



<b>1. Project Data:</b>		<b>Date Posted :</b> 02/19/2014	
<b>Country:</b>	Kyrgyz Republic		
<b>Project ID:</b>	P049724	<b>Appraisal</b>	<b>Actual</b>
<b>Project Name:</b>	Agribusiness & Marketing Project	<b>Project Costs (US\$M):</b>	12.98
<b>L/C Number:</b>	C4015	<b>Loan/Credit (US\$M):</b>	8.10
<b>Sector Board:</b>	Agriculture and Rural Development	<b>Cofinancing (US\$M):</b>	4.75
<b>Cofinanciers:</b>		<b>Board Approval Date:</b>	12/14/2004
		<b>Closing Date:</b>	12/31/2010
<b>Sector(s):</b>	Agro-industry marketing and trade (70%); Agro-industry (15%); Banking (10%); Central government administration (5%)		
<b>Theme(s):</b>	Rural markets (33% - P); Other financial and private sector development (33% - P); Rural policies and institutions (17% - S); Export development and competitiveness (17% - S)		
<b>Prepared by:</b>	<b>Reviewed by:</b>	<b>ICR Review Coordinator:</b>	<b>Group:</b>
John Redwood	Ridley Nelson	Soniya Carvalho	IEGPS1

## 2. Project Objectives and Components:

### a. Objectives:

The original objectives as stated in both the Project Appraisal Document (PAD pg. 4) and Credit Agreement (pg. 15) were:

1. Expand the level of activity of processing, marketing, and trade enterprises downstream of the farmgate;
2. Increase the number and economic importance of producer organizations; and
3. Improve the functioning of markets and trade linkages between producers and primary and secondary level trade organizations.

The revised PDO as of the July 2009 restructuring were: to assist the Borrower in increasing and enhancing the business activities of the Beneficiary agribusinesses supporting the Borrower's economic growth .

According to the ICR, the revised PDO excluded objectives that were no longer supported by the project -- e.g., increasing the number of producer organizations (because other international donors were now providing financing for this activity, so the Bank's support was no longer considered necessary ) and improving the functioning of markets and trade linkages between producers and trade organizations, which was considered in the project restructuring paper to be "a means of achieving the PDO part to expand the level of activity of agro -processing, marketing and trade enterprises downstream of the farmgate " -- and dropped the "unrealistic target" of increasing the share of processed products in agricultural output . The TTL clarified to IEG that one of the main reasons for the 2009 restructuring was to permit addition of the Farmer Cooperative Matching Grant Program, which was not part of the original project design and was primarily intended to increase domestic food production as a response to the 2007-08 global food price crisis.

### b. Were the project objectives/key associated outcome targets revised during implementation?

Yes

If yes, did the Board approve the revised objectives /key associated outcome targets?

