



<b>1. Project Data :</b>		<b>Date Posted :</b> 08/03/2000	
<b>PROJ ID:</b> P006612	<b>OEDID:</b> L3528	<b>Appraisal</b>	<b>Actual</b>
<b>Project Name :</b> Irrigation Development	<b>Project Costs (US\$M)</b>	118.66	100.87
<b>Country:</b> Chile	<b>Loan/Credit (US\$M)</b>	45.00	12.8
<b>Sector, Major Sect .:</b> Irrigation & Drainage, Agriculture	<b>Cofinancing (US\$M)</b>		
<b>L/C Number:</b> L3528			
	<b>Board Approval (FY)</b>		93
<b>Partners involved :</b>	<b>Closing Date</b>	06/30/1999	06/30/1999
<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

Improve the operation and efficiency of existing schemes and future development of the irrigation sector;

1. Strengthen the capabilities of water user groups (WUA) ;
2. Improve the allocation and sustainability of investment in irrigation;
3. Enhance the welfare of small farmers especially in poor areas;
4. Recover capital costs for public investments from project beneficiaries .

### b. Components

Infrastructure : investment in rehabilitation and modernization of existing irrigation schemes and construction of new small/medium sized schemes - \$ 86.29 million (including a \$1 million institutional sub-component.)

1. Agricultural Development : support services for irrigated agriculture, oriented to the needs of small farmers - \$12.72 million
2. Strengthening User Groups - technical support for water users' groups to increase technical and administrative capacities and regularize water titles - \$1.86 million

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

The total project cost of \$100.87 million in the ICR is \$ 14.50 million higher than that reported by the borrower (\$ 86.30 million.) Most of the difference is accounted for by construction costs (\$13.48 million higher according to the Bank.) Some of the discrepancy is due to new costs incurred in the first half of 1999, but the difference in construction cost is entirely due to investments financed under the Irrigation Development Law that were not presented to the Bank for reimbursement but were part of total project costs . A project was finally identified in 1991 after several unsuccessful efforts in the preceding 8 years. In 1997 the Bank canceled \$31 million (69%) of the loan at the request of the Government.

## 3. Achievement of Relevant Objectives :

1. Operation and efficiency - increased agricultural productivity and canal-flow capacity are claimed but no evidence of increased production is presented. The project rehabilitated 138,500 ha, compared to a target of 100,000 ha, while the expansion of irrigated area was 10,023 ha compared to a target of 10,000 ha.
2. Compared to a target of 19 new and 35 rehabilitation/modernization sub-projects, achievements were 2 and 21 respectively. However 18 sub-projects ( 6 new and 12 rehabilitation) are ready for final design. New projects were larger than planned.
3. Agricultural Development - the main achievement was the establishment of Validation Centers and Demonstration Modules benefiting 91,000 ha of the irrigated area rehabilitated (actual expenditures were over 3 times the amount planned.)
4. Strengthening of user groups - water rights titles were established for most of 450 user groups;
5. Cost-recovery - one sub-project has reached maturity and payments are being made in full through an explicit invoice using the same mechanism as for rural property taxes .

## 4. Significant Outcomes /Impacts:

1. Although not an explicit objective, there has been a major improvement in coordination between institutions and the formation of an inter-ministry coordinating committee (CDS);

2. The project introduced a demand- based procedure for government financed irrigation projects based on participation and repayment. Good capital cost-recovery has been achieved in the first system by use of a supplement to the land tax.
3. There is anecdotal evidence of increases in agricultural productivity through improved irrigation management .

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

1. The project was poorly monitored and extremely expensive to the Bank in terms of staff time over 15 years, which includes earlier unsuccessful attempts to formulate a project . While considerable institutional progress was made and both cost-recovery and participation addressed, the target group of small farmers and strengthening of their user groups was only partially achieved . The project was envisaged as leading a new initiative to define a broader role for the public sector in irrigation investment and support . Although demand was high physical investments were constrained by budgetary restrictions . Only 4 of 13 areas (containing 450 farmer groups) received the promised training and capacity building . The arrangements seemed complex with 3 components and 9 sub-components. The Bank only financed 4 of the 9 but the ICR fails to identify which ones.
2. Although a borrower report was prepared there was no annexe in the ICR and we do not know what changes in cropping patterns and yield have taken place in the project areas .
3. Limited achievement of cost recovery so far ;
4. The design of the project did not identify any mechanism providing a causative chain of effects from paying a property tax, cost-recovery, financing of efficient investments, to improved irrigation performance .

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
<b>Outcome:</b>	Satisfactory	Marginally Satisfactory	Insufficient convincing evidence of achievement of WUA strengthening, improved allocation/sustainability of investments, enhanced welfare of poor farmers or improved irrigation performance through cost-recovery.
<b>Institutional Dev .:</b>	Substantial	Substantial	
<b>Sustainability:</b>	Likely	Uncertain	One case is an insufficient basis for concluding sustainability is likely .
<b>Bank Performance:</b>	Satisfactory	Unsatisfactory	The Bank approved the project on the grounds of assistance to poor farmers, strengthening WUA and sustainability through cost recovery - achievement of these objectives is not convincingly demonstrated.
<b>Borrower Perf .:</b>	Satisfactory	Unsatisfactory	Weak Government commitment in terms of funding, incentives and focus on small farmers/ user groups
<b>Quality of ICR:</b>		Unsatisfactory	

**7. Lessons of Broad Applicability :**

1. Involvement of users throughout the project cycle is not costly and pays handsome dividends;
2. All stakeholders, including sub-national governments, should be included even if they are not the source of investment funding;
3. Capital cost-recovery by taxation should not automatically be treated as a necessary nor a sufficient condition for improved irrigation performance;
4. If government funding is not forthcoming and demand for external finance decreases, the Bank should consider termination, instead of going through the motions of completing a problematic project .

**8. Audit Recommended?** ☒ Yes ☐ No

**Why?** Chile is often cited as a example of the effectiveness of market -friendly initiatives in water resources management. This project was primarily justified as addressing the role of the public sector and of promoting the interests of small and poorer farmers - its impact should not be a matter of indifference .

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

The ICR is repetitive and lacks clarity - the SAR was far better. The project has changed staff many times and the ICR shows signs of information fatigue - there is little to show in terms of evidence of achievement of the major

objectives although the region claims there is a wealth of information on PROMM's activities - if this was the case then why was there no economic analysis? No details of how cost recovery was supposed to lead to improved irrigation performance are presented. Lessons learned are not articulated.