

A.I.D. EVALUATION SUMMARY - PART I

64938

1. BEFORE FILLING OUT THIS FORM, READ THE ATTACHED INSTRUCTIONS.
2. USE LETTER QUALITY TYPE, NOT "DOT MATRIX" TYPE.

IDENTIFICATION DATA

A. Reporting A.I.D. Unit: Mission or AID/W Office <u>USAID SUDAN</u> (ES# _____)	B. Was Evaluation Scheduled in Current FY Annual Evaluation Plan? Yes <input checked="" type="checkbox"/> " Slipped <input type="checkbox"/> Ad Hoc <input type="checkbox"/> Evaluation Plan Submission Date: FY ____ Q ____	C. Evaluation Timing Interim <input type="checkbox"/> Final <input checked="" type="checkbox"/> Ex Post <input type="checkbox"/> Other <input type="checkbox"/>
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D. Activity or Activities Evaluated (List the following information for project(s) or program(s) evaluated; if not applicable, list title and date of the evaluation report.)

Project No.	Project /Program Title	First PROAG or Equivalent (FY)	Most Recent PACD (Mo/Yr)	Planned LOP Cost (000)	Amount Obligated to Date (000)
650-0054	Kordofan Rainfed Agriculture Development Project-Credit Component		12/31/90	\$ 1,600	\$ 1,600

ACTIONS

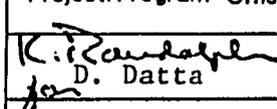
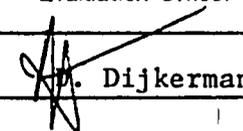
E. Action Decisions Approved By Mission or AID/W Office Director Action(s) Required	Name of Officer Responsible for Action	Date Action to be Completed
1) Concur with TNS/ABS present program of delivery of credit through cooperatives.	MFEP/USAID	12/89
2) Review/approve revised TNS/ABS work plan to strengthen credit components activities in ABS El Obeid and ABS headquarters in Khartoum to maximize the improvements already taking place, and to replace Talodi and Abu Gubeiha as proposed branches with a branch at Um Ruwabah.	MFEP/USAID	12/90
3) Amend local currency budget to expand assistance to MOA Extension Services and Seed Propagation, and WSARP.	TNS/ABS/MFEP/USAID/WSARP	4/90
4) Adapt (and implement) the inventory loan program to the needs of the traditional farmers, for the 1989-90 season.	TNS/ABS	11/89

(Attach extra sheet if necessary)

APPROVALS

F. Date Of Mission Or AID/W Office Review Of Evaluation: _____ (Month) _____ (Day) _____ (Year)

G. Approvals of Evaluation Summary And Action Decisions:

	Project/Program Officer	Representative of Borrower/Grantee	Evaluation Officer	Mission or AID/W Office Director
Name (Typed)	<u>K. P. Datta</u>	K.M. Ibrahim	<u>A. Dijkerman</u>	F.E. Gilbert
Signature				

The KORAG project is composed of three interrelated components designed to complement each other. The feeder road component is the cornerstone of the project as the roads will provide access to markets for selling crops as well as purchasing inputs. The storage component was designed to provide seven warehouses to free farmers from the pressure of selling crops immediately after harvest for low prices. The credit component was designed to provide production loans before planting and inventory. Components of the KORAG project in terms of budget emphasis are: rural feeder roads, 80 percent; commodity storage warehouses, 13 percent; agricultural credit, 7 percent.

The credit component, which is the subject of this evaluation, was initiated in February 1987 to assist the Agriculture Bank of Sudan (ABS) to implement a production and inventory credit component at three branches (El Obeid, Talodi and Abu Gubeiha). Technical assistance has been provided since that time by Technoserve (TNS). Village-based cooperatives are used as vehicles through which to channel the credit.

This credit component evaluation is a regularly scheduled mid-term evaluation. The purpose of this evaluation was to assess the impact of the credit program on El Obeid farmers and the viability, sustainability and institution building aspects of the project.

The evaluation was carried out via meetings with officials from ABS and associated institutions, TNS, USAID, and with farmer groups and merchants in El Obeid. Major findings and recommendations are:

The present approach toward delivery of credit through farmer cooperatives is valid and should be continued;

Apart from inflation the project is sustainable, i.e. it has the potential to cover all operating costs and provide a reserve for bad debts;

There are strong ABS institution building elements in the projects;

The utilization of inventory credit which was to have been the major type of credit extended to farmers was less than expected;

An effective inventory loan program should be adapted to the needs of traditional farmers and be implemented for the 1989-90 season;

Effort by TNS and ABS should be concentrated in the El Obeid area and ABS headquarters in Khartoum;

Every effort should be made to provide new technologies to participating farmers.

