

CLASSIFICATION
PROJECT EVALUATION SUMMARY (PES) - PART I

Report Symbol U-447

<p>1. PROJECT TITLE</p> <p style="text-align: center;">REGIONAL RURAL AGRIBUSINESS DEVELOPMENT</p>	<p>2. PROJECT NUMBER</p> <p style="text-align: center;">596-0069</p>	<p>3. MISSION/AID/W OFFICE</p> <p style="text-align: center;">ROCAP</p>			
<p>4. EVALUATION NUMBER (Enter the number maintained by the reporting unit e.g., Country or AID/W Administrative Code, Fiscal Year, Serial No. beginning with No. 1 each FY) 83-5</p> <p><input checked="" type="checkbox"/> REGULAR EVALUATION <input type="checkbox"/> SPECIAL EVALUATION</p>					
<p>5. KEY PROJECT IMPLEMENTATION DATES</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 33%;">A. First PRO-AG or Equivalent FY <u>77</u></td> <td style="width: 33%;">B. Final Obligation Expected FY <u>77</u></td> <td style="width: 33%;">C. Final Input Delivery FY <u>83</u></td> </tr> </table>	A. First PRO-AG or Equivalent FY <u>77</u>	B. Final Obligation Expected FY <u>77</u>	C. Final Input Delivery FY <u>83</u>	<p>6. ESTIMATED PROJECT FUNDING</p> <p>A. Total \$ <u>20.3 mil.</u></p> <p>B. U.S. \$ <u>15.0 mil.</u></p>	<p>7. PERIOD COVERED BY EVALUATION</p> <p>From (month/yr.) <u>March 1980</u></p> <p>To (month/yr.) <u>March 1983</u></p> <p>Date of Evaluation Review <u>June 20, 1983</u></p>
A. First PRO-AG or Equivalent FY <u>77</u>	B. Final Obligation Expected FY <u>77</u>	C. Final Input Delivery FY <u>83</u>			

8. ACTION DECISIONS APPROVED BY MISSION OR AID/W OFFICE DIRECTOR

A. List decisions and/or unresolved issues; cite those items needing further study. (NOTE: Mission decisions which anticipate AID/W or regional office action should specify type of document, e.g., airgram, SPAR, PIO, which will present detailed request.)	B. NAME OF OFFICER RESPONSIBLE FOR ACTION	C. DATE ACTION TO BE COMPLETED

<p>9. INVENTORY OF DOCUMENTS TO BE REVISED PER ABOVE DECISIONS</p> <table style="width: 100%; border: none;"> <tr> <td><input type="checkbox"/> Project Paper</td> <td><input type="checkbox"/> Implementation Plan e.g., CPI Network</td> <td><input type="checkbox"/> Other (Specify) _____</td> </tr> <tr> <td><input type="checkbox"/> Financial Plan</td> <td><input type="checkbox"/> PIO/T</td> <td>_____</td> </tr> <tr> <td><input type="checkbox"/> Logical Framework</td> <td><input type="checkbox"/> PIO/C</td> <td><input type="checkbox"/> Other (Specify) _____</td> </tr> <tr> <td><input type="checkbox"/> Project Agreement</td> <td><input type="checkbox"/> PIO/P</td> <td>_____</td> </tr> </table>	<input type="checkbox"/> Project Paper	<input type="checkbox"/> Implementation Plan e.g., CPI Network	<input type="checkbox"/> Other (Specify) _____	<input type="checkbox"/> Financial Plan	<input type="checkbox"/> PIO/T	_____	<input type="checkbox"/> Logical Framework	<input type="checkbox"/> PIO/C	<input type="checkbox"/> Other (Specify) _____	<input type="checkbox"/> Project Agreement	<input type="checkbox"/> PIO/P	_____	<p>10. ALTERNATIVE DECISIONS ON FUTURE OF PROJECT</p> <p>A. <input type="checkbox"/> Continue Project Without Change</p> <p>B. <input type="checkbox"/> Change Project Design and/or <input type="checkbox"/> Change Implementation Plan</p> <p>C. <input type="checkbox"/> Discontinue Project</p>
<input type="checkbox"/> Project Paper	<input type="checkbox"/> Implementation Plan e.g., CPI Network	<input type="checkbox"/> Other (Specify) _____											
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<input type="checkbox"/> Project Agreement	<input type="checkbox"/> PIO/P	_____											

<p>11. PROJECT OFFICER AND HOST COUNTRY OR OTHER RANKING PARTICIPANTS AS APPROPRIATE (Names and Titles)</p> <p style="text-align: center;"><i>Rafael Franco</i></p> <p style="text-align: center;">Rafael Franco Evaluation Officer</p>	<p>12. Mission/AID/W Office Director Approval</p> <p>Signature <i>Edward J. Nadeau</i></p> <p>Typed Name <u>Edward J. Nadeau</u></p> <p>Date <u>10/3/83</u></p>
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13. Summary

This evaluation was carried out after the project had terminated with the intent of providing information to be used as the basis for designing a follow-on loan. Although circumstances have changed and no new loan is anticipated in the near term, the evaluation includes many insights which can be beneficial for potential projects involving agribusiness lending.