Yes

Date of Board Approval: 07/17/2009

### **c. Components:**

1. Market Development (appraisal -- US\$ 6.74 million; actual -- US\$ 6.05 million), to address constraints to commodity supply chains through interventions in both the private and public sectors .
  - a. Supply Chain Management (appraisal -- US\$ 4.39 million) to build the capacity of private sector participants in the marketing of agri-food products;
  - b. Export Promotion (appraisal -- US\$ 1.25 million) to support targeted interventions through a trade linkage contractor;
  - c. Public Sector Investment (appraisal -- US\$ 1.0 million) to finance public sector investments and public-private partnerships that would address infrastructural and technical bottlenecks for supply chain development; use of the resources for this subcomponent were not specifically defined at the time of appraisal, but during implementation it was decided to use them to establish a Food Technology Training Center (FTTC) at the Kyrgyz State Technical University (KSTU), delays in which were primarily responsible for extension of the project closing date from December 2011 to the end of March 2013.
  - d. Public Sector Capacity Building (appraisal -- US\$ 0.1 million) to give the supervisory board of the Agribusiness Competitiveness Center (ABCC) an important role in addressing public sector issues constraining the development of the private agro-processing sector.
2. Access to Credit (appraisal -- US\$ 5.97 million; actual -- US\$ 6.77 million) to: (a) address key constraints associated with access to capital by Kyrgyz enterprises in the agri-food sector; and (b) expand lending to the agriculture and food processing sector by the formal banking sector through the introduction of risk-mitigating tools for commercial banks.
  - a. Technical assistance to the commercial banking sector (US\$ 0.69 million) to help them deal with entering the relatively new markets of lending to agricultural and rural sectors .
  - b. Investment Credit Facility (US\$ 4.0 million) to provide access to investment capital for the emerging producer organizations and private businesses in any legal form, involved in processing and marketing of agricultural communities.
  - c. Structured Finance Facility (US\$ 1.0 million) to test innovative financing schemes through : (a) facilitating establishment of contractual arrangements throughout agricultural value chains between producer organizations, agro-processing companies and marketing companies; and (b) introducing banks to transaction finance, such as warehouse-backed risk mitigation tools.
  - d. Credit Line Management Unit (CLMU) (US\$ 0.28 million) to implement this component.
3. Project Monitoring and Advisory Office (appraisal -- US\$ 0.1 million; actual -- US\$ 0.145 million) to be established in the Ministry of Agriculture, Water Resources and Processing Industry (MAWRPI) on the basis of the project preparation unit.

When the project was restructured in July 2009, a Farmer Cooperative Matching Grants Program was added to component 2, using US\$ 780,000 of undisbursed resources from subcomponent 1b when it was decided to discontinue the mobilization of Trade Linkage Contractors (TLCs) in selected cities of neighboring countries . The Project Monitoring and Advisory Office was replaced during implementation by the Market Conditions Analysis Unit (MCAU), as a result of the changing needs of the Ministry .

### **d. Comments on Project Cost, Financing, Borrower Contribution, and Dates:**

Co-financing was provided by a US\$ 4.75 Japanese PHRD grant. The project closing date was extended four times for a total of 26 months: for one year, until December 31, 2011, at the time of the first restructuring in July 2009, for six months in December 2011 to complete the construction of the FTTC and fully disburse the matching investment grants program, for 5 months in May 2012 again to complete the construction of the FTTC, and for 3 months in November 2012, for the same reason. Altogether, the project required restructuring papers six times .

The first, and formal, restructuring with Board approval that took place on July 17, 2009 was at the point of US\$4.66 million disbursement, 36% of the total eventually disbursed . Therefore approximately two thirds of expenditure came after the restructuring .

## **3. Relevance of Objectives & Design:**

### **a. Relevance of Objectives:**

The CAS under implementation at the time the project was approved identified the agricultural and agro-processing sector, together with industry and energy, as among the main drivers of growth of the Kyrgyz economy and had initially packaged the present project together with an irrigation one that was later separated from in order to simplify project design and implementation arrangements . Agriculture and agro-processing accounted for more than 40% of

GDP, but their growth in the immediately preceding years had slowed. There was very little value added downstream of the farmgate as supply chains were weak and less than 15% of agricultural produce in terms of value was processed. Agricultural and food exports were also very low, and had fallen substantially between 1995 and 2001.

According to the CPS for FY2014-17 (para 34, pg. 14), agriculture, agro-processing, and livestock have good economic prospects, but improved policies are needed to strengthen their international competitiveness, entailing the need for policy reforms and greater private sector participation to strengthen farmers' organizations, develop small and medium-sized agricultural enterprises, design appropriate financial instruments, and invest in storage and distribution. In support of this, the CPS proposes an agribusiness investment study to review the obstacles to agribusiness development and identify options for their removal with an eye to helping to increase the efficiency and competitiveness of the sector. Strengthened agro-processing is also a priority in the Government's National Sustainable Development Strategy (NSDS) for 2013-17.

