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Report No. 1319

PROJECT PERFORMANCE AUDIT REPORT
SENEGAL AGRICULTURAL CREDIT PROJECT
(LOAN 584-SE, CREDIT 140-SE)

October 20, 1976

Operations Evaluation Department

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SecM76-709/1

FROM: The Secretary

October 22, 1976

PROJECT PERFORMANCE AUDIT REPORT

Senegal Agricultural Credit Project (Loan 584-SE, Credit 140-SF)

Corrigendum

Footnote 2 of page A.9 of Operations Evaluation Department Report No. 1319 ["Project Performance Audit Report - Senegal Agricultural Credit Project (Loan 584-SE, Credit 140-SE)"], distributed on October 20, 1976 (SecM76-709) should be deleted. The Annex to which it refers is not part of the Report.

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PREFACE

This report presents the results of an audit of the First Agricultural Credit Project in Senegal. The agreements were signed in February 1969 and supported by Loan 584-SE of US\$3.5 million (cancelled in March 1971) and Credit 140-SE of US\$6.0 million (closed, fully disbursed, in April 1976). The audit was based on the Project Completion Report (PCR) issued by the Western Africa Regional Office in March 1976, a review of Bank files, discussions with Bank staff, and the findings of an audit mission which visited Senegal in December 1975. Comments on a draft version, received from Government agencies and from Bank staff, are reflected in this report.

The project's unimpressive outcome, largely determined by the exceptional sequence of droughts which coincided with the project period, but also reflecting unsuccessful institutional reform, is accurately and objectively analyzed in the evaluative sections of the PCR included in this report. The Summary and Conclusions section, presented next, is an amplified version of the summary originally included in the PCR. The rest of the memorandum discusses matters involving the Bank in which OED believes performance under the difficult circumstances nevertheless could have been improved and on which some points have to be added to those in the PCR.

The excellent cooperation provided by the staff of the organizations involved in the project and the representatives of the Senegalese Government is gratefully acknowledged. In particular, OED wishes to mention the Commission de Vérification des Comptes et de Contrôle des Etablissements Publics, the Senegalese agency in charge of evaluation, for its contribution to this project review.

PROJECT PERFORMANCE AUDIT BASIC DATA SHEET

SENEGAL: FIRST AGRICULTURAL CREDIT Project

Amounts (in US\$ mln)

	Original	Disbursed	Cancelled	As of 12/31/75	
				Repaid	Outstanding
Loan <u>504-SE</u>	3.5	-	3.5	-	-
Credit <u>140-SE</u>	6.0	5.9	-	-	-
	<u>9.5</u>	<u>5.9</u>	<u>3.5</u>		

Project Data

	Original Plan	Major Revisions (November 1970)	Actual or Est. Actual
Conception in Bank	/		/1969
Board Approval	/		1/14/69
Loan/Credit Agreement	/		2/10/69
Effectiveness	<u>5/12/69</u>		<u>6/25/69</u>
Physical Completion	<u>6/72</u>		<u>6/75</u>
% of original project actually completed	<u>42 %</u>		<u>56 %</u>
Loan/Credit Closing	<u>12/31/72</u>		<u>NYFD</u>
Total Costs (mln)	<u>US\$ 24.1</u>		<u>US\$6.0</u>
Econ. Rate of Return	<u>25 %</u>		<u>n.a.%</u>

Mission Data

	Month, Year	No. of Weeks ^{1/}	No. of Persons ^{2/}	Manweeks (estimates)	Date of Report
Identification	3/66				
Preparation I	11/66	?	2	4	2/20/67
Preparation II	3/67	?	1	2	
Appraisal	7-8/67	2.5	4	10	
Reappraisal I	12/67	?	2	4	
Reappraisal II	5/68	2	3	6	12/1/68
Subtotal				<u>28</u>	
Supervision I	2/69	3	2	4	3/17/69
Supervision II	6/69	1	2	2	8/25/69
Supervision III	11/69	1	1	1	1/15/70
Supervision IV	5/70	2	2	4	6/10/70
Supervision V	11/70	?	1	2	2/5/71
Supervision VI	4/71	2	2	3	5/18/71
Supervision VII	11/71	2	4	6	11/24/72
Supervision VIII	5/72	2	2	4	7/1/72
Supervision IX	11/72	1	3	3	1/11/73
Supervision X	12/73	1	2	2	2/15/74
Supervision XI ^{3/}	9/74	2	2	4	11/25/74
Supervision XII	3/75	2	3	4	5/9/75
Total				<u>30</u>	

Follow-on Project

Credit 404 of US\$ 8.2 mln, signed 6/25/73 for Second Agricultural Credit Project

Date of Conception in Bank is date Bank first recorded project was being considered for financing and began to follow up that decision in a serious continuous way (Project Negotiations or Country General Files). Actual Loan/Credit Closing Date is date of last disbursement out of the loan and/or credit, as given by Controller's Department data.

^{1/} Including supervision of Phase II project.

^{2/} Including staff part time.

^{3/} As from mid-1974, additional short follow-up missions have been made.

Project Performance Audit Report

SENEGAL AGRICULTURAL CREDIT PROJECT

(Loan 584-SE, Credit 140-SE)

Highlights

The Senegal Agricultural Credit Project aimed at increasing the groundnut and millet production of small farmers living in the main groundnut producing area of Senegal. The project consisted of a directly productive component: credit for simple inputs, such as seed, fertilizer and animal-drawn equipment, and an institution-building component: strengthening of the Government organization in charge of input distribution and groundnut marketing, and of the extension services.

The objectives of the project's directly productive component were not achieved because of an exceptional sequence of severe droughts and an inappropriate price ratio between groundnuts and fertilizers. The reform of the input distribution and marketing organization failed because of insufficient Government support, poor performance by the consultants, and inadequate IDA supervision in view of the particular problems involved. These disappointments in the first project period do not mean that subsequent projects, with the return of normal weather conditions, could not improve the performance. Nevertheless, the project area remains a most difficult one in which to plan for major technical change under rainfed conditions.

The following issues may be of particular interest:

The importance of Government priorities at project appraisal (para. 2.08)

Uncertainties with regard to the rate of return estimates (paras. 1.09, 2.07, 2.09-2.12, PCR para. 4.01)

Significance of technical factors (paras. 2.13 and 2.14, and PCR para. 2.06)

Impact of weather conditions (paras. 2.01, 2.10, 2.11, PCR paras. 2.02 and 2.05)

Competitive bidding and procurement procedures (para. 2.15, PCR para. 5.03)

Role of consultants (paras. 2.18-2.20, PCR paras. 3.13, 3.21)

Pricing Policy (para. 2.23, PCR para. 2.02)

Lack of thoroughness of supervision (paras. 1.07, 1.10, PCR para. 3.14)

Ineffectiveness of project coordinating committee (PCR para. 3.16)

Difficulties inherent in institution-building efforts under Bank projects (paras. 2.07, 2.16-2.18, 2.22, PCR para. 3.14)

Presentation of political aspects of projects in Bank reports (para. 2.21)

Uncertainties related to small farmer projects (para. 2.24)

Project Performance Audit Memorandum

SENEGAL FIRST AGRICULTURAL CREDIT PROJECT (Loan 584-SE/Credit 140-SE)

I. SUMMARY AND CONCLUSIONS

1.01 The First Agricultural Credit Project was appraised in 1967-68 and was the earliest agricultural project financed by the Bank Group^{1/} in Senegal. The agreements were signed in February 1969 and the project became effective in June 1969. Originally a Bank loan of US\$3.5 million and an IDA credit of US\$6.0 million were approved. Following poor project results in the 1969/70 cropping season, the project was revised in November 1970 and the loan was entirely cancelled. Further minor adjustments were made in 1972. Farmers' demand for credit increased significantly in 1972, and, as a result, a US\$8.2 million credit was signed in June 1973 in support of the Second Agricultural Credit Project.

Project Design

1.02 The main objective of the First Agricultural Credit Project was to sustain increases in farmers' income and Government revenues during a period of declining export prices due to the loss of privileged markets in France. To achieve this objective the project sought, within the three-year period 1969/70 through 1971/72 (extended later by one year): (a) to increase land cultivated in the project area by 25% from 2 to 2.5 million ha, basically by expanding farm size and increasing the use of draft-animals and animal-drawn equipment (the project area comprises about 85% of the important "groundnut basin" in which some 60% of Senegal's rural people live); and (b) to increase yields, over the same time span, by about 25% for groundnuts and about 5% for millet, through the use of fertilizers and farm equipment. The planned increase in cultivated area and yields was expected to lead, after three years, to annual production increments of 390,000 tons of groundnuts and 90,000 tons of millets, increases of 50% and 25%, respectively, over pre-project levels. These increments were expected to provide Senegal at full project development with an incremental net economic benefit of US\$14 million annually.

1.03 The project can be conveniently divided into two parts. First, a directly productive component involving the financing of farm inputs to be supplied to farmers on credit through local cooperatives. These inputs consisted of fertilizers, simple animal-drawn seeders, hoes, lifters and carts, and some draft animals. Bank funds were to be on-lent only for the farm equipment. Second, an institution-building component, for assisting SODEVA, the agricultural extension service; and for reorganizing ONCAD, the Government agency which sponsors cooperative development and is responsible for the supply of agricultural inputs and groundnut marketing. Thirty percent of the IDA credit (but none of the IBRD loan) was assigned to this component. In 1970 technical assistance was also included for the reorganization of BNDS, the national development bank, whose performance had deteriorated.

^{1/} The word "Bank" is used throughout the report to represent the world Bank group, including IBRD and IDA.

Project Implementation

1.04 The directly productive component, in terms of farm equipment, animals and fertilizer sales, was much smaller than originally planned. It is reasonably clear that appraisal objectives were overly optimistic. Sales, however, would have been larger than they actually were if project implementation had not coincided with both the onset of an exceptional Sahelian drought as well as a sharp cut in producers' groundnut prices. The volume of farmers' project credit reached about 26% of the original target over the initial three-year project period, and 43% including the fourth year. Bank funds for farm implements are estimated to have been used, during this period, primarily for maintenance of the stock of equipment at its pre-project level, rather than expansion (Annex A). Since the end of the four-year project period, however, equipment and fertilizer sales have increased steadily in response to better growing conditions and more favorable prices for groundnuts. With respect to the technical assistance contracts, these were completed approximately as planned: about 85 man-years of foreign technical assistance were financed under the project.

Project Costs

1.05 In general, unit costs did not differ significantly from the appraisal estimates, except for fertilizers, whose unit cost rose by 30% over the four-year investment period. Total project costs over this period were US\$6.0 million or 25% of the appraisal estimate. The main difference stems from the decline in annual fertilizer sales, which, instead of being US\$3.44 million more than in the four years preceding the project period, were in fact US\$6.0 million less. Excluding the decline in fertilizer sales, actual project costs were about 60% of the appraisal estimate. Expenditures for technical assistance were actually 48% of Bank disbursements. The following table shows the overall picture.

PROJECT COSTS AND ALLOCATION OF BANK FUNDS
(Loan 584-SE/Credit 140-SE)

	<u>Appraisal</u> ^{/a}		<u>Bank Funds</u> mln	<u>Actual</u> ^{/b}		<u>Bank Funds</u> mln
	<u>CFAF</u> bln	<u>US\$</u> ^{/c} mln		<u>CFAF</u> bln	<u>US\$</u> ^{/c} mln	
I. <u>Farm Inputs</u>						
Implements	2.36	9.44	6.92	1.52	6.33	3.11
Animals	1.50	6.00	-	0.08	0.32	-
Fertilizers	<u>0.86</u>	<u>3.44</u>	-	<u>-1.44</u>	<u>- 6.00</u>	-
Subtotal	<u>4.72</u>	<u>18.88</u>	<u>6.92</u>	<u>0.16</u>	<u>0.65</u>	<u>3.11</u>
II. <u>Technical Services</u>						
ONCAD Management	0.69	2.75	1.75	0.71	2.96	1.93
SODEVA Coop. Services	0.63	2.52	0.70	0.58	2.43	0.73
Other	-	-	-	<u>0.05</u>	<u>0.22</u>	<u>0.18</u>
Subtotal	<u>1.32</u>	<u>5.27</u>	<u>2.45</u>	<u>1.34</u>	<u>5.61</u>	<u>2.84</u>
Total	<u>6.04</u>	<u>24.15</u>	<u>9.37</u> ^{/d}	<u>1.50</u>	<u>6.26</u>	<u>5.95</u>

/a At the appraisal exchange rate of US\$1 = CFAF 246.85.

/b As of December 1975.

/c At the average exchange rate of US\$1 = CFAF 240.

/d Exclusive of US\$130,000 contingencies.

Project Impact

1.06 Production objectives have not been reached: for millets, statistics indicate only marginal increases in production; for groundnuts, both area planted and yields dropped, during the project investment period, significantly below pre-project levels. In 1974/75, groundnut production began to increase sharply, though it is now expected by 1975/76 only to regain the all time high record of 1965/66. No farm level data are available to measure the number of project beneficiaries and the actual farm-level effects of the project. Macroeconomic data suggest that average farm income decreased in real terms until 1973 and increased thereafter. Because of the farmers' precarious situation, their debts were cancelled in two of the years since project initiation. Government's income increased over the 1967-73 period because the 70% rise in world market prices for groundnuts more than compensated for the drop in production and the loss of the French privileges. It would appear that the farm credit component had limited impact on the level of production in the project period: the implements, in other words, only marginally protected the farmer from shortfalls in yields and cultivated area due to the severe droughts. The increase in Government income is therefore also not entirely attributable to the project. Subsequent improvements will not offset these early losses in an analysis of overall returns, for this particular investment period.

1.07 The project's institution-building component was largely unsuccessful. SODEVA and, to a lesser extent, BNDS did benefit from provisions made under the project as well as from Bank supervision. For ONCAD, however, which received the bulk of the funds provided under this component, the situation was different: its accounts remained in disorder throughout the project period and, while certain improvements had been made by the end of 1975, many of ONCAD's procedures and operations were still inefficient, and its financial situation is described by the latest supervision mission as gloomy. An important contributory cause was the inability of the consulting firm employed to assist ONCAD, and of the Bank, in its supervisory role, to develop satisfactory solutions to ONCAD's problems and to induce Government to adopt such solutions.

1.08 It seems clear that at appraisal the Bank underestimated the seriousness of two overriding constraints to ONCAD's efficient operation: unsuitable administrative regulations combined with undue Government interference in day-to-day management. It is a matter of conjecture whether more detailed Bank supervision of the activities of the consultants and ONCAD alone could have produced better results during the first project. Greater success would probably have been attained only if the Bank at appraisal had assured Government's commitment to the reorganization effort, and agreed with Government to the breakdown of the consultants' work into a number of discrete tasks, each with its own timetable for completion, review of results by the Bank, and decision on the implementation of recommendations. Under such arrangements the validity of the consultants' proposals and the preparedness of ONCAD and Government to make changes would have become clearer early enough for the Bank to be in a position to argue successfully for modification of the consultants' role or the project scope. The consultants

were engaged in the unenviable task of studying a complex situation, making proposals and assisting ONCAD in implementing those few the Government chose to accept, abandoning the rest of the package. Given these circumstances, and the consultants' propensity to provide voluminous and generally optimistic reports, the Bank at no time had a clear picture of the consultants' progress. At the same time, though the consultants' performance has been properly criticized, and though the Bank's interventions were insufficiently focused and generally ineffective, the fundamental difficulty was clearly the Government's inability to set the ONCAD operation in order.

1.09 At appraisal, the project's economic return was estimated, on the basis of regional production data, at 25%. When the second project was appraised in 1972, its economic rate of return was calculated, on the basis of farm budget analysis, but without taking into account the regular occurrence of droughts, at 22%. The PCR may leave the impression that 22% is a reasonable updated estimate of the rate of return on the first project, but this impression would be erroneous. As mentioned, the farm implements seem to have had no significant impact on the level of production in the years of drought. Also, while funds expended on SODEVA and BNDS were largely justified, those used to provide technical assistance to ONCAD (about US\$3 million) must be considered to a large extent wasted. In view of the lack of success of both the directly productive component and the main institution-building component, OED estimates that the actual rate of return of the first project will be close to 0%. The return on the second project will apparently be higher.

Bank Reporting

1.10 Although the outcome of the project was largely determined by extraneous factors, such as exceptional climatic conditions and an unfavorable national pricing policy over which the Bank has little direct control, it is unlikely that the project, even under more favorable conditions, would have achieved the optimistic targets set at appraisal. The Bank seems to have become actively involved in this project, despite an initial determination that the project was of doubtful economic viability, because the Government of Senegal strongly requested assistance for this program, to which it attached highest priority. The Bank could have presented the proposal for approval in these and other terms that were less dependent on a demonstration of high quantifiable economic payoff. Indeed, partly on welfare and non-economic grounds, and partly because there were no more attractive alternative approaches to the problems of the groundnut basin, a good case was already available. Instead the Bank reported a high forecast rate of return, and supervision remained, until the end of 1974, devoid of the particular attention warranted by such a difficult and risky undertaking, this notwithstanding an adequate frequency of supervision visits of half-year regularity. The misrepresentation of many unknown or uncertain elements in a project design that exudes confidence and economic value is most noticeable in the handling, in the appraisal report, of estimated project benefits, of the project's technical basis, of procurement, and of the relative roles of the three project organizations. The illusion of a project relatively free of serious, resistant problems carries through into supervision of progress under the first project and the preparation of the second project, especially in the diligence of review of the performance of ONCAD and ONCAD's consultant and of the Government's pricing policies. Each of these points is developed in the second section of the memorandum.

