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**Report No. 9331**

**PROJECT COMPLETION REPORT**

**REPUBLIC OF YEMEN**

**AGRICULTURAL CREDIT PROJECT  
(CREDIT 1308-YAR)**

**JANUARY 28, 1991**

**Agriculture Operations Division  
Country Department III  
Europe, Middle East and North Africa Region**

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## CURRENCY EQUIVALENT

### US\$ 1 - YRs

1983	4.58
1984	5.35
1985	7.36
1986	9.64
1987	10.34
1988	9.77
1989	9.76
1990	11.75

## Abbreviations and Acronyms Used

ACB	- Agricultural Credit Bank
CACB	- Cooperative and Agricultural Credit Bank
ERR	- Economic Rate of Return
FRR	- Financial Rate of Return
NCDB	- National Cooperative and Development Bank
IDA	- International Development Association
PCR	- Project Completion Report
ROY	- Republic of Yemen
RVP	- Regional Vice President
SSHARDA	- Sana'a Saadah Hajjah Agricultural and Rural Development Authority

## Fiscal Year

January 1 to December 31

## Weights and Measures

1 millimeter (mm)	-	0.039 inches
1 meter (m)	-	3.28 feet
1 square meter (m <sup>2</sup> )	-	10.76 square feet
1 kilometer (km)	-	0.62 mile
1 hectare (ha)	-	10,000 square meters (2.47 acres)
1 metric ton (ton)	-	2,205 pounds
1 liter (l)	-	0.264 gallon

THE WORLD BANK  
Washington, D.C. 20433  
U.S.A.

Office of Director-General  
Operations Evaluation

January 28, 1991

MEMORANDUM TO THE EXECUTIVE DIRECTORS AND THE PRESIDENT

**SUBJECT: Project Completion Report - Republic of Yemen  
Agricultural Credit Project (Credit 1308-YAR)**

Attached, for information, is a copy of a report entitled "Project Completion Report: Republic of Yemen - Agricultural Credit Project (Credit 1308-YAR)" prepared by the Europe, Middle East and North Africa Regional Office. No audit of this project has been made by the Operations Evaluation Department at this time.

Attachment

A handwritten signature in black ink, appearing to be 'J. P. ...', is located to the right of the 'Attachment' label.

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(CREDIT 1308-YAR)Table of Contents

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MAP IBRD 22775

PROJECT COMPLETION REPORT

REPUBLIC OF YEMEN

AGRICULTURAL CREDIT PROJECT  
(CREDIT 1308-YAR)

PREFACE

This is the Project Completion Report (PCR) for the Agricultural Credit Project in ROY, for which Credit 1308 - YAR in the amount of SDR 7.5 million (US\$ 8.0 million at appraisal) was approved on December 12, 1982. The Credit was closed on December 31, 1989, two and one half years behind schedule. SDR 6,552,697.42 was disbursed, and the last disbursement was made on May 9, 1990. The balance, totaling SDR 947,302.58, was cancelled effective April 30, 1990.

The PCR (Preface, Evaluation Summary, Parts I and III) has been prepared by the Agriculture Operations Division (EM3AG) of the Europe, Middle East, and North Africa Region. The Borrower was requested to prepare a PCR (Part II), but this has not been done.

Preparation of this PCR started during IDA's final supervision mission of the project in October 1989, and is based on the Staff Appraisal Report, the Development Credit Agreement, the Project Agreement, the Subsidiary Financing Agreement between the Borrower and the implementing agency (Cooperative and Agricultural Credit Bank), supervision reports, progress reports provided by CACB, correspondence between IDA and CACB, and internal IDA memoranda.

PROJECT COMPLETION REPORT

REPUBLIC OF YEMEN

AGRICULTURAL CREDIT PROJECT  
(CREDIT 1308-YAR)

EVALUATION SUMMARY

OBJECTIVES

The main objectives of the project were:

(a) Institution building through: (i) training CACB staff, mainly in credit, computer operations, and financial controls; (ii) strengthening CACB's organizational structure and operational procedures through technical assistance and the establishment of a management information system; and (iii) construction of a branch office in Saadah and six extension centers in Saadah and Hajjah governorates; (b) carrying out of an agricultural credit survey to formulate a lending strategy and establish priorities; and (c) on-lending to farmers, mainly for on-farm investments.

IMPLEMENTATION EXPERIENCE

The project suffered from a very slow start. The four year implementation period was ultimately extended three times for a total of two and a half years. The project was closed with parts of some components uncompleted (construction of Saadah branch, installation of computer equipment in branches, and under utilization of technical assistance).

The main implementation problems were the lack of strong commitment to the goal of institution building through technical assistance, the lack of adequate autonomy for the main financial institution, and failure to comply with some legal covenants, particularly review of interest rates leading to adjustment (lending rates were reviewed but Government was opposed to adjustment), and divestment of trading activities. The project objective of improving CACB's institutional performance was achieved to a very limited extent only, and the project did not have any significant impact on the financial performance of CACB.

Funds allocated for on-lending operations were fully utilized; the main activities financed were irrigation equipment and tractors, and to a limited extent working capital. CACB had very high loan administration costs (about 13%), low and unsustainable loan repayment rates of about 40% (less than 5% in the Eastern Region where lending was motivated by social and political considerations in a tribal area undergoing transformation from tribal society to federal government), and failed to insulate its lending activities from outside influences. CACB succeeded in generating limited deposits only.

Some initiatives were taken by CACB to improve lending procedures, establish links with extension, strengthen internal audit procedures, evaluate branch performance, and formulate loan collection plans and targets. However, these efforts had limited success. The main achievement of the project is the

installation of the management information system which is largely in place and operational at headquarters and the Sana'a branch; while completion of installation at branches is expected in 1990. The agricultural credit survey was finally carried out just before the closing date; although the findings and recommendations could not be made use of in the project, it is hoped that these would be used by CACB to formulate a future strategy for lending and deposit creation.

### SUSTAINABILITY

Some components, namely, the management information system, limited acquired training skills, the extension centers and branch office would be useful beyond the project life. Also, benefits from on-lending operations would accrue over the economic life of the projects financed. However, the current rates of ground-water abstraction of the main aquifers, particularly in the Central Highlands, are not sustainable.

The project had a limited impact on the financial position of CACB due to very high loan administration costs, very low and falling loan repayment rates, and low lending rates; if left unchecked, these factors would endanger the viability of CACB as a financial institution. Also, the long term impact of technical assistance and the very limited institutional reform that has taken place, are not assured.

### LESSONS LEARNED

The key lessons of the project were the following:

(a) IDA should more clearly distinguish between the need for institutional reform, and the financial institution's commitment to such reform. Where commitment is lacking, the project should not be undertaken or be discontinued at an early stage.

(b) Where the rural financial sector is still rudimentary and new institutions are being set up, the credit project should be preceded by a technical assistance program, possibly grant financed by a donor agency.

(c) Another lesson is the difficulty of tackling sectoral or national policy issues, such as negative real interest rates, at the project level; these issues should be incorporated in sector or macroeconomic dialogue, and should be reflected in IDA's overall lending strategy. Therefore, future credit operations should not be viewed in isolation, but rather within the wider context of the financial sector and macroeconomic setting.