In view of the above, but taking into account that the original objectives were too broad in relation to what the project could reasonably achieve (ICR, para. 8, pg. 12), subsequently requiring their reformulation, and taking into account that the revised objective was more realistic, the relevance of the original project objectives is considered **Modest** and that of the revised one **Substantial**.

#### **b. Relevance of Design:**

Although project objectives were revised in July 2009, much of the initial design remained unchanged, and consisted of three basic elements: (i) technical assistance to client enterprises and organizations, together with market facilitation and analytical work; (ii) credit lines disbursed by participating financing institutions (PFIs) and strengthening of capacity within the banking sector; and (iii) capacity building within the public sector.

While the causal chain between inputs, outputs and intended outcomes is clear, the original Results Framework in the PAD was very general and weak. No key performance indicators related specifically to any of the declared objectives (see below). Thus, they had to be revised as part of the initial project restructuring, such that the three original outcome indicators -- increased share of agricultural production being processed, minimum repayment rate by borrowers to FPIs of 95%, and increased institutional lending to agro-industry clients -- were dropped and replaced by two of the original intermediate outcome indicators for Component 1 -- increase in sales of agribusiness supported by the project and increase in profit of agribusinesses supported by the project. The reasons for these changes, according to the ICR (para, 50, pg. 23) was that, at least in the case of the first of the dropped indicators, it "was found to be inappropriate because it went beyond the scope, scale, and capacity of the project."

The ICR argues that the project initial PDO was overly ambitious ("too complex and broad"), thus requiring the initial restructuring. However, there were also changing country circumstances and priorities arising from the global food price crisis in 2007-08 and the global financial crisis of 2008-09. In addition, the Results Framework lacked outcome indicators for several elements in the original project objectives such as the expansion in marketing activity and trade enterprises downstream of the farmgate, the number and importance of producer organizations, and the improved functioning of markets and trade linkages between producers and primary and secondary level trade organizations. Project design had not anticipated several exogenous domestic political and global economic events that impacted on subsequent implementation. However, these could not have been anticipated at the time of appraisal (September 2004).

Based on the considerations above, relevance of the original project design is rated **Modest**, while that of the revised design is rated **Substantial**. The higher rating is largely due to addition at restructuring of the Farmer Cooperative Matching Grant Program together with the complementary capacity-building program for the cooperatives to enable them to access funds from this Program, both of which helped to enhance their participation in the sector.

#### **4. Achievement of Objectives (Efficacy):**

The project funds were 36% disbursed when restructuring occurred and the objectives were changed in July 2009. In assessing results the ICR (para. 48, pg. 23) assumes that "the intended objectives were meant to be achieved at the level of project beneficiaries" rather than that of the entire sector. However, it is unclear on what this assumption is based, especially as the PAD affirms (pg. 5) that "the ultimate objective of [the project] will be to increase the amount of value added to Kyrgyz agro-food commodities, to increase sales of those commodities both domestically and abroad, and to improve the operation of domestic agricultural markets," which clearly seems to refer to the sector as a whole. The original key outcome indicators also clearly refer to the sector as a whole: increased share of agricultural production being processed; increased role of producer organizations in agricultural marketing; repayment performance of loans extended; and increased institutional lending to agro-industry clients.

The following assessment covers each of the three elements of the original objectives as stated in the Legal Agreement and the single revised objective.

### **Original Objectives**

1. *Expanding the level of activity of processing, marketing and trade enterprises downstream of the farmgate* . Even though output increases were not measured, sales from companies assisted under the project reportedly increased by 114%, which the ICR (para. 51, pg. 24) states contributed to "the increased share of processing at the national level." However, in practice, it is not clear whether this was, indeed, the case, because even though the first outcome indicator was dropped at the time of the initial restructuring, the ICR reports that 11.1% of agricultural production was processed in 2012 compared with a baseline figure of 12% in 2004, one of 13.8% in 2009 against an initial target of 17% for 2010. Thus, this key target was not met. Other target indicators were met or exceeded however, and the increase in agricultural sales (114% compared with a revised target of 25%) and exports (89 percent of US\$ 17.5 million for a total volume of 55,000 tons of produce between 2006 and 2012, compared with just US\$ 101,000 in the former year) associated with project-provided technical assistance and credit line suggest that the overall level of processing and marketing downstream of the farmgate increased as a result . **Modest**.