Reassessment

1.11 By 1974, both the Government and the Bank started to take a closer look at the institutions involved in the project. In this respect, the detailed analyses of ONCAD and BNDS by the Commission de Vérification des Comptes et de Contrôle des Etablissements Publics (CVCC), the Government's evaluation unit, have greatly contributed to the assessments of the roles played by these institutions. The PCR's forthright discussion of the project's many problems is an example of the changing viewpoint. Of the projects which OED has audited to date, this has proven to be one of the most difficult to understand in terms of the relative importance and interaction of the forces which determined the actual course of events, and from which to draw lessons for future operations.

1.12 The project addressed itself to a priority problem of the Senegalese agricultural sector. The disappointing results of the project's productive component are not to be construed as evidence that the basic underlying principle - involving the distribution of better groundnut seeds, more fertilizers and simple animal-drawn tools to small farmers supported with technical assistance - was incorrect. With appropriate changes in the institutional set-up, which the Bank has recognized and is now applying in other projects in Senegal, better results could be obtained in the future. The project also contributed to placing BNDS, the country's development bank, on a sounder financial basis. BNDS staff feel that the Bank's positive contribution was restricted to the assistance in providing qualified auditors, since the other component paid for under the project, the consultants' studies, was of limited practical value. Nevertheless, this small contribution to improving BNDS's financial situation is no small achievement. Results of any project in the groundnut basin, however, should always be seen against the background of the limited agricultural potential and restricted possibilities for diversification of this area, inhabited by half the rural population of Senegal, as long as it depends on rainfed technology.

II. BANK PERFORMANCE

Introduction

2.01 The dismal outcome of the project was partly the result of the unpredicted poor rainfall through most of the earlier part of the project period. One conclusion is that occasional failures in the agricultural sector cannot be avoided. Nevertheless, some issues related to Bank performance need further discussion, because they suggest that the project would have suffered from weaknesses in design and implementation even in the presence of good weather -- weaknesses which the Bank was partly responsible for or could have helped anticipate and correct. The PCR is unusually thorough and frank, but in this one respect it could have given more attention to lessons for the Bank. The weaknesses originate in the period before the loan/credit were signed and persisted through the implementation stage.

Project Formulation

2.02 The project was identified by a Bank sector mission in March 1966. The European Development Fund (FED) and the Caisse Centrale de Cooperation Economique (CCCE), the French Government aid agency, had declared an intention to scale down their contributions to a groundnut/millet production improvement program begun in 1960, and the Government asked the Bank to assist in its continuation. The Bank's interest in the program stemmed initially from the opportunity it provided to be associated with an innovative scheme of intensive

technical assistance to small farmers, and its contribution to improving the living conditions of half of Senegal's rural population as well as the Government's financial situation. At the time, the project reflected Senegal's priorities for developing the agricultural sector by promoting groundnuts. Groundnut production corresponded to about half the volume of agricultural production and half the value of total exports, and diversification opportunities were then found to be limited.^{1/}

2.03 It took five Bank missions to bring this project, officially submitted to the Bank in July 1967, to the Board in January 1969. Two major difficulties were encountered: one institutional, the other technical.

2.04 The first appraisal mission (July-August 1967) was confronted with especially worrisome and confusing institutional planning. The Office National de Coopération et d' Aide au Développement (ONCAD), which played a key role in the sector, was found to be beset by accounting and management problems inherited from the defunct, inefficient regional organizations it had replaced upon its creation in 1966. The appraisal mission also found -- contrary to what had been expected by Bank staff on the second preparation mission -- that there were no longer plans for Société d'Aide Technique et de Coopération (SATEC, a French technical assistance agency) to integrate the regional extension services, which it was managing, into ONCAD, with which it also was associated under a management assistance contract. Rather, SATEC was in the process of forming a separate agency, Société de Développement et de Vulgarisation Agricole (SODEVA), effectively created in July 1968. The appraisal mission was convinced that the project's institution-building component had to be revised and concentrated on improving ONCAD rather than strengthening the farmers' technical assistance program, as the preparation mission had emphasized before SODEVA had been made independent. (CCCE was later persuaded, not without resistance, to finance part of the farmers' technical assistance program, thus "replacing" Bank funds originally earmarked for that component.) The appraisal mission was also informed of Government's intention to form a new agency, Office de la Commercialisation de l'Arachide du Sénégal (OCAS), to handle groundnut bulk marketing to factories and direct exports. The nature of the future role of OCAS, officially created in October 1967, in relation to ONCAD, remained vague at the time of appraisal (OCAS was merged with ONCAD in November 1971). As a result, the mission concluded that appraisal could not be completed.

2.05 The technical difficulty stems from the limited agricultural potential of this large and densely populated area. Soils are poor and rainfall erratic. The first appraisal mission questioned the decision of the preparation mission to limit, for institutional reasons, the project area to the groundnut basin; but the appraisal mission's recommendation to include adjacent areas with greater potential was rejected by the Senegalese authorities.

2.06 A reappraisal mission in December 1967 confirmed the misgivings of the first appraisal mission. In a memorandum dated March 25, 1968, the Agricultural Projects Department informed Bank management that the project seemed unsuitable for Bank financing. When, shortly thereafter, the Bank informed the Government that it doubted the economic viability of the project and proposed to switch the emphasis of the institution building component from farmers' technical assistance to ONCAD, the Government reacted strongly. It was dismayed by the Bank's change in emphasis about a project component the Bank itself had recommended during project preparation, particularly at such

^{1/} Diversification efforts have since then been supported by six out of the nine Bank-financed agricultural projects in Senegal.

a late stage (nine months after the first appraisal). The Government also expressed its surprise at the Bank's hesitancy over a project that the Senegalese authorities considered top priority. The Government indicated that it expected the second reappraisal, scheduled for May 1968, to be given sufficient authority to allow it to reach agreement with the Government on a "solution that would provide Bank support to all project components" including the farmers' technical assistance program. Upon the return of that mission, the Government informed the Bank that it had no doubt that financial assistance of about \$9 million would be approved, including a contribution toward the farmers' technical assistance program.^{1/} The files contain several letters by the then Prime Minister and the President of the Republic requesting Bank support for this project. In short, the Bank was under considerable pressure by the Senegalese Government to assist in the financing of the project. The second reappraisal mission supported the project, and estimated for it a 25% rate of return.

2.07 Questions at the Board which, with hindsight, are known now to have anticipated subsequent implementation problems concerned land tenure conditions, the agricultural potential of the project area, and the management assistance contract with ONCAD. With respect to tenure conditions, the Board asked whether these would restrict the expansion of cultivable area projected in the appraisal report. A farm survey, completed in 1970, has since suggested that farmers in one of the three regions^{2/} of the project area feel they cannot expand the land cultivated because of such restrictions. A question was also raised as to the appropriateness of the decision to locate the project in an area with apparently limited agricultural promise. The Executive Director putting this question nevertheless indicated support for the project since the rate of return presented in the appraisal report was high enough to provide an adequate margin of safety to maintain the project at an economically viable level even if growing conditions proved worse than anticipated.^{3/} With respect to management assistance to ONCAD, the Board requested assurances that Government was willing to cooperate with consultants, in view of appraisal report indications that Government had reservations concerning some of SATEC's recommendations. Bank staff gave such assurance, despite the fact that Government had previously rejected Bank suggestions that (i) the consultants actively participate in ONCAD's management, and (ii) ONCAD be equipped with its own computer facilities, needed to ensure stricter control over the accounts. The apparent inconsistency can be explained by staff confidence, built upon earlier declarations, that high Government officials fully supported the reorganization effort. This confidence later proved to have been misplaced.

1/ The Bank ultimately agreed to finance a portion of this component. CCCE provided the balance of the costs of foreign technical assistance to SODEVAL.

2/ The groundnut basin is ecologically subdivided into three regions (North, Center, and South) with falling rainfall from South to North. This subdivision very roughly corresponds to the administrative breakdown between the Diourbel, Thies, and Sine Saloum regions.

3/ The rate of return calculations were also discussed in relation to the Bank price projections for fats and oil. Several Executive Directors expressed doubts as to the validity of the projections in view of the developed countries' potential to saturate the world market. The Executive Directors indicated their support of the project despite reservations about the projections because the high forecast rate of return suggested the project would remain economically justified even if prices for fats and oil on the world market dropped below Bank projections. Up to now, however, these projections have proven conservative, since actual prices have been generally higher.

Project Approval Procedure

2.08 Given the unusual circumstances under which this project was prepared for approval, the question can be raised, of course, whether the Bank should not have supported it, even with a rate of return of say 10%, on the grounds that a member government considered it of the highest priority. But this is not the relevant issue. There is no doubt that, until 1965/66, the "programme agricole" was considered a popular success in Senegal. Moreover, no development alternative had as yet been found for that half of Senegal's rural population living in the project area, and, at the time, diversification opportunities in other areas could not be readily exploited. Thus, there were important arguments, framed in welfare terms, in favor of the project, even if it had been presented with the marginal economic rate of return calculated by the first appraisal mission. By accepting the project, the Bank recognized the validity of Government's sense of priorities. In OED's view, the issue lies rather in the unrealistic presentation of project prospects. The appraisal report does not fully reflect the Bank staff's initial doubts about the institutional and economic viability of the project -- doubts that were based partly on events that took place after the record crop year of 1965/66. In particular, the project's appraised rate of return, which in this case appears to have played a role in project acceptance by the Board (para. 2.07), hides the fact that Government and the Bank were faced with a project with a considerable risk element, and requiring careful and continuous follow-up. The problem may have been the Bank's lack of experience with this sort of new project. It is not one of falsified figures, but of figures and design presented with a lack of realism and an unwarranted sense of reliability and accuracy. This presentation was the source of some of the difficulties later encountered.

Rate of Return Estimates

2.09 In the grey cover appraisal report for the first project, the economic rate of return is estimated at 25%, an estimate which included the costs of the consultant advisory services. The calculation was based on regional production data rather than farm models. It was ultimately linked to expected increases, over a three-year period, of 25% in both groundnut yields and groundnut acreage. These were to result in an increase in groundnut production of over 50%, which accounted for half the projects' incremental benefits. A seventy-fold increase in the volume of marketed millet accounted for the other half. Production increases of this magnitude are not inconceivable, but in a densely populated area with low agricultural potential and erratic rainfall they would presuppose some major technological breakthrough.

2.10 The first two appraisal missions recommended against approval of a project limited to the groundnut basin, partly because the technical and economic argument, in their view, could not be sustained. In the original version of the appraisal report, the rate of return was estimated at below 10%. The presentation in the grey cover appraisal report of the forecast technical improvements mentioned in the preceding paragraph reflects perhaps the greater optimism of other Bank staff, including additional members of the third appraisal mission in early 1968, and certainly the Government pressure described above. But the revised figuring depended upon a heroic adjustment to the expected incidence of the normal cycle of drought. An "adjustment for weather variations" was made to the extrapolation of actual past production data

that in effect eliminated the incidence of drought and permitted the forecasts of production increases ultimately shown in the report.

2.11 In fact, the weather was worse than anyone could have predicted in three of the years since the project was initiated. In the absence of farm data, the rate of return cannot be easily revised to incorporate the actual experience of the project period. However, any revision would have to measure the degree to which the implements, purchased with project loans, partly protected the borrowing farmer from the losses in production sustained by farmers who did not use the implements. This approach does not reflect the original purpose of the project, which was to increase production through the proper use of a combination of inputs. However, the exceptionally severe weather conditions that prevailed during this particular project period dictate this approach in measuring the economic impact of the project. Available data suggests, however, that all farmers, including project participants, have suffered serious declines, and that the difference between participant and non-participant performance is small. The incremental benefits in the period of the farmer credit program, therefore, must also be small. Farm investment costs were lower too, but if one were to include in the revised calculation the investments for the institution building component, some of which was wasted, the rate of return on the total project would likely be found to be around zero, for this particular period.

2.12 With good weather, the situation would have looked better. Nevertheless the 25% estimate in the grey cover appraisal report was not at the time of its calculation a fair reflection of the probabilities of success. Some of the staff who worked on the original draft report said as much to OED. The 25% figure seems to have been intended to serve another role, as a reasonable target for the project authorities. The 22% figure in the appraisal report of the second project, repeated in the PCR, seems to play that role too. As targets, they need not be disturbed by the incidence of extreme drought or other severe outside shocks to the implementation program. But they must not be confused with either ex ante or ex post estimation of actual performance. These targets, presented in two projects in a series, hide the fact that the first project was not then in 1968, nor now in 1976, a certain success by any measure, in any weather. The project may well have been the best that could have been designed then for the groundnut basin of Senegal. Nevertheless, the proposal should have been presented to the Board, without embarrassment, as a project offering an uncertain rate of return centered around 10% rather than 25% but justified on grounds for which the rate of return provided only partial support. It should have been approached, approved, implemented and supervised as a problem project from the beginning. As the next sections show, there were too many unknowns to do otherwise.

Technical Evaluation

2.13 Production increases depend upon the response of groundnuts and millets, in good and bad seasons, to mixes of inputs: to improved seeds, fertilizers, seeders, hoes and other non-mechanized instruments, and draft animal power. While few of the Bank's agricultural projects can refer to any substantial prior data base to estimate responses, the Senegal Agricultural Credit Projects seem to be characterized by uncertainty about the value of each of the inputs or packages of inputs. The appraisal report of the first project attributes primary impact to fertilizers. The appraisal report of the second project shifts the emphasis to seeders and hoes as the key technical improvements that open the way to substantial yield increases.

This shift reflected the uncertainty which prevailed in Senegal during the drought period, when opinions about the relative response to inputs seem to have differed greatly. At that time some agencies had begun to seriously doubt that fertilizers had an important impact on the yields of groundnut varieties then in common use. The main research organization, on the other hand, claims to have maintained that more fertilizers were needed, disagreeing with the view of the appraisal mission of the second project on the weight to be given to fertilizers in the program. Subsequent events appear to have vindicated the approach of the research organization, and Government now very much supports this point of view. Quite different analyses suggest that improved seeds and additional animal power are key factors for increasing production. OED is not in a position to judge the relative merits of these different positions. It can only observe that actual sales of inputs since the initiation of the first project have been significantly different from the estimates given in the two appraisal reports. Rather than enshrine any particular input strategy, the Bank should have focussed on the relative ignorance in this arena.

2.14 Results from a farm survey supported under the second project will become available by end-1976, which is the end of the investment period of the second project. In future projects facing similar problems, the Bank should insist that, if the data base is inadequate, farm surveys be made part of the preliminary investigations, possibly at project preparation stage, or be built into the first project.

Procurement

2.15 The preparation and appraisal missions of the first project decided that competitive bidding for farm implements would not be appropriate, partly because of the suitability of the dominant local manufacturer (SISCOMA) and the absence of competitors. However, the reappraisal mission introduced local competitive bidding because other firms had by then alleged an interest in entering the market. Their capability, however, was insufficiently reviewed. The problems encountered during implementation of the first project were such that competitive bidding procedures were waived under the second project except for carts, for which some local competition had, in fact, materialized. But again the capability was grossly overestimated. Whether these bidding procedures contributed to the maintenance of low prices and high quality of SISCOMA's supplies is not clear. The cost of the procedures to the farmers, however, has been high (Annex B). Failure of competitors to deliver carts resulted in farmers' demand not being met during most of the first project period. Even as late as 1975/76, less than 10% of the carts requested that year had been delivered. The last supervision mission has recommended that orders from now on be placed with SISCOMA, the only supplier that has proven consistently reliable.

Institutional Priorities

2.16 Lack of information on the relative importance of different agricultural inputs is matched in this case by shifting priorities and confusion over the roles of the project organizations. The institutional framework was particularly ill-defined and complex from the start (para. 2.04), and still is with regard to important issues currently under review by several Government committees. The complexity of the situation was generally not fully reflected in Bank reports, particularly in the appraisal reports of both

projects. It is a matter of conjecture whether subsequent missions could have been more vigilant with respect to the institutional performance of the project if these problems had been acknowledged more frankly. OED feels that the Bank's approach in planning and supervising the execution of the institutional component of the project did not measure up to the difficulty of the undertaking.

2.17 The appraisal and reappraisal missions of the first project centered the project's organizational structure around ONCAD, with SODEVA and BNDS providing supporting services. These missions thereby recognized that ONCAD played a key role in the sector and that its improvement was a prerequisite to long-term development of the groundnut basin. In tying project success to ONCAD's reorganization, however, they seriously underestimated the extent of political interference which plagued ONCAD's day-to-day management and which is still at the root of its poor financial position and persisting inefficiency. In light of the limited improvement accomplished in ONCAD's management, the PCR suggests that a more appropriate project organizational structure would have been based on local agencies, including farmer cooperatives and development organizations. The audit suggests, however, that there are potential obstacles to the feasibility of projects in the groundnut basin based on the guidelines suggested in the PCR, including the political structure along which cooperatives are being reorganized, and the danger of over-extending SODEVA, the main development agency in the area. Under these conditions, it would seem that the Bank's change in approach to the project's organizational structure reflects uneasiness with existing structures rather than a thorough examination of viable alternatives.

