



1. Project Data:		Date Posted : 06/20/2003	
PROJ ID: P000752		Appraisal	Actual
Project Name: Seed System Development Project	Project Costs (US\$M)	31.00	20.50
Country: Ethiopia	Loan/Credit (US\$M)	22.10	11.80
Sector(s): Board: RDV - Central government administration (37%), Agricultural extension and research (34%), Agricultural marketing and trade (29%)	Cofinancing (US\$M)	5.70	2.50
L/C Number: C2741; CP590; CP669			
	Board Approval (FY)		95
Partners involved : IFAD	Closing Date	12/31/2000	09/30/2002
Prepared by :	Reviewed by :	Group Manager :	Group:
Ridley Nelson	John R. Heath	Alain A. Barbu	OEDST
2. Project Objectives and Components			
a. Objectives			
The project objective was : "to contribute to the national goal of increasing agricultural production and productivity by laying the foundation for the development of a broad-based and competitive seed industry that draws its strength from both the formal and informal seed systems ." The project sought to achieve this objective by strengthening institutions, developing the informal seed sector, encouraging private sector entry, and restructuring the Ethiopian Seed Enterprise (ESE) from a parastatal to a decentralized commercially-oriented enterprise.			
b. Components			
1. Seed Enterprise Development (US\$17.2 m): including an informal sector seed multiplication scheme, support for the Ethiopian Seed Enterprise, and encouraging private sector entry . 2. Capacity Building (US\$ 13.8 m): including institutional strengthening through provision of equipment and vehicles, staff, seed storage, upgrading 9 Breeder Seed Stations, quality control and seed certification, a study for a national seed reserve, and the restructuring of ESE. Following approval of the project the government proposed a much more ambitious program to promote the informal sector through the Farmer Based Seed Production and Marketing Scheme (FBSPMS) with IFAD as a parallel financier.			
c. Comments on Project Cost, Financing and Dates			
The project was extended by nearly two years to complete ongoing tasks and complete importation of equipment .			
3. Achievement of Relevant Objectives:			
The project was largely successful in establishing regulation and enforcement capacity, in developing the informal sectors to respond to demand, and supporting farmer knowledge and seed access . However, it was only partly successful in developing the formal sector, being unsuccessful in promoting greater formal private sector involvement. There was one private company at the start - a branch of Pioneer - and there remains one today . Potential investors still find it too risky despite an improved investment environment . There is lack of capital and distribution channels and competition for seed supply through the National Extension Intervention Program .			
4. Significant Outcomes/Impacts:			
All policy reforms were implemented including removal of subsidies and deregulation of seed prices . There are now no direct commercial seed subsidies but some cross-subsidization between crop types . Technical skills were enhanced. Production of seeds under the FBSPMS increased from 1,100 tons in 1997 to 47,000 in 2001, 21% above target. The ICR argues that this contributed to the doubling of cereal production over six years . 54,000 farmers participated in the scheme. About 16,000 farmers participated in training courses. The ESE was restructured and has generally made a profit although implementation of the institutional reforms was slow . Variety release time was reduced.			
5. Significant Shortcomings (including non-compliance with safeguard policies):			
Notwithstanding the substantial seed production increases there are questions raised in the ICR about improved variety utilization and demand and about the benefits of the more costly FBSPMS - more a grain producing program			

than a seed producing program - over the secondary seed multiplication scheme . Supply seems to have overshot demand and over half the certified seed was consumed rather than used for planting . Only about 40 percent of output can be identified with certainty as having being used for seed . Farmer to farmer exchanges of seeds fell after 1997. Varieties produced and varieties demanded did not match well . Contrary to expectations of a large variety of crops, in the event 96 percent were cereals. The impact of conflict with Eritrea in 1998-1999 was significant. The production of basic seed did not go up and variety yield potential did not go up over the project life . It was largely the distribution that improved. The economic analysis methodology in the SAR was found to be questionable by the ICR, and, although no re-estimate of the ERR itself is reported in the ICR, the NPV of the benefits estimated is far below the NPV of the costs suggesting that an IRR or ERR would be substantially negative .

6. Ratings :	ICR	OED Review	Reason for Disagreement /Comments
Outcome :	Satisfactory	Moderately Unsatisfactory	The fact that the IRR is negative calls for a downgrade of the rating to Moderately Unsatisfactory notwithstanding substantial progress on the enabling environment and technical skills.
Institutional Dev .:	Modest	Modest	
Sustainability :	Likely	Likely	Due to government's demonstrated commitment and an assumption of better market demand projections.
Bank Performance :	Unsatisfactory	Unsatisfactory	As indicated in the ICR, notwithstanding elements of good performance, the Bank was slow to respond to emerging issues. The Bank accepted the new FBSPMS too readily, without an assessment of market demand, and lost opportunities to deal with deeper structural issues.
Borrower Perf .:	Satisfactory	Satisfactory	Performance in implementation was mixed, and the FBSPMS may have been a mistake, but, unusually, government provided more counterpart funds than initially planned, suggesting strong commitment and significant policy gains were made.
Quality of ICR :		Exemplary	

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 draws sound lessons including (with some modification):

1. Substantial modification of subcomponents should be subject to the same scrutiny as the original project design .
2. Thorough market demand analysis is important when supply is being substantially increased .
3. Product marketing is important.
4. Informal seed multiplication systems operating farmer to farmer may be more cost -effective than formal ones.
5. Planning of transitional arrangements should start well in advance of project closure .

8. Assessment Recommended? Yes No

9. Comments on Quality of ICR:

While there are one or two confusing cost figures, in the Cost Tables (or perhaps missing explanatory footnotes?), overall this is a very impressive and thorough ICR with exceptional frankness and analysis and soundly drawn lessons. The focus on economic analysis assumptions is unusual . The lessons are clear and very well formulated . OED rates the poor economics quite heavily in the outcome rating, hence the rating difference on outcome .