2. *Increasing the number and economic importance of producer organizations* . As noted above, this objective was dropped when the project was restructured because other donors, specifically GTZ and Reiffesen, had scaled up their involvement in cooperatives. However, a matching grant subcomponent was added at the time of restructuring in order to help support a new Farmer Cooperative Support Program at the Government's request, which also included technical assistance to these organizations that was already contemplated under the project . The TTL informed IEG that this new Program was a specific response by the Government to the food price crisis in 2007-08 and the corresponding shortage of domestic food supply . The ICR measures results in this regard in terms of the increase in value of sales of producers organizations, but also observes that this indicator was not part of the formal monitoring framework or included under the revised PDO . However, it reports that the project's activities "did ultimately contribute positively to this part of the original PDO, arguing further that investments made by cooperatives using the credit line and support from the matching grants, training received by cooperatives -- altogether 259 cooperatives reportedly received training under the project -- and value chain pilot activities "all strengthened the importance of producer organizations ." **Substantial** .

3. *Improve the functioning of markets and trade linkages between producers, and primary and secondary level trade organizations*. Here too, even though this objective was also dropped as such and there was no specific outcome indicator to measure results, the ICR asserts that "the project significantly improved the functioning of markets for the individual processors and producers who participated directly in project activities ." Looking at the evidence, the Market Development Service (MDS) facilitated the trading and promotion of national agricultural goods both domestically and abroad, presenting convincing evidence to support this claim (e.g., facilitation of 142 contracts for 55,000 tons of produce valued at US\$ 17.5 million, of which 89% was exported, between 2006 and 2012, compared with just 12 contracts for US\$ 101,000 in 2006 as observed above; the MDS provided support to nearly 2,000 agribusiness and private enterprise clients or a range of subjects and to domestic farmers and cooperatives in establishing trade relations on the supply of agricultural goods to countries including Bulgaria, Kazakhstan, Moldova, Romania, Russia and Turkey; the Information and Marketing Service (IMS) likewise supported the creation of market linkages.) -- **Substantial** .

### **Revised Objective**

*Assist the Borrower in increasing and enhancing the business activities of the Beneficiary agribusinesses supporting the Borrower's economic growth*. Progress toward achieving this objective was measured by the increase in sales and profits of the agribusinesses supported by the project, for which both initial targets established at the time of project restructuring in July 2009 (25% and 20% increases) were significantly exceeded (114% and 107% increases as of March 2013, respectively). There was also a greatly exceeded target for agribusiness lending of 1,444% in 2013 against an initial target of 15% as well as a minimum repayment rate by borrowers to PFIs of 100% in 2013 as compared with a target of 95% which begs the question as to why these indicators were dropped in the first place. No indicator for economic growth was included in the revised Results Matrix and the attributable contribution of these increases to the "Borrower's economic growth" was not measured, although this would have been difficult. However, enhanced profits would be expected to be an intermediate outcome for economic growth .

The beneficiary survey (ICR, para, 82, pg. 31.) revealed that most respondents had a positive view of the project support and expressed a desire for the services provided under it to continue . 78 percent of those surveyed observed that the credit or grant amount was relevant to their business needs, 61 percent believed that the subloans and/or grants for cooperatives contributed to an increase in output and 47 percent noted their impact on the rise in profits, while 32 percent indicated that access to the credit permitted them to increase market coverage and 22 percent were able to introduce new types of products as a result (Annex 5, pg. 37) On balance, the rating is **Substantial** .