(d) The four-year project implementation period was short in view of the institution-building nature of the project and the stage of development of the implementing financial institution. Similar future projects should allow for realistic implementation periods.

(e) Project design of financial intermediation loans in the agricultural sector should assess the downstream impact of on-lending activities on ground water use and aquifer depletion where water is a scarce resource, and regulatory mechanisms do not exist. If conditions warrant, well drilling and equipment should be excluded from on-lending activities.

PROJECT COMPLETION REPORT

REPUBLIC OF YEMEN

AGRICULTURAL CREDIT PROJECT  
(CREDIT 1308-YAR)

PART I: PROJECT REVIEW FROM BANK'S PERSPECTIVE

A. Project Identity

Project Name:	Agricultural Credit Project
Credit Number:	1308-YAR
RVP Unit:	EMENA Region
Country:	Republic of Yemen
Sector:	Agriculture
Subsector:	Agricultural Credit

B. Background

1. Due to limited water resources, a labor shortage resulting from migration to neighboring countries, and the shortage of foreign exchange to enable the import of fertilizer and other inputs, substantial food imports have recently become necessary because domestic food production has been insufficient to meet the demands of a growing and more affluent population. The gap was covered by food imports, which increased from US\$ 80 million in 1974 to US\$ 370 million in 1987. The overall objective of ROY's development plans, including the current Third Five-Year Plan (1987-91), has been to promote self-sufficiency in food production.

2. IDA's strategy for the agricultural sector has been to help raise agricultural productivity and improve farmers' incomes through projects which develop agricultural services (extension, research, irrigation, credit) and infrastructure in those areas of the country with the highest production potential. More recently, emphasis has shifted to the consolidation of institutions at the national level (extension, research, and planning) and natural resource management. IDA projects account for a large segment of total public sector investment, and IDA involvement has attracted substantial cofinancing resources.

3. In 1982, the Agricultural Credit Bank (ACB) and the National Cooperative and Development Bank (NCDB) were merged into the Cooperative and Agricultural Credit Bank (CACB). The Agricultural Credit Project was initiated at that time to support the institutional development of the new agricultural credit institution and assist in increasing agricultural production and farm income. Because most area development projects included an agricultural credit component, it was only logical that the only channel of agricultural credit in the country (CACB) be strengthened. This was the main reason IDA initiated the project.

C. Project Objectives and Description

4. The principal purpose of the project was to strengthen CACB as an institution and help develop its capabilities over a period of four years. The components of the project were as follows:

- (a) Institution-Building. This included provisions for (i) training of CACB staff, (ii) strengthening of CACB's organizational structure and operational procedures, and (iii) establishing a Management Information System by employing consultants to design, implement and start up a computer network. Six internationally qualified consultants were to be recruited for periods of two to three years each (a total of 15 man-years) to ensure the proper implementation of these studies. Provisions for establishing a CACB branch office in Saadah and six agricultural extension centers of the Ministry of Agriculture in Saadah and Hajjah Governorates were included in the project.
- (b) Agricultural Credit Survey. This survey was to enable CACB to formulate a lending strategy and establish priorities for its branch expansion based on an assessment of the agricultural credit needs of different areas.
- (c) Credit. Funds were to be provided to assist CACB in financing its lending program.

5. Funds for on-lending were the largest cost item (US\$ 6.0 million) amounting to almost half of total project cost (US\$ 12.7 million); and institution building of CACB constituted the second largest cost item amounting to US\$ 4.1 million, or over one-third of total project cost.

D. Project Design and Organization

6. Institutional strengthening was the key objective of the project, to solve problems created by the merger of two financial institutions which formed CACB and to meet the rapidly growing demand for agricultural credit. CACB was responsible for the implementation of the project, with the exception of the agricultural extension centers under the Ministry of Agriculture. Unfortunately, the project suffered from some important weaknesses. One of the main objectives of the project, namely, making CACB's credit operations financially viable, was not fully supported by Government in practice. Also CACB was reluctant to employ foreign consultants. This reflected bad experiences with previous consultants, and a general feeling that no major changes were necessary in the way CACB operated. CACB staff, after the merger of the two institutions, had not integrated well and feared job losses and loss of influence if organizational changes were implemented. Another weakness in the organization of the technical assistance component of the project was that no one among the individual consultants was responsible for coordination of group activities.

7. CACB's past financial performance revealed that losses on credit operations were compensated by profits on CACB's credit-related trading operations. These trading operations were an integral part of CACB's operations, and involved importation of fertilizers, tractors, irrigation pumps, etc. The importance of trading activities to CACB's financial position and the reluctance to divest trading activities, in light of a high wage bill and inadequate interest rate spreads, was underestimated in project design.

8. The shortage of qualified personnel at all levels in ACB was recognized as a major constraint, and this constraint became more acute after the establishment of CACB. Project design attempted to address this issue through the appointment of advisers and staff training. The organization study was aimed at assessing the need for organizational changes following the merger of the two institutions. While there was a need to improve operational procedures, the case for reorganization particularly adding an additional layer of management at the regional level where CACB had redundant staff, was weak.

9. Project preparation and appraisal were largely conducted before the merger of the institutions, when top officials of the former Agricultural Credit Bank were still in charge of the institution. In retrospect, it would have been more prudent to initiate a technical assistance program, possibly with bilateral grant financing, to precede the credit project, particularly when it became apparent that the institution was to merge with the National Cooperative Development Bank which lacked sound banking experience.

10. The project implementation period of four years and six months envisaged by the SAR was short, in view of the fact that the main objective of the project was institution building, and taking into consideration likely delays in effectiveness based on past experience in ROY.

11. Considering the growing investments of farmers in irrigation facilities and declining water tables in ROY, project design should have foreseen the impact of on-lending for irrigation development and ground water use, which, in the absence of regulations in ROY, led to high rates of abstraction and the depletion of aquifers, particularly in the Central Highlands.

#### E. Project Implementation

12. Loan effectiveness and implementation schedule. The Credit was signed in March 1983 and became effective in January 1984 (Table 2). Conditions of effectiveness required the: (i) signing of a subsidiary financing agreement between the Government and CACB; and (ii) ratification of the Credit by ROY authorities. The project suffered from a very slow start due to delays in ratification, recruitment and procurement. Ultimately the project closing date was extended three times and implementation covered a period of nearly six years; it was closed on December 31, 1989 with some components remaining somewhat uncompleted (CACB's Saadah branch, installation of some computer equipment, and underutilization of technical assistance). The key implementation problem of the project was the lack of strong commitment needed for the effective utilization of technical assistance to address institutional problems.

13. Institution Building/Technical Assistance. The project as designed provided for technical assistance as a major input to the institutional strengthening of CACB. Three independent studies were planned to be carried out through short-term consultancies, namely an organization and procedures study, a mechanized accounting system, and a training program. Six internationally recruited consultants were to be employed by CACB for periods of two to three years each to ensure proper implementation of the recommendations of these studies: credit adviser; financial controller; management adviser; planning and research adviser; training adviser; and a livestock/poultry specialist. However, some consultants were not recruited and others served for shorter periods: available technical assistance resources were not utilized in an effective and efficient way, due to considerable delays in recruitment. Furthermore, consultants were used more for day-to-day activities than to train local counterparts.