The Bank's Role in ONCAD's Reorganization Program

2.18 When the Bank and Government considered the terms of reference for the consultants, Government rejected the Bank's recommendation to give the consultants executive authority and the Bank accepted Government's counter-proposal placing the consultants in an advisory position. Subsequently, Government refused to implement important changes, in ONCAD's procedures, which had been recommended by both consultants and the Bank a position that suggests the Bank should have taken a firmer stand regarding the consultants' authority. It was important to secure Government's commitment to the reorganization effort, especially in light of the known nature and extent of the main problems underlying ONCAD's deficiencies. In this perspective, the Bank's acceptance of an advisory role for the consultants was, at least in principle, an error. In retrospect, the poor performance of the consultants imparts some validity to Government's original objections to giving the consultants power. The case illustrates the difficulties encountered by Bank staff trying to secure Government commitment to major institution-building efforts. In this instance, the solution was unsatisfactory.

2.19 In 1974, CVCC issued a series of reports which revealed that: (i) ONCAD's accounts were in disorder, (ii) its financial statements were incorrect, (iii) the reorganization was not making much progress, and (iv) the consultants' reports did not properly reflect actual achievements. OED found that in general points (i)-(iv) above were correct and that, indeed, in several respects the consultants had performed poorly. However, as regards (i), (ii), and (iii) above, the consultants justifiably claim that they did not have adequate

authority either to carry out the reorganization or to verify all the ONCAD accounts; thus, CVCC's accusations are, in this respect, somewhat misdirected. Nevertheless, one may wonder how this situation was allowed to persist over a period of about five years, during which 10 supervision missions and one appraisal mission visited the project. The answer lies in the consultants' misleading reporting practices and in the Bank's reliance on those reports. ONCAD's reorganization effort was indeed too complex an undertaking to enable short Bank missions independently and comprehensively to review the situation. The Bank saw itself obliged to depend on the consultants not only for their expertise but also for objective analysis. The consultants' reports included scattered indications of persisting deficiencies in ONCAD's performance but these were generally hidden amongst optimistic passages. The reports on the whole gave the impression of everything remaining under control and of forthcoming improvements. cursory supervision was easily misled by this practice. From such a perspective, the consultants share the responsibility for the continuation of ONCAD's deficiencies. Although the experience suggests that the Bank should also review consultants' performance through independent sources, one would hope that the case is exceptional.

2.20 Senegalese authorities and Bank staff have also reported that the consultants had allegedly received payments which appear not fully justified. Although OED is not in a position to conclusively substantiate these allegations, it has received evidence suggesting that the matter was sufficiently serious to warrant a Bank request to the consultants for further explanations.

2.21 OED feels that more in-depth Bank review of the ONCAD component during implementation might have been forthcoming had the appraisal reports disclosed fully the scope of the problems. Neither project's appraisal report identifies political interference as a principal cause of ONCAD's deficiencies. Furthermore, to the extent that the appraisal reports placed undue confidence in Government's commitment to institutional reform, these reports did not properly draw the attention of subsequent missions to some of the major problems on which they should focus. More recently, the Bank has become increasingly candid in appraisal reports about defects and uncertainties, including those of political origin, likely to affect project performance.

The Bank's Contribution to BNDS Performance

2.22 The Bank deserves to be complimented for its flexibility and efficiency in assisting BNDS. When, at the end of 1968, CCCE found BNDS's financial and managerial performance to be unsatisfactory, the Bank promptly sent a mission. On the basis of its conclusions, provision was made in the IDA credit for foreign assistance to strengthen BNDS's accounting procedures^{1/} by the firm in charge of auditing BNDS's accounts as a condition of the credit agreement. BNDS staff and management made some valid criticisms of the consultant's final proposals which are not reflected in the PCR. Also, since the consultants' report was not completed until mid-1975, it is clear that the improvement of the financial situation of BNDS during the project period was largely the result of efforts by BNDS staff rather than the advice of the foreign experts. However, it is generally agreed that the Bank, in its supervisory role, and the consultants, in their role as auditors, have helped

^{1/} BNDS's procedures with regard to credit operations were reviewed by CCCE.

BNDS improve its financial performance - a substantial achievement in itself. The PCR correctly points out that past favorable financial results of BNDS are in part due to its failure to pay interest on farmers' capital. BNDS also has made little effort to assist cooperatives in investing the development funds they have accumulated (Annex C). Finally, CVCC recently revealed that BNDS's income is to a large extent dependent on the sizeable returns due to its privileged position in handling ONCAD's crop credit. To the extent that these procedures limited BNDS's developmental role and impaired project impact on cooperative development, Bank supervision should have paid more attention to them, particularly as BNDS staff and management have shown great interest in amplifying BNDS's involvement in the development of the cooperatives. The complexity of the institutional framework seems, with BNDS as with ONCAD, to have exceeded the capacity of what normal Bank supervision can handle. With respect to BNDS, however, the financial achievements during this project period certainly outweigh the deficiencies related to BNDS's developmental role.

Pricing Policy

2.23 The record suggests that the Bank had little to offer and limited impact on this key policy element. The Bank was informed of Government's decision to decrease producer prices in 1968/69 after it was made. The Bank had no objection to this decision because it would improve Government's financial situation. It thereby underestimated, as did most agencies involved in the program at that time, the impact of these price changes on farmers' incentives. But the farmers responded quickly and bitterly. In effect, they started what has been called the "groundnut producers' strike" - an action that, along with the drought, is considered a major reason for the collapse of demand for farmer loans. Subsequently, the Bank advised Government to increase producer prices in line with the rise in world market prices. Government's reactions in 1973/74, although in the right direction, were untimely and excessive, as producer prices were increased to levels which may be difficult to sustain if world market prices remain at the levels they attained in 1975/76.

Concluding Remark

2.24 There are too many important factors, affecting the project outcome, on which the appraisal and reappraisal missions had inadequate information to justify either the forecast rate of return or the image created in the final appraisal report for the first project that the project's technical and institutional design was sound. This is a good example of the type of small farmer project in which the Bank has since become increasingly involved. And it is a good example of the dangers inherent in a process by which the designs were sometimes presented with unwarranted confidence and advanced in increasingly optimistic terms to the approval stage. It would seem better to have described such projects as difficult and risky, as well as necessary, revealed the main uncertainties, and shifted some of the focus of the Bank's most useful intervention to in-depth surveillance, research and redesign during supervision, a direction in which the Bank has begun to move. The agreements for the first project did not call for that sort of study, and the terms of reference of the supervision missions that visited Senegal with some frequency did not permit it either. These points are clear even though the project was treated unfairly by the heavens.

SENEGAL FIRST AGRICULTURAL CREDIT PROJECT

COMPLETION REPORT

I. INTRODUCTION

Objectives

1.01 The appraisal report (para. 3.01) defined the project's objectives as follows: ". . . to provide sustained increases in farmer revenues during a period of declining export prices due to loss of privileged markets (in France) and decreasing support prices for groundnuts. Its main objective would be to ensure that the rate of production of groundnuts and millet in the project area continues to increase, both by bringing additional land under cultivation and by increasing yields. Improved seeds and more efficient services Government supplied to the cooperatives would play their part in bringing this about, but increasing yields would be mainly due to increasing rates of fertiliser application. . . ."

1.02 In concrete terms the project sought, within the three-year period 1969/70^{1/} through 1971/72, (a) to increase land cultivated in the project area by about one quarter, from 2 million ha to 2.5 million ha, basically through an expansion of farm size and the increased use of draft-animals and animal-drawn equipment (the project area is shown on the map and comprises about 85% of the important "groundnut basin" in which some 60% of Senegal's rural people live); and (b) to increase, over the same time span, unit area yields by about 25% for groundnuts and about 5% for millet. The planned increases in cultivated area and yields were estimated to lead, by the end of the three-year period, to annual production increments of 390,000 tons of groundnuts and 90,000 tons of millet, increases of 40% and 25%, respectively, over pre-project levels. At appraisal these increments, at 1969 prices, were estimated to have an incremental economic value to Senegal of US\$14 million annually, in terms of 1969 dollars.

1.03 The project constituted a follow-up, or carry-on, of a Fonds Europeen de Developpement (FED) financed operation that was carried out in the project area over the four years 1964/65-1967/68. The appraisal report (para. 2.10), in discussing the FED financed operation, concluded ". . . it is difficult to evaluate the impact of the program to date. Fluctuations in total annual production have always been substantial, due mainly to the influence of the weather on yields. Furthermore, the cyclical drought which generally occurs about every four years tends to make evaluation over a short period misleading. . . ."

^{1/} The groundnut season extends from planting beginning in June to the completion of marketing in March of the following year.

1.04 The means employed in achieving project objectives were:

- a. expanding ongoing credit programs to support the purchase by participants of draft animals and animal-drawn equipment under medium-term credit and fertilizer under seasonal credit; and
- b. strengthening two of the three Government agencies involved in the so-called "Programme Agricole", Office National de Cooperation et d'Assistance au Developpement (ONCAD), responsible for the marketing of farmers' groundnuts and procuring and distributing equipment and inputs, through a system of farmer cooperatives for which it acted (and continues to act) as the Apex organization; and Societe de Developpement et de Vulgarisation Agricole (SODEVA), the agricultural extension agency responsible for extension work in the groundnut basin. Banque Nationale de Developpement du Senegal (BNDS), the national agricultural credit agency and source of both medium and seasonal credit, was the third agency involved in the "Programme Agricole."

1.05 In the discussion and analysis below, a division is made of the project into its:

- a. directly productive component - agricultural credit input supply and strengthening of extension service; and its
- b. institution building component - involving most importantly the strengthening of ONCAD which was concerned with input supply and groundnut marketing.

Financial Arrangements

1.06 Project costs were estimated at US\$24.15 million, as summarized in the following table:

Original Project Cost Estimates

	<u>CFAF Billion</u>	<u>US\$ Million</u>	<u>Foreign Exchange %</u>
a. <u>Directly Productive Component</u>			
<u>Farm Inputs (supplied on credit)</u>			
Implements	2.36	9.44	27
Draught Animals	1.50	6.00	-
Fertiliser	0.86	3.44	58
Cost of Additional SODEVA			
Services Needed for project	<u>0.63</u>	<u>2.52</u>	<u>28</u>
Sub-Total	5.35	21.40	
b. <u>Institution Building Component</u>			
Consultant Support for ONCAD	0.62	2.50	70
Counterpart Training in ONCAD	<u>0.07</u>	<u>0.25</u>	<u>-</u>
Sub-Total	0.69	2.75	64
Total	<u>6.04</u>	<u>24.15</u>	<u>29</u>

1.07 Under the loan/credit agreements project financing was planned as follows:

	<u>Total</u>	<u>Bank/IDA</u>	<u>BNDS</u>	<u>Government</u>	<u>Farmers</u>
	----- US\$ Million -----				
a. <u>Directly Productive Component</u>					
Credit and Input supply	18.80	6.92 ^{2/}	8.00 ^{1/}	-	3.88
SODEVA	2.47	0.70	-	1.77	-
b. <u>Institution Building Component</u>					
ONCAD	2.75	1.75	-	1.00	-
c. <u>Unallocated</u>					
	<u>0.13</u>	<u>0.13</u>	<u>-</u>	<u>-</u>	<u>-</u>
	24.15	9.50	8.00	2.77	3.88

^{1/} It can be argued that a large part of this is also farmers' contribution.

^{2/} Lent to BNDS at the Central Bank discounting rate of 3.5% for 14 years with a four year-grace period.

1.08 In view of generally poor project results in the 1969/70 cropping season (the first year of the project), which are described in Chapter II of this report, the project was reappraised in November 1970. As a consequence of the lower than estimated demand for credit by farmers, Loan 584-SE was cancelled and Credit 140-SE reallocated to provide for:

- a. financing technical assistance for BNDS;
- b. initiating a relatively small agricultural research program; and
- c. a study of the merits of reorganizing farmers' cooperatives.

It was also understood that the project period would cover a fourth year in 1972/73. Because of these and further minor adjustments made in 1972, the finally agreed disposition of Credit 140-SE was as follows:

<u>Proceeds of Credit 140-SE</u>			
	<u>Appraisal Estimates</u>	<u>As Revised in 1971</u>	<u>As Revised in 1972</u>
	US\$ -----		
a. <u>Directly Productive Component</u>			
Farm Implements and Carts	6,920,000	3,075,000	3,110,000
SODEVA Cooperative Services	700,000	730,000	730,000
Bambey Research Institute	-	25,000	25,000
b. <u>Institution Building Component</u>			
ONCAD Management Services	1,500,000	1,675,000	1,775,000
ONCAD Counterpart Financing	250,000	256,000	160,000
BNDS Reorganization	-	200,000	200,000
c. <u>Unallocated</u>			
	<u>130,000</u>	<u>39,000</u>	<u>-</u>
Total	<u>9,500,000</u>	<u>6,000,000</u>	<u>6,000,000</u>

II. PROJECT PERFORMANCE - PRODUCTIVE COMPONENT

A. Credit and Input Supply

2.01 Tables in Annex 1 compare appraisal estimates and actual performance. The comparisons are of two types: (a) areas cultivated, yields and total production for groundnuts and millet, the two principal crops grown in the project area; and (b) the use of farm inputs, both animal drawn equipment and fertiliser. The tables show performance in the two years preceding the project and in the fourth year extension.

2.02 The tables show performances well below appraisal forecast for both groundnuts and millet and also that within the four-year project period groundnut production only once exceeded that of either of the two pre-project years. The case of millet was similar. The basic reason for this is clear - drought. The period coincided with the Sahelian drought, the worst in this century. 1970/71 and 1972/73 were particularly bad years, and these together with a drought year in 1968 tended to reduce the general attractiveness to farmers of groundnuts in the project period. At a time of drought farmers tend to reduce land and effort devoted to cash crops and increase the area and effort given to food crops. Unfortunately, the extent of this trade-off was not measured (see para. 2.03). In addition to the drought, a critical and adverse change was made in the producer price of groundnuts at the beginning of the project period, as shown in the following table:

Project Area: Net Farmgate Prices for Groundnuts and Fertiliser

	<u>1967/68</u>	<u>1968/69</u>	<u>1969/70</u>	<u>1970/71</u>	<u>1971/72</u>	<u>1972/73</u>	<u>1973/74</u>	<u>1974/75</u>
	----- CFAF Per Kilo -----							

Groundnuts	22	17.1	17.1	18.5	22	23.5	28	40
Fertiliser	12	16	16	12	12	12	12	12
Groundnut: Fertiliser Price Ratios	1.8	1.1	1.1	1.5	1.8	2.0	2.3	3.3

This drastically reduced the demand for credit and thus input use in the first year of the project, 1969-70. The development was as follows: the extensive plantings in 1968/69 (the year immediately prior to the project period) were made under the stimulus of a producer price for groundnuts of CFAF22/kg paid for the 1967/68 crop. The actual price paid in 1968/69, which was announced after the plantings were made and which was supported by IDA, was only CFAF17.1 and undoubtedly it was this, in conjunction with the drought, that depressed both plantings of groundnuts to a decade low of 793,000 ha in 1969/70 and the demand for credit. It was this drastic drop in demand that caused reevaluation of the project and cancellation of the Bank loan. The subsequent upward trend in prices, culminating in CFAF40/kg in 1974/75, together with improving weather conditions, seems to have resulted in a steady increase in groundnut plantings since then. Plantings in 1974/75 and 1975/76 were at record levels. Additional information on relationships between rainfall and production are in Annex 2.

2.03 While the analysis in paragraph 2.02 is generally accepted both within Senegal and other informed authorities, it is contradicted to some extent by the data in Annex 1, Table 1 concerning millet. This table indicates that the hectareage under millet remained substantially constant during the project period. As it is highly unlikely that the total area cultivated by the average farmer would have declined in this period, the apparent conflict probably arises from poor recording especially of cereal hectareage. This is not a far-fetched possibility since extension agents are generally much more concerned with groundnuts than with cereals and consequently data on the latter are inferior to those pertaining to the former.

2.04 The comparison of actual performance with appraisal estimates in Annex 1 is, of course, of little relevance since the estimates were predicted on the use of a volume of farm implements that was shown within a year of loan/credit signature to be seriously overestimated (see para. 2.02). Annex 1 shows actual credit demand in comparison with the overestimate that was made at appraisal and the reestimates made at that time. In the course of reappraisal possible project benefits do not appear to have been recalculated. Annex 1 shows that actual demand turned out to be higher than the revised estimate and this prompted Government to apply to IDA for a second credit.

2.05 The advent of the Sahelian drought severely confounded the agricultural situation in Senegal during the project period. Consequently, in the absence of any means of recording the impact of project actions more sophisticated than very broad data on area planted, average yields, etc., it is difficult to determine whether under more normal conditions the project would have met its physical objectives. It is also difficult to determine whether investments in farm inputs and extension and other support services during the project period were justified and if so, to what extent. What is lacking is the ability to determine what would have happened had the project not been implemented. This would have been determinable only by comparative studies of participating and non participating farmers; such studies were not a feature of the project.