## 5. Efficiency:

The ex-post rate of return calculated was high at 221 percent covering an estimated 47.5% of total project costs and with a Net Present Value of US\$ 12,738,571, This was based on the changes in profits, but over only one year, generated from (a) the TA packages under Component 1 (for one quarter of the total beneficiaries), (b) the instruments made with support from the Credit Line under Component 2 (for about 70% of the total beneficiaries), and (c) the value of the contracts facilitated by the Contract Facilitation under Component 1.

A high repayment rate by borrowers to PFIs of 100% in 2013 as compared with a target of 95% also suggests efficiency in funds use, enabling faster recycling of funds.

The economic analysis in the PAD had indicated that the project's economic benefits would accrue through two channels: (i) direct interaction with clients of the ABCC; and (ii) assistance to other private sector actors, improvement in the functioning of markets, and enhanced public sector capacity. Component 2, more specifically, was expected to provide benefits by: (i) increasing the capacity and willingness of commercial lenders to lend for currently underserved agricultural and business clients; and (ii) increase the overall investment in the agricultural and agro-processing sector. The PAD also observed, however, that "because of the diverse nature of these benefit schemes," an overall economic and financial analysis was not undertaken. Thus, no ex-ante/ex-post comparison is possible. However, although no comparator is presented, the fact that US\$ 1.73 million of additional funds were extended to beneficiaries of the project's credit line through another 27 subloans utilizing reflows from its initial US\$ 5.1 million in 82 subloans suggests that these resources have been used efficiently. Overall, therefore, although cost effectiveness data is somewhat limited, efficiency is rated **Substantial**.

### a. If available, enter the Economic Rate of Return (ERR)/Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation :

	Rate Available?	Point Value	Coverage/Scope*
Appraisal	No		
ICR estimate	Yes	221%	47.5%

\* Refers to percent of total project cost for which ERR/FRR was calculated.

## 6. Outcome:

Relevance of the original objectives and project design are both rated **Modest**, but that of the revised objectives and design are rated **Substantial**. Since nearly two thirds of disbursement occurred after the first Board approved restructuring, the Substantial ratings of Relevance of Objectives and Relevance of Design have the greater weighting. The project was appropriately adjusted. Efficacy in relation to both the original and revised objectives is rated **Substantial** overall due to two of the three original objectives rated Substantial and the single revised objective rated Substantial. In accordance with the disbursement figures, greater weight is given to the post-restructuring ratings. The project met or exceeded all of its revised and new outcome and output targets instituted at the time of the initial restructuring in July 2009, in some cases by a considerable margin. Some of the original indicators that were dropped at the time of restructuring were exceeded. Efficiency is rated, on balance, **Substantial**. As a result, the project outcome is rated **Satisfactory**.

### a. Outcome Rating : Satisfactory

## 7. Rationale for Risk to Development Outcome Rating:

Beneficiary firms appear to have incorporated the improved production quality and marketing arrangements made possible under the project and to have increased their sales, including to external markets, and profitability as a result. However, there has been some reported backsliding on the institutional front as the commercial arm of the ABCC (i.e., the MDS) no longer exists in the form it had under the project, which meant many of its staff have now departed (and those that remain are part of a PIU for another World Bank project). On the other hand, many of the local consultants who participated in the project are expected to remain in the country and a national agro-business consulting sector has apparently now emerged. In this regard, the ICR affirms that "dissolving the MDS created a more level playing field for the private sector and the fact that the ABCC did not remain in the form it had under the project should not be seen as negative." The beneficiary PFIs, in turn, reported that working with food processors had been a positive experience and that training provided under the project "provided new insight into how to evaluate agro-processing investment proposals," with which they had previously had only limited experience. Finally, the new FTTC at KSTU is expected to improve the future capacity of the Kyrgyz Republic's food technologists and to receive financial support from GIZ and the EU.

