



<b>1. Project Data:</b>		<b>Date Posted :</b> 02/26/2004	
<b>PROJ ID:</b> P007167		<b>Appraisal</b>	<b>Actual</b>
<b>Project Name :</b> Agricultural Sector Reform And Investment Project	<b>Project Costs (US\$M)</b>	56.5	48.53
<b>Country:</b> El Salvador	<b>Loan/Credit (US\$M)</b>	40.0	39.55
<b>Sector(s):</b> Board: RDV - Agricultural extension and research (77%), Central government administration (23%)	<b>Cofinancing (US\$M)</b>		
<b>L/C Number:</b> L3576			
	<b>Board Approval (FY)</b>		93
<b>Partners involved :</b>	<b>Closing Date</b>	12/31/1999	01/31/2003
<b>Prepared by :</b>	<b>Reviewed by :</b>	<b>Group Manager :</b>	<b>Group:</b>
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## 2. Project Objectives and Components

### a. Objectives

The objectives as stated in the Loan Agreement were "(a) to strengthen the Borrower's agricultural sector; (b) to accelerate the generation of more productive and environmentally sustainable agricultural technology; and (c) to contribute to productivity improvements of small and medium farmers."

The President's Report provides more specificity and states the objectives as follows :

The project would provide a vehicle for implementation of the Government of El Salvador's (GOES) Agricultural Sector Development Strategy by assisting GOES to : (a) implement its sector development plans and the agriculture-related part of the National Reconstruction Plan (NRP); (b) strengthen its agricultural public sector through the institutional development, and staff and procedural rationalization, of the Ministry of Agriculture and Livestock (MAG) and the National Agriculture Technology Center (CENTA), and support services privatization; (c) accelerate the generation of more productive and environmentally sustainable agricultural technology through research; and (d) contribute to productivity improvements of small and medium size farmers through agricultural extension.

### b. Components

The project initially had two components :

*Reform and Institutional Development of MAG and CENTA: (US\$16.7 million - 30 percent of project cost).* This had four sub-components. The key element was: (a) institutional strategy and planning (US\$2.9 million), which was to make CENTA an autonomous agency, and enact a new organic law for MAG to define the ministry's new functional responsibilities and institutional structure. The other three elements; (b) human resource management (US\$7.2 million); (c) management information systems and procedures (US\$1.8 million); and (d) construction of MAG headquarters (US\$4.3 million), were to support the institutional changes.

*Agricultural research and Extension (US\$39.8 million - 70 percent of project costs).* This component was to support the establishment of CENTA as an autonomous agency, and selected elements of its programs.

Sub-components were: (a) agricultural research (US\$11.9 million); (b) agricultural extension (US\$17.1 million); and support services for agricultural research and extension (US\$10.8 million).

In 1994, a year after approval, a third component *Improvement of Land Registry and Cadastre Service* was added to update the cadastre and support land registry activities in one department (Sonsonate), and to study improvements in the national land registry system.

In 1998 a further component was added; *Rural Financial Market Development*. However, when the national Legislative Assembly failed to pass the required legislation, this was deleted.

In 1999, following Hurricane Mitch, a fourth component was added, the *Hurricane Mitch Emergency Program*, to assist in the recovery from the agriculture related damage caused by the hurricane. This was subsequently extended in 2001 to include damage from two earthquakes "without limitation to the rural sector".

### c. Comments on Project Cost, Financing and Dates

At completion, expenditure on the four components was as follows :

- Reform and institutional development - US\$15.29 million (92 percent of the appraisal estimate), or 31 percent of final expenditure;
- Research and extension - US\$15.03 million ( 38 percent of the appraisal estimate), or 31 percent of final expenditure;
- Land registry - US\$7.16 million, or 15 percent of final expenditure; and
- Hurricane Mitch emergency - US\$ 11.05 million, or 23 percent of final expenditure .

Disbursements, particularly on research and extension, lagged throughout, and the closing date was extended for a total of 37 months, primarily to allow work on the Hurricane Mitch emergency program to proceed .

### 3. Achievement of Relevant Objectives:

*Implementing the agriculture elements of the NRP:* During the project period, GOES undertook major liberalization of the agricultural sector and focused its support on the public goods elements of agricultural services (e.g. policy and certification) and on eliminating the public sector monopoly in the provision of services such as extension .

*Strengthen the agricultural public sector:* the reformed MAG has become a facilitator of development, limiting its regulatory role to activities such as certification of products and licensing . CENTA has focused its attention on services for smaller farmers, disengaging from providing research and extension services for commercial farmers, who can finance their own requirements . The pilot operation on cadastral survey helped regularize and clarify land ownership rights and led to a larger national, Bank funded project .

*Agricultural technology improvement:* the research program focused on a range of technologies, moving towards higher value products suitable for small-scale operations, but the impact of this effort is not clear from data presented in the ICR.