COSTS

I. Evaluation Costs

1. Evaluation Team		Contract Number OR TDY Person Days	Contract Cost OR TDY Cost (U.S. \$)	Source of Funds
Name	Affiliation			
Ronald Bielen	Devers	39	\$ 55,614	Project 650-0054
Miguel Rivarola	"	"	"	"
Robert Crauder	"	"	"	"

2. Mission/Office Professional Staff
 Person-Days (Estimate) 7

3. Borrower/Grantee Professional
 Staff Person-Days (Estimate) 14

SUMMARY

J. Summary of Evaluation Findings, Conclusions and Recommendations (Try not to exceed the three (3) pages provided)

Address the following items:

- | | |
|--|--|
| <ul style="list-style-type: none"> • Purpose of evaluation and methodology used • Purpose of activity(ies) evaluated • Findings and conclusions (relate to questions) | <ul style="list-style-type: none"> • Principal recommendations • Lessons learned |
|--|--|

Mission or Office:

Khartoum, Sudan.

Date This Summary Prepared:

November 22, 1989

Title And Date Of Full Evaluation Report:

Kordofan Rainfed Agriculture Project
(KORAG)

BACKGROUND: The KORAG Credit Component, as one of three components of the KORAG Project, was initiated in February 1987 to assist the Agriculture Bank of Sudan (ABS) in the implementation of a production and inventory credit component at three ABS branches in the Kordofan Region. The Kordofan Region is one of Sudan's key rainfed agriculture production areas and was heavily effected by drought in 1984. The project purpose is "to complete an agricultural marketing and transport network by improving farm-to-market transport, increasing farmers profit margins on current production levels, and alleviating farmers's seasonal cash constraints that limit marketing options". The three interrelated components of feeder roads, agricultural commodity warehouses and agricultural credit were designed to complement each other. The roads would provide access to markets for selling crops as well as purchasing inputs. The warehouses were to provide storage for the farmers and thus free them from the pressure of selling crops to merchants immediately after harvest for a low price. The credit component was designed to provide production loans before planting and inventory loans after harvest.

Production loans provide farmers an alternative to informal credit arrangements that require them to pledge their crops well before harvest. Without a pre-commitment on crop sales, farmers will be able to take advantage of seasonal price fluctuations. Combining credit with storage facilities enhances the viability of small farmer lending since stored crops constitute repayment of production loans while providing collateral on inventory loans. The major anticipated outputs of the project are:

- 1) Established rural road construction program.
- 2) Approximately 160 Km. of rehabilitated rural roads.
- 3) Improved regional contracting capability for basic civil works.
- 4) National plan for financing road maintenance implemented during LOP.
- 5) Operational ABS storage facilities at El Obeid.
- 6) Revolving ABS credit fund for production and inventory loans in the Kordofan Region.
- 7) ABS establishes plans to expand credit operations in Kordofan Region.
- 8) Decreased transportation costs raise farm-gate prices.

USAID's contribution has consisted of technical assistance, short-term training, credit, commodities and vehicles. The technical assistance team for the credit component is provided by Technoserve. The team is composed of a COP Rural Credit Specialist and a Cooperative Advisor, stationed in El Obeid. At the time of this evaluation, both advisors had been on assignment for 2.3 years.

The project is being implemented under the ABS branch facility in El Obeid, the Director of which has overall responsibility for the project's implementation. To initially assess the impacts of the credit component a base-line study was carried out in February 1987 by Technoserve and the ABS. It included a review of the farming systems cooperative organization and management, and financial analysis of ABS policy studies and practices. Based on the findings of this assessment a 27 month implementation plan with 18 different activities was established as the basis for project operations and goals. As the baseline study was delayed from the original 1986 schedule due to security problems the acceptance of the implementation plans and actual implementation of activities did not take place until June and December 1987, respectively.

PURPOSE OF EVALUATION AND METHODOLOGY: The evaluation was a regularly scheduled mid-term evaluation to determine if the concept of providing seasonal credit to farmers in rainfed agriculture areas in Sudan is a potentially viable proposition or whether the inherent risks in this type of agriculture are such that the program is unsustainable over the medium to long term. If the present approach was found to be non-viable the evaluation team was to recommend changes to make it viable or in the alternative to recommend termination of the project component. The evaluation also sought to assess the impact of the project's credit component on the El Obeid branch of the ABS, and at the ABS headquarters in Khartoum.

A team of three specialists was recruited by Devres, Inc. under an indefinite quantity contract with USAID. The specialties represented were:

- a) Survey Research Specialist,
- b) Institutional Analyst Specialist and
- c) Evaluation Research Specialist.

The team met with officials from USAID, ABS, various international donors and local organizations. Information regarding the economy as well as specifics on the Kordofan Region were collected. The team visited ABS employees, TNS personnel, MOA research and extension personnel, cooperative department employees, farmer cooperative members, and the ABS board of directors at El Obeid. Statistics were collected in El Obeid and surrounding towns/villages. A farmer survey was undertaken as a followup to the baseline survey conducted prior to the implementation of the credit component, for the purpose of providing information on the effect of the project on the borrowing farmers.