2.06 It seems clear, however, that the package provided under the project was attractive to and was perceived as a need by large numbers of farmers. This is evidenced by the relatively strong upward trend in equipment and fertiliser purchases that occurred once (a) some of the disruptive effects of the drought had been discounted, (b) when product prices, in particular for groundnuts, reached pre-project levels in 1971/72, and (c) the groundnut/fertiliser price ratio improved to better than 1.5:1. Continuing farmer demand for implements, that are sold at their full market price, supports theoretical considerations and field observations that indicate that their use is economic (see Appraisal Report No. 128-SEN, Senegal, Second Agricultural Credit Project). In this connection, observations by SODEVA and research institutions, and which have been substantiated by interviews of farmers by IDA staff, show that on average farmers using the animal-drawn seeder and hoe obtain higher yields than farmers using hand cultivators, even in dry years. Use of this equipment makes timely cultivation easier and yields of groundnuts and millet sown promptly after the very early rains are some 30% higher than those of plantings made later. The seeder permits the farmer to sow a larger area in less time than by hand. Animal-powered hoeing enables better and more timely weeding, and such timely weeding is probably the next most important contribution to good yields after early sowing. Also, under low rainfall conditions, hoeing helps to retain soil moisture which itself has a favorable effect on yields. In the appraisal of the second agricultural credit project, the basis for the project's justification was the comparison of farm budgets of farmers switching from hand cultivation to the use of animal-drawn seeders and hoes. This method, which attempts to measure the increase in the farmers' productive capacity brought about by his adopting project recommendations, is more relevant than the assumption made at appraisal of the first project that the extent of global increments in production could be a measure of the project's success or failure. While the situation concerning the efficiency of using animal drawn implements is clear this is not entirely the case with fertilisers that through the project period were subsidized and which continue to be subsidized. The Bank feels there is reason to question whether the recommendation of Institut des Recherches Agronomiques Tropicales (IRAT) that fertilisers should be used throughout the groundnut basin is sound. One body of opinion holds the view that in the drier areas, even in normal years, fertiliser use is not economic. Again, despite extensive research on fertilisers in the area, the lack of field data at farm level prior to, or during the four-year period, has prevented a definitive position being taken on this issue which is only now under comprehensive study as a component of the IDA financed Second Agricultural Project - Credit 404-SE.

Credit Recovery

2.07 Credit recovery has been satisfactory in years of normal weather, as shown in the table below. Further details on credit distributed are in Annex 1. Credit recovery (on a national scale - there are no separate data for the project area) has been good in years with a reasonable growing season 1969/70 and 1971/72. In the other years, all drought years, Government cancelled a proportion of matured debts, in 1970/71 - 49%, in 1971/72 - 52%, and (outside of the project period) in 1973/74 - 28%.

Seasonal and Medium-Term Credit Recovery in Senegal

	<u>1969-70</u>	<u>1970-71</u>	<u>1971-72</u>	<u>1972-73</u>	<u>1973-74</u>
	----- CFAF Million -----				
Mature Debts	832.8	625.7	752.25	1,013.97	1,304.6
Repayments by Cooperatives	716.2	319.1	745.3	482.43	944.6
% Recovered	86	51	99	48	72
Repayment by Stabilization Fund	111.6	306.3	-	531.4	-
Outstanding	-	-	37.4 ^{1/}	-	360.0 ^{1/}

^{1/} Carried forward to subsequent year

In no case has BNDS lost financially through the cancellation of debts, since in all cases its losses have been reimbursed by Government, which has set a repayment percentage for each region depending upon the severity with which the region had been struck by the drought. Government policy of cancelling debts has been justified, inter alia, on the grounds that producer prices have been lower than the free market value of the farmers' products and that this difference has accrued to Government.

B. SODEVA

2.08 SODEVA was created in 1968 to take over from the French company, SATEC, the provision of extension services to farmers in the groundnut basin. Because of ONCAD deficiencies in assessing farm input requirements, purchasing groundnuts, and the recovery of seasonal and medium-term credit, SODEVA was forced to assist in the foregoing at the beginning of the project period. These activities were estimated to use about half the time of extension staff.

2.09 Under the project IDA agreed to finance 30% of the cost of the foreign technical assistance (expatriate staff) required by SODEVA within the project area. In the following table, appraisal estimates of costs, actual costs, and IDA disbursements against these items are shown.

SODEVA: Costs, Estimates and Actual
(CFAF Million)

	<u>1968/69</u>	<u>1969/70</u>	<u>1970/71</u>	<u>1971/72</u>	<u>Total</u>
Estimated cost of expatriates	280	233	115	-	628
Actual cost for expatriates	287.0	225.6	139.5	82.0	734.1
Actual disbursements	86.1	67.7	42.0	24.6	220.3 ^{1/}
Estimated disbursements	80	70	30	-	180.0

2.10 The scope of SODEVA activities changed during the project period. At the beginning SODEVA provided a very general extension service throughout the project area. Early in 1970, the validity of such a very general and low intensity service was questioned and Government instructed SODEVA to concentrate its efforts on the most receptive farmers and in the most productive areas, i.e. the southern part of the groundnut basin. By this time improvements in ONCAD efficiency, in particular, in the assessment of farm input requirements and in maintaining cooperative accounts, permitted SODEVA to withdraw from this work. Consequently, since 1972, SODEVA has switched to a program of promoting intensive input packages that include the use of fertilizer, improved seeds, animal-drawn cultivation and land improvement through destumping and other actions; and under this new policy SODEVA is again expanding.

2.11 The change in the SODEVA role was agreed in principle by IDA with the proviso that Government would maintain minimum SODEVA services throughout the project area and would continue the Senegalisation policy stipulated under the credit agreement. Government has carried out its responsibilities and, for example, expatriate staff in SODEVA were reduced from 35 in 1969 to 9 in 1971 in line with appraisal estimates. Clearly SODEVA benefitted from the project insofar as expatriate personnel financed under the credit permitted, as planned, the satisfactory provision of extension and other support services to project participants while their Senegalese replacements were being trained.

III. PROJECT PERFORMANCE - INSTITUTION BUILDING COMPONENT

A. ONCAD^{2/}

3.01 Office National de Cooperation et d'Assistance pour le Developpement (ONCAD) was established in 1966 with responsibility for sponsoring cooperative development. In 1967/68 ONCAD was given responsibility for the procurement of farm inputs (fertilisers, implements, draft animals, and groundnut seed) and their supply to cooperatives. Additionally, ONCAD was authorized as a monopoly purchaser of groundnuts from farmers. Subsequently it was also given a monopoly for importing and distributing rice (at subsidized prices until very recently) and for purchasing and storing cereals as strategic reserves. These latter roles are minor compared with its cooperative and groundnut

^{1/} SODEVA contests this figure, which it claims should be CFAF 200.2 million.

^{2/} ONCAD's management point of view is presented in the attached Annex 9 of this report.

purchasing activities. ONCAD turnover in recent years has been in the order of US\$250 million annually. 1/

3.02 In 1968, when the project was appraised, ONCAD was judged generally to be inefficient and costly. Earlier, Government had asked a consultant (SATEC) to determine the main deficiencies and to make proposals for improving ONCAD performance. The SATEC findings are summarized below:

- a. help to cooperatives was minimal;
- b. management of the national groundnut seed multiplication program was unsatisfactory;
- c. accounts were unsatisfactory and in arrears;
- d. ONCAD was overstaffed and inefficiently organized; and consequently,
- e. operating costs were abnormally high.

As to organization and operations, ONCAD's management should be considered in two parts: one concerned with the commercial aspects of providing farm inputs and marketing services, and the other with providing technical services to cooperatives.

3.03 The appraisal mission and Government agreed that strong technical assistance was necessary to improve ONCAD efficiency, and funds were provided under the credit to help pay for the services of consultants to study and make recommendations on management and staff structure, training, accounting, transportation of groundnuts and inputs, and groundnut seed multiplication.

3.04 In 1969, Government selected ITALCONSULT for this work under a contract terminating in October 1972, and IDA approved a contract amounting to US\$2 million of which US\$1,675,000 was for foreign exchange costs.

3.05 Annex 3, Table 1 shows progress made up to the present time and indicates where the situation has improved or deteriorated. As a whole, while groundnut marketing operations, management of the seed stockpile, and services to cooperatives have definitely improved, transport of farm inputs remains unsatisfactory, staffing and operating costs have increased beyond earlier high levels, and accounting and financial management remain unsatisfactory.

3.06 Groundnut marketing and services to cooperatives - Marketing of groundnuts is now handled satisfactorily. Farmers are paid cash on the spot when they deliver to their cooperatives, after deduction of seed costs and credit payments by the cooperatives. The channelling of funds is efficient

1/ Based on a marketed production of 800,000 m ton of groundnuts, 200,000 m ton of rice, and 100,000 m ton of fertiliser.

and controls are satisfactory. The accounts of farmer cooperatives are maintained satisfactorily, although final statements at the end of each season are usually two or three months late.

3.07 Transport of inputs - The transport of farm inputs is still unsatisfactory. The principal reason is that highest priority is given to the transport of groundnuts and the lowest to inputs. As a result, delivery of equipment and fertilisers is universally late and often after the beginning of the planting season. ONCAD has reduced its own truck fleet, but maintains and operates trucks on behalf of private owners under arrangements whereby ONCAD purchases the trucks, meets all expenses, and pays into owners' accounts rental fees less expenses and term payments to cover the purchase price. These arrangements are very unsatisfactory and ONCAD's transport costs remain high. ONCAD's management is aware of these problems and is attempting, until now with only limited success, to overcome them.

3.08 Staffing and costs - The Bank feels that ONCAD continues to be overstaffed and inefficient. The consultant estimated, after a detailed study of job descriptions, that ONCAD could be operated efficiently with a permanent staff of 1,609, against an actual permanent staff of over 2,000 1/ (see Annex 3, Table 2).

3.09 Operating costs - Operating costs have risen steadily due to excess staff, lack of internal financial control, lack of control over the use of hired labor, and the payment of excessive transport costs for groundnut movements (Annex 3, Table 5). Operating costs, excluding costs directly incurred in groundnut purchasing, now amount to CFAF 3 billion (US\$13.6 million) annually or about 12.5% of turnover. Total marketing cost for groundnut is estimated to be about CFAF 11,000 per ton on the basis of a normal production of 700,000 m ton; this constitutes an increase of about 35% over two years.

3.10 Accounting and financial management - Accounts remain in arrears, and the last financial statement, for 1972/73, contains serious errors. At no time have ONCAD accounts been audited by an external and independent auditor (this was not a condition of Credit 140-SE). In 1973, however, Government decided that ONCAD would be audited by the "Commission de Verification des Comptes et de Controle des Etablissements Publics (CVCC), a Government agency. CVCC reviewed the accounts that closed on September 30, 1972, and found them in complete disorder. Reports of the commission issued in 1974 and 1975 criticized both ONCAD management and the assistance provided by ITALCONSULT. CVCC identified three basic problem areas:

- a. the unsuitability of ONCAD's administrative framework;
- b. the poor quality of accounting staff; and
- c. the lack of internal audit and financial control procedures.

3.11 ONCAD has been required to operate under the administrative regulations governing all "Etablissements Publics" in Senegal. These regulations are not suitable for commercial operations such as those of ONCAD where autonomy in, and the ability for, prompt decision making are essential. For example, prior approval of the Ministry of Finance through its Controle des Operations Financieres (COF) was needed for all but minor financial transactions.

1/ ONCAD management considers that the current staff level is appropriate.

Delays caused by such a priori control, together with those caused by the compulsory use by ONCAD of Government's central computing services, are two principal reasons for the lateness of ONCAD's financial statements. Following the audit by CVCC, Government agreed in November 1974 to remove the control exercised over ONCAD by COF. The current financial situation of ONCAD is described in Annex 3. In summary, while ONCAD accounts show for most years a small paper profit, its financial position is precarious. This is to a large extent because payments from the Groundnut Stabilisation Fund and the subventions from Government to meet subsidies, for example, on fertilisers, are chronically in arrears. On the other hand, any surpluses generated on groundnut marketing must be paid promptly to the fund. Consequently, ONCAD subsists on an ever increasing overdraft, largely provided by BNDS; earlier in 1975 it stood at US\$250 million. Despite its commercial-type functions, ONCAD is still not financially autonomous and this is an additional constraint on improvements.

3.12 Though there have been serious improvements in ONCAD's accounting procedures since mid-1975, these services have been poorly staffed since the inception of ONCAD. The Financial Manager and Chief Accountant have been notably unsuccessful during the project period. Following the CVCC audit, ONCAD agreed to hire replacements for these as well as an expatriate accountant to review internal audit procedures and to verify financial statements in detail. While the three new appointees seem to be effecting improvements, the general personnel situation at ONCAD is poor for two basic reasons:

- a. many important appointments and promotions are not made on grounds of merit; and
- b. despite its commercial nature, ONCAD employs civil service salary scales. These are not competitive with the private sector and ONCAD has difficulty in obtaining and retaining capable and experienced personnel. ITALCONSULT proposed that ONCAD should enjoy a special salary status, but Government has taken no action on this.

3.13 ITALCONSULT was criticized by CVCC for being ineffective. The persistent difficulties encountered because of the shortage of qualified Senegalese accounting staff made the role of the consultant difficult. However, ITALCONSULT reports, particularly until the end of 1973, indicated good progress in reorganizing accounting services. At no time prior to the CVCC audit did ITALCONSULT specifically draw the attention of Government and IDA to a serious accounting situation; indeed, under the Second Agricultural Credit Project, US\$200,000 was provided in Credit 404-SE to cover an extension of the ITALCONSULT contract permitting implementation of their accounting reorganization. ITALCONSULT also participated in the preparation of financial statements which CVCC subsequently found to be highly inaccurate.

The Failure of the ONCAD Component

3.14 The main failure was the inability of ITALCONSULT, as consultants to ONCAD, and of IDA, in its supervisory role, to develop satisfactory solutions for ONCAD's problems and to induce ONCAD to adopt such solutions. It appears

that at appraisal IDA underestimated the seriousness of four overriding constraints to ONCAD's functioning efficiently in a commercial manner: the lack of financial autonomy (para. 3.11); the administrative regulations and particularly the control through COF (para. 3.11); the unsuitable ONCAD appointment procedures, and the inappropriateness of some of its operations, for example, transport (para. 3.12); and staffing problems stemming from civil service regulations (para. 3.12). Even if the extent of these problems had been fully appreciated, it is a matter of conjecture whether all or any of them could have been resolved in advance of financing the project. Given the "sensitive" nature of these issues, it is probable that they would have not been resolved and that, as in the case of COF, Government would have agreed to significant changes only when these had been perceived by one of its own agencies as being of a highly serious nature. At the time of appraisal there was not this perception, and the performance of ITALCONSULT must be considered against the above background.

3.15 ITALCONSULT was selected by Government from among a short list of five firms; the others were AGRAR, NEDECO, SATEC and SEMA. A contract, signed on May 21, 1969, required the consultant to submit detailed proposals concerning the experts that would be provided, their objectives, and how the work would be carried out; proposals for training Senegalese counterpart staff; and cost estimates for the work. In October 1969, a contract was signed by ITALCONSULT and Government under which the former agreed to provide 530 man-months of experts over a three-year period. Foreign exchange costs were estimated at US\$1,678,648, and local costs at CFAF 113 million.

Principal features of the consultants' terms of reference were:

i. Staff and training

- a. review ONCAD organization with a view to reducing staff;
- b. train counterparts at high and intermediary levels; and
- c. prepare appropriate conditions of service and regulations for ONCAD personnel.

ii. Finance and accounting

- a. devise and implement an improved accounting system; and
- b. prepare accounting procedures for staff guidance.

iii. Transportation

examine the organization of the transport of groundnuts, fertilizer, and farm implements and propose ways and means of transferring transport responsibilities to the private sector.

iv. Seed stockpile

devise and implement means for the technical and commercial management of the groundnut seed stockpile.

v. Cooperative services

introduce a system for the efficient maintenance of cooperative accounts and recommend ways of improving services provided to cooperatives.

3.16 Staff and Training - ITALCONSULT prepared organization charts, job descriptions, and administrative procedures. These are summarized in the consultant's final report issued in September 1972. The consultant organized overseas training fellowships which benefitted 22 senior staff. In Senegal itself, annual training courses were organized in Dakar, and from time to time in the regions. Some 1,200 persons have participated in such courses. Determination of the value of the training effort is difficult. Taking into account the reports of IDA supervision missions, the following summary, which is expressed in Annex 5, seems justified:

- a. In ONCAD, cooperative services senior cadres are well trained and highly motivated (these are the first to complain about ONCAD's general inefficiency).
- b. Regional ONCAD cadres are well motivated and appreciative of farmer needs and problems. On the other hand, their effectiveness is limited by the lack of clear guidelines from ONCAD headquarters where decision making is centralized.
- c. Headquarters staff performance is unsatisfactory, and work is poorly supervised, in particular in the areas of planning, accounting and financing.
- d. While many staff benefitted from being trained abroad, most have since left ONCAD to work in the private sector.

3.17 Although ITALCONSULT has claimed to have induced a reduction in staff numbers, this is not apparent. At present, permanent ONCAD staff number 2,100 compared with the 1,600 recommended by ITALCONSULT. The consultants identified the constraint imposed by ONCAD's civil service employment terms and proposed adoption of a system providing greater incentives. This proposal was not accepted by Government.

3.18 Finance and accounting - The poor progress in these areas is discussed in paras. 3.10-3.13, and while the administrative framework in which ONCAD had to work clearly constrained the consultant's effectiveness, it is a matter of conjecture whether the accounting and budgetary procedures proposed by ITALCONSULT were suited to ONCAD. The proposals are now being revised by ONCAD's strengthened accounts department.

3.19 Transportation - In the course of the consultant's tenure, ONCAD's transport fleet was reduced and the transportation of both groundnuts and implements handed over to private firms. ITALCONSULT has made appropriate recommendations for the rationalization of ONCAD policy vis-a-vis private transporting firms but was unsuccessful in getting such a policy adopted. Consequently, ONCAD deals only with small transport companies and pays these cash advances at the beginning of the campaign. Usually such advances are not fully recovered and some CFAF 300 million was outstanding at September 1974. To bolster transport capacity, ONCAD operates a fleet of trucks on behalf of private owners (see para. 3.07), which is an unsatisfactory and expensive operation. Under these arrangements ONCAD manages to transport groundnuts on time, if at high cost, but the transport arrangements for fertilizers and farm implements are deficient and as a result, farmers complain that often their inputs are delivered too late. Admittedly, delays were recently also caused by late delivery of the product to ONCAD by the suppliers.