The evaluation concluded that CABEI, with ROCAP support, has established a functioning system for channeling medium-term fixed-interest capital to agribusinesses throughout Central America. It has accomplished this through a partial reorientation of its lending procedures and philosophy, as well as through assisting participating ICIs overcome a lack of experience in agribusiness lending, including dealing with the requirements established by the AID loan. CABEI has also functioned credibly amidst major regional political and economic uncertainties. The evaluation, however, proposes five modifications in CABEI's program methodology that should increase the Bank's capacity to function efficiently as an institution providing resources for agribusiness lending. They are to:

- Streamline loan approval and disbursement procedures;
- Increase technical assistance to sub-borrowers;
- Integrate and upgrade the systems for monitoring and evaluating subloans;
- Adjust loan terms to reflect market rates; and
- Promote the program more effectively with participating ICIs.

14. Evaluation Methodology

This final evaluation assesses the effectiveness and efficiency with which CABEI administered the loan and the degree to which subloans to agribusiness borrowers contributed to achievement of the goals and purposes of the project. The evaluation was carried out by a two-person team, consisting of

an agro-industrial specialist/financial analyst and a credit specialist. Using a questionnaire it developed, the team based its findings on information obtained through field interviews with managing executives and technicians at CABEI, with personnel from fifteen of the nineteen participating ICIs and eleven sub-borrowers, as well as on a thorough review of project documents at ROCAP and CATIE.

15. External Factors

One effect of the economic crisis in Central America has been the decrease in foreign and domestic investment and the flight of capital out of the region. This has led to a growing scarcity of funds to lend. Given the low cost (6%) funds available under the project, and coupled with higher than projected rates of inflation, the demand for those funds became quite heavy, particularly towards the end of the project when other sources of funds were limited and the liquidity position of the ICIs for medium term lending became progressively worse.

Also, the availability of ROCAP funds at below market rates enabled ICIs to maintain a higher loan volume and, hence, increase profits. This was accomplished by "blending" less expensive ROCAP funds with other, more expensive funds, thus permitting the ICI to hold down the overall cost to the borrower and making the overall package more attractive.

While the generally poor liquidity situation affected implementation by contributing to an increased demand for funds late in the project, the extent to which it was responsible for the increased demand is not clear and could not be determined by the evaluation. Other factors directly associated with the project -- e.g., more familiarity with the project on the part of the ICIs, better technical services provided by CABEI, improved promotion, etc. -- are also assumed to have had a role in the increased demand for project funds.

16. Inputs

Inputs consisted of foreign exchange and local currency to finance agribusiness activities. Funds were available on a timely basis.

17. Outputs

The outputs achieved under the project include:

7

- A \$20 million revolving agribusiness fund established in CABEI;
- CABEI and ICI personnel trained to manage agribusiness lending activities;
- A total of 120 sub-projects approved and financed under the project through 19 ICIs; and
- Substantial income effect for small farmers and employment benefits for rural population.

18. Purpose

The project purpose was two-fold: to develop non-traditional agribusiness activities in Central America which provide benefits to the rural poor; and to improve the institutional capability of CABEI and national ICIs to promote and finance agribusiness activities.

The first purpose of developing agribusiness activities in Central America was successfully achieved. The target of financing 50 agribusiness sub-projects through 10 participating ICIs was more than met as a total of 120 sub-projects with a value of \$20.3 million were approved. A total of 19 ICIs participated in financing these sub-projects. These agribusiness activities have benefitted the rural poor through increased employment opportunities and the corresponding income effect.

CABEI has established a functioning system for channeling medium-term, fixed interest capital to agribusinesses throughout Central America. The participation of national ICIs has been a key element in CABEI's efforts. In doing so, CABEI has undertaken a partial reorientation of its lending procedures and philosophy, and through continued and improved promotion practices, has assisted participating ICIs overcome a lack of experience in agribusiness lending. Institutionalization of a regional system for channeling loans to Central American agribusinesses can be said to have been initiated, although the completion of the process will require additional financial and technical assistance in the near term.

19. Goal

The goal of the project is to improve the well being of the rural poor in Central America and the sub-goal is to increase the participation of the rural poor in the benefits to be derived from agribusiness activities.

4

20. Beneficiaries

Agricultural processing industries are effective mechanisms for providing direct benefits to small farmers and the rural poor because of the strong linkages they create with the production process. It is this population throughout Central America that has been the target for receiving project benefits. The evaluation determined that the equivalent of 20,000 full-time workers may experience increased earnings when all project loans have reached their full effect.

Other direct beneficiaries were the participating ICIs. With strengthened institutional capabilities to identify, promote and finance agribusiness activities significant new business opportunities exist. A new regional system for agribusiness lending has been established that will continue to support the business opportunities of the ICIs.

21. Unplanned Effects

None

22. Lessons Learned

ICI interest in agribusiness lending can be generated, as is confirmed by the number of ICIs registered with the program and the estimated demand for additional financing of sub-projects (\$23.5 million at the end of the project).

When new areas of lending are being promoted (e.g., agribusiness), the project design must incorporate adequate time for the participating institutions to become familiar and comfortable with the new areas. Expecting too much too fast will lead to disappointment and the urge to scale back initially planned activities. A period of 6-8 years should be planned for under this type of project.

23. Special Comments or Remarks

None