- (a) Of 180 man/months of consultancy, only 78.5 man/months, or 44% were actually used. A Management Adviser (24 man/months) and the Livestock/Poultry Specialist (24 man/months) were not recruited at all.
- (b) During the first three years of the project, only one resident consultant (Planning and Research Adviser) was engaged. An agricultural credit survey was supposed to be conducted in 1984 at the inception of the project during this consultant's tenure but was not carried out at that time. Another consultant was hired to carry out the credit survey which was completed within the last six months of the project.
- (c) The report with recommendations concerning CACB's organization by a team of management consultants was submitted in May 1984, but CACB waited until 1988 to reach a decision as to whether or not to implement its recommendations which would require a restructuring of the organization. By that time, the recommendations were already outdated. CACB did not implement the report's recommendations, taking the position that the existing organizational structure was satisfactory and met the objectives of CACB. IDA's supervision missions also observed that the problems of over-staffing and the need to raise collection rates, reduce loan administration costs, and improve internal controls were more urgent than organizational change.
- (d) Installation of the computer system in the branches was near completion at the credit closing date, while available technical assistance to start up computer operations was not fully utilized by CACB. Furthermore, the position of Financial Controller (36 man/months) was split into two positions: Financial Adviser and Computer Expert. The Financial Adviser worked only for two weeks while the Computer Expert worked for three months over an 18-month period.

14. On-lending component. CACB succeeded in fully utilizing the project

funds allocated to support its credit operations. The total disbursed from the credit proceeds reached US\$ 4.1 million. Loan funds provided by the project were designed to meet about 5% of CACB's projected loan disbursements for medium and short term loans and working capital (farm inputs); these funds, however, were not linked to financing specific projects and, hence, indistinguishable from CACB's regular disbursements. On the whole, annual loans issued by CACB nominally expanded during the initial two years after credit effectiveness by 10% annually, but contracted thereafter. Loans funds became available at a time when CACB lacked adequate foreign exchange to meet its disbursement targets, and had a favorable impact.

15. Project costs and disbursements. Total project costs were estimated at US\$ 12.7 million, of which IDA was to contribute US\$ 8.0 million (SDR 7.5 million) or 63%, and the ROY Government US\$ 4.7 million, or 37%. Actual costs incurred were estimated to be about US\$ 13.3 million. Disbursements against IDA credit proceeds amounted to SDR 6.55 million (US\$7.86 million) or 87.4% of credit amount. The amount of SDR 0.947 million was cancelled. (Tables 4 [a & b] & 5).

16. Procurement. Procurement procedures for goods and services were generally followed, although government processes were lengthy.

17. Compliance with Covenants. CACB did not comply with some legal covenants (see Table 6). The covenant to separate commercial operations of CACB from credit functions was not seriously considered since it was a profit center for CACB. In spite of discussions during supervision, the trading operations of CACB expanded, but had to be scaled down due to the lack of foreign exchange, and increased again towards the end of the project period as foreign sources of financing became available to purchase tractors on a deferred payment basis. The covenant to carry out periodic reviews of interest rates applicable to CACB's lending operations at intervals not exceeding two years was initiated but soon became irrelevant. The Government was not inclined to discuss interest rate policies under the project. During macroeconomic dialogue, the Government did not agree to adjust the interest rate structure, despite a considerable worsening of inflation during the period under review (15-20% annually). Government justified the use of low interest rates (10% in most areas, and 7% in the Eastern Region) as a vehicle for the introduction of modern technology, particularly irrigation equipment, farm machinery, and inputs. This policy decision was, however, detrimental to CACB's financial position.

#### F. Project Results

18. Physical targets envisaged at appraisal, namely, the establishment of an additional branch of the CACB, six MAF extension centers, installation of computer facilities at headquarters and main branches, and disbursement of US\$4.1 million for on-lending were largely attained. However, financial performance and operational reforms to strengthen CACB as a financial institution were not encouraging. It should be mentioned, however, that some initiatives were taken by CACB to improve the procedures for loan processing, establish linkages with extension, strengthen internal audit, and evaluate the performance of branches. Unfortunately, and for personal reasons, the tenure of the Credit Adviser who

spearheaded most of these activities covered only 27 months out of the 36 months appropriated. As a result, many recommendations were not properly followed-up. With regard to CACB staff training, only about 30% of 20 course weeks provided for in the project for various courses was achieved. The training design and operational plan were only partially completed and the training specialist was not able to function adequately.

19. A computerized accounting system was designed, hardware was purchased and the system was made partially operational. The systems for payroll and personnel, financial accounting and fixed assets were tested and are in use at head office. The computerized banking system was working in one branch. The loan system has been programmed but still remains to be converted into Arabic. Computer hardware for other branches was bought but not installed. Despite uncompleted work, computerization appears to be the most tangible accomplishment of the project.

20. The agricultural credit survey was initiated and completed during the last 6 months of the project. Despite the late completion, the survey provided useful insights into the rural financial system. Findings could be used for planning CACB's lending strategy, and for any future IDA lending operation if conditions warrant.

21. Construction of the six agricultural extension centers was completed, and savings accruing from construction of housing for extension agents were later diverted to SSHARDA for use in financing equipment, mobile audio visual units, and nursery requirements. The construction of the Saadah branch of CACB was nearly completed at closing date.

22. New loans issued initially increased from 1982 to 1985, but continuously declined thereafter (Table 7). By category, short term lending in nominal terms increased by 75% between 1982 and 1987, and its share in total lending remained relatively stable at 30-35%. Lending was heavily concentrated on medium term loans, which rose by nearly 50% during the same period, and represented about 63-70% of total lending; irrigation equipment and farm machinery (tractors) accounted for over 50% of total lending during the 1982-87 period. By far the largest beneficiary was irrigation equipment, which quadrupled in value between 1982 and 1985, when it represented about 45% of lending; even after falling in 1987, it still accounted for 45%. The lending trend also exhibited a decline in exceptionally large loans for poultry production, which were partly responsible for the deterioration of CACB's financial position. The agricultural credit survey (1989) conducted under the project concluded that the major contribution of CACB was in financing irrigation investment and farm machinery. The survey confirmed that credit demand for working capital was strong, and the increase in short term lending was in response to this demand. It may therefore be concluded that the project had a significant impact on augmenting CACB's resources, particularly foreign exchange, for lending operations.

23. The agricultural credit survey also showed that CACB made a significant contribution to financing farm activities. It supplied an estimated 46% of the total loans obtained by borrowers from all sources, which is high by

any standard. Two out of ten survey farmers were borrowers during 1989, and 42% of these borrowers got their loans from CACB; informal sources of rural credit supplied the rest, while commercial banks played virtually no role in agricultural credit. However, this performance should be put in perspective: CACB is the only source of agricultural credit in ROY, and the former Agriculture Credit Bank had succeeded in developing agricultural credit operations based on the importation of and sale to farmers of equipment in the main agricultural areas in the country. On the other hand, the survey found borrowers' transaction costs high due to lengthy and time consuming procedures. A high potential for mobilizing rural savings was underscored by the study, but potential savers are inadequately served by deposit facilities. Neither commercial banks nor CACB aggressively pursued deposit taking in rural areas. For its long-term development strategy, the credit study recommended that CACB's role in rural savings mobilization should be emphasized; its role as a financial institution should be reviewed for possible expansion to cover the full range of financial intermediation, along with serious upgrading of institutional capacity.