3.20 Seed Stockpile - The handling of groundnut seed multiplication has improved, however, since FED financed a special project for this purpose subsequent to appraisal of Credit 140-SE; it is not clear how much of this improvement is attributable to ITALCONSULT.

3.21 Cooperatives - Both ONCAD and BNDS operate computerized consolidated cooperative accounts, recording both groundnut marketing operations and credit recovery. While manual and computerized accounts are both necessary, given the different objectives and scope, the duplicative accounting by BNDS and ONCAD is unnecessary; as it seems clear that BNDS is better qualified to do so, BNDS should maintain a single set of accounts that would meet its and ONCAD's needs. In 1970, Government and IDA agreed to finance the cost of a study to review the feasibility and possible economic and social effects of merging cooperatives into larger units able themselves to sustain the cost of experienced management and to handle input distribution and the collection of groundnuts. ITALCONSULT was selected in 1971 as the consultant and submitted its report to IDA and Government in May 1973. Although the report was weak in many respects, Government decided to implement a pilot operation affecting 73 cooperatives. The test has now run for two years but ONCAD has yet to submit to Government evaluation of the results. A feature of the Second Sedhiou project in Casamance, appraised by the Bank in October 1975, is the strengthening of cooperatives to achieve the objectives of the ITALCONSULT operation. The approach is different, however, and instead of merging cooperatives, which is opposed by most of them, a system of cooperative unions will be employed. The cooperative movement in Senegal, the ITALCONSULT proposals, and the arrangements to be employed in the Casamance project are discussed in Annex 5.

3.22 The overall unsuccessful effort on the part of the consultants must be attributable, to some extent, to the failure of IDA supervision and appraisal. With hindsight, it would appear that better results probably would have been obtained by breaking down the consultant's work, at the time of appraisal, into a number of discrete tasks each with its own timetable for completion, review of results by IDA, discussion with

Government and ONCAD, and decision on the implementation of recommendations. Under such arrangements, the validity of the consultant's proposals and the preparedness of ONCAD and Government to make changes would have become clear early enough so that together with the consequential emergency of any unforeseen and overriding constraints IDA would have been in a position to modify the consultant's role, and even to cancel part of it. In fact, the consultants engaged in a composite task of simultaneously studying problems, recommending solutions, inducing ONCAD to accept the latter, and assisting ONCAD to implement what it chose to accept. Given these circumstances and the consultant's procedure of providing voluminous and generally optimistic reports, IDA at no time had a clear picture of the consultant's effectiveness and IDA interventions were never sufficiently focussed and in general were ineffective. In Annex 6, IDA recommendations to Government and ONCAD stemming from supervision missions and the review of consultant's and other reports are listed. The overriding constraints to change in ONCAD are described in para. 3.24; the seriousness of these was not recognized at appraisal; equally important, however, the possibility that the level of leverage afforded by the credit was small as far as ONCAD was concerned was not recognized either. In practice ONCAD stood to gain no material or physical benefit from the project, unlike BNDS and SODEVA; yet it was ONCAD that was expected to submit itself to external scrutiny and potential reorganization.

B. BNDS

3.23 "Banque Nationale de Developpement du Senegal" (BNDS) was established in 1964 to provide financial and technical assistance for development projects in the fields of agriculture, livestock, fisheries, industry, commerce, handicrafts, and housing. BNDS is authorized to provide finance through loans, guarantees, or equity participations, and also to conduct commercial banking activities and manage public funds.

3.24 Equity capital, originally fixed at CFAF 1,360 million, was increased to CFAF 2,400 million in 1973, of which CFAF 1,700 million has been paid in. Government's share is 72.91%, Caisse Centrale de Cooperation Economique (CCCE), a French Government financing agency, 15.62%, Banque Centrale des Etats de l'Afrique de l'Ouest (BCEAO), the central bank of the West African Monetary Union, 6.25%, and other public agencies, 5.22%.

3.25 At appraisal, in May 1968, BNDS was considered to be a suitable institution to deliver credit under the project. This assessment was made on the basis of past accounts and performance which indicated that BNDS was following prudent financial policies and possessed reserves and efficient staff.

3.26 In November 1968, however, CCCE informed the Bank/IDA that the situation of BNDS had deteriorated. The provisional operating statement for fiscal^{1/} 1967/68 indicated a loss of CFAF 260 million. The two main reasons

^{1/} October 1 to September 30.

were: (a) miscalculation of interest charges; and (b) increased personnel expenditures resulting from staff increases from 246 to 439.

3.27 Government took rapid action on receiving the adverse report. Staff numbers were reduced, new personnel regulations promulgated, and reorganization undertaken. These measures, which included a reduction in BNDS field staff as recommended by the Bank, together with a general tightening up of lending operations, resulted in an early improvement in the financial situation of BNDS.

3.28 In June 1970, the first external audit report of BNDS was made under arrangements conditional to the provision of Bank/IDA assistance. The report by Ste. Anonyme Fiduciaire Suisse (SAFS), confirmed an earlier study of CCCE that BNDS accounts, as of September 30, 1969, were totally inaccurate. As a consequence, the Bank recommended the reorganization of the BNDS accounting system; and when the project was renegotiated in 1971, it was agreed with Government that IDA would finance the foreign exchange cost of such a reorganization (US\$200,000). Subsequently SAFS was retained for the purpose. Concurrently, CCCE provided technical assistance to review credit accounts and procedures.

3.29 Since reallocation of the credit in 1971, there have been substantial improvements in BNDS performance and capabilities and in its financial status. A two-year technical assistance contract was signed with SAFS in February 1973, which expired in December 1974. BNDS and the consultant set up a working committee within BNDS to study, establish and implement new accounting procedures suited, *inter alia*, to the computer facilities utilized by BNDS. The report of the consultant was issued in mid-1975, and it is premature to judge its impact.

3.30 In the case of auditing, SAFS, in compliance with the Credit Agreement, satisfactorily audited BNDS accounts from 1969 to 1973. Early in 1975, however, BNDS terminated SAFS services and informed IDA of this in July 1975. The general manager of BNDS argues that SAFS audit services are no longer necessary since CVCC is now providing such a service (CVCC has started reviewing the 1973/74 accounts). CVCC cannot be considered a satisfactory alternative to SAFS since it does not have the personnel to conduct annual audits and it is not their intention or role to conduct such audits. The auditing issue is particularly important now that CCCE has decided to discontinue its overview of BNDS accounts after its review of the 1974/75 accounts. Government has indicated that it will appoint a local auditing firm to review BNDS accounts. However, CVCC states that no Senegalese auditing firm could provide audit services to IDA standards and that the only solution would appear to be some form of association between local and foreign auditing firms. IDA has accepted the CCCE audit of BNDS accounts closed on September 30, 1975, as complying with the conditions of Credits 140-SE and 404-SE.

3.31 Summarized BNDS financial statements and operating accounts for the period 1968-1974 are in Annex 4. They show a general improvement in the financial situation. Provisions for losses and other unforeseens have increased by 189% since 1968, and now amount to CFAF 2.3 billion or 11% of total receivable accounts. In the seven years 1968-74, BNDS made losses in 1968, 1970, and 1971. In 1973, operating surpluses amounted to CFAF 330 million, and in 1974 to CFAF 613 million.

3.32 BNDS does not play a particularly active role in the delivery of credit. BNDS has stated that it would have preferred to play a larger role, but Government, and the Bank, did not support that position and the Bank's recommendation to reduce BNDS field staff did not encourage such activity. BNDS's intervention is limited to participation on the regional committees which determine each year the credit limit for individual cooperative societies. The societies are responsible for the delivery of credit (and indeed guarantee this credit) to their members, and ONCAD is responsible for the physical delivery of inputs to the societies which is all in kind and procured with funds provided by BNDS. Under this system BNDS takes only limited financial risk, as all credits to cooperatives are guaranteed first by the cooperative movement through deposits made by cooperatives with BNDS, and second by Government.

3.33 As of September 1974, total loans to farmer cooperatives amounted to CFAF 2,877 million as shown in the table below.

Composition and Financing of BNDS Loans
Made to Farmers' Cooperatives
(CFAF Million)

Medium-term loans	2,060
Short-term loans not yet due	457
Short-term loans overdue	<u>360^{1/}</u>
	<u>2,877</u>

These loans were financed as follows:

IDA (First Project)	790		
IDA (Second Project) ^{2/}	<u>438</u>		
		1,228	43%
Cooperative Accounts		1,327	46%
BNDS		<u>322</u>	<u>11%</u>
		<u>2,877</u>	<u>100%</u>

^{1/} Most of these short-term debts recorded overdue in September 1974 have now been repaid but exact details are not yet available.

^{2/} Disbursed in August 1975 against the accounts of the 1973/74 campaign.

3.34 Cooperatives' accounts comprise equity holdings in, and savings deposited with, BNDS, neither of which earn interest. Since these funds finance about 46% of the total credit distributed, the average interest rate paid by farmers for credit is about 13%, against the nominal rate of 7.5%.

3.35 There appears to be no doubt that BNDS benefitted from both the auditing required under Credit 140-SE and from IDA supervision. It was assisted in this way to overcome two distinct crises in the credit disbursement period.

C. Project Coordinating Committee

3.36 At appraisal, "Programme Agricole" was a fairly loosely coordinated joint activity of BNDS, ONCAD and SODEVA. At loan/credit negotiations Government agreed, in order to insure adequate coordination and cooperation, to set up a Project Coordinating Committee comprising the Secretary of Government's Groundnut Committee, the Directors General of BNDS, ONCAD, SODEVA, a representative each of the Ministries of Finance, of Planning and of Rural Development as members, and with an official of the Ministry of Planning as chairman. With the exception of this coordination mechanism, each of the three project agencies retained the roles they played before the advent of the project - BNDS, credit, SODEVA, extension, and ONCAD, groundnut marketing and input procurement and supply. In practice, while the Committee met occasionally, it played no significant role in project execution.

IV. ECONOMIC RESULTS

4.01 An economic rate of return of 25% over a life of ten years was estimated at appraisal. As discussed in para. 2.04, the basis of this calculation is of doubtful validity. When the Second Agricultural Credit Project was appraised, its economic rate of return was calculated by comparing with and without project farm budget situations and a rate of return of 22% was indicated. As the productivity components of both projects are similar and since there is no reason to believe that the parameters for employment in the second project are invalid, it is reasonable to expect that the rate of return from expenditures in the productivity component of the first project will also prove to be satisfactory over the long run when the occurrence of sufficient normal years would have the opportunity to compensate for the series of drought years at the beginning of the project. However, it must be admitted that no hard evidence is as yet available to substantiate this assertion. The difficulty caused by this lack of facts became apparent to the mission which appraised the Second Agricultural Credit Project, and to resolve it, the second project included provisions to collect and analyze information on the performance of participating farmers. This activity is presently being implemented. Clearly, however, there have been few and there will be few real economic benefits from the nearly US\$3 million expended on ONCAD.

V. COSTS, DISBURSEMENTS AND PROCUREMENTCosts and Disbursements

5.01 The following table compares actual and appraisal estimates of project cost:

	<u>Appraisal</u>		<u>Actual</u>	
	<u>CFAF</u>	<u>US\$</u>	<u>CFAF</u>	<u>US\$</u>
I. <u>Farm Equipment</u>				
Implements	2.36	9.44	1.52	6.33
Animals	1.50	6.00	0.08	0.32
II. <u>Incremental Farm Input</u>				
Fertiliser	0.86	3.44	(1.44)	(6.00)
<u>Subtotal</u>	4.72	18.88	0.16	0.65
III. <u>Technical Services</u>				
ONCAD Management	0.69	2.75	0.71	2.96
SODEVA Cooperative Service	0.63	2.52	0.58	2.43
<u>Subtotal</u>	1.32	5.27	1.29	5.39
<u>Total</u>	<u>6.04</u>	<u>24.15</u>	<u>1.45</u>	<u>6.04</u>

5.02 Within the project period, there were no unexpected or significant changes in unit costs. Total project costs, of course, were revised radically in 1971 following identification of the massive decline in demand for credit (para. 1.09). Subsequently, the Bank Group's participation in the project was reduced from US\$9.5 million to US\$6.0 million. Estimated and actual disbursements are shown in Annex 7. By June 30, 1973, the bulk of the IDA credit had been disbursed (94%), and final disbursements (US\$50,000) are expected to be completed before June 1976.

Procurement

5.03 In accordance with the appraisal mission's recommendations, it was anticipated that the procurement of farm implements would be subject to local competitive bidding. Experience quickly showed that this procedure was expensive and unproductive because only one reliable supplier, SISCOMA, was in a position to bid satisfactorily. At the request of the borrower, the Bank

agreed that the procurement of farm implements be carried out by means of negotiated contracts between ONCAD and SISCOA. This procedure proved satisfactory and reasonable prices for the supplies of farm implements were maintained throughout the disbursement period.

VI. EXPERIENCE GAINED AND APPLICATION FOR THE FUTURE

6.01 Experience gained, where it has been found possible to use it in subsequent operations in Senegal, is summarized below:

- a. The expression of project objectives in global terms was unsound. They should have been expressed in terms of the benefits expected to accrue to participants vis-a-vis non-participants. A better knowledge of farm level data with and without project situations at appraisal and subsequent monitoring of a sample of participants and non-participants would have permitted accurate determination of project benefits even under the unusual drought conditions that were obtained in the project period. In advance of implementing the Sine Saloum Agricultural Development Project (Credit 549-SE), collection of such farm level data was organized within the framework of a pilot project and such data are being routinely collected by the project's evaluation unit. Farm level data collection and monitoring is now general policy for Bank Group projects in West Africa, and is, of course, a feature of Credit 404-SE.
- b. Any recommendation to employ a specific input (particularly when its cost is subsidized) must be based on an adequate analysis of economic response. Under Credit 404-SE, trials and analyses are financed to permit a better assessment of the economics of fertilizer use under varying rainfall conditions.
- c. An extensive project of this type is not the best medium for effecting institutional improvements in agencies for which the project constitutes only a small part of their responsibilities and especially where the role and make-up of these agencies are not fully conducive to the adoption of commercially efficient procedures, e.g., ONCAD. In subsequent projects, Sine Saloum and the upcoming Second Sedhiou Project, for example, a more intensive approach is employed in which the emphasis is on improving institutions at the regional level. The intent is one of inducing a gradual devolution of responsibilities now heavily centralized in agencies such as ONCAD to regional entities, including cooperatives, where the real needs of rural people can be better identified and where rural people themselves are better able to influence decisions. Conceivably, such devolution

could lead to a situation where an agency like ONCAD would no longer be needed, or at most be left with a coordinating function.

- d. Before recommending finance for technical assistance in institution building, the constraints, if any, to such assistance being effective must be determined.
- e. When consultants are employed to provide technical assistance, their tasks must be clearly defined and a timetable established for the completion of each task; agreement must be reached with the borrower on the procedures to be used in reviewing and implementing the consultants' recommendations.
- f. BNDS would appear to take an overly passive role in agricultural credit operations, relying on Government and cooperative guarantees for its lending. In practice, it tends to be a "disbursing and collecting window." It could and should be more active and innovative, and also be prepared to take over risks. It is also doubtful whether its use of cooperative funds is equitable. And consideration should be given to how these funds could be more effectively employed in the areas where they are generated. In the Second Sedhiou project, ways are being sought to employ cooperative savings more directly in the interest of the farmers who have generated these savings and deposits.

