force account implementation and the use of competitive procedures have resulted in improved activity design and reduced unit costs.
- In contrast, SME participation in forestry activities was limited. Technical specifications for forestry related activities were more rigid and in some cases, forestry areas faced conjunctural problems. These implicit and explicit risks precluded SME participation in forestry activities. As such, these activities have remained in the domain of public enterprises, which have exhibited a varied performance, generally more problematic on average than the private sector. The conjunctural situation has since improved and SME are expected to participate in forestry activities.
- To increase competitiveness and SME participation in forestry plantation activities in a country where only Government agencies produce seedlings, it is necessary to separate the production of seedlings from the planting and maintenance processes. Thus, in the Second Rural Employment Project, plants will be independently produced under competitive contracts for the DGF and will be provided to firms for planting.
- Procurement processes with SME do pose some problems. One issue during project implementation arises with firms which successfully bid for several lots. Some of these decide subsequently to withdraw because they do not have adequate capacity to undertake all the bids they have won. This causes implementation delays. The DGF has initiated a register to identify eligible firms with adequate capacity which can participate in the bidding processes. However, the Bank has informed the Borrower that this is not acceptable to the Bank. Under the Second Rural Employment Project, explicit eligibility criteria be included in the bidding documents to ensure that participating firms have the capacity, means and adequate technical staff to execute the activities they are bidding for.
- Early on in the implementation of the ongoing Rural Employment Project, delays were observed at the decentralized implementation of procurement at the *wilaya* level where the review and clearance processes have affected the time bound biological activities. These problems have been resolved and procurement takes place in a timely manner now. In addition, the Walis and officials of the proposed project areas were sensitized to this concern and they provided their assurances, emphasizing the priority nature of the project for the Government.
- Preparatory activities for more bulky investments (e.g., engineering studies for rural

roads and hill dams) have been slow and have caused implementation delays. The experience gained will now allow for a more realistic procurement planning for these activities.

7. Based on the experience of the ongoing Rural Employment Project, and since the same procurement processes will be used for decentralized operations under PER2, the *wilayate* in the project zone were visited and three points were presented to and discussed with the *walis* (governors) and high level officials:

- presentation and clarification of the objectives and methods of the proposed project;
- the role of the local authorities in ensuring the coordination between the three key technical agencies at the local level namely:
 - *Direction de Services Agricoles* (DSA) in charge of agricultural development programs, extension, etc.;
 - *Conservation des Forêts* (CDF) in charge of agricultural development in mountainous and forestry areas; and
 - *Direction Hydraulique de Wilaya* (DHW) in charge of resource mobilization for potable water and irrigation; and
- procurement issues:
 - Procurement will follow Bank guidelines. Algerian public procurement regulations are largely consistent with Bank guidelines, but, in case of conflict, the latter would have precedence in the context of the Loan Agreement which is an international agreement; and
 - Project activities have a biological cycle which would not tolerate delays in procurement and thus require the vigilance and support of the local authorities in ensuring timely, correct and transparent procurement processes. Assurances were extended by local authorities in this respect.

8. **ICB Provisions.** ICB is not expected for works but could be used for goods. In case the Borrower opts for ICB for certain activities or goods, Section 2 of Bank Guidelines will apply, with preference for domestic suppliers applying according to Article 2.54 and Appendix 2 of the Bank Guidelines.

9. **NCB Provisions.** Except in the cases provided for below, goods and works shall be procured under contracts awarded on the basis of paragraphs 3.3 and 3.4 of the Bank Guidelines and paragraphs below.

10. Contracts of goods and works procured under the NCB procedure shall comply with the following:

- Any prospective bidder from a country eligible under the Bank Guidelines who proposes to provide goods produced in or services supplied from any such country shall be eligible to bid for such contracts;
- Tenders will be advertised with no less than four (4) weeks for bid preparation;
- Procurement documents will state eligibility, evaluation and award criteria in an explicit manner;
- Government owned or public enterprises shall be eligible provided they are legally and financially autonomous, operate under commercial law, and are not selected or hired by the supervising or reporting authority, and will be subject to the same bid and performance

- security requirements as other bidders;
 - Bidders will be allowed to deliver their bid by hand or by mail;
 - Bids shall be opened in public; that is, bidders or their representatives shall be allowed to be present. The time for the bid opening shall be the same as for the deadline for receipt of bids or promptly thereafter; and shall be announced, together with the place for bid opening, in the invitation to bid;
 - Prospective bidders shall be allowed to submit technical and financial proposals in two separate envelopes provided the two envelopes are opened at the same time;
 - Bids shall be evaluated based on price and on other criteria disclosed in the bid documents and quantified in monetary terms, and provision for preferential treatment for goods of national origin will be explicitly stated in bidding documents and shall be applied according to Article 2.54(a) and Appendix 2; paragraphs 1 - 5 of the Bank Guidelines; and
 - The contract shall be awarded to the bidder having submitted the lowest evaluated responsive bid, and no negotiation shall take place.
11. These provisions are also to be specified in Schedule 3 of the Loan Agreement.
12. **Procurement Capacity Assessment.** An assessment of the procurement capacity of the CCGP and the six participating CDF was carried out by the Bank during pre-appraisal and is available in Project Files. The results of the analysis revealed few differences between applicable Algerian procurement rules and procedures and applicable Bank procurement procedures, which were discussed with the DGF and the CCGP Chief, and it was agreed that the proposed PER2 would fully comply with applicable Bank Guidelines.
13. The overall risk assessment resulting from the analysis is rated as **AVERAGE**. However, given the experience with the ongoing PER1, the synergy between PER1 and PER2 and the training provided, risks are actually expected to be between **LOW** and **AVERAGE**. As such, one annual procurement supervision is considered to be sufficient and is recommended. The CCGP will establish an effective system for filing, monitoring and reporting procurement actions.
14. Two training workshops in procurement were provided to the DGF and specifically to the CDF staff involved in the preparation and implementation of the proposed PER2. The first workshop focused on a global review of procurement methods, and the second one dealt mainly with civil works, emphasizing NCB methods. These training sessions should be followed by formal training sessions during project implementation as well as on the job-training. CDF staff (e.g., CDF Tlemcen), who have gained a solid experience under the Bank-financed PER1 could help and provide guidance to other staff in the various *wilayate*.
15. The total value of contracts subject to prior review would be around US\$20 million, representing approximately 14 percent of the total of the Project costs.
16. **General and Specific Procurement Notices and Procurement Advertisements.** A General Procurement Notice (GPN) will be advertised in the “United Nations Development Business” (UNDB) not less than four weeks after the approval of the proposed Loan by the Board of the World Bank. This GPN will be updated annually.
17. Specific procurement notices will be advertised in national and local media for NCB and in national and international media for ICB. All procurement announcements will be placed in a location accessible to the public in the General Directorate of Forestry, Ministry of Agriculture and

Rural Development and the Wilayate Forestry Directorates.

Procurement methods (Table A)

18. The ongoing Rural Employment Project introduced two changes involving procurement of works and goods:

- Force account, which was used in prior forestry related projects and had proven to be inefficient, was not allowed and competitive procedures became the norm in procurement; and
- In order to encourage SME, including local *tâcherons*, to be involved in project implementation, works activities were to be procured in small lots and, as agreed during negotiations and noted in the official minutes, thresholds were applied to lots. Subsequently, for firms which had bid successfully on several lots, these lots were combined into a unified contract which distinguished each lot explicitly.

19. In the proposed PER2, the same principles will apply. Hence, the thresholds indicated below apply to lots.

20. **Works.** Works would cover mainly the soil erosion control, agricultural development and water resource mobilization components, entailing diverse activities such as plantation of fruit trees, reforestation, river bank management, terracing and biological control, flood control infrastructures, forestry rehabilitation, hill dams, wells, etc. These are expected to add up to an aggregate of US\$133.7 million equivalent. Procurement for lots above US\$100,000 equivalent will be carried out in accordance with National Competitive Bidding (NCB) procedures, up to an aggregate of US\$83 million equivalent. The first works contract in each wilaya and in the General Directorate of Forestry involving lots above US\$100,000 and up to US\$500,000 will be subject to prior review. All works contracts pertaining to lots above \$500,000 will be subject to prior review. Contracts for lots estimated to cost up to US\$100,000 and up to an aggregate amount of US\$5 million equivalent may be awarded on the basis of comparing quotations from at least three contractors and will not be subject to prior review. Direct contracting may be used if justified and in accordance with the provisions of paragraph 3.7 of the Bank Guidelines for contracts for lots up to US\$100,000 equivalent and for an aggregate amount of US\$5 million; all such procurement through direct contracting will be subject to the prior review of the Bank. There will be no force account implementation. Because of the nature of relatively simple works, no pre-qualification of contractors will be required.

21. **Goods.** The project would finance plants and hydraulics equipment for project activities and vehicles, office equipment, computers, and miscellaneous equipment for the DGF, CDF and DSA. The total value of goods is estimated at US\$2 million equivalent and these goods will be procured by the DGF. Lots of goods and equipment to be purchased under the project worth greater than US\$300,000 will be procured through International Competitive Bidding (ICB) up to an aggregate amount of US\$1.6 million equivalent and related contracts will be subject to prior review. The Bank's Standard Bidding Documents (SBD) would be used for all ICB for goods. NCB may be used for lots estimated to cost more than US\$100,000 and up to US\$300,000 up to an aggregate of US\$0.4 million equivalent and the first two of these contracts will be subject to prior review. National Shopping, based on price quotations obtained from a minimum of three suppliers, can be used for small quantities of goods, provided that the value of the goods does not exceed US\$10,000 and the aggregate amount does not exceed US\$10,000; these contracts will be subject to *ex post* review. Direct contracting may be used if justified and in accordance with the provisions of paragraph 3.7 of

the Bank Guidelines for contracts for lots up to US\$100,000 equivalent and for an aggregate amount of US\$5 million.

22. **Services.** Services will consist of approximately US\$5.9 million of training, studies and consulting, targeting the DGF/CDF and the MADR. Of this US\$5.9 million, training is estimated at approximately US\$4.6 million, and the remaining US\$1.3 million equivalent consists of national and international consultants. Consultant services with an estimated contract amount exceeding US\$200,000 will be advertised in the United Nations Development Business and in at least one national paper, seeking expressions of interest. For such contracts, the Bank's Standard Request for Proposals will be used, and the selection of consultants will be addressed through competition among qualified short-listed firms in which the selection will be based on Quality and Cost Based Selection (QCBS). Until further notice the ceiling for National Consultants Shortlists will remain at US\$200,000. In other words, in the case of assignments to cost less than US\$200,000 equivalent, the short-list of consultants may comprise entirely national consultants if a sufficient number of qualified firms are available at competitive costs. However, if foreign firms express interest, they will not be excluded. The selection method of consultants will be based on quality and cost (QCBS) for all contracts above US\$100,000 equivalent for firms. Below these thresholds, and with the exception of the employment of consultants through single source for reasons critical to the project, the selection method may be on the basis of Consultants' Qualifications. Single source selection may be used in exceptional circumstances and only for Component 3 (Water Resource Mobilization) and Component 4 (Support for the CCGP and CCGW), with clear explanation of the justification, such as critical experience built upon the ongoing project. For consultant firms: (i) all contracts above US\$100,000 will be subject to prior review, and (ii) the first two contracts up to US\$100,000 will be subject to prior review. Selection of individual consultants for contracts equal to or above US\$50,000 will be based on Section V of Consultant Guidelines and will be subject to the prior review of the report on the comparison of qualifications, the TOR and the terms of employment. Contracts below US\$50,000 may be awarded to individuals and will not be subject to prior review except for the clearance of the TOR. Sole source contracts may be awarded if justified and in accordance with the provisions of paragraphs 3.8, 3.9, 3.10 and 3.11 of the Guidelines.

23. **Bank's *ex post* Review of Procurement.** The Bank's *ex post* review will be applicable to all the contracts for above-mentioned lots which are below the thresholds for prior review. In addition to the regular tasks of prior and *ex post* reviews, the Bank may also carry out spot checks of the quality and consistency of the procurement work financed by the Bank loan, with the objective of strengthening the fulfillment of the Bank's fiduciary responsibilities.

24. **Procurement Plan and Project Implementation Manual.** The first 18 months of procurement activities have been planned in the context of a Procurement Plan for the General Directorate of Forestry, which will also manage procurement activities related to the Institutional Development Component for MADR, and for each of the six wilayate. In this context, standard bidding documents have also been prepared. The related procurement procedures have been elaborated upon in the context of the Project Implementation Manual.

Table A: Project Costs by Procurement Arrangements
(US\$ million equivalent)

Expenditure Category	Procurement Method ¹			N.B.F.	Total Cost
	ICB	NCB	Other ²		
1. Works	0.00	115.00	18.74	0.00	133.74

	(0.00)	(75.72)	(12.34)	(0.00)	(88.06)
2. Goods	1.60	0.36	0.02	0.00	1.98
	(1.28)	(0.29)	(0.01)	(0.00)	(1.58)
3. Services	0.00	0.00	5.19	0.00	5.19
	(0.00)	(0.00)	(3.95)	(0.00)	(3.95)
4. Miscellaneous	0.00	0.00	0.00	0.57	0.57
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
5. Front-end fee	0.00	0.00	0.95	0.00	0.95
	(0.00)	(0.00)	(0.95)	(0.00)	(0.95)
Unallocated	0.00	0.00	0.46	0.00	0.46
	(0.00)	(0.00)	(0.46)	(0.00)	(0.46)
Total	1.60	115.36	25.36	0.57	142.89
	(1.28)	(76.01)	(17.71)	(0.00)	(95.00)

^{1/} Figures in parenthesis are the amounts to be financed by the Bank Loan. All costs include contingencies.

^{2/} Includes civil works and goods to be procured through national shopping, consulting services, services of contracted staff of the project management office, training, technical assistance services, and incremental operating costs related to (i) managing the project, and (ii) re-lending project funds to local government units.

Prior review thresholds (Table B)

Table B: Thresholds for Procurement Methods and Prior Review¹

Expenditure Category	Contract Value Threshold (US\$ thousands)	Procurement Method	Contracts Subject to Prior Review (US\$ millions)
1. Works	<=100	NS	None
	>100 and <=500	DC NCB	All First in each wilaya and at DGF/CCGP (including DPIEE)
2. Goods	<=10	IS/NS	None
	>100 and <=300	DC NCB ICB	None First two All
3. Services	>100	QCBS	All
	<=100	CQ	First two
Firms	>=50	Section V of Consultant Guidelines	Report, TOR and terms of employment TOR
Individuals	<50		
4. Miscellaneous			
5. Miscellaneous			
6. Miscellaneous			

Total value of contracts subject to prior review: US\$ 20 million (14 %)

Overall Procurement Risk Assessment: Average

Frequency of procurement supervision missions proposed: One every twelve months (includes special procurement supervision for post-review/audits)

Notes:

ICB: International Competitive Bidding

NCB: National Competitive Bidding

NS: National Shopping

DC: Direct Contracting

QCBS: Quality and Cost-based Selection

CQ: Consultant's Qualifications

TOR: Terms of Reference

¹ Thresholds generally differ by country and project. Consult "Assessment of Agency's Capacity to Implement Procurement" and contact the Regional Procurement Adviser for guidance.