24. CACB's financial position can be summarized as follows. CACB's nominal capital remained at YR 198.8 million during the 1982-88 period. The capital/asset ratio is adequate and exceeded 24% in that period. This ratio, however, fell from a high of 45% in 1984, mainly due to a fixed capital base and increasing loan volume. The long term debt to equity ratio increased from a very low 1.0 in 1985 to 1.5 in 1988. The ratio of total liabilities to equity increased from 1.7 to 2.7 in the same period. This ratio, however, remains satisfactory and reflects a strong equity position. CACB should nevertheless guard against rising indebtedness and writing off non-performing debts, especially in the Eastern Region, which could dilute this ratio. The level of provisions for doubtful debts was raised significantly from 11% of the total loan portfolio in 1986 to 13% in 1988. Under normal conditions, this reflects a prudent policy. However, the collection rate plummeted during the project period (para 26). Also, there were some guarantees and receivables (YR 154 million in 1987) for which no provisions were made. Thus, although provisions appear adequate in the short run, they have to be raised significantly in the future if non-performing debts continue to increase at a rapid pace. It should be noted that CACB is insulated against exchange risks of foreign loans which are assumed by Government. CACB's revenues exceeded expenses in 4 out of the last 5 years. Net income reached a peak of YR 10 million in 1985 when trading volume and revenue were high. In 1988, CACB reported a loss of YR 5.2 million mainly because of rising administrative and other expenses and falling loan volume and revenue. Discounting an abnormally high revenue of YR 24 million in 1987 resulting mainly from foreign exchange valuations, CACB would have incurred a high loss in that year also. Income as a percentage of average assets was low and varied between 0.5% and 2.0% during the period before turning negative in 1988.

25. High lending costs and inadequate spread on loans, along with low recovery rates, persisted throughout the project life and undermined CACB's financial structure. Detailed analysis performed during project supervision showed a very high cost of loan administration of about 13% of outstanding loans during 1989. This high cost was due largely to the high ratio of wages and salaries to total cost, particularly at headquarters, and reduced lending volume.

While a high wage bill was the direct result of merging two credit institutions, reduced loan volume was caused by foreign exchange and import restrictions, which led to shortages and rising costs of imported agricultural production inputs, machinery and equipment. Recommendations were made by IDA supervision missions to reduce costs arising from overstaffing but necessary steps were not taken to resolve the problem.

26. Loan recovery rates between 1982 and 1988 continuously declined to unsustainable levels, from around 55%-70% to less than 50% during 1988 and below 40% as at November 1989 (see Table 9). This was largely because of: (i) rapid expansion of lending in the Eastern Region for social and political considerations in an area that is undergoing transformation from tribal society to federal government; and (ii) three large loans which had been in arrears. More adequate and competent staff support at the field level, better loan screening process, better collection efforts and procedures could have improved the collection performance. IDA's proposal to establish a separate fund for the Eastern Region to insulate CACB's core credit operations from the financial impact of lending in the Eastern Region did not materialize; but lending was reduced in the Eastern Region. Analysis of the problem of loan repayment by IDA supervision missions resulted in the preparation of an action plan to improve collection. However, effective collection efforts were not pursued.

27. Improving the quality and adequacy of field staff for efficient credit delivery and recovery remained an issue by the credit closing date. The contributions of the planning and training components of the project were also quite limited. It appears that the project's objective of improving CACB's institutional performance was achieved to a very limited extent only.

28. The project, as designed, does not permit the measurement of benefits directly, and therefore, no attempt was made to measure the project's economic rate of return (ERR), or the financial rate of return (FRR). The on-lending component was primarily intended to augment CACB's foreign exchange resources in general and finance diverse types of projects. However, indicative FRRs and ERRs estimated for various farm models ranged between 19-32%.

#### G. Project Sustainability

29. Because of limited achievements, the decision was made to close the project even if some components remained uncompleted. The project was initially viewed as the first of a series of credit projects to support CACB. However, it is not possible to consider a second credit project unless the following issues are resolved: collection rates increase significantly; administrative cost is reduced; and policy issues such as phasing out negative real interest rates, insulating CACB from social and political pressures, and the possible divestiture of trading activities, are addressed. It should be recognized, however, that some policy issues are not sector-specific, or lie outside the jurisdiction of CACB, such as the level of interest rates, spinning off trading activities, and the establishment of the proposed special fund for the Eastern Region; these should be pursued through macroeconomic and sector dialogue.

30. Benefits of certain components of the project, such as computerization, improvements in procedures, limited acquired training skills, and construction of the Saadah branch and extension centers, would accrue long after the closing date. Also, on-lending activities enabled the introduction of modern technology in irrigation, farm machinery, and poultry and dairy activities, and benefits would accrue over the economic lives of these projects. However, the current rate of abstraction of groundwater in the main aquifers is not sustainable in the long run. Other components, particularly institutional reforms of CACB, where very little progress has been achieved, are not sustainable. More important, very low and falling loan repayment rates endanger the survival of CACB as a financial institution.

#### H. Consulting Services

31. The performance of consultants and advisers was mixed. Unfortunately, their effectiveness in general was modest, and some performed poorly. The resident consultants had a very limited impact on key policy questions, like interest rates, the financial position of CACB, and limiting or segregating loans in the Eastern Region.

32. The recommendations of the consulting firm which prepared the organization study were not adopted. The report appears to have been made as an independent study rather than a joint undertaking of consultant and client. Since recommendations of the study did not receive the full concurrence of the client and the Civil Services Commission which reviewed it, it was easy to reject its findings, particularly the proposal of adding another administrative layer at the regional level to an already over staffed organization. Emphasis should have been placed on determining the staff requirements of individual units of CACB to attain greater efficiency and reduce costs rather than changing its organizational structure.

33. Design of the computer system appears to be adequate. Implementation was contracted out but the contractor was responsible for repeated delays. The performance of the consulting firm which carried out the agricultural credit survey was impressive in terms of speed and content but this was also due to the cooperation of CACB staff.

34. Among the resident consultants, some made significant contributions, notably the credit adviser, whose tenure was shorter than originally planned, after he was recalled to serve his Government. In general, CACB staff were most comfortable with technical advisers who directly participated in day to day work, and who were willing to work side by side with them, sharing their workload. The effectiveness of the credit adviser, and of a fishery credit adviser financed under Cr. 1025-YAR during the same period, were impressive at the working level. The planning and research adviser and the training specialist did not perform satisfactorily.

#### I. Project Documentation and Data

35. CACB provided IDA regularly with audit and progress reports, albeit with delays. CACB also provided data requested by IDA for the preparation of the PCR, although it did not prepare Part II of the PCR as requested by IDA. Since the agricultural credit survey was completed at the end of the project period, results of the study gave some indications of the impact of the project.

J. IDA Performance

36. Due to the lack of strong commitment to project objectives, IDA was unable to resolve issues vital to the financial viability of CACB such as lowering of administrative cost, improving loan repayment rates, raising of interest rates, and improvement in overall financial performance. IDA helped in preventing CACB from further exposure to extremely large loans to individual borrowers, but was unable to protect it from lending to the Eastern Region, or establishing a special fund for that region. IDA agreed to extensions of the project closing date because of the vital role of CACB in other IDA projects, particularly projects which had no credit components of their own, and to enable completion of the computer program.

