

## PCR EVALUATION NOTE

### EQUATORIAL GUINEA: POVERTY REDUCTION PROJECT

#### 1. The Project

Project Code: <b>P-GQ-IEO-001</b>	Project Appraisal Date: <b>August 1993</b>	Borrower's Completion Report Ref:
Total Project Cost (UA): <b>UA 5.06 million</b>	Project Approval Date: <b>14 December 1993</b>	PCR Evaluation Note Date: <b>July 2009</b>
Loan Amount (UA): <b>UA 4.55 Million</b>	Date of Effectiveness: <b>25 March 1997</b>	Evaluator Name: <b>Judith E. OFORI</b>
Grant Amount (UA):	Project Completion Date: <b>May 2006</b>	Reviewer(s) Name: <b>Ann Dao Sow</b>
Co-financed Amount (UA): <b>UA 0.51 million (Govt.)</b>	PCR Date: <b>June 2008</b>	Manager Name: <b>Mr. Mohamed MANAI</b>

#### 1.1 Objectives and expected outcomes and outputs

The project had one objective which was to promote micro-enterprises with a view to creating employment and increasing the incomes of poor and vulnerable people in the country.

Expected outputs were: i) Putting in place of credit networks; ii) Credit to micro-enterprises Implementation of microenterprises Self-sustained system; iii) Granting of credits to the poor and vulnerable group (The design of the project was poor, expected outputs and outcomes were not defined in the Appraisal log-frame.

#### 1.2 Project components and activities

The project had four (4) components and a number of activities as follows: (i) Micro credit for Income Generating Activities (IGAs) :- the only activity under the component was to provide micro-credit to beneficiaries for productive income-generating activities; (ii) training and institution building:- activities include training and capacity building, extension services to the local communities, technical assistance to institutions as well as monitoring and evaluation of poverty; (iii) community support to investment initiatives: activities were to finance small projects and programmes for vulnerable groups through NGOs in the form of subsidies; and (iv) Project Management.

As a result of the oil boom the country was undergoing major changes at all levels: sociological (rural-urban migration, high immigration) macroeconomic (strong GDP growth, creation of new jobs) and institutional (decentralization, multiplication of government institutions and greater political presence in sub-regional organizations). In 2003, the project, which was 9 years old, was appraised in a different macroeconomic and sociological context (pre-oil boom). The reformulation of the project took into account the fact that, notwithstanding the oil resources, (i) the level of poverty continued to rise in the country, particularly as a result of intra and inter-state migrations and the absence of a national poverty reduction policy and strategy, (ii) some project activities such as microcredit were unsuitable for the context of the country, thereby justifying the recommendation for a drastic reduction of resources allocated to the activity; (iii) on the other hand, other activities such as the building of institutional capacities took on a major importance because of the need for a better planning of Government interventions under the PRSP and improved management of oil resources. The reformulation therefore prioritized this activity. The decision to pursue the financing of the project therefore responded to the Bank's desire to support the development of the country in this new era.

#### 1.3 Inputs (including financing)

Project inputs include vehicles; equipment furniture and supplies; technical assistance; training and capacity building.

The project cost at closure of the project was UA 2.23 million, equivalent to 44.07% of the estimated cost at appraisal due to modifications in 2003 which is represented in the table below. ADF's contribution at closure was UA 1.80 million, (39.56% of the total loan amount) and Government's contribution of UA 0.43 million (19.28%). The ADF financed 80.72% and the Government 19.28%.

There were 23 disbursements amidst 3 suspensions on the ADF loan. The balance of UA 2.80 million was cancelled on 23 May 2006.

The table below provides a summary of the project costs proposed by the reformulation mission in 2003.

Component	Costs at Appraisal (UA 000)	Reformulated project costs	In % of total
<b>I Credit</b>	<b>2,000</b>	<b>100</b>	<b>3</b>
<b>II Support to Community Initiatives</b>	<b>1,916.40</b>	<b>800</b>	<b>32</b>
<b>III Capacity Building</b>	<b>250</b>	<b>1,724</b>	<b>46</b>
<b>IV Operating costs and contingencies</b>	<b>893.64</b>	<b>400.79</b>	<b>19</b>
<b>TOTAL</b>	<b>5,060.04</b>	<b>3,024.79</b>	<b>100</b>

#### **1.4 Intended beneficiaries and Scope**

The primary beneficiaries of the project were the poor and vulnerable people/groups in the country. Secondary beneficiaries include NGOs, Micro Credit organisations as well as government institutions managing the project. In the end none of the beneficiaries could be said to have substantially benefited from the project.