**a. Risk to Development Outcome Rating :** Moderate

## **8. Assessment of Bank Performance:**

### **a. Quality at entry:**

As outlined in the PAD, project preparation was based on background analysis and lessons learned from other projects both by the Bank in other countries in the region and elsewhere and by other donors in Kyrgyzstan (including the Swiss agency Helvetas and USAID). Implementation arrangements were carefully thought through.

However, there were weaknesses. First, the initial Results Framework in the PAD was very weak, the corresponding results monitoring arrangements were inadequate, and both needed to be modified at the time of the restructuring in July 2009. Second, the use of funds allocated to the public investment subcomponent (I c) was not defined until implementation was well underway, contributing to the subsequent need to extend the project closing date eventually by over two years on what was already a six year project .

**Quality-at-Entry Rating :** Moderately Unsatisfactory

### **b. Quality of supervision:**

There was good continuity of Bank staff during supervision even though the TTL changed, and the personnel involved possessed most of the pertinent technical skills, including with respect to agro -business and value chain and cooperatives development. According to the ICR (para. 89, pg. 33), however, it took "a very long time to agree on and implement the first-tier restructuring in the summer of 2009 and gaps in the client's results monitoring slipped." More specifically, it took nearly four years to agree with the government on changes to the PDO and outcome indicators and the supervision team was slow to follow up on the "gaps (sic) in the client's monitoring of changes in sales and profits among client," which had become the key project performance indicators following the initial restructuring. It is also not clear why no environmental safeguards specialist participated in supervision until the time of the mid-term review, which occurred in March 2009, nearly four years after the project became effective .

**Quality of Supervision Rating :** Moderately Satisfactory

**Overall Bank Performance Rating :** Moderately Satisfactory

## **9. Assessment of Borrower Performance:**

### **a. Government Performance:**

The Kyrgyz Government was committed to the project and is credited by the ICR for making the institutional arrangements necessary for its successful implementation . However, a significant negative factor on the Government's side was the one year delay in signing the initial project restructuring agreement . The reason for this delay is not clear from the ICR (which only refers to "the delays caused by CADII, but doesn't clarify what these delays were and why they occurred). IEG understands that CADII was established by the President, who was later deposed in 2010 (at which time CADII was also abolished), as an additional layer of public administration between the President and the ministries, including the Ministry of Finance, thereby effectively eroding the decision power of the latter, and interfering with the internal restructuring approval process leading to considerable indecision and an extended delay in the approval process .

**Government Performance Rating** Moderately Unsatisfactory

### **b. Implementing Agency Performance:**

According to the ICR, performance of the various implementing agencies, including the Ministry of Economic Development, Industry and Trade (MEDT), the Ministry of Finance (MOF) and MAWRPI, as well as ABCC and the CLMU, was "High," In addition, the high commitment from the implementing agencies and units is credited with the positive results achieved by the project . The most significant shortcoming was the failure to collect data on client sales and profits during implementation, but the evidence suggests that this was partly the result of the Bank's failure during supervision to ensure that this was done . The project team has subsequently clarified that the project had a detailed M&E system which took some time to develop and fine tune, especially in view of the

amendments made to the result framework in 2009, such that the full M&E system was not available until early 2010, at which the results achieved by the companies participating in the first TA package were collected and made available. Data regarding the companies that benefitted from the second TA package were also reported after implementation of that package. However, these data were collected based on self-reporting by the respective companies and the project team felt they required further verification to ensure their authenticity .