37. To improve the effectiveness of the consultants, a special seminar was organized to enable staff to express their concerns and fears, and for the consultants to explain, and if necessary adjust, their role. But despite substantial efforts, IDA was not very effective in allaying CACB's skepticism about substantive institutional changes.

38. Supervision missions were fairly regular and adequately staffed. (Tables 11(a) and 11(b)). These missions addressed the main issues through dialogue. CACB's initial reluctance to hire consultants was overcome, lending in the Eastern Region and very large loans were reduced, and a major loan was liquidated. However, discussions regarding interest rate adjustment, divestiture of trading activities, and agreed plans to raise loan repayment rates and improve CACB's financial position, did not achieve the desired objectives.

39. The major cause of weakness in implementation was the lack of commitment to allow CACB to function as an autonomous financial institution, and to enhance its institutional and financial performance. Although this issue was raised repeatedly during implementation; IDA should have made this a fundamental issue for project continuation or suspension at an early stage. Also, IDA should have taken a firm stand regarding compliance with covenants.

#### K. Borrower Performance

40. CACB was constrained in part by Government from adopting specific policies necessary for its financial health. As a Government-controlled organization, CACB was unable to convince Government to consider raising interest rates. Also, CACB served as a vehicle to finance Government-owned and initiated enterprises, which partially gave rise to its financial problems. Utilizing CACB as a channel for lending for social or political considerations in the Eastern Region, which accounted for about one fourth of its loan portfolio, had a negative impact on the financial position of CACB. Repayment in the Eastern Region plunged to 1.5% towards the end of the project period.

41. CACB was unable to complete some project activities by the closing date, including full utilization of technical assistance resources made available by the project. CACB prepared specific plans and programs as agreed with IDA missions, but performance fell short of agreements. CACB should be given credit for complying with reporting requirements. Its staff also provided strong logistical support and data to IDA staff during supervision missions. Satisfactory completion of the agricultural credit survey in a short period of time is an indication that given the proper incentives and guidance, the staff of CACB can respond to challenges.

42. In general, Government did not review the interest rate issue to permit CACB to operate with adequate margins, nor did it allow CACB to develop as an independent financial institution and separate trading from banking activities. Furthermore, lending at Government behest to the Eastern Region adversely affected CACB's financial condition.

#### L. IDA-Borrower Relationship

43. On the whole, the relationship between IDA and the Borrower was satisfactory and cordial, although in the beginning IDA's supervision activities were viewed with some suspicion. However, relations improved considerably as project implementation proceeded, and sensitive issues were raised and discussed in a frank atmosphere.

#### M. Lessons Learned

44. The key lessons of the project were the following:

(a) IDA should more clearly distinguish between the need for institutional reform, and the financial institution's commitment to such reform. Where commitment is lacking, the project should not be undertaken or be discontinued at an early stage.

(b) Where the rural financial sector is still rudimentary, and new institutions are being set up, the credit project should be preceded by a technical assistance program, possibly grant financed by a donor agency.

(c) Another lesson is the difficulty of tackling sectoral or national policy issues, such as negative real interest rates, at the project level; these issues should be incorporated in sector or macroeconomic dialogue, and should be reflected in IDA's overall lending strategy. Therefore, future credit operations should not be viewed in isolation, but rather within the wider context of the financial sector and macroeconomic setting.

(d) The four-year project implementation period was short in view of the institution-building nature of the project and the stage of development of the implementing financial institution. Similar future projects should allow for realistic implementation periods.

(e) Project design of financial intermediation loans should assess the downstream impact of on-lending activities on ground water use and aquifer depletion where water is a scarce resource, and regulatory mechanisms do not exist. If conditions warrant, well drilling and equipment should be excluded from on-lending activities.

PROJECT COMPLETION REPORT

REPUBLIC OF YEMEN

AGRICULTURAL CREDIT PROJECT  
(CREDIT 1308-YAR)

PART II: BORROWER'S COMPLETION REPORT

No PCR has been received from the Borrower. The implementing agency, especially after the departure of the consultants hired under the project, is not in a position to prepare a meaningful completion report.

Given the lapse of time since project completion, it was decided to proceed without the Borrower's PCR. CACB staff, however, were very cooperative in providing the data requested by IDA in a timely manner.

PROJECT COMPLETION REPORT

REPUBLIC OF YEMEN

AGRICULTURAL CREDIT PROJECT  
(CREDIT 1308-YAR)

PART III: SUMMARY STATISTICAL DATA

Table 1

Related Bank Loans and/or Credits

Loan/Credit	Title	IDA Cr./Ln. Amt.	Approval Year	Status
		(US\$ in million)		
1. CR 1067	SURDP II	17	1984	Closed
2. CR 1453	Central Highland Agriculture Development	8	1984	On-going
3. CR 1584	Wadi Al Jawf Agriculture Development	10	1984	On-going
4. CR 1667	Tihama V	10	1986	On-going
5. CR 1772	SRADP	12	1987	On-going
6. CR 1886	Agriculture Development (Northern Region)	18	1988	On-going
7. CR 1983	Agriculture Development (Eastern Region)	15	1989	On-going 1/

SURDP: Southern Upland Rural Development Project.

SRADP: Southern Rural Agriculture Development Project.

1/ Not Yet Effective (as of 7/15/90).

Table 2

PROJECT TIMETABLE

Item	Date Planned	Date Revised	Date Actual
- Identification			February, 1981
- Follow-up (Executive Project Summary)	June, 1981		June, 1981
- Preparation	June, 1981		June 10-17, 1981
- Preappraisal	Early Sep. 1981		Sept 07-28, 1981
- Appraisal Mission	Jan/Feb. 1982	January 20, 1982	Jan 27-Feb 22, 1982 1/
- Credit Negotiations	October, 1982	October 26, 1982	November 01, 1982
- Board Approval	Dec. 21, 1982	Dec. 14, 1982	December 14, 1982
- Credit Signature	March, 1983		March 31, 1983
- Credit Effectiveness	June 30, 1983	March 02, 1984	January 27, 1984
- Project Completion	December, 1986	December, 1989	December, 1989
- Credit Closing	June 30, 1987	December 31, 1989	December, 1989

1/ Appraisal Mission Members: Talat N. Baddar - IDA (Team Leader)  
Marto Ballesteros - IDA Economist  
Tamer Tetik - Agricultural Credit Consultant  
Maurice V. Sorenson - Agricultural Credit Consultant