### **2. PCR Conclusions and Success Ratings**

#### **2.1 Main Conclusions**

The project failed to achieve its objective. Most of the planned activities did not take place. Less than 50% of project resources were utilised. The project was fraught with challenges from the onset; it had design weaknesses that impacted negatively on the implementation. Institutional weaknesses coupled with government interference in project management did not help; Lack of professionalism and of knowledge of Bank procedures of the project staff; absence of MFIs and NGOs on the ground to administer the credit (which the government would not allow anyway) contributed to delays and disastrous implementation that resulted in project failure.

#### **2.2 Performance Ratings**

The PCR rated the project implementation performance **highly unsatisfactory**, the review note agreed with the rating. The PCR rated the Bank's performance **unsatisfactory**, the review validated the rating. The review note also agreed with the **highly unsatisfactory** rating given to project results/outcome, the review note however downgraded some of the ratings under this component (financial aspect, poverty reduction; financial and integrated systems as well as environmental policy).

#### **2.3 Lessons Learned**

The PCR clearly summarised six (6) key lessons learnt over the project life. These included the very large number of loan conditions that made it difficult for the Borrower to meet the conditions on time, thus delaying the start of the project; irregularity of Bank's missions affected project implementation as there were times that issues were there to be resolved by the Bank supervision missions; irregularity of disbursements that delay implementation schedules and the Bank's awareness of the country's poor capacity which was not taken into consideration during project design, the weaknesses in PMU, among others.

#### **2.4 Recommendations**

The PCR gave four (4) main recommendations to the government on the conduct of future projects: they include the central government oversight ministries should refrain from changing over-sight body for projects; appoint external auditors from the onset of projects and ensure that the recruitment of project staff is based on merit and according to procedure. There were three (3) main recommendations for the Bank which are: the Bank should initiate studies before implementing any micro-finance projects; intensify dialogues with countries with weak capacities and, last but not the least, give priority to the development of human capital, capacity building, good governance and macroeconomic reforms to weak countries like Equatorial Guinea.

#### **2.5 Future operational plan and potential benefits (sustainability, institutional development and overall success ratings)**

There were no future operational plans. The project ended in failure, no prospects for any future development and operational plans for the project.

### **3. Borrower's PCR (its inputs to Bank's PCR)**

As required, the Borrower produced its PCR. The Bank PCR did not incorporate contributions of the BPCR into the body of the Bank's PCR. The PCR highlighted the key points in the BPCR and attached it as an annex to the PCR. The extracts summarised challenges that the project faced from the Bank, focusing on the following: project design weaknesses, recurrent delays in processing of procurement documents and requests for disbursement and irregular supervision. The BPCR acknowledged interference from Government in project management. It registered its dissatisfaction with the TA performance which it held partly responsible for the poor financial management and subsequent disbursement suspensions. It also made these recommendations to the Bank and the Government: the government to promote training of professional staff and enhance management procedures and the Bank should ensure regular follow-up and supervision of project activities in the country.

#### **4. PCR quality ratings**

##### **4.1 Objectivity and soundness**

The PCR produced a retrospective matrix. It did a good job in updating a very poor Appraisal log frame that is very vague with few undefined indicators.

##### **4.2 Project implementation**

The PCR adequately covered project implementation. It examined the various implementation stages, analysing the constraints and challenges faced during project implementation.

##### **4.3 Project performance and results**

The PCR was frank with its assessment of project performance and results; it did an in-depth analysis of project performance and gave reasons why the project failed.

##### **4.4 Social and environmental impacts**

In comparison to other parts of the report, the team's analysis of social and environmental impact is poor.

##### **4.5 Project Sustainability**

The PCR's presentation of project sustainability is not as sound as its analysis of other parts of the report.

##### **4.6 Bank, Borrower, and co-financiers performance**

The PCR's assessment of the Bank's performance was guileless; it also gave a robust assessment of Borrower performance.

##### **4.7 Consistency of the PCR overall rating**

The PCR was consistent in its rating of individual components, linking performances to the rates it gave. It was consistent and its remarks adequately clarified the rating given.

##### **4.8 Analysis and Clarity of conclusions, lessons learned and recommendations**

The PCR clearly summarised the project, and gave conclusions on its performance, pointing out the major issues that affected the project's implementation. The PCR gave six key lessons learnt over the project cycle and formulated relevant recommendations to both the Bank and the Borrower.