**Annex 6(B) Financial Management and Disbursement Arrangements
ALGERIA: Second Rural Employment Project**

Financial Management

1. Summary of the Financial Management Assessment

1. **Summary of the financial management assessment.** The assessment of the financial management (FM) aspects of the Second Rural Employment Project (PER2) is based : (i) on the prior experience of the ongoing Rural Employment Project (PER1; Loan No. 4143-AL) which is currently being implemented by the General Directorate of Forestry (DGF – *Direction Générale des Forêts*); and (ii) the reviews that took place during appraisal, covering the operations of the ongoing PER1 and the preparations by the DGF for PER2. Based on this assessment, the current accounting and financial management system of the two executing agencies for the project, namely, the DGF and the Directorate of Investment Planning and Economic Studies (DPIEE – *Direction de la Planification des Investissements et des Etudes Economiques*), are adequate to ensure appropriate arrangements for the FM of the project.

2. **Risk analysis.** The tables below present a summary assessment of the FMS and audit arrangements for both the centralized as well as the decentralized operations. It should be noted that a thorough Project Implementation Manual (PIM) has been prepared and will be used by project staff in the context of financial management, among others.

i. Risk Analysis for the Centralized Operations

Risk	Risk Rating*	Risk Mitigation Measures
Executing Agencies DGF. A new project in a new area with less experienced staff may result in inadequate and inconsistent implementation of the financial arrangements. DPIEE. First time implementation of a Bank-funded project, (the fifth component).	 M M	 Cross fertilization of experience with the ongoing PER1, expected to achieve its development objectives is encouraged. CCGP at the DGF will have the same FM responsibilities for the fifth component that is managed by the DPIEE.
Flow of Funds The Administrative Regulation (AR) <i>Instruction No. 21 du 25 juillet 2001</i> issued by the MDF, which will reduce the need for a large SA as a method of disbursement, will entail new practices and experience. “Reimbursement” will be the main method of disbursement.	 N	 During the project supervision, regular reviews will be carried out to ensure that the disbursement method in use is effective, particularly as AR 21 is implemented.
Staffing The pace of the project accountant’s familiarization with Bank policies and use of the computer models/programs for financial recording &	 M	 Transfer of experience from the ongoing PER1 staff to the new staff, in conjunction with the implementation of

reporting could be slow.		the procedures contained in the PIM.
<p>Accounting Policies and Procedures</p> <p>The project will be implemented as part of the Government budget. A Country Financial Accountability Assessment (CFAA) which would assess risks associated with budget processes has not been carried out.</p>	M	PIM provides detailed description of the accounting procedures and the interrelationship between the project FM aspects and the national budget processes that are covered by regulations and strictly enforced.
<p>Internal Audit</p> <p>Internal audit is limited to compliance with verification procedures for work carried out at the BAD. BAD follows budget execution procedures, that require an administrative compliance review which is limited. The double function of the BAD as the Financial Controller and as the Government Treasurer for the Investment Budget (<i>Budget d' Equipement</i>) also poses a risk.</p>	M	Regular review of the disbursement requests by the BAD and the SOE during supervision.
<p>External Audit</p> <p>External audits generally entails an administrative compliance review that includes procurement and transactions.</p>	M	There will be: (i).an early appointment of the auditors; (ii) an agreement with the borrower on an agreed and specific TOR for the annual audit; (iii) an additional semi-annual SOE review; and (iv)increased supervision.
<p>Reporting and Monitoring</p> <p>Financial reports may not provide the information required by the Bank.</p>	M	Forms for financial reporting that are based on the databases of contract accounting information developed in an Excel-based environment are prepared and included in the PIM. Maintenance of the databases for complete and timely reporting of information is required. Upkeep of the databases to ensure such compliance will be regularly reviewed during supervision.
<p>Information systems</p> <p>There is no accounting software in use which may prevent comprehensive financial information to be captured and reported on a timely basis.</p>	M	PIM provides a comprehensive set of Excel-based programs to be used for purposes of financial management. These programs will be adapted and improved by local expert staff to respond to the specific needs of the project in a flexible manner.

ii. Risk Analysis for the Decentralized Operations

(These risks are in addition to those that apply to centralized operations. The risks of the centralized operations apply by default to decentralized operations as well.)

Risk	Risk Rating*	Risk Mitigation Measures
<p>Executing Agency:</p> <p>CDF, in the <i>wilayate</i>. A new project in a new area with less experienced staff may result in inadequate and inconsistent implementation of the financial arrangements.</p>	M	Cross-support from the CCGP and CDF under the ongoing PER1 and the CDF under PER2 will be provided. Planning and implementation of a regular cross-support program will be closely monitored during supervision.
<p>Staffing</p> <p>The pace of the coordinators familiarization with Bank policies and use of the computer models/programs for financial recording & reporting could be slow.</p>	M	Cross-support will be provided from the ongoing PER1 Accountant and Coordinators to the Coordinators under the PER2 on a formalized and regular basis. Implementation of a regular cross-support program will be closely monitored during supervision.
<p>Overall Risk Rating</p> <p>For both the centralized and the decentralized operations</p>	M	(i) The absence of a country analytical work such as the CFAA; (ii) the decentralized financial execution of the project; and (iii) the type of audit of the ongoing project are the factors which could imply a rating of "Substantial" risk for the financial management of the project. However, (i) the experience of the ongoing PER1 which has demonstrated the strict enforcement of budget regulations; (ii) the cross support that the ongoing PER1 is providing; (iii) the accounting and reporting set up at the center and in the wilayate; and (iv) the existence of a comprehensive PIM constitute the main factors in the final modest risk rating.

* Risk Ranking: H (High Risk), S (Substantial Risk), M (Modest Risk), and N (Negligible or Low Risk)

3. Strengths and Weaknesses

Significant Strengths	Basis for Reliance on the FM System
1. Experience gained through the ongoing PER1 at the DGF and the CDF	Allowed preparation of a comprehensive Project Implementation Manual
2. Availability of experienced PER1 staff (in particular, familiarity with developing	Assisted the development of Excel-based programs for PER2 financial management system

Excel-based programs)	.
3. Availability of experienced Accountant at the Central level, and 4. Availability of experienced Coordinators in the CDF implementing PER1	Were and will be conducive for cross fertilization of experience between ongoing PER1 and the PER2, both at the project management units at the DGF, and in the wilayate, at the CDF

Building on the strengths, the following FM weaknesses and issues have been addressed for both the centralized and the decentralized operations.

Weaknesses	Resolution
1. Potentially inconsistent implementation of the decentralized operations in the regions	Development of uniform procedures that are incorporated in a comprehensive PIM, and encouraging continued synergy between PER1 and PER2 staff as well as within PER2 with respect to FM activities and practices. PIM is designed for use by. (i) CCGP for the centralized operations and the consolidation of information related to decentralized operations; and (ii) by the CDF for use in the decentralized operations at the wilayate level.

Implementation of these improvements would be closely monitored by the Bank through the quarterly FMR and during supervision missions.

4. Project management and implementation. The project will be implemented on a decentralized basis. DGF is responsible for the for the first four components of PER .The fifth component is the responsibility of the DPIEE . At the center, the operations are carried out by the DGF, while in the wilayate each CDF has that responsibility. CCGP will coordinate the activities both at the DGF and between the DGF and each of the six CDF.

5. **Financial Management and Accounting.** FM functions are organized in line with the national budget management and execution policies and procedures that are the responsibility of the DGF and each of the six CDF. The CCGP is responsible for providing the required administrative support in the execution of the financial operations and to comply with World Bank requirements for timely and project-specific accounting and reporting. FM activities of the CCGP are integrated with the existing structures at the DGF and all the six CDF. The organizational aspects are described below.

(a) *Organization of CCGP and FM of the project through the budget process.* The project will be implemented under and incorporated into the BdE. It will be subject to same the rules and regulations that govern the management of public finances in Algeria. The financial management system at the implementing agencies is based on principles and procedures defined by the legal framework applicable to the public sector This framework encompasses the strict enforcement procedures through formal stages of expenditure as detailed below. At the center, the DGF and in the wilayate, each of the six CDF will incur project expenditures, and approve payments. The BAD and its regional offices acting both as the financial controller (*Contrôleur financier*) and the public treasurer (*Trésorerie Publique*) will be responsible for the control of expenditures and making payments. At the center, at the DGF, the CCGP will be responsible for accounting, record-keeping and reporting functions. The CCGP will undertake all the required administrative functions relating to the budget at the central level at the DGF. In this connection, the CCGP's financial management functions will be integrated with the already existing structures at the DGF. The CCGP, at the center, will be responsible for monitoring and coordinating

budgeting, expenditure, financing, accounting, and financial reporting functions that are required for the management of project activities that run through the national budget and will be directly accountable to the General Director of the DGF. The CCGP's responsibility will involve carrying out administrative functions relating to the budget preparation and expenditure management activities, (i) with the *Statistiques* unit for allocations of the CP, and with all the CDF; and (ii) with the other related units/officials at the DGF for expenditure management, commitments, *engagement*, receipts of goods and services, *liquidation*. Approval for payment, *ordonnancement*, will be effected by the General Director of the DGF, as the *Ordonnateur Principal* for budget execution purposes. the CCGP is also responsible for consolidation of all the accounts of the project and financial reporting. In the wilayate, the functions of the CCGP, will be carried out by the *Coordinateur* who be directly responsible and accountable to the *Conservateur des Forêts* who is in turn responsible to the General Director of the DGF (*Conservateur des Forêts* is the *Ordonnateur Secondaire* for budget execution purposes). With respect to financial control and payment aspects, the Project Manager, at the central , and the *Coordinateur*, at the wilayate, will be, respectively, responsible for coordination of those functions with the BAD in Algiers, and its regional offices in the wilayate. In addition, in each of the six CDF, the *Coordinateur* will keep the accounting and financial recording of the transactions on a contract-accounting basis similar to the one that is already in use for the ongoing PER1. Each CDF will send a summary of contract expenditures and the bank account records on a monthly basis to the CCGP for consolidation of all the accounts of the project and financial reporting. Financial management of the fifth component will be carried out at the center, at DPIEE. The CCGP and the BAD will perform the same functions for the DPIEE, as they do for the DGF.

(b) Staffing

i. *At the centralized level, DGF.* The Accountant located at the DGF will be responsible for preparation and of all the required forms and their follow-up in the approval of expenditure as well as payment steps as they relate to the national budget processes and their transmission to the BAD. The Accountant will also provide technical support and carry out specific duties and functions with respect to the financial management at the CDF (*wilaya*) level.

ii. *At the decentralized level, CDF.* Specially appointed staff in the related regions will act as the project coordinators, *Coordinateurs du Projet*. They are employees of the related CDF and generally hold the position of *Chef de Service Extension du Patrimoine Forestier*. They will be responsible for the preparation of all the required forms and their follow-up in the approval of expenditure and payment steps relating to the national budget processes and their transmission to the BAD in the regions. The *Coordinateur* will also provide, on a monthly basis, the SOE and a statement of the bank account of the related region to the Accountant at the CCGP. The *Coordinateur* will have functional coordination responsibilities vis-à-vis the Project Manager.

(c) Accounting records. Accounting records that are specific to the project will be maintained by the financial management system that will be installed in the CCGP, along the line of the existing one for the ongoing PER1. The records will reflect detailed transaction flows and provide summaries required for monitoring and evaluation purposes. Quarterly FMR and the annual PFS will be prepared based on data from those records. In addition, the records will reflect disaggregated expenditure at the decentralized level of each of the related CDF, and provide for the required audit-trail and references to the related SOE as well as the related national budget documents through which the expenditures were incurred.

(d) Physical information. Physical information on key performance indicators that can be readily linked to financial costs will be maintained as part of the project financial management system.

6. The main elements of the PIM. Procedures for accounting and financial reporting as well as for internal control that would respond to the specific needs of the project are incorporated in the PIM. PIM will provide the needed information for the preparation of the project Financial Monitoring Reports (FMR) and the Project Financial Statements (PFS). PIM will be reviewed on a regular basis in the light

of implementation experiences and modified as necessary. The main elements that are included in the PIM are: (a) budget processes, and financial management and control procedures, (b) accounting practices and methods, (c) financial management information systems, (d) financial reporting, and (e) auditing procedures

7. Flow of accounting information. The information flows will be as follows:

- (a) The CCGP at the Central level (i.e., at the DGF, and the DPIEE), and the Project Coordinator at the regional level (i.e., at the CDF) will generate and maintain vouchers for the initiation, approval and payment of expenditures. They will record all the financial transactions, and will submit to the BAD all the supporting documentation for expenditures on all project related activities. CCGP is ultimately responsible for the management of the project financial management information.
- (b) The Project Manager at central level and the Project Coordinator at regional level will transmit to the BAD and its regional offices all invoices to be paid after confirming that: (i) the related transactions were eligible for financing under the project; and (ii) the related activities were performed in a satisfactory manner. The DEP (*Direction d'Equipement*) at the BAD will also exercise its due diligence function conferred upon it by the law.
- (c) The BAD will proceed with disbursement and replenishment of the SA after reviewing the supporting documentation and their compliance with World Bank guidelines. Periodic (monthly or quarterly) statements of accounts will be issued by the BAD and transmitted to the CCGP in order to allow a close follow-up of the disbursement operations, an adequate update of the accounting records, and preparation of the required reconciliation statements, as necessary.
- (d) All expenditure incurred under the PER2 will be reviewed by project auditors in accordance with the specific Terms of Reference (TOR) prepared for that purpose.

8. Financial Monitoring Reports (FMR). The FMR for the project will be generated from the computerized financial management system on a quarterly basis. The FMR will be transmitted to the World Bank no later than 45 days after the end of each calendar quarter. The FMR is management-oriented (i.e., summaries rather than transactional details) and will be used for project monitoring and implementation. The format and content of the FMR have been discussed and agreed upon with the borrower. This will be confirmed at negotiations. The FMR will be transmitted to the Bank within 45 days from the end of the related quarter. will. The FMR include the information relating to: (i) Discussion of Project Progress; (ii) Sources and Uses of Funds Statement; (iii) Use of Funds by Project Activities (supports the Sources/Uses of Funds); (iv) Physical Progress Report;- physical outputs-; (v) Physical Progress Report; status of large works and services, and (vi) Procurement Monitoring report-narrative and tables

9. Project Financial Statements (PFS). The PFS will include the project balance sheet, a statement of sources and utilization of funds, a special account reconciliation statement; a statement of withdrawals, indicating withdrawals made on the basis of statements of Expenditure (SOE).

10. Impact on procurement arrangements A procurement assessment of the implementing agencies and procurement arrangements was undertaken by the Bank procurement staff. This included the assessment of the ongoing PER1 and also entailed extensive training for central and local staff. There are no critical impacts on financial management arrangements that would emanate from procurement arrangements. The two processes are closely linked in terms of management, recording and monitoring.

2. Audit Arrangements

11. The PFS will be audited annually by a qualified auditor acceptable to the Bank according to International Standards of Auditing, as issued by the International Federation of Accountants (IFAC), World Bank Guidelines (e.g., FARAH), and the specific TOR acceptable to the Bank. In addition, expenditures incurred under Statement of Expenditures (SOE) would be audited on a semi-annual basis as the associated risk with SOE is higher. The semi-annual SOE audit should be sent to the Bank within six months after the end of the period covered. The MDF will transmit to the Bank an annual audit report, including the PFS within six months after the end of each government fiscal year. The auditor will also provide a memorandum on the internal control weaknesses including their suggestions for the improvement in those controls and submit that memorandum to the CCGP for follow-up and implementation.