SENEGAL

1st. AGRICULTURAL CREDIT PROJECT

AREA CULTIVATED, PRODUCTION, YIELD

-Per Region-

	<u>THIÈS</u>		<u>DIOURDEL</u>		<u>SINE-SALOUM</u>		<u>TOTAL</u>		
	Actual	Appraisal	Actual	Appraisal	Actual	Appraisal	Actual	Appraisal	
<u>Groundnut</u>									
<u>HA ('000 ha)</u>									
Groundnut	69.70	151	-	253	-	389	-	793	900
	70.71	136	-	305	-	436	-	877	960
	71.72	155	-	260	-	450	-	865	990
	72.73	159	-	308	-	455	-	922	
<u>Production ('000 t)</u>									
	69.70	115	113	178	363	373	468	666	944
	70.71	72	128	86	402	292	552	450	1082
	71.72	173	144	230	442	410	624	813	1210
	72.73	19		66		343		428	
<u>Yield (kg/ha)</u>									
	69.70	760	775	700	950	960	1250	839	1050
	70.71	530	850	280	1025	670	1350	513	1125
	71.72	1100	925	900	1100	910	1450	940	1225
	72.73	120	975	210	1175	750	1500	465	1275
<u>Millet/Sorghum</u>									
<u>HA ('000 ha)</u>									
	69.70	165	-	234	-	324	-	723	770
	70.71	152	-	239	-	287	-	678	810
	71.72	160	-	205	-	320	-	685	850
	72.73	156	-	242	-	320	-	718	
<u>Production ('000 t)</u>									
	69.70	78	57	98	191	204	175	380	423
	70.71	53	59	54	200	134	186	241	445
	71.72	80	66	109	219	158	203	348	488
	72.73	13		53		141		207	
<u>Yield (kg/ha)</u>									
	69.70	470	400	420	500	630	700	526	550
	70.71	350	400	230	500	470	700	355	550
	71.72	500	425	530	525	490	725	508	575
	72.73	80	425	220	525	440	725	288	575

Source: Sector survey

SENEGAL

AGRICULTURAL CREDIT PROJECTS

Credits 140 and 404-SE

Groundnut Cultivation in the Whole Country

Area, Production, Yields, Production Marketed

(Period 1947-1973)

	<u>Hectares</u>	<u>Production Unshelled m. Tons</u>	<u>Yields Kg/Ha</u>	<u>Marketed m. Tons</u>
1947/48	659,000	598,000	907	451,000
1948/49	697,000	603,000	865	434,000
1949/50	690,000	571,000	827	429,000
1950/51	641,000	471,000	734	342,000
1951/52	690,000	571,000	827	443,000
1952/53	657,000	558,000	849	449,000
1953/54	682,000	614,000	900	550,000
1954/55	720,000	464,000	644	390,000
1955/56	707,000	603,000	852	539,000
1956/57	780,000	763,000	978	677,000
1957/58	925,000	900,000	972	808,000
1958/59	850,000	770,000	905	675,000
1959/60	907,000	829,000	914	718,000
1960/61	977,000	892,000	913	809,000
1961/62	1,026,000	995,000	969	872,000
1962/63	1,015,000	914,000	900	749,000
1963/64	1,084,000	952,000	878	782,000
1964/65	1,055,000	1,019,000	966	839,000
1965/66	1,110,000	1,140,000	1,003	993,000
1966/67	1,114,000	923,000	829	781,000
1967/68	1,164,000	1,005,000	863	834,000
1968/69	1,191,000	830,000	697	781,000
1969/70	953,000	789,000	828	623,000
1970/71	1,043,000	583,000	559	447,000
1971/72	1,060,000	988,500	932	747,000
1972/73	1,071,000	570,000	545	385,000
1973/74	1,000,000	685,000	740	426,366
1974/75		1,004,000		

Sources: Period 1947/48 to 1964/65: Central Bank (BCEAO)
Period 1965/66 to 1973/74: ONCAD

SENEGAL

1st. AGRICULTURAL CREDIT PROJECT

IMPLEMENTS, FERTILIZERS AND CREDIT DISTRIBUTED

<u>Implements</u> ^{1/}	1969/70	1970/71	1971/72	TOTAL	APPRAISAL	%	1972/73	TOTAL	PROJECT
				<u>Units</u>	ESTIMATES			DELIVERED UNDER	REVISED
				18,420	78,000	24%	11,209	THE REVISED	ESTIMATES
								PROJECT	(in 1971)
Seeders	7,170	2,628	8,622	18,420	78,000	24%	11,209	29,629	20,000
Hoes	15,127	5,970	15,175	36,272	82,000	44%	21,356	57,628	35,000
Lifters	1,929	719	1,857	4,505	53,000	9%	5,620	10,125	8,500
Plows	120	292	858	1,270			3,543	4,813	1,500
Carts	4,819	2,454	5,486	12,759	11,000	116%	7,511	20,300	12,000
<u>Fertilizers</u>									
				<u>Tons</u>					
Groundnut.	10.335	8.150	12.290	30.775	189.600	16%	20.959	57.734	37,000
Millet	7.425	6.990	10.380	24.795	47.100	53%	6.636	31.431	30,000
	17.760	15.140	22.670	55.570	236.700	23%	37.595	89.165	67,000
<u>Credit</u> ^{1/}					<u>CFAF Million</u>				
Medium Term	353	146	379	878	2.870	31%	546	1,424	1,000
Seasonal Credit	226	137	248	611	5.145	11%	404	1,018	700
Total	579	283	627	1.489	8.315	18%	950	2,442	1,700
IDA disbursement	234	110	284	628	2.152	29%	161	790	790

^{1/} Source: BNDS, application for disbursement.

SENEGAL

AGRICULTURAL CREDIT PROJECTS

Credits 140-SE

Total Implements and Fertilizers distributed in Senegal

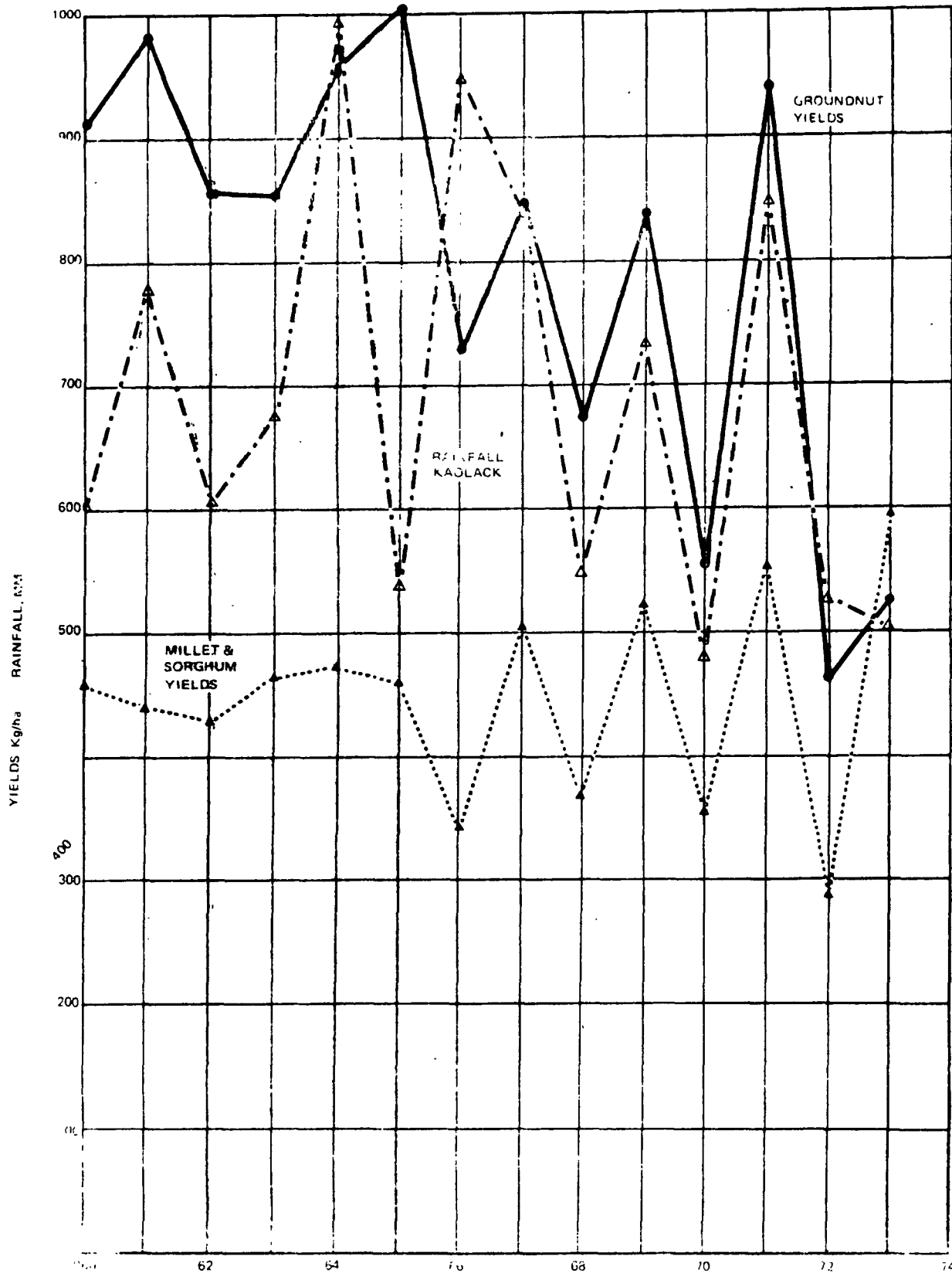
Agricultural Campaigns	Fertilizers (m. tons)			Equipment (Units)							
	Groundnut	Millet Sorghum	Total Groundnut and Millet/Sorghum	1/ Other	Total Fertilizer in Senegal 1/	Seed Distributors	Hoes	Lifters	Ploughs and Other Implements	Carts	Total
1963/64	20,700	2,670	23,370		23,370	21,745	11,370	1,165	1,635	1,565	37,480
1964/65	22,700	4,450	27,150		27,150	18,855	6,660	1,700	620	2,845	30,680
1965/66	27,140	5,030	32,170		32,170	13,325	8,310	860	1,840	2,215	26,550
1966/67	38,425	9,120	47,545		47,545	14,125	21,945	1,335	1,005	7,000	44,960
1967/68	51,150	12,670	63,820	3,225	67,045	17,085	27,525	9,625	1,250	8,655	64,140
1968/69	32,390	12,145	44,535	3,640	48,175	12,975	19,300	4,425	2,365	7,370	46,395
1969/70	10,335	7,425	17,760	3,415	21,175	5,550	15,215	1,605	2,240	4,835	29,445
1970/71	8,150	6,990	15,140	1,315	16,455	2,840	6,620	320	2,045	3,370	15,195
1971/72	12,290	10,380	24,690	1,160	25,850	9,085	15,655	1,850	3,490	6,970	37,050
1972/73	25,000	18,250	43,250	270	43,520	11,450	22,650	4,480	7,320	8,435	54,335
1973/74	20,880	15,713	36,593	1,200	37,793	11,273	18,556	4,744	6,470	8,363	49,406
1974/75	16,365	10,985	33,350	2,700	36,050	17,556	28,320	5,160	10,164	7,662	68,862

1/ Rock phosphate not included.

2/ Preliminary estimates.

3/ Source: ONCAD: (P.A.)

SENEGAL
First Agricultural Credit Project
Relationship between Production and Rainfall
1960-1974



SENEGAL

First Agricultural Credit Project

ONCAD Financial Situation

1. The lack of reliable financial statements makes it difficult to assess accurately ONCAD's financial situation. The last two balance sheets issued show operating surpluses. The reality of these surpluses is questionable since no provision is made for dubious inventories and receivables. In fact, ONCAD relies on large short-term overdraft facilities to finance its operations. The last two supervision missions have tried to explain overdraft requirements, using financial data available at ONCAD and BNDS. They have not succeeded. Table 6 indicates the situation in February 1975, in the middle of the 1974/75 campaign.

2. The main conclusions are:

- (a) Although ONCAD immediately pays surpluses derived from the marketing of groundnuts to the Groundnut Stabilization Fund, it meets difficulties in recovering expenses it occurs in marketing rice, cereals and fertilizers on behalf of the Stabilization Fund. In September 1974, the net amount due by the Stabilization Fund and Government amounted to CFAF 5.9 billion (US\$26.8 million).
- (b) The account "operations diverses" cannot be justified; the imbalance between BNDS advances (CFAF 13.7 billion in ONCAD's books and CFAF 14.7 billion at BNDS) amounts to CFAF 3.3 billion. In September 1974, the supervision mission tentatively found an overall deficit of CFAF 2.5 billion. These figures indicate that ONCAD does not have working capital and would be bankrupt if subjected to normal commercial practices. Consequently, it is likely that Government would have to increase ONCAD's capital equity when the Central Bank, which decides its own overdraft limits, becomes more reluctant to finance ONCAD's deficits.

3. There is no indication that the financial situation will soon improve, because:

- (a) ONCAD's operating cost continues to rise and Government has not yet made any move to revise the "bareme" under which ONCAD is repaid for its services.
- (b) The price of groundnuts sold to oil millers has decreased from CFAF 78 per kilo in December 1974 to CFAF 55 in June 1975. At this level, given a farmgate price of CFAF 41.5, it is likely that ONCAD would just break even.

Action Taken and Recommendations

4. Government has set up a committee to arbitrate the settlement of accounts between ONCAD, Government and the Stabilization Fund. This committee has succeeded in some aspects and, in 1975, the Stabilization Fund has repaid ONCAD CFAF 6.5 billion overdue since 1973 and 1974. On the other hand, the committee has not settled general large debts still due ONCAD by Government and the Stabilization Fund: fertilizer subsidies, CFAF 2.5 billion; purchase of cereal, CFAF 0.9 billion; and taxes, CFAF 400 million.

5. The settlement of these debts would save expensive financial charges to Government. However, it would not be sufficient to solve ONCAD's basic liquidity problem which the Government will have to face some day. In the absence of action by the Ministry of Rural Development, the Ministry of Finance has asked the CVCC to make proposals to Government with a view to:

- (a) clarifying the situation of outstanding accounts with the Stabilization Fund; and
- (b) ensuring the adequate financing of ONCAD's activities.

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First Agricultural Credit Project

Progress in institution building

	<u>Good</u>	<u>Fair</u>	<u>Unsatisfactory</u>	<u>Improvement Since 1969</u>	<u>Comments Or Problems</u>
<u>I. Cooperative Services</u>					
Assessment of farm Input Requirement	x			Yes	Timing
Distribution of farm input			x	No	Timing
Distribution of seeds		x		Yes	Quality of seeds
Selection and training of cooperative officers			x	Yes	Thief problem not entirely solved
Channelling of funds	x			Yes	-
Cooperative accounts		x		Yes	-
<u>II. Marketing of Groundnut</u>					
Accounting	x			Yes	
Weighting		x		Yes	Transport losses
Transport to oil mills		x		Yes	Timing
<u>III. Management of the Seed Stockpile</u>					
Storage		x		Yes	-
Collection	x			Yes	-
Delivery to farmers		x		Yes	-
Multiplication		x		Yes	-
<u>III. Credit to Cooperatives</u>					
Procurement of inputs		x		Yes	Timing
Transport			x	No	-
Distribution		x		Yes	-
Coordination with BNDS		x		No	-
Relation with suppliers			x	No	-
Credit recovery	x			Yes	-
<u>IV. Management</u>					
H.Q. Organization			x	Yes	-
Field operation		x		Yes	-
Decentralization			x	No	No incentive
Staffing			x	No	Over staffing
Operating cost			x	No	-
<u>V. Financial Management</u>					
Data recording	x			Yes	-
Data proceeding			x	Yes	-
Reliability			x	No	-
Inventories			x	No	-
Budget		x		Yes	-
Internal audit			x	No	-
Working capital			x	No	-
Liquid asset			x	No	-
External auditing			x	Yes	-
Financial statements			x	No	Delay and reliability

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First Agricultural Credit Project

ONCAD's Staff

	<u>Cooperation</u>	<u>Administration</u>	<u>Total</u>	<u>Consultant's Estimates</u>
<u>Administrative Unit</u>				
<u>Head Office</u>				
<u>General Management</u>	-	16	16	16
General Inspection	-	16	16	18
Personnel Management	-	25	25	18
Planning	-	61	51	52
Financial Management	-	18	18	24
Accounting	-	40	40	-
General Services	30	72	102	74
Technical Services	-	94	94	81
Marketing Services	-	50	50	32
Procurement (AMR)	-	<u>24</u>	<u>24</u>	-
Subtotal	30	416	446	315
<u>Regional Offices</u>				
Capvert	17	13	30	15
Casamance	57	290	347	257
Diourbel	58	301	359	306
Senegal River Basin	32	66	98	53
Eastern Senegal	34	133	167	136
Sine Saloum	64	380	444	367
Thies	<u>37</u>	<u>169</u>	<u>206</u>	<u>160</u>
Subtotal	299	1,352	1,651	1,294
Total	<u>329</u>	<u>1,768</u>	<u>2,097</u>	<u>1,609</u>

Source: ONCAD organization chart, 11/19/74

Senegal
ONCAD
Condensed Balance Sheets (in CFA Millions)
(Unaudited)

<u>Assets</u>	<u>70 - 71</u>	<u>71 - 72</u>	<u>72 - 73</u>
Fixed assets (net)	512.9	760.0	655.5
<u>Other fixed assets</u>			
Loans over 1 year	2,090.3	51.2	51.2
Participations	90.2	92.0	92.0
Guarantee deposits	.5	1.2	1.2
	<u>2,181.0</u>	<u>144.4</u>	<u>144.4</u>
Inventory	898.5	2,066.3	743.3
<u>Current assets</u>			
Supplies	328.5	701.4	1,083.7
Clients	263.2	3,064.1	3,109.4
Personnel	13.9	47.0	26.9
Government			314.6
Government operating subsidy	94.9	400.2	1,241.9
Government aid			236.1
Stabilization Fund-groundnuts	--	--	--
Stabilization Fund-rice	--	--	2,122.2
FMDR	1,645.4	2,126.2	2,623.2
Receivable: seeds	846.3	3,313.6	3,478.9
Misc. debtor	14.3	218.4	896.9
Income to receive	--	3,267.8	
Adjustment assets		92.8	1,644.7
OCA Liquidation	1,072.1	1,072.1	1,065.5
OCAS	210.0	--	--
- Notes receivable			234.7
- Cheques receivable			76.0
- Clearing			5.9
- Recoveries pending			31.3
- Payments pending			20.3
	<u>4,488.6</u>	<u>14,303.6</u>	<u>18,212.2</u>
Cash in hand and banks	2,900.0	1,345.4	2,404.5
	<u>7,388.6</u>	<u>15,649.0</u>	<u>20,616.7</u>
Opening balance sheet			215.5
	<u>10,981.0</u>	<u>18,619.7</u>	<u>22,375.4</u>