Table 3

PROJECT IMPLEMENTATION  
-----  
Key Performance Indicators  
-----

Indicators	Unit	Appraisal Estimates	Actual (Or PCR Estimates)
<b>Activity</b>			
-----			
Advisors	m-m	180	79
Consultants	m-m	27	21
<b>Construction</b>			
-----			
CACB Saadah Branch	No.	1	Completion Expected June 1990.
MAF's Extension Centers	No.	6	Completed
<b>Training</b>			
-----			
CACB Staff (various fields)	Course Weeks Offered	20	About 30% attained; some in-service training, mainly computer operation and short-term foreign training.
<b>Studies</b>			
-----			
Credit Survey		1984	Completed December 1989.
<b>Organization</b>			
-----			
Accounting & Information Study			Recommendations not implemented - CACB considers present structure adequate; IDA concurs.
<b>On-Lending</b>			
-----			
Loan disbursed	\$	4.0 million	4.1 million.
<b>Management Information Center (MIC)</b>			
-----			
HQ Main Branch - Terminal Branch - Work Station			Completed; Operational. Partially completed; Completion expected June, 1990.
<b>CACB's Financial Position</b>			
-----			
Debt Equity Ratio 9/89			Adequate 2.6:1
Lending Cost 9/89		10%	Very high (22%)
Loan Recovery Rate 11/89		80%	Very Low (38%)

Table 4 (a)

PROJECT COSTS AND FINANCING

A. Project Costs  
(US\$ million)

	Appraisal Estimates			Actual Estimates		
	Local	Foreign	Total	Local	Foreign	Total
<b>A. Institution Building</b>						
1. CACB	1.60	2.50	4.10	2.00	2.30	4.30
2. MAF	1.50	1.00	2.50	1.90	0.60	2.50
B. Credit Survey	0.10	0.00	0.10	0.10	0.00	0.10
C. Agricultural Credit	1.80	4.20	6.00	2.30	4.10	6.40
<b>TOTAL</b>	<b>5.00</b>	<b>7.70</b>	<b>12.70</b>	<b>6.30</b>	<b>7.00</b>	<b>13.30</b>

Table 4 (b)

B. Project Financing  
(US\$ million)

Source	Planned Loan/Credit Agreement	Actual Estimated	%
- IDA	8.00	7.90	98
Government	4.70	5.40	115
<b>TOTAL -</b>	<b>12.70</b>	<b>13.30</b>	<b>105</b>

Table 5

DISBURSEMENTS  
-----  
(US\$ million)

(Original Amount: SDR 7.5 million at appraisal)

Fiscal Year	Appraisal Estimates US\$ million	Actual Disbursements			Actual % of Appraisal
		SDR (in million)	Historical US\$ million Equivalent	Percent Disbursed SDR	
1983	0.3	-	-	-	-
1984	3.7	0.01	0.01	1.00	0.00
1985	6.5	1.73	1.86	23.10	26.60
1986	7.7	3.65	4.12	48.70	53.50
1987	8.0	5.00	5.83	66.60	72.90
1988	-	5.60	6.62	74.70	82.80
1989	-	6.07	7.23	81.00	90.40
1990	-	6.55	7.86	87.40	92.00
Date of Final Disbursement: May 9, 1990 (\$12,314.80)					

Table 6  
COMPLIANCE WITH COVENANTS

Covenant	Description of Covenant	Deadline or Compliance	Status
Doc.: CA Section: Sched. 2	Credit Survey	1984	Launched in July 1989, after considerable delay. Completed in December 1989.
Doc.: CA Section: 4.03	Review Interest Rates and recommend adjustments as maybe required.	June 1984 & thereafter at regular intervals not exceeding two years.	Interest rates reviewed, but Govt. was not willing to raise interest rates in agriculture in order not to discourage farmers from adopting modern inputs.
Doc.: PA Section: 2.06(b)	Progress Report	At least every three months.	Generally late compliance.
Doc.: PA	Recruit Experts and Consultants as per Schedule 2.		
	1. Organization & Procedure Consultant	June, 1983	Complied, with delay.
	2. Training Consultant	June, 1983	Complied, with delay.
	3. Accounting System Cons.	June, 1983	Complied, with delay.
	4. Credit Advisor	June, 1983	Complied, with delay. (Shorter duration)
	5. Financial Controller	June, 1983	Complied, with delay. (Part-time)
	6. Planning & Res. Advisor	June, 1983	Complied, with delay.
	7. Management Advisor	Sep., 1983	Complied, with delay. (Part-time)
	8. Livestock/Poultry Spec.	Dec. 1983	Not Complied
Doc.: PA Section: 3.02(a) 3.02(b)	Accounts to be audited by Independent Auditor Furnish Audit Report	Not later than six months after end of year.	Complied. Generally complied, with late submittal.
Doc.: PA	Divest activities relating to procurement and supply of farm machinery and equipment.		Did not comply because this was a profit center for CACB.

CA: Credit Agreement

PA: Project Agreement

Table 7

**COOPERATIVE AND AGRICULTURAL CREDIT BANK**  
**Loans Issued and Outstanding, 1982-1988**  
**(in YRs million - nominal)**

<u>Year</u>	<u>-----Loans Issued-----</u>		<u>Loans Outstanding, End Year</u>	
	<u>Amount</u>	<u>Growth (%)</u>	<u>Amount</u>	<u>Growth (%)</u>
1982	93.7		234.6	
1983	148.1	58	213.5	(9.0)
1984	164.3	11	277.8	30.0
1985	196.0	19	352.1	27.0
1986	186.0	(5)	392.0	11.0
1987	144.9	(22)	389.0	(1.0)
1988	141.0	(3)	395.0	1.5

Source: CACB

**Table 8**  
**CACS: LOANS ISSUED, BY TERM AND PURPOSE**  
**1982-87**

(YRls '000)