3. Disbursement Arrangements

12. **Withdrawals from the proceeds.** Withdrawals from the proceeds of the loan will be based on the World Bank's traditional disbursement methods. The disbursement methods will use direct payments, requests for special commitments and reimbursement applications, either fully documented or using Statement of Expenditures (SOE) as per applicable procedures, when and where applicable. Administrative Regulation *Instruction No. 21 du 25 juillet 2001* issued by the MDF reduces the need to use a large Special Account as a method of disbursement. "Reimbursement" will be the main disbursement method for the project. As projected by World Bank's standard disbursement profiles, disbursements would be completed within four months after project closure. Disbursements would be made against standard World Bank documentation.

Allocation of loan proceeds (Table C)

13. **Allocation of loan proceeds (Table C).** The allocation of loan proceeds follows the recently established Standard Disbursement Percentages (SDP) for Algeria and excludes any charges for taxes. VAT in Algeria is 17 percent.

Table C: Allocation of Loan Proceeds

Expenditure Category	Amount in US\$million	Financing Percentage
1 Works	88.00	80% of the amount
2. Goods	1.60	100% of foreign expenditures; 100% of local expenditures ex-factory (EXW); 80% of other local expenditures
3. Consultant services, training and workshops	3.95	76% for local consultants; 76% for international consultants; 100% for training abroad; 76% for local training
4. Unallocated	0.50	80% of the amount
5. Premium on caps and collars on the Variable Rate	0.00	Amount due according to Section 2.04 of the Loan Agreement
Total Project Costs	94.05	
Front-end fee	0.95	Amount due according to Section 2.09 (c) of the Loan Agreement
Total	95.00	

The World Bank will not finance any taxes under the project.

Use of statements of expenditures (SOEs):

14. **Use of statements of expenditures (SOE).** All applications to withdraw proceeds from the loan will be fully documented, except for: (i) the Initial Deposit to the Special Account; (ii) expenditures of contracts with an estimated value of US\$300,000 or less for goods; (iii) expenditures of contracts with an estimated value of US\$500,000 or less for civil works; (iv) expenditures of contracts with an estimated value of US\$100,000 or less for consulting firms; and (v) US\$50,000 or less for individual consultants, training and study tours, which may be claimed on the basis of Statements of Expenditures (SOE). Documentation supporting expenditures claimed against SOE will be retained by the DGF/CCGP and the BAD, and will be available for review when requested by Bank supervision missions and project auditors. All disbursements will be subject to the conditions of the Loan Agreement and the procedures defined in the Disbursement Letter.

Special account:

15. **Special Account (SA).** To facilitate disbursement of eligible expenditures for goods, services and training, the Borrower will open and maintain a SA at the *Banque d'Algérie* to cover eligible project expenditures to be managed and administered by the DGF/CCGP and DPIEE. Authorized allocation of the SA would be US\$3 million to cover eligible expenditures financed by the Loan. All eligible project expenditures of less than US\$300,000 equivalent shall be paid from the SA. The SA will be replenished through the transmission of Withdrawal Applications. The BAD will be responsible for transmitting these periodic withdrawal applications that will include appropriate supporting documentation for expenditures incurred, reconciled bank statements, and other documents as may be required by the World Bank. The BAD will retain copies and will make the documents available for review by World Bank supervision missions and project auditors.

16. **Action Plan.** The timetable for implementation of the activities that should be undertaken in relation to the financial management of the PER2 is set out below.

Action Plan

Action	Due Date	Responsibility
<p>1. Preparation of detailed accounting and financial procedures for the project, including a Chart of Accounts, <i>le plan comptable</i>, as part of the PIM; and, if needed,</p> <p>A consultant will be appointed for review and completion of the details of the document thus prepared.</p>	<p>Already completed.</p> <p>Within 3 months of the project start-up.</p>	<p>DGF/CCGP – Project Manager</p> <p>DGF/CCGP – Project Manager</p>
<p>2. Preparation of a detailed Terms of Reference for the annual audit of the project.</p>	<p>Draft TOR have been prepared and will be finalized by project start-up..</p>	<p>World Bank/ DGF</p>
<p>3. Evaluation of the financial management and reporting system by the World Bank.</p>	<p>Within 18 months of the project start-up.</p>	<p>World Bank</p>

**Annex 7: Project Processing Schedule
ALGERIA: Second Rural Employment Project**

Project Schedule	Planned	Actual
Time taken to prepare the project (months)		
First Bank mission (identification)	01/24/2002	01/24/2002
Appraisal mission departure	09/27/2002	09/26/2002
Negotiations	01/15/2003	02/24/2003
Planned Date of Effectiveness	07/01/2003	

Prepared by:

The Algerian Ministry of Agriculture and Rural Development (the General Directorate of Forestry and the Directorate of Investment Programming and Economic Studies), with the assistance of local consultants, and the World Bank.

Preparation assistance:

A PHRD grant (TF050503) of US\$399,800 is being utilized for project preparation studies carried out by local consultants. The grant is managed by the General Directorate of Forestry.

Bank staff who worked on the project included:

Name	Speciality
Kutlu Somel	Economist, Task Team Leader, TTL
Idah Pswarayi-Riddihough	Senior Natural Resource Management Specialist, Back-up TTL
Hocine Chalal	Senior Environmental Specialist
Paloma Anos Casero	Social Policy Analyst, Young Professional
Nadia Gouhier	Procurement Analyst
Tahar Hadji	Hydraulic Engineer (Local Consultant)
Patrice Kadjo Wadja	Economist (Consultant)
Syvie Creger	Algeria Cluster Assistant, Language Program Assistant
Nezam Motabar	Senior Financial Management Specialist
Dominique Bichara	Senior Legal Counsel
Hovsep Melkonian	Senior Financial Officer
Hassine Hedda	Disbursement Analyst
Issam A. Abousleiman	Senior Financial Officer
Concepcion Esperanza del Castillo	Senior Social Scientist
Eugene Terry	Peer Reviewer for the PCD, retired Bank staff
David Steel	Peer Reviewer for the PCD, Lead Operations Officer
Nadim Khouri	Peer Reviewer, Senior Natural Resource Management Specialist
Qaiser M. Khan	Peer Reviewer, Senior Economist
Mohammed A. Bekhechi	Senior Legal Counsel
Ayman Abu Hajja	Senior Financial Management Specialist, FM Quality Assurance
Usaid I. El-Hanbali	Procurement Accredited Staff
Antonio J. Cittati	Senior Procurement Specialist

Ghada Youness

Senior Legal Counsel

Annex 8: Documents in the Project File*
ALGERIA: Second Rural Employment Project

A. Project Implementation Plan

Project Implementation Plan	2002	DGF
Project Implementation Manual	2002	DGF

B. Bank Staff Assessments

PER1 <i>ex post</i> Procurement Review	2002	WB
PER2 Procurement Assessment	2002	WB
PER2 Procurement Risk Assessment	2002	WB

C. Other

Zone 1 Preparation report	2002	CREAD	
Zone 2 Preparation Report	2002	BNEDER	
Zone 2 Environmental Management Plan	2002	BNEDER	
Zone 3 Preparation Report	2002	BNEDER	
Zone 3 Economic analysis	2002	BNEDER	
Project Economic Analysis : All zones	2002	BNEDER	
<i>Sondage préliminaire</i>	2002	Omar Benbekhti Conseil et Etudes	
PER2 organization charts	2002	DGF/PER2	
Institutional Development - MADR	2002	DPIEE	
PFAP	2002	MADR	Version 1. Unofficial copy.
Species and varieties	2002	DGF/CGP	
PER1 Impact report			
o Economic: incomes			
o Qualitative impact			
o Impact on rural women			
<i>Modalités d'autorisation d'usage sur les terres relevant du Domaine Forestier National</i>	2001	DGF	With associated texts
<i>Décision No. 572/BOG/IGF/DGF/01 du 28 octobre 2001 relative à l'agrément professionnel des entreprises</i>	2001	IGF/DGF	With questionnaire
<i>Plan d'Aménagement Pastoral – Ras El Ma</i>	2002	DGF/CDF	Sidi Bel Abbes
CAS Sectoral Meeting Document Package	2002	MADR/WB	
PHRD Grant proposal	2001	IBRD	
PHRD TOR	2002	DGF	
PHRD Procurement files	2002	DGF	
PNDAR Note	2002	Consultants	
<i>Programme de reboisement</i>	2002	DGF	For purchasing plants
<i>Modèle d'Organisation</i>	2002	DGF	

<i>PER1 Tableau dynamique et manuel d'utilisation</i>	2002	DGF/PER1
<i>PER1 BAD Note circulaire on 4143-AL</i>	2000	DGF
Soil erosion model	2002	BNEDER
<i>Bonnes pratiques du PER1</i> *Including electronic files	2002	Omar Benbekhti Conseil et Etudes

Annex 9: Statement of Loans and Credits
ALGERIA: Second Rural Employment Project
07-Aug-2002

Project ID	FY	Purpose	Original Amount in US\$ Millions		Cancel	Undisb.	Difference between expected and actual disbursements*	
			IBRD	IDA			Orig	Frm Rev'd
P072458	2002	DZ-TRANSPORT TECHNICAL ASSISTANCE	8 72	0 00	0 00	8 72	2 98	0 00
P064983	2002	DZ-MORTGAGE FINANCE TECHNICAL ASSIST	5 50	0 00	0 00	5 50	0 00	0 00
P054217	2002	DZ-FINANCIAL SYSTEM INFRASTR MODERN	16 50	0 00	0 00	16 50	2 33	0 00
P067567	2001	DZ-ENERGY AND MINING TA LOAN (EMTAL)	18 00	0 00	0 00	16 30	4 30	0 00
P064921	2001	DZ-BUDGET SYST MODERN	23 70	0 00	0 00	22 46	22 46	0 00
P069947	2000	DZ-TEERP	83 46	0 00	0 00	58 15	50 67	0 00
P070123	2000	DZ-Privatization Assistance (LIL)	5 00	0 00	0 00	3 53	2 03	0 00
P070308	2000	DZ-Telecommunications and Postal Sector	9 00	0 00	0 00	5 57	3 89	0 44
P042940	1998	DZ-LOW INCOME HOUSING	150 00	0 00	0 00	125 15	125 15	70 49
P043724	1997	DZ-RURAL EMPLOYMENT	89 00	0 00	0 00	40 54	40 54	-0 43
P004960	1996	IND POLLUTION CTRL	78 00	0 00	0 00	59 70	49 47	53 37
P004907	1995	DZ-HIGHWAYS VI	130 00	0 00	0 00	17 14	17 14	8 68
P004974	1994	DZ-WATER SUPPLY AND SEWERAGE	110 00	0 00	28 10	49 95	78 05	-6 72
Total			726 88	0 00	28 10	429 22	399 03	125 84

ALGERIA
STATEMENT OF IFC's
Held and Disbursed Portfolio
April 30 - 2002
In Millions US Dollars

FY Approval	Company	Committed				Disbursed			
		IFC				IFC			
		Loan	Equity	Quasi	Partic	Loan	Equity	Quasi	Partic
1998	ABCA	0.00	1.88	0.00	0.00	0.00	1.88	0.00	0.00
2000	AIP	0.00	0.30	0.00	0.00	0.00	0.20	0.00	0.00
2001	ALC	0.00	0.68	0.00	0.00	0.00	0.35	0.00	0.00
1999	Aldaph	6.28	1.70	0.00	5.38	0.00	0.00	0.00	0.00
1992	Helios	0.67	0.00	0.00	0.00	0.67	0.00	0.00	0.00
1998	SGA	0.00	0.72	0.00	0.00	0.00	0.72	0.00	0.00
Total Portfolio:		6.95	5.28	0.00	5.38	0.67	3.15	0.00	0.00

FY Approval	Company	Approvals Pending Commitment			
		Loan	Equity	Quasi	Partic
2001	ALC	4.00	0.00	0.00	0.00
Total Pending Commitment:		4.00	0.00	0.00	0.00

Annex 10: Country at a Glance

ALGERIA: Second Rural Employment Project

POVERTY and SOCIAL

2000

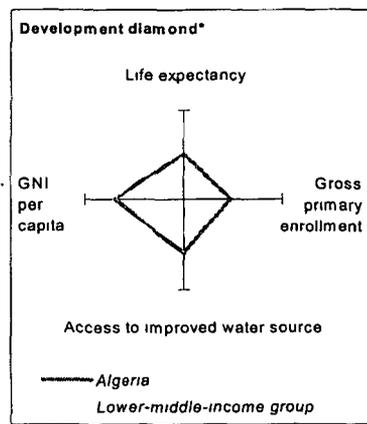
	Algeria	M. East & North Africa	Lower-middle-income
Population, mid-year (millions)	30.4	296	2,046
GNI per capita (Atlas method, US\$)	1,580	2,040	1,140
GNI (Atlas method, US\$ billions)	47.9	602	2,327

Average annual growth, 1984-00

	Algeria	M. East & North Africa	Lower-middle-income
Population (%)	1.7	2.0	1.0
Labor force (%)	3.4	2.8	1.3

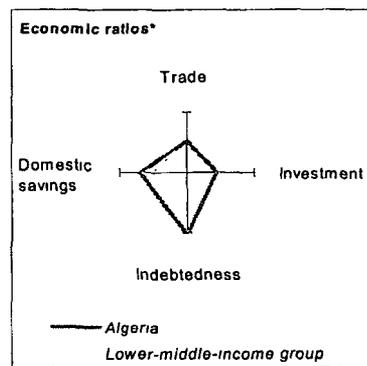
Most recent estimate (latest year available, 1994-00)

	Algeria	M. East & North Africa	Lower-middle-income
Poverty (% of population below national poverty line)	23		
Urban population (% of total population)	60	59	42
Life expectancy at birth (years)	71	68	69
Infant mortality (per 1,000 live births)	34	44	32
Child malnutrition (% of children under 5)	13		11
Access to an improved water source (% of population)	94	89	80
Illiteracy (% of population age 15+)	32	35	15
Gross primary enrollment (% of school-age population)	108	95	114
Male	113	102	116
Female	102	88	114



KEY ECONOMIC RATIOS and LONG-TERM TRENDS

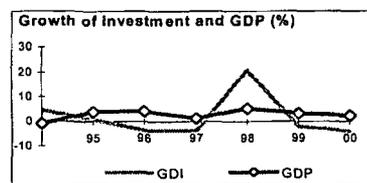
	1980	1990	1999	2000
GDP (US\$ billions)	42.3	62.0	47.6	53.3
Gross domestic investment/GDP	39.1	28.6	27.8	23.8
Exports of goods and services/GDP	34.3	23.4	27.9	42.4
Gross domestic savings/GDP	43.1	27.1	31.4	44.2
Gross national savings/GDP	40.8	26.2	28.2	40.6
Current account balance/GDP	0.6	2.2	0.0	16.9
Interest payments/GDP	3.4	2.9	3.6	3.3
Total debt/GDP	45.7	44.9	58.8	46.9
Total debt service/exports	27.3	65.4	40.2	19.4
Present value of debt/GDP			60.9	
Present value of debt/exports			218.8	



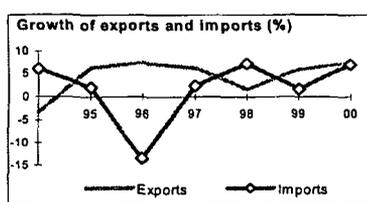
	1980-90	1990-00	1999	2000	2000-04
(average annual growth)					
GDP	2.7	1.9	3.2	2.4	4.2
GDP per capita	-0.3	-0.1	1.7	0.9	2.4
Exports of goods and services	4.1	3.3	6.0	7.4	4.2