PURPOSE OF ACTIVITY EVALUATED: The purpose of the KORAG credit component is to increase farmers' profit margin on current production levels and alleviate farmers' seasonal cash constraints that limit marketing options, through the provision of production loans before planting and inventory loans after harvest.

FINDINGS AND CONCLUSION: The project was approved during a period of moderate inflation compared with the current 200 percent annual rate. Thus a major concern of this evaluation was the issue of the viability of the lending program for seasonal credit in the rainfed area of Sudan. The high rate of inflation also affects the viability of the lending institution (ABS), the farmer cooperatives and the health of the entire Sudanese economy.

However, apart from the current high inflation rates, the project is viable and sustainable. The evaluation survey revealed that since the drought, cooperative borrowers have substantially increased their livestock holdings. This signals a return to increased income diversification which enhances the viability of the traditional farmer. Further evidence of viability is the ability to repay loans. Out of the 40 cooperative borrowers interviewed, only eight have overdue loans. Credit volume provided through the current approach is sufficient to service demand through 1990. As a result of this evidence plus the fact that the ABS has the potential to cover all operating costs and provide a reserve for bad debts, the Evaluation Team believes that viability does exist for rainfed agriculture in the Kordofan Region.

The Evaluation Team also found strong institutional building elements in the project that were showing positive results. The ABS is readily embracing changes that will make it more efficient and responsive. These changes include a budget analysis unit created in the Khartoum Headquarters, appointments of Agriculture Loan Officers (ALO) and profit center and cost accounting. Extensive on the job training has taken place, as well as in courses, seminars in El Obeid and Khartoum, and overseas.

PROJECT PAPER VERSUS ACTUAL PERFORMANCE: The implementation plan developed following the Baseline Survey shifted the balance from cooperatives to ABS strengthening. This shift allowed the savings program to be refocused to compensate for the 200% annual rate of inflation. Savers are now being counseled to save only modest amounts of surplus funds for short periods as keeping funds in cash during such inflationary periods is the worst possible investment for a saver.

Both low production rates and high harvest costs were found to be the main reasons why farmers did not participate in the inventory loan program. This confirmed the baseline study findings that traditional farmers may produce too little to qualify for both production and inventory (storage) loans.

PRINCIPAL RECOMMENDATIONS:

1. TNS and ABS should continue to maintain the present approach toward delivery of credit through cooperatives.
2. During the remaining life of the project, efforts by TNS and ABS should be concentrated in El Obeid and Headquarters in Khartoum to maximize the improvements already taking place.
3. ABS Um Ruwabah has many similarities with El Obeid and should be strengthened through outreach efforts by existing TNS personnel from El Obeid.
4. USAID, TNS and ABS should make every effort possible to provide new technologies to farmers. The local currency budget should be expanded to assist the Extension Service, Seed Propagation and WSARP.
5. A thorough review of how the inventory loan program can be adapted to the needs of traditional farmers and then implemented in September, 1989 needs to be undertaken by TNS and ABS.

LESSONS LEARNED

1. Cooperatives can be used as a vehicle to deliver traditional farmer credit to individuals whom financial institutions would not otherwise reach due to high transaction costs.
2. Baseline studies properly undertaken to help design and tailor project specific implementation plans can give projects a greater chance of achieving their intended impacts. They also help to make measurement of progress or lack of progress easier to accomplish.
3. Inflation is a major constraint for rural credit projects. When encountered, a decision needs to be taken regarding the merits of the long-term institution building aspects of the project, rather than focusing only on inflation.

ATTACHMENTS

K. Attachments (List attachments submitted with this Evaluation Summary; always attach copy of full evaluation report, even if one was submitted earlier; attach studies, surveys, etc., from "on-going" evaluation, if relevant to the evaluation report.)

1. Evaluation of the credit component, Kordofan Rainfed Agriculture Project, June 24, 1989.
2. Detailed plan and schedule for closing KORAG credit by Dec. 31, 1990, of Oct. 1989.

COMMENTS

L. Comments By Mission, AID/W Office and Borrower/Grantee On Full Report

The Mission concurs with the findings and recommendations of this evaluation. The evaluation team did a very satisfactory job of evaluating the credit situation in the rainfed areas of Kordofan, and in relation to the overall current economic setting in the Sudan. The farmer survey, carried out in the field by the team, was a reliable and timely piece of analysis and has served to further redefine project activities.

In reference to the "principal recommendations and lessons learned" identified by the evaluation team, the Mission and the TA contractor note that a review and redefinition of the inventory loan program was in the final stage at the time of the evaluation. Thus rather than cite the ongoing modification to the inventory loan program as a "principal recommendation" it would have been more appropriate to cite this activity as a "lesson learned".

The Mission also notes that security matters, especially in Southern Kordofan, have, and continue to be, a factor which has influenced changes in the location of proposed farmer cooperative activities and expanded ABS branch office activities.

NOTE: In 1989 the average inflation rate for Sudan was 100 percent; 200 percent inflation is cited in the evaluation. The difference in inflation rates does not materially affect the evaluation.