#### **5. Priority of Project for an activity of Performance Evaluation Report**

In view of the failure of the project, it is recommended that PPER should be undertaken and the issues of project design weaknesses; capacity of the country's institutions as well as Government's ability and willingness not to interfere in future interventions explored for future projects and portfolio management of the country, there are reported under performance of other Bank interventions in the country too.

**PCR QUALITY ASSESSMENT AND RATING**

Project Loan No: **2100150000422**  
Country: **Equatorial Guinea**

Title: **Poverty Reduction Project**  
Sector: **Social**

PCR EVALUATION CRITERIA	RATING (4-point scale)	REMARKS
1. Adequacy of analysis of Project goals, objective and Formulation (including the verifiable indicators, consistency with appraisal and subsequent revisions)	3	The PCR produced a retrospective matrix and updated the Appraisal log frame (that is very vague with very few indicators). The PCR clearly stated all revisions, modifications and the re-launch of the project; it analysed the reasons why some of the reformulated components never took place.
2. Adequacy of analysis of Project execution (including procurement issues, disbursements, Borrower's reporting, and assessment of monitoring and evaluation achievements)	3	The PCR gave a detailed account of the project's procurement, disbursements, reporting as well as M&E. The project faced challenges in each of the various activities mentioned; the PCR explored the various reasons for the challenges at each of these points such as language difficulties, institutional weaknesses, bad governance, lack of knowledge of Bank's procedures as well as poor capacity. The PCR also examined the reasons behind the 3 disbursement suspensions.
3. Soundness of judgments on Project Performance and Results (including operating results, economic and financial and related conditions/covenants and their fulfilment, institutional, performance of consultants, contractors, suppliers and other parties)	3	The PCR was forthright in its analysis of project performance and results. It gave good assessment of reasons why the project failed. Reasons stem from the beginning of the project, weaknesses in the project design; the number of conditions, which were too many to be fulfilled by the borrower making it difficult to fulfil, thus causing delays from project onset. The lack of institutional capacity that was not helped by frequent changes of oversight ministries and government interference resulted in poor PMU that lacked the expertise to handle consultants, contractors and suppliers, all of who unsurprisingly performed poorly as well.
4. Adequacy of analysis of social and environmental impacts	1	The PCR's analysis of social and environmental impact is poor. Even though the project achieved very little and made negligible impact of proposed beneficiaries, the PCR should have elaborated more on the negative impact the non-performance of the project has on the communities. There analysis on environmental impact was also inadequate.
5. Soundness of judgments on project sustainability, plan for future project operation's phase and maintenance	2	The PCR's presentation of project sustainability is not sound
6. Soundness of judgments on Performance of the Bank, Borrower and Co-financiers	3	The PCR was candid in its assessment of the Bank's performance. It pointed out the failures from the start of the project – the Bank not respecting its own project procedures – by formulating a project without the first 2 crucial stages of Identification and Preparation; it highlighted the weaknesses in project design, that has contributed in the delays and some failures of the project; the issue of language barrier where no allowances were made for translation of documents and the subsequent misunderstanding/misinterpreting documents as well as supervision issues (that were rectified). The PCR's gave a robust assessment of Borrower performance; its interference, micromanagement of the project, lack of political will, bad governance, non-compliance of terms of the project, failing to allow NGOs undertake the crucial micro finance component among others, resulting in delays, non-performance and project failure.
7. Consistency of Overall rating with individual rating components	3	The PCR was consistent in its rating of individual components, linking performances to the rates it gave. Its remarks adequately clarified the rating given.
8. Adequacy of analysis and clarity of conclusions, lessons learned and	3	The PCR clearly summarised the project, and gave conclusions on its performance, pointing out the major issues that affected the

recommendations		project's successful implementation. The PCR gave six key lessons learnt covering, loan conditions, irregularity of Bank's missions, irregularity of disbursements, the Bank's awareness of the country's poor capacity which was not taken into consideration, the weaknesses in PMU, among others. The PCR gave good recommendations to both the Bank and the Borrower.
9. Other (Specify)		
<b>Overall Rating</b>	<b>3</b>	<b>Satisfactory</b>

OPEV and Country Department agree/disagree on Project Performance Rating Y/N

**Borrower's PCR and inputs to Bank Staff PCR** (quality of Borrower's PCR, reviews of project implementation issues, future operation plan, Borrower's comments on PCR):

The BPCR highlighted challenges that the project faced from the Bank, for example: project design weaknesses, recurrent delays in processing of procurement documents and requests for disbursement and irregular supervision. The BPCR acknowledged interference from Government in project management. It registered its dissatisfaction with the TA performance which it counts as partly responsible for poor financial management and subsequent disbursement suspensions.