STRUCTURE of the ECONOMY

(% of GDP)	1980	1990	1999	2000
Agriculture	8.5	11.4	11.4	8.6
Industry	57.7	48.2	50.4	60.3
Manufacturing	10.6	11.4	9.6	7.7
Services	33.8	40.5	38.2	31.2
Private consumption	41.7	56.8	51.6	41.7
General government consumption	15.2	16.1	17.1	14.1
Imports of goods and services	30.3	24.9	24.3	22.0



(average annual growth)	1980-90	1990-00	1999	2000
Agriculture	4.1	3.6	2.7	-5.0
Industry	2.6	1.8	4.5	4.3
Manufacturing	4.1	-2.1	1.6	1.1
Services	3.0	1.9	1.7	1.7
Private consumption	1.4	0.8	2.9	1.8
General government consumption	0.7	3.6	2.5	2.8
Gross domestic investment	-1.8	-0.5	-2.1	-4.2
Imports of goods and services	-4.2	-0.7	1.7	7.0

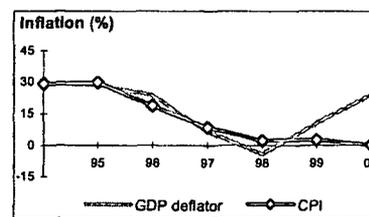


Note: 2000 data are preliminary estimates

* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

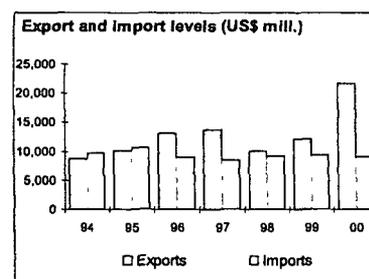
PRICES and GOVERNMENT FINANCE

	1980	1990	1999	2000
Domestic prices				
<i>(% change)</i>				
Consumer prices	10.2	16.8	2.7	0.3
Implicit GDP deflator	25.9	30.3	10.4	23.7
Government finance				
<i>(% of GDP, includes current grants)</i>				
Current revenue	37.9	28.8	30.0	39.3
Current budget balance	20.9	11.4	5.5	17.9
Overall surplus/deficit	-8.4	3.6	-0.5	9.9



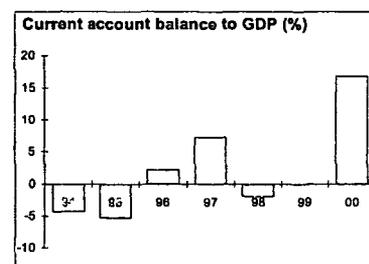
TRADE

	1980	1990	1999	2000
<i>(US\$ millions)</i>				
Total exports (fob)	.	12,843	12,320	21,700
Natural gas	.	2,730	2,735	4,815
Refined product	.	3,549	2,422	3,999
Manufactures	.	258	46	81
Total imports (cif)	10,559	10,736	9,586	9,201
Food	1,992	2,134	2,609	2,465
Fuel and energy	259	141	127	106
Capital goods	3,324	3,092	3,155	2,983
Export price index (1995=100)	.	130	93	.
Import price index (1995=100)	.	85	94	.
Terms of trade (1995=100)	..	154	99	.



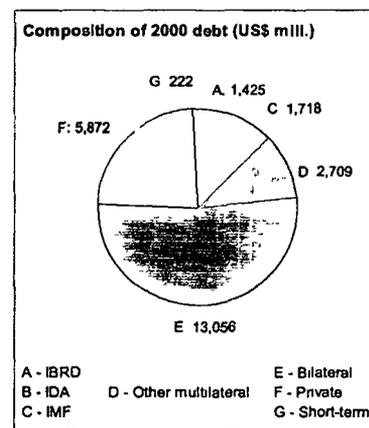
BALANCE of PAYMENTS

	1980	1990	1999	2000
<i>(US\$ millions)</i>				
Exports of goods and services	14,257	13,390	13,040	22,600
Imports of goods and services	13,061	11,480	11,520	11,700
Resource balance	1,196	1,910	1,520	10,900
Net income	-1,198	-2,090	-2,290	-2,700
Net current transfers	243	1,530	790	800
Current account balance	242	1,350	20	9,000
Financing items (net)	1,100	-1,620	-2,370	-1,400
Changes in net reserves	-1,341	270	2,350	-7,600
Memo:				
Reserves including gold (US\$ millions)	4,022	981	4,794	12,279
Conversion rate (DEC, local/US\$)	3.8	9.0	66.5	75.3



EXTERNAL DEBT and RESOURCE FLOWS

	1980	1990	1999	2000
<i>(US\$ millions)</i>				
Total debt outstanding and disbursed	19,365	27,877	28,015	25,002
IBRD	253	1,208	1,540	1,425
IDA	0	0	0	0
Total debt service	4,084	8,803	5,332	4,467
IBRD	39	203	325	300
IDA	0	0	0	0
Composition of net resource flows				
Official grants	77	45	0	0
Official creditors	322	580	-359	-521
Private creditors	548	-424	-1,496	232
Foreign direct investment	281	-40	460	400
Portfolio equity	0	0	0	0
World Bank program				
Commitments	210	231	0	98
Disbursements	39	300	68	58
Principal repayments	13	130	199	172
Net flows	26	170	-131	-114
Interest payments	25	73	126	128
Net transfers	0	97	-257	-242



Additional Annex 11: Social Assessment ALGERIA: Second Rural Employment Project

INTRODUCTION

Objectives

The social analysis undertaken for project preparation has three main objectives:

- gathering primary data on the context of vulnerability and the social structures of the rural populations in the project areas;
- consulting with men and women in the project areas on their priorities and constraints;
- providing for a “learning by doing” process for the central and field staff of the General Directorate of Forestry (DGF) on the use of participatory and gender-sensitive approaches.

Scope

The main social issues highlighted in the social assessment summarized in this Annex include:

- the socioeconomic situation of the population in the project areas, characterized by a high degree of vulnerability and income and gender-based inequality;
- the presence of specific social groups particularly vulnerable to risks;
- the resilience and ingenuity of vulnerable groups to cope with risk, as illustrated by the wide range of coping strategies;
- the role of social institutions and informal rules in coping with risk;
- the underlying causes of vulnerability and the limits to coping with risk;
- the needs and priorities of the target groups, including women;
- the perceptions of stakeholders about the project, and assessment of local institutional capacities; and
- the opportunities and constraints for effective gender integration and inclusion of vulnerable groups.

Process and Methodology

Social analysis in the context of preparing this project has not been a Bank-led exercise. It has been an iterative and inclusive process that has provided a framework for dialogue on development priorities in the project areas with key stakeholders.

The use of participatory approaches has helped analytical insights and expectations of different stakeholders to be elicited. This approach has ensured the legitimacy of the social assessment findings and has increased the project's responsiveness to the needs of the local population. On the other hand, the direct involvement of the DGF field staff along with local consultants has helped strengthen local institutional capacities on social analysis and has reinforced Borrower ownership and institutional commitment towards the project social development outcomes.

The composition and terms of reference of project preparation teams both at the Bank and at the country

level have reflected the clear mandate to integrate gender concerns in the overall project design. The presence of women in the teams responsible for field work has ensured an adequate participation by different groups of women in the social analysis process.

The social analysis has employed a combination of quantitative and qualitative research methods and sought input from a wide range of stakeholders. Methods included: household surveys, focus group discussions and in-depth interviews with key-informants and beneficiaries during field trips (for further details on the methodological framework used in the SA, including the sampling criteria of the communities and individuals interviewed in each of the project areas, please see Project Files). It entailed the following activities:

- Organizing an introductory workshop on participatory approaches for DGF field staff. This activity was conducted by a team of local consultants and DGF staff who were trained under the on-going Rural Employment Project (PER1).
- Conducting a preliminary field survey (*sondage préliminaire*) coordinated by a multidisciplinary team of local consultants. Instead of hiring external survey staff to conduct the survey, DGF field staff were mobilized from among those who will be involved in the implementation of the current project and from PER1.
- Organizing a two-day information-sharing workshop to present the results of the preliminary survey to the stakeholders concerned. This activity was carried out by the local consultants and the DGF staff involved in the preliminary field survey.
- Conducting a detailed social assessment for each of the project areas. This activity was carried out by local consultants in close collaboration with the DGF field staff
- Conducting complementary sociological appraisal in the context of field trips organized during the project pre-appraisal mission. This activity was conducted by the Bank in close collaboration with the project team and local consultants.

This annex summarizes the main findings of the social analysis produced during project preparation.

VULNERABILITY ANALYSIS

The Context of Vulnerability

Overview of the project areas

The target group is the population in specific communes in the mountainous areas of the *wilayate* of Tiaret, Tissemsilt, Chlef, Aïn Defla, Médéa and Bouira. The project zones extend eastward from the ongoing Rural Employment Project (Loan 4143-AL) in Northwest Algeria towards the north-center of the country. Specifically, the project zones are:

- Zone 1: Monts de Gargar and Monts de Frenda (watershed of the Mina river) in the wilaya of Tiaret and Monts de l'Ouarsenis Sud in the wilaya of Tissemsilt;
- Zone 2: Monts de Dahra and Monts de l'Ouarsenis occidental in the wilaya of Chlef and Monts de l'Ouarsenis Nord in the wilaya of Aïn Defla;
- Zone 3: Monts du Titteri occidental and Monts du Sersou in the wilaya of Médéa and Monts du Titteri oriental in the wilaya of Bouira.

Population Distribution in the Project Areas

Wilaya	Périmètres	Communes	Ménages ruraux	Population	Supérficie (ha)
Tiaret	2	12	7,395	149,343	211,983
Tissemsilt	2	14	4,149	156,855	300,213
Zone 1	4	26	11,544	306,198	512,196
Chlef	3	22	16,655	412,217	276,565
Ain Defla	2	11	5,525	89,516	182,364
Zone 2	5	33	22,180	501,733	458,929
Bouira	2	11	17,092	111,330	165,095
Medea	3	22	40,868	287,079	290,962
Zone 3	5	33	57,960	398,409	456,057
Total	14	92	91,684	1,206,340	1,427,182

Source: PER2 preliminary field survey (*sondage préliminaire*) and social assessments included in the project preparation studies (2002)

Degree of vulnerability

The project zone is characterized by isolated mountainous areas with sloped and vulnerable lands. The prevailing production system is characterized by an agro-pastoral economy based on a poor resource base and extensive ovine production, which has led to high degree of erosion due to severe droughts, under-exploited water resources and over-exploitation of the natural resource base.

The project targets rural areas which have high incidence of poverty. The population in the project zones are impoverished due to a low asset base, low education, high levels of unemployment, and low incomes. The lack of income opportunities has reflected in high rural exodus exacerbated by the conjunctural situation over the past ten years

Inequality in income and land distribution

The project areas are characterized by an uneven distribution of agricultural income which is strongly correlated with the size of land-holdings. The main explanation for these findings lies in the highly uneven distribution of land in the project areas. While land holdings are becoming smaller in each generation because of land fragmentation caused by inheritance, a small percentage of farmers own large land holdings. Thus, the inequity in land tenure is reflected in large inequities in income distribution. In one of the project zones, for instance, the values of the Gini coefficient are above 0.50, displaying high inequality levels in land distribution (cf. social assessment for Zone 2, *wilayate* of Tiaret and Tissemsilt).

The social analysis has also revealed gender inequities in land ownership. Agricultural holdings are rarely managed by women. Even if women's inheritance of land property rights is guaranteed by religion and by law, it is often the male relatives who manage the holdings on their behalf.

Overview of key socioeconomic indicators disaggregated by gender

The information presented in this section is based on the SA sample.

Migration patterns. Most of the households have resided in the project areas for more than twenty years. However, due to the conjunctural situation, some families migrated from other zones of the project and re-settled in the project areas.

Unemployment rates. Based on official data, unemployment in the project zones ranges from 43 - 60 percent and averages 50 percent (national unemployment rate is 30 percent). Gender imbalances are reflected in unemployment rates for men and women. According to the estimates of the social survey (*sondage préliminaire*) male unemployment in the project areas averages 40 percent whereas female unemployment rates are above 50 percent.

Over 10 percent of households are headed by women. The relatively high number of women widows and heads of households in the project area is explained by the conjunctural situation. Seventy-seven percent of women-headed households declare to be unemployed as compared to 73 percent of men-headed households who declare to be employed.

Poverty rates. According to estimates of the preliminary field survey, four out of five households have income levels below the poverty line (corresponding to the monthly income bracket that ranges from 3000 to 7000 Dinars). Approximately 50 percent of the households in the project areas have a monthly income between 3000-7000 Dinars.

Households headed by women tend to be poorer than those headed by men. Almost 74 percent of women-headed households have income levels below the poverty line. These gender differences in rural poverty are explained by a combination of socioeconomic and cultural factors, namely: the conjunctural situation leading to a relatively high number of widows, inequalities in land distribution, low levels of education and restrained access to the labor market.

Household size, composition and poverty. The average household size is 13 persons (the national average is 6 persons). The social assessment revealed mixed results regarding the relationship between household size and poverty. Large households with high dependency ratios tend to be poorer than smaller ones, as they have fewer resources per capita. Women-headed households in the project areas are usually poorer than male-headed households, and yet, their size is smaller. Differences in household size combined with differences in age structure within the household help explain some of the differences in poverty levels among households. Households with a lower number of working members possess less available labor, and thus, less sources of income.

Education levels. The population in the project areas is characterized by high illiteracy rates, reaching 42 percent among men and 64 percent among women (national average is 31 percent). Gender gaps in education are by and large a consequence of gender-ascribed domestic roles compounded by the conjunctural situation. The rate of schooling (completion of primary education) is 61 percent for girls and 75 percent for boys. Girls' education seems to be affected by parental choice, whereas in the case of boys that decision tends to be left to the boys' discretion.

Access to social services and infrastructure. The relative isolation of the population in the project areas (more than 20 km from the closest urban area – *chef de lieu*) impinge on their ability to access social services, and health services in particular. The rate of maternal mortality is quite high mainly due to the lack of access to adequate maternal care and preventive health services. Although most of the households in the project areas are connected to the electricity network, they do not have telephone lines and lack access to telecommunications networks. Poor rural and transport infrastructure further aggravates their

degree of isolation and lack of access to information.

Access to credit. Formal sources of credit are too costly for or unavailable to the rural poor. Poor small farmers lack access to commercial bank credit largely because most small farmers lack deeds to their property and are unable to use land as a collateral. Public sector rural credit programs, even though they are subsidized, benefit the relatively wealthy more than the poor.