Description	1982-1987		1987		1986		1985		1984		1983		1982	
	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.
<b>I. Short-term Loans</b>	232,081	25,733	50,501	5,515	46,149	5,279	39,643	5,117	33,987	4,389	33,076	2,931	28,726	2,582
a. Agricultural Loans	199,052	25,560	45,359	5,408	43,229	5,261	35,110	5,106	26,389	4,344	27,455	2,897	21,589	2,454
1. Improved Seeds	7,778	1,445	3,223	865	1,382	113	717	115	338	84	896	111	1,222	157
2. Fertilizers	1,299	356	-	-	-	-	4	5	268	38	174	34	1,475	279
3. Pesticides and Sprayers	894	118	-	-	-	-	-	-	2	1	-	-	892	117
4. Working Expenses	139,087	18,458	31,756	3,757	29,616	3,973	26,243	3,745	19,952	2,690	17,782	2,532	13,738	1,741
5. Fruit Plantation Development	9,864	1,437	2,441	432	2,542	303	2,480	268	1,517	191	839	155	45	188
6. Cotton Plantation Development	11,833	3,338	1,251	351	2,242	764	3,255	936	2,295	1,284	2,790	1	-	-
7. Repair of Agricultural Equipment	2,196	194	811	55	394	37	308	30	289	31	210	25	194	16
8. Chicks and Feed Stuff	21,054	178	5,877	38	7,063	71	2,103	27	1,499	14	1,586	15	2,926	13
9. Dairy Loans	49	8	-	-	-	-	-	-	-	-	48	8	-	-
10. Land Development	196	23	-	-	-	-	-	-	49	8	147	15	-	-
11. Cooperative Societies Loans	4,202	5	-	-	-	-	-	-	208	1	2,983	1	1,019	3
b. Cooperative Loans and Facilities	33,029	174	5,142	17	2,920	18	4,533	11	7,598	45	5,621	34	7,215	48
<b>II. Medium-term Loans</b>	686,733	15,426	92,440	2,051	127,726	2,537	156,316	3,096	130,388	2,980	115,011	2,781	64,934	1,981
a. Agricultural Loans	664,164	15,365	85,270	2,030	121,237	2,522	155,904	3,095	126,365	2,972	112,322	2,773	62,984	1,973
1. Agricultural Machinery & Equipment	171,053	1,428	4,290	23	35,444	229	35,352	286	38,981	294	41,608	382	23,158	214
2. Irrigation Units and Accessories	322,615	8,880	59,627	1,123	54,470	1,298	89,968	2,137	59,376	1,921	35,858	1,328	23,925	1,073
3. Land Development	68,103	3,001	8,593	579	8,162	522	4,922	289	7,521	333	13,579	812	5,326	466
4. Orchards Establishment	26,291	753	2,758	118	6,553	118	5,733	140	7,191	174	2,812	180	1,964	111
5. Poultry Projects	69,383	340	4,614	24	7,605	59	13,582	91	17,540	85	18,133	42	7,889	39
6. Sheep and Cow fattening	10,322	78	1,856	7	2,303	28	3,771	13	1,716	27	676	3	-	-
7. Fisheries Development	9,254	739	1,299	121	2,511	198	1,875	119	1,825	138	1,140	184	604	67
8. Beekeeping	195	5	15	1	10	1	-	-	-	-	116	2	54	1
9. Agricultural Storage	896	37	110	5	139	7	387	15	195	8	-	-	45	2
10. Drilling of Hydraulic Wells	6,052	104	2,108	29	3,428	78	324	5	-	-	-	-	-	-
b. Cooperative Loans	22,569	61	7,170	21	6,487	15	338	1	3,943	8	2,689	8	1,958	8
<b>III. Long-term Loans</b>	14,005	1	1,993	-	12,012	1	-	-	-	-	-	-	-	-
<b>LOANS GRAND TOTAL:</b>	<b>932,019</b>	<b>41,160</b>	<b>144,934</b>	<b>7,546</b>	<b>185,885</b>	<b>7,817</b>	<b>195,959</b>	<b>8,213</b>	<b>144,295</b>	<b>7,369</b>	<b>148,087</b>	<b>5,712</b>	<b>93,658</b>	<b>4,483</b>

Source: CACS

Table 2

Recovery of Due Loans a/, by Term, Purpose, and Year  
1982 - 1988  
(in Percent)

	1982	1983	1984	1985	1986	1987 <sup>b/</sup>	1988
Short Term	62	67	68	72	80	72	65
Medium Term	59	60	71	67	65	53	43
Agriculture machinery	63	61	76	74	68	55	42
Irrigation	60	61	70	71	69	52	43
Land development	56	56	65	52	55	54	57
Orchard projects	70	68	78	56	66	52	29
Poultry projects	50	53	45	61	58	53	38
Livestock Projects	50	69	45	64	58	56	28
Fisheries	59	51	45	43	45	47	40
Others	25	44	40	31	46	37	74
	--	--	--	--	--	--	--
Total	60	62	70	68	69	56	47 <sup>c/</sup>

a/ Principal only.

b/ Drought year.

c/ For 1989, recovery rate was down to 38% (as at 11/89).

Source: CACB

PROJECT RESULTS

Table 10 (a)

A. Target Achievements

Indicators	Appraisal Estimates	Est. at Full Development
<b>CACB</b>		
Additional Branches	1	1
Subloans	US\$4.1 million	US\$4.1 million
Computerization	HQ & Branches	HQ & Branches
<b>MAF</b>		
Extension Centers		
- Saadah	3	3
- Hajjah	3	3

On-Lending: Credit intended to augment CACB's foreign exchange resources in general; therefore, no specific projects were financed under the credit.

Table 10 (b)

STUDIES COMPLETED

Studies	Purpose as Defined at Appraisal	Status	Impact of Study
Organization & Procedure Study	To define the rules, practices and procedure by which CACB staff are to operate. The consultant would examine the organizational structure of CACB, establish controls, and assist in preparation of a new procedure manual.	Completed in 1984. The study was carried out by Cooper and Lybrand (C&L) Associates.	Not Implemented. In 1988, CACB didn't approve the organizational recommendations.  Credit Manual was completed.
Accounting & Information Study	To prepare and assist in the implementation of a new accounting system and computer system suitable for CACB's operation.	Completed. The study was carried out by Public Administration Services (PAS).	Partially Implemented. Computer system installed and is in operation.
Training Program	To plan & develop suitable curriculum and syllabi and preparation of training materials for courses required for continued training of staff.	Partially Completed.	Partially Implemented.
Credit Survey	Define lending strategy for CACB.	Completed. Carried out by Agricultural Cooperative Development International (ACDI)	Analyzed rural financial sector. Will assist CACB in formulating future strategy.

USE OF BANK RESOURCES

Table 11 (A)

A. Staff Inputs (Staff Weeks)

Stage of Project Cycle	Planned Total	Revised Total	Final Total	Comments
Through Appraisal Jan/Feb. 1982	-	-	70.7	
Appraisal through Board Approval December 14, 1982	-	-		
Board Approval through Effectiveness January 27, 1984	-	-		
Supervision Starting				
FY1984	-	-	4.80	
FY1985	-	-	5.40	
FY1986	-	-	9.60	
FY1987	-	-	9.50	
FY1988	-	9.00	9.20	
FY1989	-	14.00	14.40	
FY1990	8.00	7.00	7.00	

Table 11 (b)

Mission

Stage of Project cycle	Month/Year	No. of Persons	Days in Field	Specialization	Performance Status Rating	Type of Problem
<u>Through Appraisal</u>						
Jan./Feb. 1982						
	1/81 IDA	1	30	FA	Reconnaissance	
	2/81 FAO-CP	4	22	FM, Ag., ISp., FA	Identification	
	3/81	1	13	LO		
	6/81	1	5	Sr. FA	Identification Follow up	
	6/81	1	7	Sr. FA	Pre-preparation	
	*6/81	1	11	Div. Chief		
	9/81	5	21	Sr FA, Ag., E, ISp., FA	Preparation	
	9/81	1	9	LO		
	*9/81	1	14	Div. Chief		
	1/82	4	21	E., FA, ISp., Ag.	Appraisal	
	2/82	1	10	LO		
	5/82	1	25	Sr. FA	Post Appraisal	
	10/82	1	14	Sr. FA		
	*11/82	1	9	LO		
<u>Board Approval</u>						
December 14, 1982						
	1/83	1	9	LO		
	1/83	1	14	Sr. FA		
	3/83	1	16	LO		
	4/83	1	12	Sr. FA		
	8/83	1	20	Cr. Sp.		
	8/83	1	14	Ag.		
<u>Supervision</u>	11/84	4	21	Ag., 1 Eng., Cr. Sp., S	1	Delay in recruitment of consultant and experts. Lagging
	12/84	2	21	Ag., Cr. Sp.	2	Disbursements.
	5/85	1	7	Cr. Sp.,/FA	2	Delay in credit survey and interest rate review. Low collection rates & high costs of loan administration & divesting trading activities.
	2/86	2	14	FA, Ag. Ec.	3	
	12/86	1	9	Sr. FA	3	
	*4/87	3	5	Ag. Ec., FA. Ag.	3	
	10/87	1	11	Ag. Ec.	3	
	4/88	2	9	Ag. Ec., Cr. Sp.	3	
	9/88	2	7	Ag. Ec., Cr. Sp.	3	
	3/89	2	6	Ag. Ec., Cr. Sp.	3	
	10/89	1	5	Cr. Sp.	3	

List of Abbreviations:

A = Agriculturist	Ag. = Agronomist
E = Economist	Ops = Operations Officer
Eng = Engineer	Cr. Sp. = Credit Specialist
FA = Financial Analyst	IS. = Institution Specialist
LO = Loan Officer	Sr. = Senior
S = Sociologist	Ag.Ec. = Agriculture Economist
I Eng = Irrigation Engineer	FM = Farm Mechanization Specialist

Status Rating: 1 = Problem Free or Minor Problem

2 = Moderate Problem

3 = Major Problems

\* Mission to evaluate several projects.