**Conclusion :**

In view of the challenges faced by the project resulting in its failure (as well as other Bank projects that have performed badly in the country), a PPER is recommended for lessons learnt for the planning and implementation of future Bank projects/programmes in the county.

**Priority of Project for Performance Evaluation Report, Impact Evaluation, Country/Sector reviews or Thematic Evaluation Studies:** ( x )

- Project is an adjustment operation
- Project is the first of its type in the sub-sector
- Project is part of series and suitable for cluster evaluation
- Project has innovative features, is large or complex
- Project highly successful or **highly unsuccessful**
- Project has high priority for impact evaluation
- PCR is incomplete/unsatisfactory
- Performance evaluation is required to sector/**country reviews**
- Thematic or special evaluation studies (Specify ) **Fragile states studies**

**Major Issues of focus in the performance evaluation report:**

- a) Project design issues
- b) Capacity of the Institutional Structures within the country to implement such projects and other development interventions in the future.
- c) Government's willingness and ability as well as undertaking to allow projects to be implemented without interference.
- d) Governance and accountability.

**Follow Up Action/Decision:**

In view of the failure of the project, it is recommended that PPER should be undertaken and the issues noted above explored for future projects and portfolio management of the country, there are reported under performance of other Bank interventions in the country.

ANNEX 2				
ASSESSMENT OF IMPLEMENTATION AND BANK PERFORMANCE AND PROJECT RESULTS/OUTCOMES				
Equatorial Guinea: Poverty Reduction Project				
	Component Indicator	PCR Rating (1-4)	Evaluation Rating	Comments
<b>1. IMPLEMENTATION PERFORMANCE ASSESSMENT</b>				
1.1	Adherence to implementation schedule	1	1	The Review note agrees with the PCR rating and remarks that the implementation of the project took over 11 year instead of the planned 5 years.
1.2	Adherence to cost schedule	3	3	The Review note agrees with the PCR rating and remarks which is: the amount earmarked for the procurement of goods and services was not exceeded.
1.3	Compliance with covenants and conditions	1	1	The Review note agrees with the PCR rating and remarks that not all the conditions of the loan agreement were complied with, in particular those relating to premises and the procedures manual. These terms have an impact on project management
1.4	Adequacy of monitoring evaluation and reporting	1	1	The Review note agrees with the PCR rating and remarks that the PMU did not produce regular project status reports. Those produced were not of good quality.
1.5	Satisfactory operations	1	1	The Review note agrees with the PCR rating and remarks that the Bank rejected some bid evaluation reports presented by the PMU, for the procurement of goods and services. The choice of micro-projects was not based on objective criteria.
<b>Total Scores</b>		<b>7</b>	<b>7</b>	
<b>Average Rating</b>		<b>1.4</b>	<b>1.4</b>	<b>Highly Unsatisfactory</b>
<b>2. PERFORMANCE OF THE BANK</b>				
	Component Indicator			Comments
2.1	Identification	1	1	The Review note agrees with the PCR rating and remarks that the Bank did not undertake any identification mission, which a violation of their own procedures. The project however was a logical follow up to the Structural Adjustment Loan.
2.2	Preparation	1	1	The Review note agrees with the PCR rating and remarks that the The Bank did not undertake any preparatory mission which as above is a violation of Bank procedures.
2.3	Appraisal	2	2	The Review note agrees with the PCR rating and remarks that the appraisal mission did not take into consideration the government's ability to fulfill the conditions or the depth of the institutional weakness. Mitigation measures were not included in the risk identification. It did not identify the micro-finance institutions.
2.4	Supervision	2	2	The Review note agrees with the PCR rating and remarks that From project start-up to completion, the Bank fielded 11 supervision missions (i.e. 1.5 per annum) during which major decisions were taken without being implemented by the project.
<b>Total Scores</b>		<b>6</b>	<b>6</b>	
<b>Average Rating</b>		<b>1.5</b>	<b>1.5</b>	<b>Unsatisfactory</b>
<b>3. PROJECT RESULTS/OUTCOMES</b>				
	Component Indicator			Comments
1.	<b>Relevance and achievement of objectives</b>			
1.1	Macro-economic policy	1	2	Although the project is in keeping with the country's macroeconomic policy, but it was only partially implemented.
1.2	Sector policy	1	2	Although the project constitutes a component of the poverty reduction programme it did not have the expected impact.
1.3	Physical (including production)	1	1	Apart from procuring computer equipment and vehicles, the project did not deliver any physical outcomes. None of the training programmes scheduled took place.
1.4	Financial aspect	2	1	Only 39.6% of the loan was disbursed at project that took 11 years