IDENTIFICATION OF VULNERABLE GROUPS IN THE PROJECT AREAS

The social analysis undertaken during project preparation has identified the following vulnerable groups:

- **Agro-pastoralist farmers with a low asset base.** This category of farmers includes owners of small landholdings, owners of land under joint property rights (*indivision*), tenants on marginal lands, and users of small landholdings without deeds of property (e.g., EAC and EAI farmers). These farmers manage to survive with the cultivation of low-risk crops (cereal culture) and livestock production. They tend to share the following features:
 - small crop areas (1.5-10 ha),
 - small herd size (10-20 heads), mostly sheep and goats, which can manage on degraded pastures better than cattle and can be more readily moved;
 - limited labor force, normally the members of the household, used intensively on and off the farm (since these farmers cannot sustain themselves on the small parcels of land they own or cultivate, they provide labor to others for both farm and nonfarm activities inside and outside their villages; some members of these households migrate to towns or cities on either a rotational or a long-term basis);
 - lack of access to commercial bank credit, particularly for those farmers without deeds to their property as it precludes them to use land as collateral for accessing credit, or sell it in the event of shocks;
 - lack of motorized means of transport;
 - lack of irrigated land (often resorting to water tank rental);
 - lack of water points in the proximity of the agricultural land); and
 - lack of a tractor, and reliance on small-scale animal traction, often using a single donkey and a cart. This reflects the risk-averse behavior of the rural poor who are likely to opt for cheap, easy-to-maintain and “divisible” investments allowing for eventual liquidation as unexpected shocks unfold.
- **Rural landless.** They are unskilled workers who do not have access to land. These workers depend on seasonal demand for labor in agriculture and in rural informal, small-scale industries and services. The landless rural workers are vulnerable to fluctuations in the demand for labor, wage rates, and food prices.
- **Displaced agro-pastoralist families** who, due to the difficult situation which has caused exodus from rural areas, have had to search better living conditions in other *douars* of the project areas.
- **Young unemployed** with low educational status, who suffer from high income instability due to their reliance on casual labor contracts and often have no choice but to abandon rural areas to move towards urban zones.
- **Women from low-income households.** Within this category, three main groups of women seem to be particularly vulnerable:
 - Women-headed households, particularly widows: Women-headed households tend to be smaller than male-headed households, and thus, possess less available labor for farm work.
 - Married women: their ascribed gender role of food and care providers combined with demands for family labor in the farm household economy results in heavy workloads and severe time

constraints.

- Young girls whose low educational status constrains their access to labor market opportunities

Underlying Causes of Vulnerability

Vulnerable groups in the project areas face manifold risks, so variations in income and consumption levels can occur for a variety of reasons. Furthermore, not only are risks higher in poor rural economies, but poor households are less able to cope with risk. The main sources of risk are described below.

- **Harvest failures** due to environmental hazards, such as severe droughts; combined damages to crops by insects and wild animals; strong and/or hot winds, etc.
- **Sudden asset losses** (livestock illness or death) reducing the household's ability to cope with shocks.
- **High unemployment risks** due to reliance on self-employment and casual labor contracts. The frequency with which rural young unemployed move in and out of a job is very high, and so is the potential for income instability.
- **High illness risks** as a result of the relative isolation of the targeted communities and their lack of access to adequate health services.
- **Low educational status and lack of financial assets** which also make it difficult to absorb shocks from crop failures and employment loss.
- **Market risks**, asymmetric price information and lack of crop insurance choices, leading risk-averse farmers to opt for low risk crop choices (cereals, which are subsidized) and livestock production (relatively easy to liquidate as shocks unfold). These risks limit agricultural diversification which otherwise would help increase and stabilize farmers' income and consumption flows.
- **Undercapitalized and under-equipped production systems**, which constrains productivity increases and diversification.
- **Lack of security of tenure** and lack of land titles, causing inefficient and unsustainable exploitation of natural resources, and constraining small farmers from access to commercial bank credit (due to lack of collateral). As a result, social tensions arise due to conflicting claims over natural resources (e.g., grazing lands).
- **The conjunctural situation** which has led many agro-pastoralist families to leave everything behind and start their lives again in more secure areas.
- **Lack of access to information and lack of connections** with the local administration. There is a tendency for the local administration in rural areas to focus on the larger private farmers and former technocrats who have a similar educational and employment background, to the neglect of small farmers.

Coping Strategies of Vulnerable Groups

The vulnerable groups in the project areas have developed a variety of strategies for dealing with risks associated with the arid environment, either seeking to stabilize income and consumption flows directly or relying on the accumulation of assets. Yet, these strategies do not always work. A good understanding of the limits to coping with risk will help enhance the complementarity of the project interventions and the livelihood strategies adopted by the targeted beneficiaries.

Income source diversification. Most of the vulnerable groups in rural areas cope with risk by asset portfolio diversification. The prevailing production system is an agro-pastoral system characterized by a cereal-livestock based mixed farming, combining barley for feed and some wheat, and livestock

production (sheep and goats, and to a lesser extent, small livestock). Yet, depending on climatic conditions and the availability of irrigated land, vulnerable farmers adopt crop diversification strategies.

Crop diversification strategies. Inter-cropping, that is, planting several crops in the same field (cereals, fruit trees, horticulture, etc.) is justified by risk considerations as it allows for increased flexibility to deal with shocks as they unfold. If a high yielding but more demanding crop fails due to a drought, more attention can be diverted to a drought-resistant one. The project will need to be responsive to the local preferences of the beneficiaries as regards to the right mix of extensive and intensive uses of land and the optimal combination of plant species that will help them better cope with risks.

Cultivation of small plots in public and marginal lands. Another strategy to diversify production is to cultivate small plots located in public lands under state-guaranteed usufruct rights (agricultural concession programs; usage authorization permits issued by the DGF; land concessions allocated by the commune, etc.). There are also marginal lands that due to their inferior quality, are not exploited by their owners, and are either rented out to poor farmers in the project areas or used *de facto* as grazing lands by agro-pastoralists.

Nonfarm income. Poor farmers provide part of family labor to larger farm holders to obtain additional income while other family members work on their own small holdings.

Migration. Seasonal, temporary or even permanent migration is a strategy often used by the young unemployed in the project areas. Migration is the only alternative that many families have in areas where there is a lack of agricultural activities or the conjunctural situation poses problems.

Reliance on self-employment in the informal sector and casual labor contracts is a strategy often adopted by the young unemployed in project areas. Due to low levels of education and a rigid labor market, employment is in activities which require little investment and few skills.

Food production for family consumption. The relative isolation of rural vulnerable households leave them with little choice but producing much of the food they consume. Women-headed households in the project areas are particularly dependent on food production for family consumption. Yet, this is not the only strategy through which rural households ensure their food security. Additional coping mechanisms need to be put in place, often recurring to family labor mobilization.

Precautionary saving by accumulating nonfinancial assets. As saving in formal/informal financial institutions is infeasible for the Algerian rural poor, they tend to save in real assets. Livestock provides a form of insurance because it is a relatively liquid asset which can be used to meet consumption shortfalls. Selling other assets, such as jewelry, is also a coping strategy to obtain additional cash to cover consumption or farm-related investment needs.

The project aims at facilitating the accumulation of productive assets (trees, small livestock, wells, etc.) which will increase the chances of the vulnerable households in the target areas to cope with risks.

The Role of Social Institutions in Coping with Risk

In the absence of formal risk-sharing mechanisms, the rural poor develop long-term relationships and kin networks that help them in coping with risk. The social assessment provides good insights about the role of the household and the *douar* as effective risk-sharing institutions.

The household

Farming in small land holdings depend largely on the availability of family labor. Small holdings are family enterprises. Consequently, the logic that drives family labor use is a function of farm household welfare, based on considerations such as risk distribution, opportunity costs and labor demand.

The size and composition of households partly reflect the risk environment surrounding them. Certain features revealed in the social assessment deserve to be mentioned:

- Large size of households, seven members on average, often including several nuclear households.
- Large households often keeping a single kitchen which enables returns to scale in food preparation and also ensures that food is shared among all members.
- Family labor mobilization as a risk-sharing mechanism. Even though members of large households often manage certain activities individually, internal household mechanisms are present that ensure the pooling of labor resources for vital household chores such as food production.

Customary and social norms emphasize the special responsibility of women (mothers and daughters) as care givers, providing food and care to the other members of the household. In addition to their domestic responsibilities, women have a clear productive role in the farm household economy, although often it takes non-market, non-monetized forms.

The social analysis undertaken during project preparation has challenged the generalized assumption about the lack of women's control of over the conduct of their own lives in rural areas of the country. It has revealed that Algerian rural women have many ways to put their individual capabilities into use in the pursuit of the livelihood of their families. Yet, it has also shed light on the limits to their ability to cope, as reflected in women's heavy workloads and severe time constraints. This is compounded by limited access to assets and control over resource use which tend to remain within the male sphere.

The project will need to take into consideration the implications of project interventions in terms of workload and time requirements for all the members of the targeted households, particularly for women and children.

Kinship and tribal solidarity

The *douar*, generally bringing together households belonging to the same *arch* (tribal affiliation) or *firqa* (fraction of an *arch*) is the basic building block of the social organization in rural Algeria. The social assessment has revealed a changing social structure in the rural communities targeted by the project that needs to be adequately understood and taken into consideration during project implementation.

Economic pressures and forced displacements due to conjunctural conditions have led to a weakened tribal social structure in the project areas. As a consequence, the traditional power of the tribal elites has also weakened. For instance, when asked about their *arch* leadership, over ninety percent of the SA respondents could not identify the leader of their *arch*. The increasing reliance on individual coping strategies, such as individual wage-based employment and migration, has diluted the traditional mechanisms of tribal solidarity (e.g., *touiza* - traditional pooling of labor and resources in rural areas) and has weakened traditional forms of political representation (e.g., *k'bar edouar* – elders, *djamaa* - committee of notables). For instance, when asked which would be the most adequate institutional arrangement to ensure that their interests are best represented during project implementation, the majority of the respondents answered that they preferred to choose a member of their community to act as their

interlocutor, rather than rely on the *djamaa* of the *douar*, or on the elected members of the APC.

In spite of the relative weakening of the traditional forms of tribal leadership, the *douar* continues to play a key role in risk-sharing. Members of the same *douar* form strong kin networks that help in risk-sharing and bring about clear returns to the group. For instance, as some members may enjoy higher education status than the rest, they can link up more easily with the local authorities and get access to information valuable to the other members (e.g., agricultural support measures available to small farmers).

In some *douar*, however, the recent arrival of agro-pastoralist families who have been displaced due to the conjunctural situation, has given rise to conflicts with the families traditionally in the *douar* due to competing claims over access rights to resources, such as grazing lands. These conflicts are generally solved amicably through dialogue.

Understanding the internal dynamics of the *douar* has direct operational implications for the project. For instance, the project requires water user associations (WUA) as a requirement to finance the construction of small hill dams. Yet, the WUA can manage and co-finance O&M costs of the small hill dams only if explicit external enforceable contracts (such as the legal *cahier de charges* of the WUA) are combined with implicit risk-sharing and enforcement mechanisms to minimize commitment failure.

If the members of a relatively cohesive *douar* decide to form a WUA, the project can support their initiative with adequate training aimed at strengthening their technical and organizational skills. This will increase the likelihood of project sustainability in the field of water management.

Further research is needed to gain a better understanding of the social dynamics at the family and *douar* level along with the linkages among formal and informal institutions. This will have a direct implication on the participatory mechanisms that will be adopted in project execution. Consequently this issue will need to be investigated in-depth through specially designed social impact assessments.

The Role of Informal Institutions in Coping with Risk

Informal rules governing land tenure and use patterns

Socio-historical factors in Algeria have led to a complex land tenure system characterized by the coexistence of a variety of land ownership and use patterns. The main types of rights over land in Algeria are: (i) farms with concessions on the public domain lands; (ii) individual farms (EAI) and collective farms (EAC) with usufruct rights, formed after the dissolution of the state farms (former DAS); (iii) traditional private sector holdings (*melk*); and (iv) public lands in the steppes with tribes having customary usage rights.

In this context, the project will face two issues:

- There are **customary rights over lands (commons)** for grazing livestock. This traditional arrangement used to be effective in balancing natural resources availability and herd size. However, increased demand for livestock production and agricultural support policies aiming at encouraging import substitution have led to an unsustainable situation whereby increasing herd sizes do not adjust to the forage production needs, varying according to local climatic conditions. This has led to an unsustainable and inefficient exploitation of natural resources.
- Some farms (e.g., EAC and EAI) do not possess **official land titles**. Others own land under joint property rights (*indivision*). As a result, these farmers cannot or find it difficult to liquidate land

to deal with severe shocks. They are also reluctant to make long-term investments as they lack the protection of property rights and access to commercial bank credits (unable to use land as a collateral).

Both issues are related to the complexities of the land tenure system in Algeria. They reflect a structural problem that requires longer term policy and legal reforms that fall outside the mandate of the current project. However, project interventions will help alleviate farmer conditions by providing them with productive assets. The generation of additional income from the exploitation of productive assets financed by the project will help farmers break their vulnerability trap and promote further investments in their lands.

On the other hand, the project will need to balance out the short-term needs of the agro-pastoralist farmers claiming customary rights for grazing lands and the longer-term environmental concerns of sustainable natural resource management.

Informal marketing channels

Formal state-owned marketing channels serve the basic food staples sector. Vulnerable farmers in the project areas use informal marketing channels for three main purposes: (i) to sell their produce (fruits and vegetable production) and livestock, (ii) to manage the risks of potential price fluctuations; and (iii) to exchange market information on volumes and prices. Informal marketing channels may include selling the produce directly to other farmers or to private wholesalers. The informal marketing channels most commonly used by vulnerable farmers consist of:

- Selling their produce directly in the nearest *souk* (the traditional local market). This option requires that the farmers have a truck or rent a truck usually with other farmers. Animals are normally sold on local markets by farmers (in the case of sheep and goats) and sometimes by their children (small livestock). Women are not involved in direct marketing activities.
- Selling produce to local merchants on the basis of informal contract farming arrangements. Some farmers, who lack sufficient labor to undertake the harvesting themselves, do not possess means of transport, or are reluctant to assume direct marketing costs and risks, often resort to informal contract farming arrangements with urban traders who agree to purchase all their output. The crop itself serves as collateral and there is no payment in case of crop failure. The harvesting, conditioning, storage and transport of the produce to the market is undertaken by the contractor.

Another challenge that vulnerable farmers face in marketing their produce is the relative competitiveness of the produce of their small farms, both in terms of volume and quality, compared to large holdings, particularly in the irrigated valleys. The project will provide technical training to small farmers to ensure product quality.

STAKEHOLDER AND INSTITUTIONAL ANALYSIS

Stakeholder analysis sheds light on local priorities and expectations about the project along with the potentialities and constraints to the effective participation of the vulnerable groups in the project area. The institutional analysis reveals institutional capacity issues, the level of trust in local institutions and political economy issues of relevance to the current project. A summary of the main SA findings and their implications for the project design is outlined below.

Institutional stakeholders

The Ministry of Agriculture and Rural Development (MADR)

Social assessment revealed a variable degree of coordination in the local forestry, water and agricultural administrations in the project areas. The recent change in the Ministry title (formerly Ministry of Agriculture) reflects an increased commitment to broad based rural development. This has translated in a specific demand to the Bank project team to help them to develop synergy between the CDF, DSA and DHW.

On the other hand, the interviews with farmers point to the need to improve coordination between the water and agricultural services, particularly in interventions such as water resource mobilization and irrigation. In this regard, the project plan to devote significant resources to support the decentralized rural administration, including training programs on participatory approaches in the design, planning and monitoring of field activities.

The implementing agency: the General Directorate of Forestry (DGF)

The project objectives are among the priority areas of the national program of the DGF. From the inception of the Project, the DGF set up a project management team at Headquarters whose members have participated actively in project preparation. The multidisciplinary nature of the team composition also reflects the DGF's commitment to the achieve project objectives: a male forestry engineer (project team manager) and three women: a sociologist, an economist and an accountant. Project organization and management will be finalized at appraisal, including job descriptions, work program and training needs of the members of the project management unit.