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ONCAD

Annex 3
Table 4

	<u>Condensed Balance Sheets</u>		
	<u>(Unaudited)</u>		
	(in CFAF millions)		
<u>Liabilities</u>	<u>1970-71</u>	<u>1971-72</u>	<u>1972-73</u>
Equity	2,309.8	3,639.4	3,758.4
Provisions for losses and expenses	345.9	430.6	730.6
Provisional operating account 1971-72	-	300.00	-
Borrowing:			
Medium - long-term	-	-	-
Borrowing: SERCA	-	3.4	3.4
Government advance	<u>280.1</u>	<u>280.1</u>	<u>301.8</u>
	280.1	283.5	305.2
Subtotal equity and long-term borrowings	2,935.8	4,653.5	4,794.2
<u>Current Liabilities</u>			
Suppliers (transportation and others)	434.2	1,011.5	1,385.5
Clients	19.0	86.6	85.2
Bills to pay	93.6	-	39.5
Government	-	53.2	152.7
Expenses payable	26.3	-	-
Cooperatives	602.2	574.6	157.6
Commitments	8.9	-	-
Accounts payable	.8	353.6	790.8
A/c to adjust	-	1.3	12.4
Seed loans groundnuts	-	-	-
Liquidation ONCAD	8.2	-	-
OSA liquidation liabilities	1,433.0	1,433.0	1,113.5
ACC	427.8	-	-
Groundnut Stabilization Fund	-	424.8	1,617.4
Rice Stabilization Fund	<u>1,259.3</u>	<u>319.8</u>	<u> </u>
	4,313.3	4,258.4	5,352.6
Banks	<u>3,678.8</u>	<u>9,615.5</u>	<u>10,541.3</u>
Subtotal current liabilities	7,992.1	13,873.9	15,893.9
Transfers	-	92.2	-
Profits	<u>53.1</u>	<u> </u>	<u>1,687.3</u>
Total liabilities	10,981.0	18,619.6	22,375.4

SENEGAL

FIRST AGRICULTURAL CREDIT PROJECT

ONCAD's Operating Account (1973/74 and Budget 1974/75)

	<u>Cost per Ton</u>	<u>1973/74</u>	<u>Cost per Ton</u>	<u>1974/75</u> ^{1/}
	-----CFAF Million-----			
I. <u>Fixed Expenditure</u>				
Personal Cost		1,361.7		2,119.6
Taxes		11.7		19.3
Outside Services		289.3		392.2
Transports		242.6		259.4
Operating Cost		66.8		91.8
Depreciation Allowances		<u>190.0</u>		<u>250.0</u>
Total	4.88	<u>2,172.1</u>	4.38	<u>3,132.3</u>
		<u>Tons</u>		
		445,000 ^{2/}		715,000 ^{1/}
II. <u>Groundnut Marketing</u>				
Marketing Commissions	0.55	244.8 ^{2/}	0.55	393.3
Storage-(groundnut)-Seeds	0.97	431.3	0.45	321.8
Collection Cost	0.07	32.0	0.05	32.0
Economical Control	0.28	130.0	0.18	130.0
Cooperative Supervision	-	-	0.42	300.0
Fire Insurance	0.03	13.3	0.03	21.4
Transport to Oil Mills	3.70	1,646.3	4.00	2,145.0
Financial Charges	<u>0.60</u>	<u>265.0</u>	<u>0.76</u>	<u>545.5</u>
Total	<u>6.20</u>	<u>2,762.7</u>	<u>6.44</u>	<u>3,889.0</u>

^{1/} Budget 1974/75

^{2/} Mission Estimates 1973/74: Notice that budget 1974/75 has not taken into account actual cost incurred the previous year.

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First Agricultural Credit Project

ONCAD's Financial Situation

January 31, 1975

	Inventories + Net Receivable	Government Stabilization Fund (due to due by)	Losses (Profits)	Bank Accounts Balances Overdrafts (Deposits)
-----CFAF Billion-----				
Rice Account	7,496 ^{1/}	2,682		(10,178)
Groundnut Account				
Campaign 1973/74	1,996 ^{2/}	(2,232)	(1,748) ^{3/}	(1,984)
Campaign 1974/75	24,203 ^{4/}	-	-	24,203
Other Operations	<u>6,370^{5/}</u>	<u>4,073</u>	<u>3,285</u>	<u>(13,728)</u>
Total	<u>40,065</u>	<u>4,523</u>	<u>1,537</u>	<u>(46,125)</u>

-
- 1/ Physical inventories not available. This figure (equivalent to 70,000 tons of rice) includes floating cargo.
- 2/ Of which CFAF 1,200 million advances to private truckers (CFAF 300 million dubious).
- 3/ Profits derived from the marketing of seeds.
- 4/ About 60,000 tons of groundnut purchased at the end of January 1975.
- 5/ Includes the groundnut seed stockpile (CFAF 3.3 billion).
- 6/ Fertilizer and transport subsidy.
- 7/ Balance at BNDS, CFAF 14.8 billion. Difference unexplained.

Schedule
III
Balance Sheets

(Millions FCFA)

	30 Sept. 1968	30 Sept. 1969	30 Sept. 1970	30 Sept. 1971	30 Sept. 1972	30 Sept. 1973	30 Sept. 1974
Liabilities							
Share capital	1,360	1,360	1,360	1,360	1,360	2,400	2,400
Grants	295	295	295	295	295	229.0	229.0
Subsidies	--	--	--	--	66.3	66.3	66.3
Reserves	177	77	77	77	76.7	0.45	0.37
Subtotal	1,832	1,732	1,732	1,732	1,732.0	2,772.0	2,772.6
Profits of FY or carried over	(151)	2	0.03	(22)	3.4	10.7	10.1
Subtotal - capital accounts	1,681	1,734	15.26	1,710	1,735.4	2,782.7	2,782.7
Provisions for payment of expenses	--	--	--	--	35.9	35.8	106.2
Provisions for general risks	592	637	--	172	194.1	567.5	592.9
Provisions for losses on investments	35	35	--	14	14.4	15.0	15.0
Provisions for losses on bad loans	--	--	--	494	262.6	316.8	422.1
Subtotal - provisions	627	672	5.95	680	507.0	933.1	1,156.2
Current deposits and funds	101	21	6.09	354	344.3	335.5	365.5
Long-term borrowings	2,331	3,788	32.56	3,081	3,566.5	4,853.6	4,935.0
Medium-term borrowings	618	865	3.14	2.67	904.1	1,377.9	641.5
Short-term borrowings	3,531	1,994	1.99	401	4,302.3	3,936.1	4,940.3
Subtotal - borrowings	6,480	6,667	37.71	4,411	8,772.9	10,111.6	10,314.9
Deposits	2,578	2,790	40.87	2,726	4,100.1	3,639.4	4,728.3
Banks and correspondents	117	134	0.89	66	15.7	22.7	16.3
Accounts payable (commercial)	990	331	2.84	2,445	146.6	1,240.4	5,122.6
Other accounts payable	134	74	0.86	137	35.3	47.6	0.7
Government advances	852	836	7.19	1,351	2,023.4	3,412.8	4,915.6
Transitory accounts	447	481	4.13	506	766.4	1,697.7	2,524.8
Total	13,977	13,740	117.59	14,382	18,537.1	24,229.5	32,487.5
Adjustments 1/	--	1,436	12.04	1,539	1,126.8	2,626.8	2,544.1
Borrowings on behalf of Government	627	672	5.95	680	471.1	597.3	1,050.1
Provisions	627	2,108	17.99	2,049	1,597.9	3,526.1	3,594.2
Total - adjusted liabilities	13,350	11,632	100.00	12,333	16,939.2	20,705.3	28,693.3
Average net assets/liabilities 2/	13,350	12,491	11,502	11,852.5	14,636.1	18,472.25	24,099.3

1/ Adjusted liabilities are liabilities as shown in the Balance Sheet less (a) borrowings on behalf of Government, and (b) provisions for risks, bad debts and losses on investments.

2/ Average net liabilities (assets) are equal to average adjusted liabilities except for FY72-73 and 73-74 where unpaid capital (\$700 million) was deducted. Average net liabilities for 67-68 is the total of adjusted liabilities as of the end of the year.

3/ IDA funds as of September 30, 1973 628,430,607
1974 1,227,950,186 of which 140 SE 789,464,546
404 SE 438,385,640

SCHEDULE
E-105

Balance Sheets

	9.30.68		9.30.69		9.30.70		9.30.71		9.30.72		9.30.73		9.30.74	
Assets	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Fixed Assets	251	2.18	277	2.38	231	2.03	209	1.69	184.1	1.05	155.5	0.75	184.7	0.67
Investments	763	5.71	886	7.62	881	7.75	877	7.11	860.3	5.08	1,016.9	5.05	1,020.4	3.53
Provisions for losses	35	0.26	35	0.30	14	0.13	14	0.11	14.4	0.09	15	0.07	15	0.05
Net investments	728	5.45	851	7.32	867	7.62	863	7.00	845.9	4.99	1,031.9	4.98	1,005.4	3.48
Clients														
Long-term	1,590	14.91	2,113	18.17	2,037	17.91	1,779	14.42	1,538.9	9.08	1,412.2	6.82	1,093.5	3.78
Medium-term	2,416	18.10	2,377	20.43	1,962	17.25	2,000	16.22	3,037.1	17.93	3,469.0	16.75	3,906.5	13.52
Short-term	5,829	44.11	3,890	33.44	4,195	36.89	5,036	40.83	7,800.3	46.05	8,391.7	40.53	14,601.9	50.54
Renewable advances									428.6	2.53	203.7	0.98	329.1	1.14
Doubtful	696	5.21	673	5.79	549	4.83	705	5.72	547.2	2.11	371.7	1.60	531	1.84
Provisions	10,991	82.33	9,053	77.83	8,743	76.88	9,920	77.19	13,162.3	77.70	13,048.3	66.68	20,462.0	70.52
Subtotal Clients (net)	592	4.43	637	5.46	663	5.83	666	5.40	456.7	2.69	682.2	3.26	1,035.1	3.59
	10,399	77.90	8,416	72.35	8,080	71.05	8,394	71.79	12,705.6	75.01	12,966.1	62.62	19,426.9	67.24
Mobilizable assets	482	3.61	912	7.84	221	1.95	94	0.76	47.5	0.28	1,063.81	5.14	851.2	2.95
Cash in hand and Banks	378	2.83	340	2.92	707	6.22	525	4.26	708.4	4.16	1,737.0	8.39	706.3	2.44
Operations on account of Government	722	5.41	490	4.21	827	7.27	1,470	11.92	2,076.1	12.26	3,508.1	16.95	5,091.9	17.63
Transitory accounts	350	2.62	346	2.98	439	3.86	318	2.58	371.6	2.19	243.0	1.17	1,613.9	5.59
Total net assets	13,350	100.00	11,632	100.00	11,372	100.00	12,333	100.00	16,939.2	100.00	20,705.3	100.00	28,893.3	100.00

1/ Including CFA 700 million of uncalled share capital.

Sengal
BNPS
Operating and Profit and Loss Accounts in Amounts and Percentages
(Amounts in millions)

	1967-68		1968-69		1969-70		1970-71		1971-72		1972-73		1973-74	
	Amounts	%	Amounts	%	Amounts	%	Amounts	%	Amounts	%	Amounts	%	Amounts	%
<u>Operating Accounts</u>														
<u>Income</u>														
Interest and commissions	626.0	68.82	720.3	90.14	688.0	88.15	632.3	78.52	853.8	81.50	972.4	82.28	1,373.0	81.15
Financial operations	23.5	2.58	45.2	5.66	92.5	11.85	136.7	16.98	95.4	9.11	191.6	16.21	291.4	17.22
Agency operations							9.3	1.15	20.1	1.92	17.9	1.51	27.6	1.63
Subtotal	649.5	71.40	765.5	95.80	780.5	100.00	778.3	96.65	969.3	92.53	1,181.9	100.00	1,692.0	100.00
Operating losses	260.2	28.60	33.6	4.20	--	--	27.0	3.35	78.3	7.47	--	--	--	--
Total	909.7	100.00	799.1	100.00	780.5	100.00	805.3	100.00	1,047.6	100.00	1,181.9	100.00	1,692.0	100.00
<u>Expenses</u>														
Office expenses	71.0	7.80	113.9	14.25	116.8	14.97	74.0	9.19	80.7	7.70	54.2	4.59	16.0	0.94
Personnel	265.6	29.20	251.9	31.52	185.0	23.70	166.1	20.63	181.4	17.32	163.9	13.87	218.6	12.92
Taxes	46.0	5.06	54.5	6.82	62.9	8.06	70.1	8.70	70.1	6.69	109.7	9.28	147.8	8.73
Services, supplies	--	--	--	--	--	--	19.2	2.38	27.3	2.61	45.9	3.88	83.7	4.95
Transport, travel	41.7	4.58	37.2	4.66	22.7	2.91	18.4	2.29	15.2	1.45	8.5	0.72	11.3	0.67
Misc. management exp.	27.4	3.01	15.1	1.89	10.8	1.38	13.4	1.66	11.1	1.06	11.8	1.00	12.8	0.76
Subtotal	451.7	49.65	472.6	59.14	398.2	51.02	361.2	44.85	385.8	36.83	394.0	33.34	490.2	28.97
Financial charges	274.5	30.18	264.6	33.11	231.9	29.71	247.8	30.78	354.1	33.80	415.0	35.11	571.9	33.80
Depreciation	51.8	5.69	60.1	7.52	46.9	6.01	40.1	4.97	35.6	3.40	42.6	3.60	15.9	0.94
Provisions	131.7	14.48	1.8	0.23	51.6	6.61	156.2	19.40	272.1	25.97	138.0	11.68	194.5	11.50
Profits	--	--	--	--	51.9	6.65	--	--	--	--	192.3	16.27	419.5	24.79
Total	909.7	100.00	799.1	100.00	780.5	100.00	805.3	100.00	1,047.6	100.00	1,181.9	100.00	1,692.0	100.00
<u>Profit and Loss Accounts</u>														
Operating loss	260.2	28.60	33.6	4.20	--	--	27.0	3.35	78.3	7.46	--	--	--	--
Losses of past FY	205.4	22.58	42.0	5.26	102.3	13.11	19.5	2.42	35.7	3.41	31.0	2.62	84.8	5.01
Write-offs	61.9	6.80	--	--	99.5	12.75	14.2	1.76	376.0	35.89	2.5	0.21	6.4	0.38
Special contributions	--	--	--	--	4.0	0.51	--	--	--	--	378.6	32.03	103.4	6.11
Income tax	--	--	--	--	--	--	--	--	1.1	0.11	3.6	0.30	105.8	6.25
Net profit	--	--	2.3	0.29	3.5	0.45	--	--	3.4	0.33	7.3	0.62	211.6	12.51
Total	527.5	57.98	77.9	9.75	209.3	26.82	60.7	7.53	494.5	47.20	423.0	35.78	512.0	30.26
Operating profits	--	--	--	--	51.9	6.65	--	--	--	--	192.3	16.27	419.5	24.79
Profits of past FY	106.4	11.70	52.3	6.55	15.2	1.95	31.2	3.87	490.3	46.80	131.6	11.13	45.6	2.70
Recoveries on write-offs	0.8	0.09	1.7	0.21	1.3	0.17	0.8	0.10	3.8	0.36	2.3	0.19	3.7	0.22
Profits on sale of assets	--	--	--	--	1.6	0.20	2.5	0.31	0.4	0.04	4.2	0.36	6.6	0.39
Cancellation of provisions	238.7	26.24	23.2	2.90	139.3	17.85	4.3	0.53	--	--	88.8	7.51	25.6	1.51
Excess of provisions	0.4	0.04	0.7	0.09	--	--	--	--	--	--	3.8	0.32	11.0	0.65
Loss	181.2	19.92	--	--	--	--	21.9	2.72	--	--	--	--	--	--
Total	527.5	57.99	77.9	9.75	209.3	26.82	60.7	7.53	494.5	47.20	423.0	35.78	512.0	30.26

SENEGALFIRST AGRICULTURAL CREDIT PROJECTCOOPERATIVES

1. The Cooperatives play an important part in Senegal's agriculture. They were first set up in 1960 as part of a move to nationalize groundnut production and marketing. The first objective was the elimination of private traders. In 1968 there were 1,500 cooperatives, of which 1,200 were connected with groundnuts and 876 in the project area. By 1970 it became clear that many cooperatives were such small units that they could not function without a large measure of external assistance. ONCAD, responsible for such assistance, was unable to provide it satisfactorily and one consequence was that the handling of input distribution and groundnut collection became increasingly costly. In 1970 ITALCONSULT proposed a scheme to merge cooperatives in the Groundnut Basin into larger units. The Bank and Government agreed that a careful review of the possible economic and social effects of such change should be made prior to any reorganization. In 1971 when the project was revised, IDA agreed to finance the foreign exchange costs (US\$160,000) of a study of the feasibility of such a reorganization.

2. ITALCONSULT was selected to do the work and submitted its report to IDA and Government in May 1973. The report concluded that the merging of cooperatives was sound in social and economic terms and would generate substantial annual savings to ONCAD and Government. The report stated that farmers perceived the need for such a reorganization, and proposed a reduction in the number of cooperatives in the Groundnut Basin from 1,000 to about 220.

3. A principal finding of the study was that a merging of cooperatives would save transport by requiring farmers to transport groundnuts themselves (and collect inputs from) to a reduced number of cooperative stores mainly located along existing highways or at railway stations. Through both this and eliminating the need for intermediate storage it was estimated that savings (in 1973 terms) of about CFAF 600 million a year would accrue to the cooperatives.