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				to implement instead of the planned 5 years. Only 8.4% of the resources available for micro credit a major project component was utilised.
1.5	Poverty reduction, social impact and gender	2	1	Even though the Appraisal report failed to set a target for micro-projects/credit, number of micro-projects created was very low and those created totally missed the very poor people that the project was set to target. In addition the projects were reported to be unviable.
1.6	Environment	2	2	The Review note agrees with the PCR rating and remarks that there were no direct negative impacts.
1.7	Private sector development	1	1	The Review note agrees with the PCR rating and remarks that contribution by the project to private sector development was negligible.
1.8	Other (Specify)	NA	NA	
	<b>Total Scores</b>	<b>10</b>	<b>10</b>	
	<b>Average Rating</b>	<b>1.42</b>	<b>1.42</b>	<b>Highly Unsatisfactory</b>
<b>2.</b>	<b>Institutional Development</b>			
2.1	Institutional framework including restructuring	1	1	The Review note agrees with the PCR rating and remarks; in addition the weakness of the institutions and government interference made it difficult if not impossible.
2.2	Financial and integrated systems of management including audit systems	2	1	The project had weak financial management and systems, there was no compliance with the accounts management procedures manual; instances of mismanagement and misappropriation of credit resources, staff allowances and recurrent costs. Audit system weak initially weak but rectified.
2.3	Transfer of Technology	1	1	The Review note agrees with the PCR rating as very little or no transfer of technology occurred during project implementation.
2.4	Staffing by qualified/skilled personnel (including turnover), training and counterpart staff.	1	1	The Review note agrees with the PCR rating and remarks that the standard of technical staff of the unit is average. They have been trained but a significant portion abandoned the PMU due to the sanctions affecting the project.
	<b>Total Scores</b>	<b>5</b>	<b>4</b>	
	<b>Average Rating</b>	<b>1.25</b>	<b>1</b>	<b>Highly Unsatisfactory</b>
<b>3.</b>	<b>Sustainability</b>			
3.1	Continued commitment of borrower	1	1	The Review note agrees with the PCR rating and remarks that the Borrower's commitment was not systematic and no poverty reduction strategy was put in place.
3.2	Environmental policy	2	1	There is no evidence of environmental policy
3.3	Institutional framework	1	1	The capacity of the institutions managing the project were weak
3.4	Technical viability and staffing	1	1	No technical know how or expertise demonstrated from staff of the project. Some of the staff were dismissed for misconduct.
3.5	Financial viability (including cost-recovery)	NA	1	With 22% recovery rate from micro finance beneficiaries and bad debts with no prospects of recovering the debts, the financial viability of the project is very low indeed.
3.6	Economic viability	1	NA	
3.7	Environmental viability	NA	NA	
3.8	O & M facilitation (foreign exchange and recurrent cost financing availability, etc)	1	1	The Review note agrees with the PCR rating and remarks that all the project activities ceased to exist. There are no recurrent costs.
	<b>Total Scores</b>	<b>7</b>	<b>6</b>	
	<b>Average Rating</b>	<b>1.16</b>	<b>1</b>	<b>Highly Unsatisfactory</b>
<b>4.</b>	<b>Economic rate of return</b>			

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	<b>Component Indicator</b>	PCR Rating (1-4)	Evaluation Rating	<b>Comments</b>
	<b>OVERALL TOTAL</b>	<b>35</b>	<b>33</b>	
	<b>OVERALL RATING (1-4 above)</b>	<b>1.2</b>	<b>1.28</b>	<b>Highly unsatisfactory</b>

**Sources of Information.**

1. Bank PCR June 2008
2. ADB Operations Manual. 1999
3. The Bank's Project Supervision Reports
4. Supervision Summary Report
5. Country Strategy Paper 96-98
6. Country Portfolio Review 2002