DGF staff at the local level (CDF) have developed distinct relationships with two types of rural clientele: the peasantry (small farmers and rural landless) and the owners of the large holdings. The latter are well connected with the local administration which allows them to benefit from substantial support from state financing mechanisms aiming at promoting agricultural development, such as the FNRDA. Agricultural and forestry staff have a tendency to focus on the larger traditional private farmers and former technocrats who have a similar educational and employment background, to the neglect of small farmers.

In order to ensure that the project reaches out the intended beneficiaries, specific targeting criteria have been incorporated in the project design and will be part of the project implementation manual. The current project has the advantage of flexibility and adaptability to reach vulnerable groups in rural areas. The use of a double approach to beneficiary targeting (self-targeting mechanisms and direct targeting by the DGF staff) will minimize the risks of elite capture of project benefits and allow vulnerable groups to be the main beneficiaries of project interventions.

The participation of some DGF field agents in training on participatory approaches already during project preparation and their direct involvement in the preliminary survey has been very beneficial. In a wrap-up workshop, the DGF field staff, who were directly involved in the survey, presented the results and showed their enthusiasm and commitment to participate in the implementation of the current project. All DGF field agents who will be involved in project implementation will receive training on participatory and gender-sensitive approaches that will help them build effective partnerships with the project beneficiaries.

The degree of decentralization of the DGF at the local level, the personal commitment of the CDF and the dynamism of the DGF field agents are critical elements in project implementation. However, the social assessment points to the need to ensure a sufficient number of women among front-line staff. The

lack of adequate female staffing at the local level would constrain the ability of DGF field staff to identify and respond to the specific demands of women in the project areas. Project management will need to evaluate the needs in terms of female staffing to ensure adequate women's participation in project interventions.

The local authorities

The local authorities have shown a high degree of receptivity and enthusiasm towards project objectives. In some communes the local mayors have even proposed the local communities to use state-financed buildings to facilitate the creation of women's groups activities. However, in some communes, local authorities see the project as a political instrument and promise more to their constituents than the project can deliver. This builds up unrealistic expectations. There is thus the need for effective participatory approaches to communicate to the local authorities and to the population concerned what the project can and will do to respond to the needs and priorities of the beneficiaries.

The social assessment indicates the mistrust of displaced families recently resettled in a commune vis-à-vis the local elected authorities, as the priorities of the newcomers differ from the priorities of the families who have lived in the commune for a long time. Inclusive approaches to be applied in project implementation will ensure that the members of vulnerable families, including displaced families, benefit from the project interventions.

Furthermore, the social assessment indicated low levels of trust of the rural poor vis-à-vis the local administration. When asked which local institution could serve as interface between them and the project field staff, the elected members of the APC, the traditional *djemaa – comité de notables*, or community members voluntarily chosen by the beneficiaries themselves, over 50 percent of the respondents preferred the last option. This proposal will be taken into account in the project participation framework and implementation arrangements.

Small and medium enterprises (SME)

The project encourages private sector development through the implementation of project activities by SME. Yet, the project may face two challenges to the promotion of SME participation:

- The conjunctural situation may lead to limited SME participation in forestry activities in some of the project areas, as was the case with the ongoing Rural Employment Project. The situation in the current project is less severe and the project will encourage SME participation in silvicultural and plantation activities.
- Capacity risks: problems related to the limited local SME capacity in bidding for works and services procurement.

The current project will manage these risks by adopting the successful approach of the ongoing Rural Employment project. With competitive market-based procurement procedures that keep critical thresholds for prior review low and emphasize the use of small lots, the project will allow SME with limited means to participate competitively for works.

Associations

The social assessment has revealed the presence of some local associations in the project areas. Due to the conjunctural situation, the lack of financial resources and the lack of institutional capacity, these

associations are still embryonic. The project will promote the strengthening of local organizational capabilities by providing training and support to beneficiary groups based on common interests, such as water user associations.

During the early stages of project implementation, project management and field teams will need to pay particular attention to the identification of existing women's groups interested in providing training on areas of relevance to the project interventions. Community-selected women will serve as resource-persons to interface between the women's groups and DGF field staff.

Beneficiary Assessment: Priorities and Constraints

The social analysis sheds light on the needs, priorities and constraints of the vulnerable groups in the project areas. A brief description of the main SA findings as they relate to specific project components is summarized below.

Farmers with a low asset base

The prevailing production system is a mixed crop-livestock farming system. Agro-pastoralist farmers in the project area use public lands as commons for grazing livestock. This has direct implications for the erosion control measures on public lands. In order to meet the demands of the local farmers while at the same time promoting sustainable natural resource management, the project will follow the successful approach of the ongoing Rural Employment project: the preparation of pastoral management plans in consultation with the agro-pastoralist farmers concerned.

Rural roads are highly demanded due to the degree of isolation and remoteness that vulnerable farmers face in the project areas.

Agricultural development activities, such as fruit trees, have also been demanded by the farmers. Agro-pastoralist farmers are interested in fruit trees insofar as they complement their current crop portfolio. However, they are not interested in totally replacing the cereal crops with fruit trees. This risk-averse behavior is explained by the farmers' need to adapt their crop portfolio to the arid environment as the lack of water availability would pose risks for the fruit tree production. In this regard, the project will support a gradual introduction of fruit tree production into the farmers' portfolio. The types of fruit trees will take into account farmers' preferences and the adaptability to local agro-climatic conditions.

Water resource mobilization and irrigation equipment are high priorities for local farmers. Capturing and managing existing water resources will help farmers better cope with risks arising from variable agro-climatic conditions. Irrigation will allow more diversified agricultural production.

Farmers also request technical training on water-saving techniques (e.g., drip irrigation), agricultural production (e.g., pruning, grafting) and animal and plant care.

The rural landless

The rural landless interviewed are interested in benefiting from the long-term land concessions provided under the PNDAR. In this regard, their interest in the current project relates to financing complementary interventions aiming at generating additional income, such as irrigation, agricultural development activities and related technical training.

The young unemployed

The demands of the young unemployed in the project area vary according to their socioeconomic status. The young who have completed secondary education search for paid jobs in the formal sector (industry, services) and wish a different lifestyle than the one prevailing in the *douar* where they live. The young unemployed with low education levels (who have only completed primary school) search for casual jobs that do not require specialized skills. The young co-owners of small plots are more interested in agricultural development activities.

The project aims at reducing youth unemployment through a double approach: through direct job creation measures, such as anti-erosion activities which are highly labor-intensive, and indirect job-creation through agricultural development activities.

Women

Women in the project zones comprise a heterogeneous group and their needs vary according to socioeconomic status, age, ascribed roles in the household, and the specific socio-cultural context where they live.

Married women and women-headed households request activities that will have an impact on family income, regardless of the impact on their individual income and regardless of whether it is they or other members of the household who will carry out the activity. The demands of married women and women-heads of households relate to agricultural development activities that generate income: fruit tree plantations (for those who already cultivate small crop areas), small livestock production (poultry, beekeeping).

Water resource mobilization is likely to lead to positive social and gender benefits to the targeted households: increased health due to increased availability of clean potable water and time-saving effects on women.

The young girls are more interested in participating in training programs (technical training; training on family health and hygiene) and in group activities with other young girls, such as sewing, embroidery, agro-processing activities.

Men interviewed in the project areas do not object the participation of their wives and daughters in the project. However, the willingness of men to allow women to carry out income-generating activities outside the household depends on the economic situation of the household and the socio-cultural context. In *douars* characterized by a relative degree of isolation and a strong traditional patriarchal system, ascribed gender roles for women within the household preclude them from carrying out activities outside the household.

In order to ensure meaningful participation of women in project activities, at the individual and group level, the project will need to promote adequate gender staffing at the management and at the field level and provide for gender sensitivity training of male and female field agents.

OPERATIONAL IMPLICATIONS

Guiding Principles for Project Design

The core principles in the preparation and implementation of the project are that: (i) men and women

from vulnerable groups in the targeted communities have the opportunity to participate in the process of planning, implementation and monitoring and evaluation of the project; and (ii) individuals and communities in the project areas are not adversely affected by project interventions.

Expected Social Development Outcomes

The project is expected to generate positive social development outcomes by:

- increasing access to productive assets and employment opportunities by vulnerable groups in the project areas, in particular farmers with a low asset base, the rural landless, women from low-income households and the young unemployed;
- reducing exposure of the target population to natural, economic and social risks;
- increasing the capabilities, at the individual and organizational level, of beneficiary communities, local SME and the DGF staff;
- bringing the administration closer to the target population and providing channels for increased voice and participation of vulnerable groups; and
- addressing gender disparities by promoting women's access to productive resources and training and by improving their organizational capabilities.

Social Inclusion and Gender Framework: Conceptual Design and Implementation Arrangements

Beneficiary targeting approach

The project design will ensure the inclusion of vulnerable groups by adopting a careful targeting approach that combines:

- **Self-targeting**, by requiring beneficiary contribution to the project in the form of labor input. One of the lessons learnt in the on-going Rural Employment Project is that poor farmers are willing to offer family labor as part of investments in productive assets financed by the project; and
- **Direct targeting** of vulnerable groups by the DGF staff, on the basis of observation of the beneficiary's assets and livelihood strategies (the section above on the identification of vulnerable groups provides an indicative list of targeting criteria).

Gender integration approach

In the project design, the approach to address gender imbalances combines:

- **Integrating gender concerns in all project activities**, by identifying the different needs, priorities and constraints articulated by men and women; and
- **Targeting specific income-generating activities** to different groups of women, according to their own demands.

Project activities aim primarily at addressing the practical needs of women which relate to their traditional gender roles and responsibilities as ascribed by the socio-cultural context where they live. The project's scope to tackle women's strategic needs is limited as they relate to more structural factors that may limit women's access to resources.

Implementation Arrangements

Within the project's mandate, the project management team will ensure that project implementation:

- o provides equality of opportunity for women and men to benefit equitably from project activities;
- o takes into account the implications of project activities in terms of labor and time in balance with existing activities, particularly for women;
- o takes into account requirements of family members of households benefiting from the project;
- o strengthens local organizational capabilities, particularly of women's groups; and
- o facilitates adequate communication channels to ensure increased women's voice and participation.

During project implementation, provisions will be made for gender-sensitive training of the DGF staff, both female and male. The project will ensure adequate female staffing at the central project management and field levels. The specific tasks and responsibilities of forestry staff involved in project management, implementation and will include participatory and gender-sensitive approaches and dimensions.

Participation Framework and Implementation Arrangements

The following mechanisms will ensure a continuous flow of information to encourage the informed participation of beneficiaries and other key stakeholders in the project activities:

Project Component	Participation mechanism
Erosion control:	Preparation of pastoral management plans in consultation with agro-pastoralists; consultation with the riparians about the type of species; development of a technical training program based on continuous evaluation of riparians' needs.
Agricultural Development:	Consultation with beneficiary communities on the selection of sites and species, water needs; development of a technical training program according to the needs expressed by the beneficiaries.
Water Resource Mobilization:	Consultation with the beneficiaries about the sites and the type of water resource mobilization and the financing modalities; training on technical and organizational capacity aspects according to the specific needs of the WUA.

Men and women selected by the communities will serve as the interface between the target groups and the DGF field staff. Local associations can also act as facilitators provided that the beneficiaries trust and respect them.

During project implementation, provisions will be made to organize training in participatory approaches to DGF field staff, and capacity-building programs to strengthen the local organizational capabilities (e.g., women's groups).

Social Impact Monitoring Framework and Implementation Arrangements

Social impact monitoring will be an integral part of the project.

A **baseline survey** will be carried out at the early stages of project implementation against which social monitoring activities will be built. Specific social impact assessments will also be part of the M&E process, and will be undertaken by independent social researchers to ensure objectivity and scientific quality.

Social M&E will be used as a **participatory management tool** during project implementation, to ensure adequate response to the issues arising from social impact monitoring activities. The project will adopt a flexible and incremental approach to project management, to ensure that the needs of various social groups, particularly the most vulnerable, are heard and responded to. The adoption of participatory approaches in project management and monitoring will help strengthen the linkages between formal and informal institutions as the forestry agents will work more closely with communities, ensuring their informed support of project activities.

The M&E framework will focus on: (i) social and gender impact; (ii) effectiveness and quality of beneficiary participation; (iii) compliance with relevant Bank social safeguard policies. To ensure that M&E will be used as an effective management tool, the suggested M&E indicators will be included in the project implementation manual.

In the context of project implementation, M&E will be carried out by independent consultants, as is the case of the ongoing Rural Employment Project which has proven to be an effective approach. The composition of the team will reflect multidisciplinary expertise and gender-balance that will be necessary to assess social impact and achievement of social development outcomes. The flexible approach to be followed during project implementation would allow, as is the case of the ongoing Rural Employment Project, rapid reaction to problems and continuous assessment and readjustment.

Implications for the Borrower

Social inclusion and participation. Several participatory monitoring exercises (surveys and beneficiary assessments) will be undertaken during project implementation to assess the beneficiaries' perceptions of the project's progress in providing adequate channels for participation to target groups.

Gender. In addition to quantitative information, qualitative information disaggregated by gender needs to be generated, analyzed and incorporated in project implementation. Such data are most useful if monitoring is actually conceived as a management tool. Project staff will need to be trained on gender-sensitive M&E.

Implications for the Bank team

A social scientist will be included in the Bank supervision team. He/she will participate in supervision missions on a regular basis to:

- review the appropriateness of the social analysis recommendations;
- verify compliance with relevant Bank safeguard policies; and
- propose necessary adjustments, additional studies or changes in approach.

The supervision reports will also highlight the findings pertaining to social issues and the progress in achieving the project social development goals.

A social scientist will also participate in the Mid-Term Review to assess and adjust the strategies for social inclusion and gender integration along with the participatory approaches proposed in the project design.

Additional Annex 12: Environmental Assessment ALGERIA: Second Rural Employment Project

This annex is a summary of the material presented in the Regional Environmental Assessment (REA) covering the project zones, with a particular emphasis on the Environmental Management Plan included in the REA.

Introduction

The second Rural Employment Project targets the impoverished mountainous rural areas in the *wilayate* of Tiaret, Tissemsilt, Chlef, Aïn Defla, Médéa and Bouira in north-west and north-central Algeria. The project objective is to generate and stimulate employment in these areas, first, through direct employment to address the short term problem of high levels of rural unemployment; and, second, through asset creation with a medium to long term perspective.

The main instruments for this purpose are:

- labor-intensive civil works for direct employment creation, emphasizing natural resource management and soil erosion control; these entail specific activities such as reforestation, river bank stabilization, flood control structures, etc.; and,
- productive activities for asset creation aim at increasing labor productivity and also have a natural resource management and soil erosion control focus, such as the substitution of fruit trees for perennial low productivity cereal production on sloped lands, water resource mobilization, etc.

Project objectives thus have an important focus on activities with positive environmental consequences, particularly for reducing soil erosion, which is a serious problem in Algeria and noted as such in the National Environmental Action Plan, prepared with Bank support.

In addition, the project has two institutional development components, the first targeting the General Directorate of Forestry (DGF), the implementing agency and the project implementation structure in the six targeted *wilayate*, and the second targeting the central and decentralized administration of the Ministry of Agriculture and Rural Development (MADR). In both cases, the institutional development entails environment related activities, such as environmental assessment in the context of project preparation, monitoring of environmental impact, etc.