**Table 12 (a). COOPERATIVE AND AGRICULTURE CREDIT BANK**  
 (Balance Sheet as at 31 December 1988 and 1987)

<u>ASSETS</u>	<u>1988</u> <u>YR</u>	<u>1987</u> <u>YR</u>
Cash in Hand and at Banks	244,820,198	255,676,642
Loans and Advances	323,644,276	325,480,243
Other Debtors	121,641,308	101,819,379
Inventory	66,547,608	3,672,888
Investment	24,506,792	24,506,792
Fixed Assets	26,153,307	27,796,430
Projects Under Implementation	3,405,901	1,534,335
Deferred Expenses	<u>689,467</u>	<u>1,378,934</u>
TOTAL -	811,408,857	741,865,643
<u>LIABILITIES</u>		
Current Accounts & Deposits	183,368,387	144,244,500
Creditors	50,681,096	44,623,309
Bills Payable	18,240,343	--
Personnel Indemnities and Dues	2,409,770	1,450,661
Other Provisions	<u>5,218,746</u>	<u>--</u>
TOTAL -	<u>259,918,342</u>	<u>190,318,470</u>
<u>NET ASSETS</u>	<u>551,490,515</u>	<u>551,547,173</u>
<u>FINANCED BY:</u>		
Share Capital		
- Government	168,802,000	168,802,000
- Cooperative Societies	30,000,000	30,000,000
Reserves	9,865,635	9,865,635
Accumulated Net Profits	-	10,060,342
Government Financial Support	47,587,097	20,873,842
Medium & Long Term Loans	<u>300,393,994</u>	308,564,934
	556,648,726	
Current year Net (Loss) Profit	<u>(5,158,211)</u>	<u>3,380,420</u>
	<u>551,490,515</u>	<u>551,547,173</u>
<u>CONTRA ACCOUNTS</u>	<u>8,763,430</u>	<u>5,249,542</u>

**Table 12 (a). COOPERATIVE AND AGRICULTURE CREDIT BANK**  
(Balance Sheet as at 31 December)

	<u>1986</u> <u>YR</u>	<u>1985</u> <u>YR</u>	<u>1984</u> <u>YR</u>
<b>ASSETS</b>			
Cash in Hand and at Banks	254,201,959	129,149,828	54,850,421
Loans and Advances	348,545,212	318,635,437	259,270,015
Other Debtors	87,073,261	88,285,785	71,007,980
Inventory	5,182,604	25,350,407	13,285,460
Investment	24,506,792	24,523,459	25,814,164
Fixed Assets	25,160,438	9,691,794	9,890,849
Projects Under Implementation	2,403,401	2,446,471	570,077
Preliminary Expenses not yet written off		<u>353,736</u>	<u>707,471</u>
	<u>747,073,667</u>	<u>599,436,915</u>	<u>435,398,420</u>
<b>CONTRA ACCOUNTS</b>	<u>26,749,684</u>	<u>7,829,597</u>	<u>2,927,757</u>
<b>LIABILITIES</b>			
Current Accounts & Deposits	173,891,802	111,987,300	94,382,883
Medium & Long Term Loans	314,123,232	217,485,924	88,403,710
Creditors	34,497,418	41,071,839	28,917,618
Indemnities	<u>538,303</u>	<u>7,044,835</u>	<u>7,185,805</u>
	<u>523,050,753</u>	<u>377,589,898</u>	<u>218,890,016</u>
<b>CONTRA ACCOUNTS</b>	<u>26,749,684</u>	<u>7,829,597</u>	<u>2,927,757</u>
<b>NET ASSETS</b>	<u>224,022,914</u>	<u>220,867,017</u>	<u>216,506,404</u>
<b>FINANCED BY:</b>			
Government Contribution	168,802,000	168,802,000	168,802,000
Local Cooperative Societies Contribution	30,000,000	30,000,000	30,000,000
Reserves & Provisions	<u>25,220,914</u>	<u>22,065,017</u>	<u>17,704,404</u>
	<u>224,022,914</u>	<u>220,867,017</u>	<u>216,506,404</u>

**Table 12 (b). COOPERATIVE AND AGRICULTURE CREDIT BANK  
(Income and Expenditure Account)**

<b><u>INCOME</u></b>	<b><u>1988</u></b> <b><u>YR</u></b>	<b><u>1987</u></b> <b><u>YR</u></b>
Trading Income	8,668,684	654,422
Operation Income	<u>72,320,715</u>	<u>88,830,990</u>
	<u>80,989,399</u>	<u>89,485,412</u>
<b><u>EXPENDITURE</u></b>		
Trading Expenses	6,992,384	268,768
Operation Expenses	67,031,232	61,192,067
Provisions	<u>12,123,994</u>	<u>24,268,555</u>
	<u>86,147,610</u>	<u>85,729,390</u>
Excess of Income over Expenditure	(5,158,211)	3,756,022
Appropriations	<u>--</u>	<u>375,602</u>
(Deficit) Surplus Transferred to Balance Sheet	<u>(5,158,211)</u>	<u>3,380,420</u>

**Table 12 (b). COOPERATIVE AND AGRICULTURE CREDIT BANK  
(Income and Expenditure Account)**

<b>INGOME</b>	<u>1986 YR</u>	<u>1985 YR</u>	<u>1984 YR</u>
Trading Income	7,530,363	17,540,165	7,906,446
Operation Income	<u>63,046,738</u>	<u>54,755,942</u>	44,832,612
Provisions written back	<u>--</u>	<u>722,929</u>	<u>--</u>
	<u>70,577,101</u>	<u>73,019,036</u>	<u>52,739,058</u>
 <b>EXPENDITURE</b>			
Trading Expenses	175,458	2,291,548	1,626,304
Operation Expenses	52,669,113	40,724,033	34,767,851
Provisions	<u>14,777,688</u>	<u>19,907,649</u>	<u>13,017,575</u>
	<u>67,622,259</u>	<u>62,923,230</u>	<u>49,411,730</u>
 Excess of Income Over Expenditure	 2,954,842	 10,095,806	 3,327,328
 Appropriations	 <u>295,485</u>	 <u>4,000,000</u>	 <u>--</u>
 (Deficit) Surplus Transferred to Balance Sheet	 <u>2,659,357</u>	 <u>6,095,806</u>	 <u>3,327,328</u>