*Improving productivity of smaller-scale farmers:* data indicate an increase of 20 percent in yields of cereals (a key product for small-scale farmers) in El Salvador, indicating productivity improvements among small operators . This performance is significantly better than those of neighboring countries,

### 4. Significant Outcomes/Impacts:

*Institutional development of MAG.* The project helped define a new legal framework for MAG that clarified its role; supported the implementation of the revised law in formulating agricultural sector policy and regulating important activities and evaluation of the sector; and facilitated the implementation of the new role of the ministry, including by reducing the excessive proportion of non-technical staff. To help improve agricultural policy, MAG established a unit that was instrumental in preparing, prioritizing, and sequencing reforms that supported the institutional transformation of MAG.

CENTA was restructured as an autonomous institution responsible for both research and extension . The ratio of technical to non-technical staff was likewise reduced, and salaries reduced as a share of expenditure .

*Land registry.* The pilot operation computerized the registry and cadastre operation in Sonsonate . The major impacts of this effort were to increase legal security of land holdings in the region, improve efficiency in the provision of services (especially certification of registry), and to allow for more rapid resolution of land disputes . The benefits from the improved service levels allowed the imposition of user fees that covered the counterpart funding requirements. Based on the initial experience a project covering the whole country was prepared, and was approved in 1996.

*Hurricane Mitch* The component assisted GOES to respond quickly to the damage done to the agriculture sector, especially to publicly supported infrastructure and programs, such as rural roads and bridges, irrigation, drainage and flood control works. MAG and CENTA buildings and equipment were restored and they carried out emergency programs to counter potential animal diseases, and provide seedlings, young stock, and fish fingerlings to assist small farmers recover their production losses . About 80,000 families who had suffered losses from Hurricane Mitch, and almost 30,000 families, who were victims of the earthquakes benefitted .

### 5. Significant Shortcomings (including non-compliance with safeguard policies):

A significant element of the objectives of the project was to focus CENTA's activities on issues of importance to small and medium farmers. There was a significant shortfall in expenditure on this component (which was to have amounted to 70 percent of the total). The ICR suggests, but does not state clearly, two reasons for this, both of which would represent shortcomings in the project's outcome .

One reason for the shortfall was that CENTA obtained funding from other sources, but this was linked to frequent changes in CENTA's priorities and loss of focus . The other sources of funds are not noted This may mean that CENTA was more responsive to the wishes of those able to 'pay' (i.e. commercial farmers) than is suggested in the ICR and, thus, CENTA did not focus on the needs of small farmers to the extent intended .

Alternatively, other donors substituted directly for Bank funding, which would mean that the scale of the component was over designed in relation to the real needs .

These issues raise considerable doubts about the overall outcome of the switch to autonomous status for CENTA that should be examined in a follow-up assessment.

6. Ratings :	ICR	OED Review	Reason for Disagreement /Comments
<b>Outcome :</b>	Satisfactory	Moderately Satisfactory	[The ICR's 4-point scale does not allow for a "moderately sat." rating]. Uncertainty on the performance of the CENTA component (see Sections 5 and 9).
<b>Institutional Dev .:</b>	Substantial	Substantial	
<b>Sustainability :</b>	Highly Likely	Highly Likely	
<b>Bank Performance :</b>	Satisfactory	Satisfactory	ICR rates the Bank performance as "marginally satisfactory". This review agrees with that judgement because of the shortcomings in project design .
<b>Borrower Perf .:</b>	Satisfactory	Satisfactory	
<b>Quality of ICR :</b>		Satisfactory	

**NOTE:** ICR rating values flagged with '\*' don't comply with OP/BP 13.55, but are listed for completeness.

#### 7. Lessons of Broad Applicability:

The ICR reports several lessons of general applicability, including :

- Institutional reforms are more successful when there is unwavering commitment from the government for a sustained period of time and reforms are done incrementally and in sequence .
- Priorities in agricultural research and extension are dynamic and project design must create sufficient flexibility to allow activities to respond to the changing needs of the farmers .
- There may be advantages in packaging institutional reforms and sectoral investments as separate operations to avoid complexity and overloading implementation capacity .

#### 8. Assessment Recommended? ☒ Yes ☐ No

**Why?** To examine the impact of the transformation of CENTA into an autonomous institution, see Sections 5 and 9.

#### 9. Comments on Quality of ICR:

The ICR is rated as satisfactory, but it is long and rather diffuse . It contains a great deal of material, but this is often difficult to link to the project objectives . This is partly a reflection of the original project design, especially the generality of the stated objectives (particularly in the Loan Agreement), and the diffuseness of the project activities, especially as augmented during implementation . As a result, for example, the ICR does not satisfactorily explain the shortfall in expenditures on research and extension and its consequences . It is not clear whether the executing agency, CENTA was able to achieve the initial objectives at much lower cost than anticipated, or whether there was redundancy in the original design, or shortfalls in achievement of the objectives .