Project components

Soil Erosion Control

This is the critical project component that will serve as the instrument for direct short-term employment creation, using labor-intensive techniques. The emphasis is on natural resource management targeting the critical problem of soil erosion. An important aspect of this component is the employment of forest area riparians in a participatory manner to ensure the sustainability of interventions. Specific activities comprise the following:

- Reforestation targeting degraded mountainous areas: this will entail both forestry and forage species, as trees or as bushes. This approach aims to respond to the agro-pastoral characteristic of the project zone, with over-exploitation of the natural resource base for grazing. Pastoral management plans will be developed in a participatory manner to enhance the sustainability of these interventions, using the model of Ras El Ma in

Sidi Bel Abbes under the ongoing Rural Employment Project (PER1), where similar issues are being addressed in a participatory manner.

- River bank protection entails the biological stabilization of river banks which are susceptible to soil erosion due to erratic flows.
- Terracing and biological control entails the building or the rehabilitation of terraces on steep slopes susceptible to serious erosion. Terraces serve to break the force of water flows. Biological control through trees and bushes enhance the process of stabilizing soils. As in the case of reforestation, where pertinent, these activities will also be subject to pastoral management plans developed through participatory approaches.
- Flood control structures: while the forestry based activities described above depend on a planting season, flood control structures can be built around the year, particularly during summer months when seasonal unemployment increases. These structures have been shown to be highly effective in reducing soil erosion and in creating employment. In some instances, these structures have also protected downstream settlements, saving human lives and property from the ravages of floods.
- Forest rehabilitation is similar to reforestation but targets established forests which have become degraded. Planting densities are lower around established plants. As in the case of reforestation, pastoral management plans will be developed in a participatory manner, focusing on both forestry and forage species.
- Silvicultural forestry activities, which are also very labor intensive, aim at cleaning up degraded forest areas from plants that are old, dead or suffering from pests. It will also entail clearing undercover growth to remove undesirable plants and weeds that can put pressure on trees.
- Plant material production: to ensure plant material of adequate quantity and quality in a timely manner, plant production will be contracted independently and plants will be provided to contractors. The costs associated with this activity are accounted for in tree planting activities as the cost of the plants.

These activities have an overall positive environmental effect, particularly in reducing soil erosion through reduced runoff, and in reducing the potential silting in downstream reservoirs. The potential adverse effects of these activities would be related mainly to the execution of the associated civil works and in the use of the developed areas. For example, tree planting needs to ensure that any existing vegetation cover is not affected so as to make the soils susceptible to higher soil erosion. Flood control structures (gabions) need to be porous enough so as to allow slowing down of flows and filtration of water. Any space to be used for grazing needs to have an associated pastoral management plan with the active involvement and implication of the riparians. Specific monitoring and mitigation measures have been incorporated in the EMP to address these potential issues.

Agricultural Development

This component aims to address employment within a medium to long term perspective through agricultural development activities in the mountainous project areas. These areas are currently characterized by a cereal-livestock system, mainly barley for feed and some wheat, and livestock, mainly ovines (sheep and goats). The extensive nature of livestock production has led to an over-exploitation of the natural resource base. This component aims to diversify the production base by expanding the limited tree fruit production in the project area. Field assessment has indicated that diversification will be a relative process in that cereal production will continue in an alley cropping system.

Participation is a critical element of most agricultural development activities. In fruit tree planting activities beneficiaries will contribute to 50 percent of costs for digging the troughs and planting the trees. This participation will be either in the form of labor or actual financial contribution. Mechanical methods will not be allowed except for the deep plowing necessary for viticulture. In land clearing, beneficiaries will

contribute 30 percent of costs through labor or finance.

Women will benefit from agricultural development activities in an integral manner. However, in response to women's expressed wishes and taking into consideration social and cultural factors that characterize the project areas, specific activities targeting women were also developed.

Finally, fruit tree and small livestock activities will be closely associated with extension efforts through the *wilayate* Directorates of Agricultural Services (DSA) and Forestry Directorates (CDF), with a specific focus on the requirements for reaching female beneficiaries.

Specific activities under this component are:

- **Fruit tree plantations** which will be carried out under two systems:
 - Rainfed fruit tree plantations will focus on species adapted to rainfed conditions, such as almonds, figs, olives, etc.
 - Irrigated fruit tree plantations such as pears, apples, etc., which require an assured quantity of water. This activity will depend on the prerequisite of water of adequate quantity and quality.
- **Viticulture** aims to establish vineyards in appropriate environments, reestablish or expand vineyards in areas where there was or is a tradition of grape production. In general, viticulture is a rainfed activity and will follow the same procedures as rainfed fruit tree plantations. Viticulture is also the only exception to mechanical practices whereby an initial deep plowing is allowed to ensure deep root growth for grape vine stock.
- **Windbreaks** aim at protecting planted areas, particularly young plantations, from wind and soils from wind erosion.
- **Land clearing** entails destoning of land to allow a shift from cereal to fruit tree production. These lands are expected to be converted to fruit tree orchards or vineyards under the project.
- **Rural roads (upgrading and rehabilitation)** enhances market access and overall social and economic integration of remote mountain villages. Technical expertise will be provided from project resources during implementation and by the Bank for supervision and technical support. The PIM will include an operational manual of procedures to be followed for the implementation of this activity from the activity specific EA to realization.
- **Small livestock production.** This entails a shift to commercial or subsistence production of small animals, mainly poultry, beekeeping and rabbits.
- **Activities targeting rural women.** These are diverse artisanal activities such as sewing, embroidery, etc., and will entail provision of equipment, materials and training. Other individual or group initiatives (such as product processing and marketing) will also be assessed and considered.

Fruit tree and viticulture activities also have positive environmental effects in reducing soil erosion as they would gradually substitute for annual low productivity cereal production on vulnerable, sloped lands. This would reduce excessive cultivation, particularly the environmentally adverse practice of cultivation with the slope, which accelerates soil erosion. Fruit trees and vines would stabilize soils just as forestry species. Similarly, windbreaks and land clearing are complementary to fruit trees and viticulture. Small livestock activities (poultry, rabbits, bees) are an effort to diversify production and reduce, albeit in a marginal way, the dominance of small ruminants based on extensive production methods. Potential adverse environmental effects arising from these activities could be: (i) excessive use of agricultural chemicals; (ii) animal diseases; and (iii) soil erosion from rural road activities.

On potential increases in agricultural chemical input use, existing low-intensity practices in the project zones, the dry agro-ecological conditions, the high costs of the inputs vis à vis the poverty in the targeted population, are factors that minimize the associated risks. Monitoring and mitigation measures have been incorporated into the EMP, with the implication of the M&E consultants, the DSA and the National Plant Protection Institute (INPV) along with the implementing agency and its decentralized structure. Similar arrangements have been made for the rural roads activities, with the implication of the *wilayate* Public Works Directorates along with the implementing agency. Mitigating measures include the reduction and cleaning up of construction debris, reduction of noise effects and finally, effective measures to reduce potential soil erosion impacts. These would be incorporated explicitly in the bidding documents.

Water Resource Mobilization

Water resource mobilization is critical to project activities. The project zone is characterized by low rainfall with significant intra- and inter-annual variation. While irrigation is practiced in the lower valleys (outside the project zones) through large irrigation schemes, in the mountainous and hilly areas the water potential is not adequately exploited for irrigation or potable water. This is a general characteristic of the water sector in Algeria, whereby the emphasis is on large schemes while small and medium scale irrigation (SMI) and potable water for small settlements have lower priority. Both surface and groundwater are actually and potentially important sources for SMI, and are exploited extensively officially and through illicit means. In fact, in Algeria, agricultural land irrigated by SMI is several times the area irrigated by large scale irrigation (LSI):

In the project zone, capturing and managing existing water resources will be a critical factor in relieving some of the risks arising from variable agro-climatic conditions. Clean potable water will also become available to rural populations. As for irrigation, certain activities will require the prerequisite of water availability (e.g., irrigated fruit trees). Irrigation, in general, will allow more intensive and diversified agricultural production.

Close coordination will be maintained with the *Directions Hydraulique de Wilaya* (DHW – *Wilaya* Water Directorates) in water resource mobilization activities, particularly for the activities of hill dams and wells. The DHW have *wilaya* water resource plans and associated studies (even though some may need to be updated). The choice of the sites for the hill dams and deep wells will be authorized by the DHW, complemented by additional studies and exploratory drilling where necessary. In all cases, water has to be of adequate quantity and quality according to national standards for the subsequent investment activity to be authorized. Financing for hill dams and deep wells will include equipment such as pumps, distribution channels, etc., as well as instrumentation, such as piezometers, meters, etc. Critical factors such as water tables, water quality will be monitored to prevent adverse environmental effects. In particular, it will be ensured through extension and monitoring that water used for food production for human consumption is free of pollution and meets national standards. For hill dams, the PIM includes an operational manual of procedures to be followed for the implementation of this activity, particularly for the activity specific EIA.

The specific activities under this component are as follows:

- **Hill dams** (*retenues collinaires*) serve a double function as reservoirs with small capacity for irrigation and potable water and as an element of erosion control strategies. It is also claimed that they help groundwater recharge by slowing down surface flows. A hill dam will be subject to several conditions (apart from normal engineering and geological studies) before associated investments can be authorized by the Bank:
 - Compliance with safeguards related to safety of dams (OP4.37) where necessary;

- Prior environmental impact studies; and
- Prior establishment and training of water users associations (WUA).
- **Water points** are small collections of runoff points to be used mainly for livestock and for the irrigation of small areas.
- **Rehabilitation of springs** entails building covered or open tanks for collecting spring water for use as potable water with sanitizing (chlorination - *javelisation*) and for livestock. Irrigation potential is negligible, if any.
- **Shallow wells** (around 30 – 50 m depth on average) entail both the construction of new shallow wells as well as the rehabilitation of existing shallow wells and include the provision of pumps, meters and distribution equipment.
- **Deep wells** (around 50 – 100 m depth on average) also entail both the construction of new deep wells as well as the rehabilitation of existing deep wells and include the provision of pumps, meters and distribution equipment. Depending on the scale and capacity of the deep well, establishment of WUA would be recommended.

The Algerian Government, through the PNDAR/FNRDA, is emphasizing increasing water use efficiency by promoting water saving techniques, essentially drip irrigation. The cases observed under the ongoing Rural Employment Project have demonstrated the significant complementarity between the project and PNDAR initiatives. The impact is considerably enhanced in that a given amount of water can be used to irrigate a larger area through drip irrigation. Given water scarcity in Algeria, this is an initiative and technique that needs to be encouraged. The Algerian Government will finance irrigation equipment through the PNDAR/FNRDA in a manner complementary to the project activities.

Institutional Development for DGF

This component covers diverse activities such as training for DGF staff, required studies, consultant services for M&E, and equipment and vehicles for the project management and implementation structure, as well as for the DSA. The two important elements of this component are the training in participatory approaches for project staff and the independent M&E. These two activities are recent innovations for the DGF which are also having a wider impact on other MADR projects.

Specific activities will entail the following:

- Training activities targeting central and field staff of the DGF as well as the field staff of DSA and DHW and the beneficiaries:
 - Participatory approaches will emphasize various approaches and techniques to involve beneficiaries in project implementation, including both theoretical work and field work through on-the-job training in the laboratory provided by the project; this will include a special perspective on gender-specific issues pertaining to women, targeting both male and female DGF staff;
 - Project management will focus on both coordination and implementation aspects, emphasizing approaches, procedures and instruments, such as financial management, procurement, record keeping, reporting, etc.;
 - Information technology will focus on specific software and hardware to be used in project implementation;
 - Technical training will target both project staff and beneficiaries and emphasize the specific project related topics as tree fruit production techniques, small livestock production (for poultry, rabbits and beekeeping); operational procedures for the WUA, maintenance of water and irrigation equipment, etc.;

- Training activities targeting rural women, focusing on specific areas such as marketing and processing of agricultural and nonagricultural products, sewing and embroidery, etc.; and
- Advanced technical training of short duration (2-3 month courses) on, e.g., restoration of degraded mountainous lands, soil erosion monitoring, etc.
- Studies:
 - A baseline survey will be conducted in the first year of the project to compile data with which to assess progress and impact;
 - Technical studies for water resource mobilization and rural road activities, entailing environmental, feasibility, engineering, geological, etc., assessment; and
 - Marketing and socioeconomic impact studies.
- Monitoring and Evaluation (M&E) will be carried out by independent consultants in a manner complementary to project implementation.
- Equipment comprising the following:
 - Computers (desktop and laptop) with associated hardware (e.g., printers) and software;
 - Office equipment (fax machines, photocopiers, etc.);
 - Audio-visual equipment (projectors, cameras, video recorders, tape recorders, etc.); and
 - Vehicles (cars, all terrain 4x4 cars and pickup trucks, motorcycles and spare parts).

Institutional Development for the Ministry of Agriculture and Rural Development (MADR)

This component arose in the context of the ongoing CAS discussions, which are being held in an open, inclusive and transparent manner, giving voice to many stakeholders. In the context of the CAS initiative, sectoral discussions are also being held. Such a workshop was held in Ghardaia in April 2002 on Sustainable Rural Development, with the participation of around 45 persons from diverse areas such as farmers, private and public sector representatives in agricultural and agro-industrial sectors, officials from central and local agricultural administration as well as related ministries of Land Use and Environment, and Water Resources. The workshop discussions and recommendations noted the positive developments on the policy front in the context of the PNDAR but also signaled constraints in the areas of policy design and analysis, decentralized implementation and M&E.

In particular, it was signaled that the policy changes from a centrally planned management of the agricultural sector to one emphasizing a market environment with targeted development projects were positive developments. However, the new policy environment required policy analysis, M&E and impact assessment capacity at the center. More importantly, for the policy changes to succeed, it was imperative that the decentralized MADR administration be equipped to address development initiatives in a dynamic manner. The newly appointed State Minister for Rural Development in MADR noted that while they had the policy instruments to some extent, implementation faced constraints at the decentralized level due to lack of capacity.

During project preparation, it was also observed that there were complementarities between some of the PNDAR and PER objectives and instruments in areas such as production diversification, protection of natural resources and water resource mobilization.

Finally, the ongoing Rural Employment Project has influenced policy perspectives on matters related to decentralized operations and participatory approaches for rural development. In this context, a new Agricultural and Rural Development Program (PDAR) is being developed in the spirit of the Rural Employment Project with a "*mise en valeur en proximité*" perspective, implicating the decentralized administration of other ministries in the wilayate as well. In this respect, several inter-ministerial decisions

have already been signed, in particular, one between the Ministry of the Interior and Municipalities (MICL) and the Ministry of Agriculture and Rural Development (MADR). The former is represented by the Wali, the chief administrator in each wilaya. Hence, coordination for rural development is assured under the Wali, implicating diverse ministries involved in rural development such as water resources, housing, health, education, etc. The proposed Second Rural Employment Rural Project will thus be the driving element of the PDAR and *mise en valeur en proximité* efforts in the targeted wilayate as well as the country as a whole.

Hence, it was decided to incorporate a broader Institutional Development component for MADR targeting both the broader areas of policy design and implementation and M&E of development programs, and the specific context of the project area. For the project area, the focus will be on the complementarities between the CDF, DSA and DHW, providing them with adequate training and equipment to ensure effective support to the collaborative project efforts. A Ministerial Instruction has been sent to the Walis, the agricultural services (DSA and various institutes) indicating their roles in the project in this context.

The training activities are also based on a MADR document on a Training Plan for Agricultural Policy Analysis and Planning.

On the general focus of the Institutional Development component, it was decided that a significant part of the resources would be allocated to training programs targeting the decentralized administration. This training would facilitate capacity development in implementing market oriented rural development programs, giving authority and responsibility to regional and wilaya staff through diverse tools such as participatory approaches. At least 25 percent of this component will be allocated to training activities targeting the decentralized administration.

