



1. Project Data:		Date Posted : 08/25/2000	
PROJ ID: P007607		Appraisal	Actual
Project Name: Rainfed Areas Development	Project Costs (US\$M)	225.6	225.5
Country: Mexico	Loan/Credit (US\$M)	85.0	85.0
Sector(s): Irrigation & Drainage	Cofinancing (US\$M)	0	0
L/C Number: L3778			
	Board Approval (FY)		95
Partners involved :	Closing Date	06/30/1999	06/30/1999

Prepared by :	Reviewed by :	Group Manager :	Group:

2. Project Objectives and Components

a. Objectives

The goal of the project was to assist about 28,000 de-capitalized farmers with no access to credit in selected rainfed areas, to carry out investments in activities that would increase their competitiveness within the framework of NAFTA and, in particular, move out of corn into more internationally profitable crops . The project sought to raise agricultural productivity by (a) investing in small scale-irrigation over 29,000 ha benefiting 11,000 producers and other production investments benefiting 14,000 producers covering 50,000 ha ; (b) transferring both new and existing agricultural technologies to producers through private sector extension; (c) soil conservation; and (d) strengthening the capacity of the executing agency [FIRCO, the Trust Fund for Shared Risk]. The project was targeted to small farmers (less than 10 ha) in 10 states characterized by a high dependence on corn, focusing on areas receiving less than 1,000 mm of rain annually where moisture deficit was the main constraint to productivity . In 1996 the project was expanded to 22 states. Farmers would contribute a minimum of 15% of capital costs on either cash, labor or kind .

b. Components

(a) Rural investment (US\$147.2 million), including 350 tubewells, 500 small-scale irrigation and drainage projects, 2,500 soil conservation projects, and 100 livestock production units;

(b) Agricultural technology transfer (US\$61.0 million), entailing extension and soil and water conservation services;

(c) Institutional development and training (US\$17.4 million), including strengthening FIRCO's project design and supervision capacity, staff training, and providing funds for contracting private sector specialists for feasibility and design studies.

c. Comments on Project Cost, Financing and Dates

Of the total project cost, US\$178.4 was for investment, while US\$47.1 covered recurrent costs .

3. Achievement of Relevant Objectives:

Physical objectives were fully achieved, despite major upheaval to project institutions resulting from the 1994-95 macroeconomic crisis that occurred shortly after the loan became effective . There was little movement out of corn cropping and change of producers' agricultural competitiveness due to government's delay in phasing -out subsidies and limited promotion of crop diversification .

4. Significant Outcomes/Impacts:

Project investments successfully targeted the districts most affected by lower corn prices (70% of project districts were severely affected, 20% moderately). With respect to small-scale irrigation, the project irrigated 86,500 hectares (300% of appraisal targets), and reached 17,300 beneficiaries (158% of appraisal targets). The target area for soil and water conservation works (58,000 ha) was marginally exceeded. Livestock projects establishing pasture and enhancing milk production greatly exceeded targets . There was no *ex-ante* estimate of economic return--because subproject investments would be demand-driven---but, *ex-post*, the ICR calculated that the net present value was US\$52.8 million for pasture establishment, US\$25.7 million for irrigation, and US\$11.9 million for dairying. Financial rates of return for the same activities varied from 22% to 17%.

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

The intention of targeting subprojects to farmers with less than ten hectares was not observed . It is not clear how much poverty was reduced, the ICR noting that "no assessment can be drawn with regard to achievement of

specific development impact targets ". Strengthening of FIRCO was not achieved, resulting in weak coordination between extension services and infrastructure improvements (cited by the ICR as "the biggest shortcoming with regards to project implementation performance and achievement of the original development objectives "). The ICR cites failure to ensure crop diversification as a "missed opportunity", all the more regrettable given the phasing out of protection for corn.

6. Ratings :	ICR	OED Review	Reason for Disagreement /Comments
Outcome :	Satisfactory	Moderately Satisfactory	Overly focused on physical inputs to detriment of knowledge and incentives for crop diversification.
Institutional Dev .:	Substantial	Negligible	FIRCO's weakness and poor extension performance. The ICR provides no evidence of community-level institutional development.
Sustainability :	Likely	Likely	Mainly because of co-payment incentive.
Bank Performance :	Highly Satisfactory	Satisfactory	"Bank actions lost focus on part of the project's objectives during implementation" (ICR); also, arrangements for assessing development impact could have been stronger.
Borrower Perf .:	Satisfactory	Satisfactory	
Quality of ICR :		Satisfactory	

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

7. Lessons of Broad Applicability:

- (a) As the ICR notes, "provision of adequate infrastructure may be enough to promote expansion of irrigation and an increase in crop yields, but not changes in crop patterns and efficient production".
- (b) In this project there was little uptake of private technical assistance by poor farmers once the public system was scaled back, and corn supports began to dwindle. Projects with extension components should examine more carefully the prerequisites and the incentives needed for small farmers to pay for extension services.
- (c) The project's substantial physical achievement demonstrates, once again, that demand-led design and implementation of subprojects can enhance overall project success.

8. Assessment Recommended? Yes No

9. Comments on Quality of ICR:

There could have been a fuller discussion of development impact: even in the absence of robust data, the parameters of impact were probably discernible. None of the workings for the NPV estimates are shown, and there is no indication of the assumptions made.