4. The study concluded also that the cooperatives would be able to generate additional financial resources by administering the purchase of groundnuts from farmers as well as operating a seed supply scheme. Such revenues would be available to pay a full-time secretary for the cooperative and for purchasing weighing and transport equipment and constructing stores

5. The consultants also agreed that development of larger cooperative units would promote the development among participants of a cooperative spirit, a feature which is lacking in the Senegal cooperative system at this time. A farm survey conducted by the consultants indicated that farmers are interested in the idea of larger units, and recorded suggestions made by farmers such as:

- a. the cooperative secretary should be chosen from among the cooperative's members;

- b. transport facilities (animal drawn carts) should be made available to farmers in a more efficient way; and
 - c. cooperatives should have more freedom in the use of their savings and should market basic household and food items.
6. The consultant's report was weak in certain aspects, in particular:
- a. the selection and training of cooperative secretaries is not discussed. Presently, ONCAD selects and appoints for the purchasing season clerks (inevitably from outside the cooperative) to weigh produce and to pay farmers; in addition, the report does not discuss the need to establish an autonomous management system for the cooperatives or the question of how cooperatives would manage the distribution of inputs and the marketing of their production;
 - b. the savings on transport and storage costs identified by the consultants are debatable, since groundnuts are delivered to the oil mills over a 12-month period and thus intermediate storage will be unavoidable;
 - c. financial incentives for cooperatives are not discussed, although this aspect is the key to development of a cooperative spirit; the importance to farmers of being allowed to use their existing savings, now blocked at BNDS without interest, is a crucial issue which is not addressed; and
 - d. it is not sure that ONCAD could reduce its supervision to the extent indicated by the consultant. Although some savings in personnel costs are likely, the need to improve the quality of field services is not discussed.
7. Current Status - The study report as reviewed by IDA, was well received by Government, who agreed with the consultant that a pilot operation was necessary. This experiment, involving 73 cooperatives, has been financed by an Italian loan. ONCAD has yet to report on the results of the experiment which is now complete, and Government has yet to decide on any further action on the grouping of cooperatives.
8. Conclusions - A cooperative spirit is absent in the cooperative system. Mainly because cooperatives have few responsibilities and are considered primarily as a convenient way of recovering credit and of purchasing groundnuts. Indeed cooperative members are penalised in that they have no control over the use of their deposits and savings with BNDS.
9. Small cooperatives have some advantages that would be lost by merging. In particular, farmers now know each other and have some choice in the cooperative that they join. This is an important consideration under circumstances where cooperative members are jointly responsible for the repayment of all credits provided to the members of the society.

10. Supervision of and assistance given to the cooperative movement by ONCAD is less than satisfactory. Farmers have many and justified complaints over ONCAD's performance in purchasing groundnuts and recovering credit, and although these activities are carried out by ONCAD's technical departments farmers' distrust is carried over to ONCAD cooperative services. Government is well aware of these difficulties and recently has decided that in future regional development agencies should become responsible, instead of ONCAD, for the supervision of and assistance to cooperatives. Government acknowledges that ONCAD performance has been poor and that the regional development agencies have a better knowledge of farmers' needs and thus is in a better position to help the cooperatives develop.

11. Under the Second Sedhiou Project, appraised in October 1975 by the Bank, technical assistance would be provided to 150 cooperatives. Additionally these cooperatives would be formed into unions of a sufficient size to be able to afford to appoint their own staff to deal with the procurement and the delivery of farm inputs, and the purchase at maturity of groundnuts and other farm commodities.

12. The success of these moves will depend heavily on changing current policies in respect of cooperatives' financial resources. Cooperatives' deposits (equity capital and savings) are mostly blocked at BNDS. Government has agreed to review this policy but no action has been taken yet. In the Bank/IDA view these deposits should be made available for investments in the rural communities from where they are generated.

SENEGALFIRST AGRICULTURAL CREDIT PROJECTIDA Recommendations to Government/ONCAD/BNDS and SODEVA

	<u>Recommendations</u>	<u>Government Response</u>
March 1969	- Forward BNDS financial statements and proposed measures to improve BNDS' financial situation	Yes
	- Recruit independent auditors for BNDS	Yes
June 1970	- Renegotiate the project	Yes
May 1971	- Confirm the reallocation of IDA Credit proceeds	Yes
January 1972	- Forward consultants' proposals for the merging of cooperatives and the reorganization of BNDS' accounting system	Yes
July 1973	- Make decision on consultant proposals for BNDS' accounting reorganization	Yes
	- Approve reallocation of credit	Yes
	- Appoint a permanent chairman to the project coordinating committee	Yes
	- Urge ONCAD to use its transport fleet more efficiently	No
	- Have ONCAD carry out its commercial functions under separate accounts	Yes
January 1973	- Inform IDA of any decision taken to alleviate the debt burden of farmers caused by the 1972 drought	No answer
	- Approve SAFS' proposals to reorganize BNDS	Yes
	- Have ONCAD arrange for audit of OCA liquidation accounts	No
February 1974	- Advise Government not to cancel debts after the 1973 drought	Not followed
	- Consult with IDA on fertilizer subsidy policy	Answer at negotiation of Sine Saloum Project

	<u>Recommendations</u>	<u>Government Response</u>
	- Advise Government not to initiate a subsidy on farm equipment delivered under PA	None
	- Ask BNDS and ONCAD to forward audited accounts for 1973	Yes and no
November 1974	- Take prompt action to clarify ONCAD's financial situation	Partially done
	- Inform the Bank of proposals to decentralize ONCAD	No answer
	- Inform the Bank of its view to the findings of CVCC	No answer
May 1975	- Review the status of cooperative accounts with BNDS	No action
	- Terminate ITALCONSULT's contract	Partially done
	- Ask Mr. Seydi to complete his part of the ONCAD audit report	No action
	- Review the differential paid to ONCAD for its services	No answer
	- Appoint external auditors at ONCAD in time to audit 1973/74 accounts	No action

SENEGAL

Annex 7
Table 1

First Agricultural Credit Project

Schedule of Disbursements of Credit 140-SE of December 10, 1975

IBRD/IDA FISCAL YEAR AND QUARTER	ACCUMULATED DISBURSEMENTS IN THOUSANDS OF U.S. DOLLARS EQUIVALENT				ACTUAL DISBURSEMENTS AS A PERCENTAGE OF APPRAISAL ESTIMATE (UP TO LATEST QUARTER) OR NEW ESTIMATE OF DISBURSEMENTS AS A PERCENTAGE OF APPRAISAL ESTIMATE (FOR FUTURE QUARTERS) (1+2) x 100 OR (4+2) x 100
	ACTUAL TOTAL DISBURSEMENTS	APPRAISAL ESTIMATE	LATEST REVISED ESTIMATE 1/10/73	NEW DISBURSEMENT ESTIMATE (if required)	
<u>1969/70</u>					
Sept. 30					
Dec. 31					
Mar. 31	1,201				
June 30	1,519	3,230			
<u>1970/71</u>					
Sept. 30	1,832				
Dec. 31	1,984				
Mar. 31	2,512				
June 30	2,599	6,295			43% ^{2/}
<u>1971/72</u>					
Sept. 30	2,931				
Dec. 31	3,028				
Mar. 31	4,336		3,744		
June 30	4,408	9,220	4,439		73%
<u>1972/73</u>					
Sept. 30	4,537		4,850		
Dec. 31	4,648	9,500 ^{1/}	5,772		
Mar. 31	4,648		5,500		77%
June 30	5,615		5,600		
<u>1973/74</u>					
Sept. 30	5,788		5,750		
Dec. 31	5,788		5,800		
Mar. 31	5,788		5,900		
June 30	5,788		5,900		
<u>1974/75</u>					
Sept. 30	5,788		6,000		
Dec. 31	5,788				
Mar. 31	5,788				96%
June 30	5,788				100%
<u>1975/76</u>					
Sept. 30	5,950				
Dec. 31	6,000				100%
Closing Date	12/31/72	3/31/74	12/30/75 ^{3/}		

^{1/} This amount included a loan of US\$3.5 million (584-SE), which was cancelled in July 1971.

^{2/} On the basis of US\$6,000,000 corresponding to the amount of the credit after cancellation of Loan 584-SE.

^{3/} Closing date postponed to June 30, 1976.

SENEGAL

FIRST AGRICULTURE CREDIT PROJECT

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(a) Summary
(b) Synthesis
(c) Structure
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M. N. Quang Nha
(Consultant)
11.30.1973

SENEGAL

AGRICULTURAL CREDIT PROJECT

Comparison of Physical Achievements at Appraisal Prices

<u>Implements</u>	<u>Appraisal Unit Price CFAF/Unit (1)</u>	<u>Appraisal Objective CFAF Million (2)</u>	<u>Project Achievements</u>	
			<u>Over 3 Years CFAF Million (3)</u>	<u>Over 4 Years CFAF Million (4)</u>
Seeders	13,000	1,014	240	381
Hoes	8,200	672	301	467
Lifters	7,300	387	28	54
Draft Oxen	34,000	384	28	78
Carts	27,000	297	344	548
Subtotal		2,754	941	1,528
Fertilizers				
Groundnuts	23,000	4,361	658	1,090
Millet	23,000	1,033	539	903
Subtotal	23,000	5,444	1,197	1,993
Total		8,198	2,138	3,521
		=====	=====	=====

SENEGAL

AGRICULTURAL CREDIT PROJECT

IMPLEMENTATION OF THE AGRICULTURAL CREDIT PROGRAM

	1960/61	1961/62	1962/63	1963/64	1964/65	1965/66	1966/67	1967/68	1968/69	Phase I			Phase II			
										1969/70	1970/71	1971/72	1972/73	1973/74	1974/75	1975/76
Seeders																
Annual purchases	1,263	4,367	10,957	16,620	18,998	15,640	13,696	16,783	12,375	7,170	2,628	8,683	10,132	10,132	6,286	17,212
Cumulative units sold	1,263	5,630	16,587	33,207	52,205	67,845	81,541	98,324	110,699	117,869	120,497	129,180	139,984	150,116	156,402	173,614
Annual replacements (15%)																
Seeders estimated in use	2,488	4,608	8,097	10,114	10,653	9,961	8,073	8,164	8,164	10,653	9,961	8,073	8,164	8,560	8,796	8,420
Seeders estimated in use	30,719	45,109	53,983	59,382	67,428	69,689	66,406	53,817	54,427	57,067	58,639	56,130	64,923	58,639	56,130	64,923
Annual replacements (10%)																
Seeders estimated in use	126	1,401	6,103	13,399	21,058	27,283	31,824	34,227	34,227	42,733	42,733	42,733	42,733	42,733	42,733	42,733
Cumulative units sold	126	1,527	7,630	21,029	36,600	57,668	84,951	103,235	118,282	125,452	139,980	160,265	177,362	177,362	190,252	221,293
Annual purchases																
Hoese estimated in use	1,145	2,983	3,621	4,328	6,839	9,905	11,162	11,745	10,879	11,606	11,606	11,606	11,606	12,905	13,534	13,420
Hoese estimated in use	19,884	24,138	28,851	45,591	66,035	74,414	78,299	72,524	77,373	86,032	90,244	89,597	107,198	112,231	113,898	133,545
Annual replacements (10%)																
Hoese estimated in use	1,680	3,168	4,668	6,168	7,668	9,168	10,668	12,168	13,668	15,168	16,668	18,168	19,668	21,168	22,668	24,168
Annual purchases																
Cumulative units sold	1,680	3,168	4,668	6,168	7,668	9,168	10,668	12,168	13,668	15,168	16,668	18,168	19,668	21,168	22,668	24,168
Annual replacements (10%)																
Liffters estimated in use	2,300	4,148	5,609	6,909	8,209	9,509	10,809	12,109	13,409	14,709	16,009	17,309	18,609	19,909	21,209	22,509
Annual credit purchases																
Cumulative units sold	2,300	4,148	5,609	6,909	8,209	9,509	10,809	12,109	13,409	14,709	16,009	17,309	18,609	19,909	21,209	22,509
Groundnuts (tons)																
Millet (tons)	10,740	19,831	20,518	30,506	25,563	36,736	46,737	46,737	24,861	11,622	5,822	11,183	18,782	19,684	19,203	35,558
Subtotal	1,425	1,867	2,237	4,267	4,253	8,621	11,569	9,155	9,155	11,622	11,622	11,622	15,810	15,042	16,804	21,288
	17,165	21,698	22,755	34,773	29,816	45,357	58,286	58,286	34,016	19,281	11,652	21,135	34,592	34,136	36,007	62,847
Rainfall data - Kaolack in mm. (approximately)	600	780	610	680	1,000	550	950	840	560	730	490	840	530	500		
Prices (CFAF/kg)																
Groundnuts																
Fertilizers																
Disurbe																
Thies																
Sine Saloum																

ANNEX A
Table 2

1/ For a total request of about 2,700 pairs.

2/ Based on actual total deliveries allocated conservatively between millet and groundnut, according to 1974/75 proportions

GENERAL
AGRICULTURAL CREDIT PROJECT

COMMENTS NOTED DURING FIELD TRIP - DECEMBER 8 & 9, 1975

Name of Cooperative/Region Name of President or Manager Number of members	Production YEAR: TONS	Groundnut Seeds	Fertilizers	Agricultural Machinery	Other
1. GAWANE/DIOUBBEL MT. N'D'AVE (Peseur) 383 President is local marabout who alone contributes 10% of cooperative production.	66/67: 1,600 72/73: 0 73/74: 420 74/75: 1,200	Satisfied of quality. General agreement that the creeping var. is better than the erected one. If responsible for seeds, would keep 100% creeping var.	Excellent. When put on time and in the appropriate doses.	Came late this year although earlier years PA was on time. Carts arrived late (for donkeys) or have been postponed (horses and oxen).	Prefer 1967/68 accounting book. Wish improved millet seed now being refused because earlier credit not repaid. Wish Bonuses should be repaid earlier. Wish house improvement credits. No millet marketing by cooperative because it would not be competitive with subsidized ONCAD system.
2. KIUNSAKANE/DIOUBBEL MT. SALLIOU BADIANE 314	73/74: 600 74/75: 1,026	Happy to assume responsibility of swarding seed stockpile, but preoccupied with lack of infrastructure and pesticide. Will use margin paid by for infrastructural improvements as well as bonuses. Would prefer to receive 25% and hold full responsibility. Prefer creeping variety (see others).	Excellent, main factor in production not distributed on time	Carts not received since four years; becoming more important than other tools.	Problem of full coop. responsibility over seeds are the bad years. Now when drought ONCAD compensate deficit. Prefer earlier version of accounting books.
3. N'DIANGU RICADJU/DIOUBBEL N'DAVE DIAGNE 294	66/67: 750 74/75: 389	Seeds of good quality if favorable climatic conditions during previous year Generally satisfactory.	Farmers generally satisfied.	Material does not arrive on time or not at all.	Would refuse to be reorganized into other cooperative. The village is what they know and they categorically oppose changing.
4. V'DANGALAWA/DIOUBBEL M' FALL 6/0 (increased by about 5% per year) About 20% of farmers (main producers) are in the cooperatives.	65/66: 2,400 73/74: 411 74/75: 678	Both seed types required: 70% creeping var. for drier soils and 30% erected for deck soils. President thinks he will recover more than 30% of the seed repayments, for which the coop is now responsible. Local improved seed production unit (SODEWA) will produce 28 tons as compared to coop. require- ment of 230 tons. Seeds supplied under current contract are inadequate insufficient. Recognize that now that they will be responsible for their seeds they will be able to allocate more if they wish. Welcome receiving more responsi- bility for seeds, but will continue to rely on ONCAD in years of drought.	Fertilizers have favorable effects even during droughts. Best is to put more than advised. Trials by farmers themselves show that with a 25% extra dose, yields increase by 60%. Others claim fertilizers fell the plant in years of drought.	Arrives usually with a small delay. Would wish their own transport, means to ensure timely supply. No carts received. Material does not come complete; hence delays in distribution to the farmers.	President would wish to have more autonomy in managing his coop; they have children who can write and could help. Members think that the margin on groundnut sales is inadequate. Want their own means of transportation; worry like having credit. Bonuses not fully repaid because of drought, but holding unpaid debts during drought (?) Bonuses arrive too late, would like a consumer coop. The most serious problem is the groundnut price. Request credit for housing.
5. N'LOUJIANE/TKIES AS'AN THIAO 574	68/69 1,338 71/72 1,586 74/75: 1,258	Are conscious that they own the seed and are confident that they will have a better recovery than in the past. Are conscious that the seed supplies for seed preservation. Would want about 80% creeping var. and 20% erected. Seeds still not of good quality.	Fertilizer on millet is excellent, on groundnut also, but farmers did not take the latter because prices of fertilizers went up and not known in time. Conscious of the need to apply early and do the other cultivation practices correctly. However, priority to fertilizers over any other input.	Material arrived late, carts never came. SISOUMA carts: much better: no comparison with others. Material arrives in parts all seeds distributed until it has all arrived complete.	Feel our urgent need for more cooperative infrastructure. Bonuses to be largely reinvested.
6. DIEYENE - SIRAKU/TKIES IBRAH SARR. 306	67/68: 670 67/69: 570 71/72: 717 73/74: 323 74/75: 361				

SENEGAL

AGRICULTURAL CREDIT PROJECT

BNDS - Farmers' Capital Account
(CFA '000)

1. Social Capital (CFA 1,000/cooperative member, amounting to a theoretical total of CFA 245,634)

Actually held by BNDS

Account 4001 (managed by BNDS) (60% of SC) 147,380

Account 4971 (managed by FMDR)^{1/} (40% of SC) 4,287

151,667

2. Communal Investment Fund (credited by 1/2 of the excess of cooperative earnings, to serve as additional guarantee 988,546

3. Communal Development Fund (credited by 1/4 of the additional cooperative earnings and at the disposal of the cooperatives for investment) 207,532

1,347,745

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1/ FMDR: Fonds Mutualiste de Développement Rural