The Institutional Development activities will also incorporate gender-specific matters focusing on women and targeting both male and female staff.

The Institutional Development activities will entail the following structure:

Activity	Target
Training on rural strategy analysis, design and implementation; policy analysis, policy decision models and instruments	Focus on the Central Administration
Training in project management: project evaluation (economic, financial, social, including gender issues, environmental and technical), financial management, M&E and impact assessment	Focus mainly on the Decentralized Administration but also involving the Centralized Administration in M&E and impact assessment in the context of efficiency of public expenditures
Training in participatory approaches	Focus mainly on the Decentralized Administration but also involving the Centralized Administration in terms of principles of participation
Pilot Integrated Rural Development Projects	These micro projects will be held in different agro-ecological environments and will serve as laboratories for the training activities in the context of PDAR with a " <i>mise en valeur en proximité</i> " perspective.

Implementation Arrangements for Environmental Assessment Activities

The exact sites of the project activities will be determined during project implementation. Appropriate mitigating measures are thus being detailed as part of the REA in order to ensure that the different activities of the project will not entail significant negative specific or cumulative regional negative impact on the environment in the project area. The EMP presents in a comprehensive manner the mitigating measures to be implemented as well as the supervision and monitoring responsibilities. Some additional details such as the detailed procedures for implementing the screening procedures as well as supervision and monitoring responsibilities are presented in the Project Implementation Manual (PIM).

Main Features of the Regulatory Framework on Environmental Protection

Environmental assessment is presently required by Algerian regulations for all project entailing potential environmental impacts. This principle is stated in the Environmental Law 83-03 and the EA procedures are detailed in Decree 90-78.

It is stated in the law that all infrastructure projects or all works that could potentially affect the environment adversely, in particular those that could affect public health, agriculture, natural areas, fauna, flora, historical and archeological sites and monuments, etc., will be submitted to an Environmental Impact Assessment (EIA).

Article 5 of Decree 90-78 states that "... the content of the EIA should be commensurate with the importance of the works , construction and infrastructures considered as well as their expected impact on the environment. The EIA should include an analysis of these expected impacts on the environment and in particular on the sites and landscapes, fauna flora, natural areas and biological equilibrium, also nuisances effects to neighborhoods and public salubrity."

The construction of hill dams and rural roads upgrading and rehabilitation will be two of the activities that will be covered by activity-specific EA studies.

Environmental Screening of Project Activities

From a regulatory and a technical point of view, screening is an important in assessing if and to what extent the project activities should be submitted to an activity-specific EA.

The project activities that will be submitted to a screening procedure are the following.

- Upgrading and rehabilitation of rural roads
- Construction of hill dams (*retenues collinaires*)
- Wells, deep wells, water points and spring rehabilitation
- Flood control structures and terracing (construction and rehabilitation)
- Reforestation type activities
- Silvicultural forestry activities
- Irrigated fruit trees

Capacity building

Training and skills improvement in environmental assessment will be provided to staff in charge of project implementation. These training activities will be delivered from the beginning of project implementation to appropriate staff concerned by the project implementation both at the local (CCGW) and the central level (CCGP).

These training activities will also cover the procedural aspects of EIA implementation and follow up, and environmental regulations. These training activities will be delivered by specialists both from the administration in charge of environmental protection as well as from other specialized entities within the Minister of Agriculture and Rural Development, Ministry of the Interior and Municipalities and the Ministry of Water Resources. Specialized consultants will be called upon as necessary.

The implementing agency, the DGF, will have the responsibility for implementing the mitigating measures, through the CCGP and CCGW and in association with other associated agencies at the local and national levels.

The monitoring of the water resources (water tables, water quality, etc.) in the project area will be carried out by the *Agence Nationale des Ressources Hydrauliques* (ANRH) in coordination with the Water Directorates (DHW) at the *wilaya* level. For the rural roads the Public Works Directorates at the *wilaya* level will also be associated with monitoring activities.

Environmental Management Plan

Mitigating Plan on Environmental Impacts

DA 10 million (about \$US 125 000) and DA 14.1 millions (\$US 177 000) have been budgeted in the project financial plan respectively for activity-specific environmental impact assessment and environmental training. The cost of implementation of the mitigating measures is integrated in the cost of works and/or supervision.

Activities	Anticipated Impacts	Mitigating Measures	Responsible Parties
Reforestation and forest rehabilitation	<ul style="list-style-type: none">- Soil Erosion arising from potential land clearing- Overexploitation of forestry resources due to grazing	<ul style="list-style-type: none">- Prepare an action plan for monitoring of these activities- Avoid land clearing on soils highly susceptible to erosion- Avoid working during wet season- Pastoral management plans to be developed with riparians in a participatory manner	<p>Project implementation structure (CCGP/CCGW)</p> <p>Consultant in charge of project monitoring and evaluation</p>
Flood control	<ul style="list-style-type: none">- Damage caused by the deterioration of the gabions	<ul style="list-style-type: none">- Ensure gabions with adequate filtration- Reinforcement of infrastructures through tree and shrub planting- Bank stabilization with plants	<p>Project implementation structure (CCGP/CCGW)</p> <p>Consultant in charge of project monitoring and evaluation</p>
Rehabilitation	<ul style="list-style-type: none">- Deterioration of	<ul style="list-style-type: none">- Rehabilitated terraces will be monitored	Project implementation

of terraces	terraces (particularly at the edges)	closely in order to avoid leaving bare the perimeters to be protected and upgraded. - Rehabilitated terraces will be systematically planted. - Terraces will be reinforced with adequate drainage systems at the edges	structure (CCGP/CCGW) Consultant in charge of project monitoring and evaluation
Silvicultural forestry activities	- Fire hazards during incineration of plant waste	- Incineration of waste will be performed in the presence of local Forestry Services representatives who will ensure that the procedure is safe in compliance with rules and regulations to that effect.	Project implementation structure (CCGP/CCGW)
Fruit trees plantations	- Excessive use of agricultural chemicals might entail negative impacts on water resources	- Rational use of agricultural chemicals with extension support on recommended doses and methods of application - Use of adapted plants with disease resistance - Use of cultivation and mixed cropping (alley cropping) as a weed control method, - Use of biodegradable pesticides	Project implementation structure (CCGP/CCGW) Consultant in charge of project monitoring and evaluation
Small livestock	- Risks of animal diseases (zoonose)	Local veterinary services will carry out the sanitary follow-up of the small livestock.	Project implementation structure (CCGP/CCGW) Consultant in charge of project monitoring and evaluation
Construction of water points, wells, deep wells and hill dams	- Risk of impact on the watertable - Risk of water contamination and related public health impacts - Increase of waste water generation - Risk of algal growth and quality reduction of water in dams - Risk of creating favorable conditions for the proliferation of disease vectors - Risks of increased erosion in areas from which earth is taken - Risks of siltation	- Enforce clean zones in the areas around well and water points - Sanitary follow-up (periodic analysis of water quality) - Assess modalities and options for disposing waste water - Follow-up of the level of exploitation of the watertable - Rehabilitation of sites from which earth is taken - Definition and installation of protection perimeters - Hill dams should be emptied annually which will decrease the risk of algal growth and eutrophication - Plantation and upkeep of the proximate watershed around a water structure - Flood control measures uphill from the hill dams	Project implementation structure (CCGP/CCGW) in collaboration with ANRH and BHC Consultant in charge of project monitoring and evaluation
Rehabilitation and upgrading of rural roads	- Impact related to the environment (loss of agricultural land, destruction of	- Prepare a generic environmental impact study - Take into account recommendations from EIA studies, such as:	Project implementation structure (CCGP/CCGW) and consultants in charge of

vegetation, etc.) - Construction during wet season - Landslides during earthmoving works - Construction technique inappropriate	<ul style="list-style-type: none"> - Avoid works during wet season - Consider alternatives and options for routing - Preserve and restore vegetation on the side of the roads - Modify routing in order to avoid unstable soils - Conceive drainage systems in order to reduce surface run-offs - Include systems to reinforce soil stability 	EIA studies Consultant in charge of project monitoring and evaluation
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Environmental Monitoring and Evaluation Plan

Costs of consultants for monitoring and supervision of the project, including environmental aspects, have been estimated at DA 40 million (US\$ 500 000) and have been integrated in the financing plan of the project.

The responsibility of the Monitoring and Supervision of the Environmental Management Plan lies with DGF and the implementation structure (CCGP/CCGW). This mission will be partly delegated to consultants who will also conduct a continuous M&E of the project during implementation.

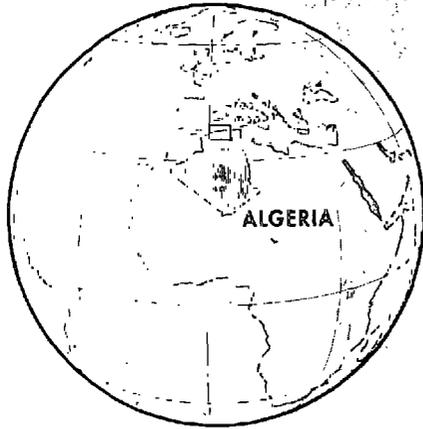
The table below presents the indicators for monitoring and evaluation of the environmental performance of the main components of the project.

Activities	Monitoring and evaluation Indicators	Responsible party	Schedule
Reforestation and forest rehabilitation	Erosion rate on the basis of a site sample Plant survival rates Growth rate of trees	CCGP/CCGW Contractors M&E Consultant	Annual
Flood control	Erosion rate on the basis of a site sample Status of infrastructure constructed	CCGP/CCGW Contractors M&E Consultant	After heavy rains
Terrace rehabilitation	Erosion rate on the basis of a site sample Status of infrastructure constructed Percentage of terraces planted	CCGP/CCGW Contractors M&E Consultant Beneficiaries	After heavy rains
Silvicultural forestry Work	Number of problems reported during incineration of plant waste	CCGP/CCGW Contractors M&E Consultant	Annual
Fruit tree plantations	Number of interventions from pest control services (INPV) Number of requests for assistance Plant survival rates	CCGP/CCGW/DSA Contractors M&E Consultant Beneficiaries	Annual
Small livestock	Estimate of survival rates	CCGP/CCGW/DSA Contractors	Annual

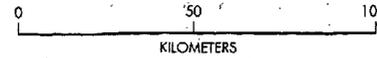
		M&E Consultant Beneficiaries	
Rehabilitation of wells, deep wells, water points and spring outlet	Evolution of drinking water quality through periodic water analysis Evolution of soil and water salinity on irrigated land	CCGP/CCGW/ DHW/BHC Contractors M&E Consultant Beneficiaries	Annual
Hill dams	Quality of water (salinity and other national standards) Status of infrastructures Level of algal growth Level of siltation	CCGP/CCGW/ DHW/BHC Contractors M&E Consultant Beneficiaries	Annual Dry season
Rehabilitation and upgrading of rural roads	General quality of the road surface Status of water flow control systems such as culverts Status of road drainage systems	CCGP/CCGW/ DHW/BHC Contractors M&E Consultant	Annual and after heavy rains

MAP SECTION

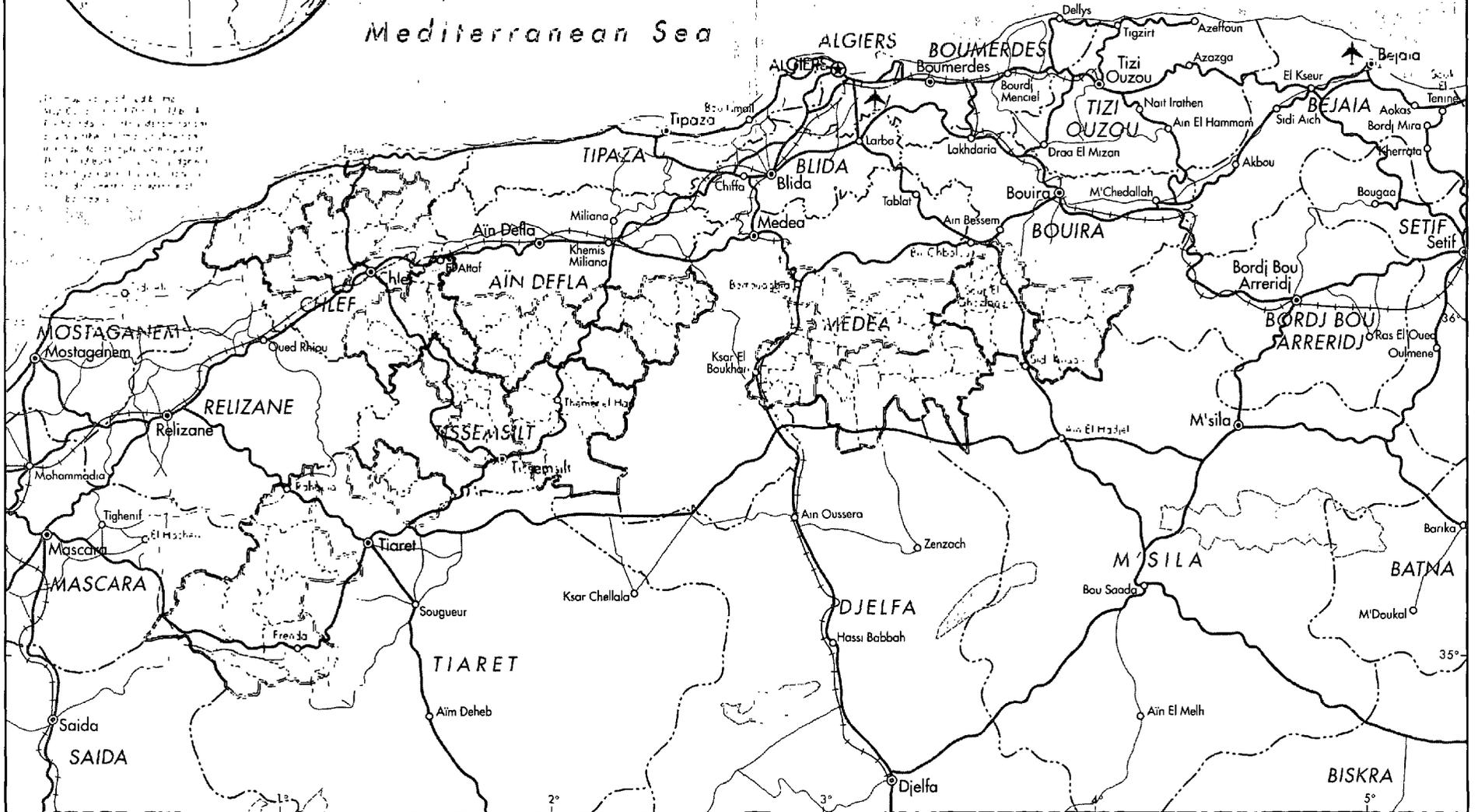
ALGERIA SECOND RURAL EMPLOYMENT PROJECT AREAS ADMINISTRATIVE LIMITS



	PROJECT WILAYA AREAS		TOWNS AND VILLAGES
	PROJECT COMMUNE AREAS		WILAYA HEADQUARTERS
	PAVED NATIONAL ROADS		NATIONAL CAPITAL
	PAVED INTRA-ROADS		WILAYA BOUNDARIES
	AIRPORTS		



Mediterranean Sea



Map of Algeria showing the location of the project areas. The map is a simplified representation of the country's outline, with the project areas highlighted in a darker shade. The Mediterranean Sea is labeled to the north.