<b>Implementing Agency Performance Rating :</b>	Satisfactory
<b>Overall Borrower Performance Rating :</b>	Moderately Satisfactory

## **10. M&E Design, Implementation, & Utilization:**

### **a. M&E Design:**

As noted above, the original Results Framework and associated results monitoring table was of poor quality, as there were no specific performance indicators for any of the project's three original objectives . As the ICR itself states (para. 31, pg. 19), "the result indicators under the original PDO covered impacts among producers and processors but failed to capture other activities along the supply chain and the functioning of markets, areas that were identified in the PDO...[and] the indicators in the monitoring framework did not fully mirror the results framework ." The section on M&E in the PAD (pp. 14-15), moreover, was very sketchy, essentially only listing the key "results" ("increase in sales of enterprises supported by the Project," etc.) and "outcome" ("increased share of agricultural production being processed," "increased institutional lending to agro-industrial clients") indicators, without clearly differentiating between the two, and stating that "the necessary data will be available from the participating enterprises and marketing organizations, and from the participating financial organizations ", or from "available national statistics, progress reports of the PFIs, and reports of the NBKR [National Bank of the Kyrgyz Republic]." ABCC would be responsible for gathering data in relation to Component 1 and CLMU for Component 2. CLMU would also "summarize and analyze the collected information and provide reports to MAWRPI, MOF, IDA and other project stakeholders ." However, nothing is said in the PAD about ex-post evaluation.

### **b. M&E Implementation:**

According to the ICR (para. 32, pg. 19) , "for the most part, information was collected according to the monitoring framework" and registered in the ISRs and several beneficiary surveys were conducted . However, the two key project outcome indicators introduced as such at the time of the 2009 restructuring -- changes in sales and profits among the beneficiaries, "especially under the credit line" were "not properly monitored and both baseline data and end of project results had to be collected " at the time the ICR was drafted . Thus, it appears that the M&E system, such as it was, was poorly implemented .

### **c. M&E Utilization:**

There is no indication that monitoring data was utilized effectively during project implementation, although an "impact" survey was carried out in August-October 2012, some five months before the project closed, covering 200 project beneficiaries, 103 beneficiaries under the market development component and 97 under the access to credit component.

**M&E Quality Rating :** Negligible

## **11. Other Issues**

### **a. Safeguards:**

No safeguards issues were reported, but no environmental specialist is listed among the task team members for the "lending" stage of the project in Annex 4 of the ICR nor did a specialist participate in supervision prior to the mid-term review mission in March 2009. However, the project team subsequently informed IEG that an experienced environmental specialist was hired by the Government during project preparation and that he prepared an environmental impact assessment (EIA for the project, which was subsequently cleared by the Regional Safeguards Coordinator. According to the ICR, "anticipated environmental issues under the project were related to private investments under the credit line and investments in the rehabilitation of public infrastructure, presumably the FTTC . It goes on to state that for private investments, the beneficiaries were responsible for mitigating any environmental impacts, but the Ministry of Ecology and Emergency Situations (MEES) and the CLMU were responsible for ensuring that "these implementation measures were implemented properly" . It notes that "the PAD also prescribed an

assigned staff member or consultant with an environmental background in the CLMU to ensure that the participating financial institutions complied with environmental safeguards requirements ." However, the ICR does not say whether either of these prescriptions were implemented . The project team has subsequently informed IEG, however, that CLMU did retain an experienced environmental consultant on a full - or part-time basis, as needed, to provide training and advice and to supervise environmental aspects of the credit line .

The ICR also states that "since the purchase of pesticides was not intended under this project, it was considered that no significant pest management issues had to be raised, although the use of pesticides by the sub -borrowers could not be precluded." Again, however, the ICR does not indicate whether any pest management issues occurred during implementation. The project team subsequently clarified to IEG that no pest -related issues were identified during project implementation, which is why they were not mentioned in the ICR .

**b. Fiduciary Compliance:**

For the most part, financial compliance, both in terms of procurement and financial management, appears to have been sound. The only problem reported was a delay in submission of the audit report for FY 2011, which, however, affected all Bank projects that year "because the Bank disqualified two local auditing companies and changed the accepted methods for selecting audit companies," which resulted in a "prolonged procurement process for audit services" in that year, according to the ICR (para. 40, pg. 21).

**c. Unintended Impacts (positive or negative):**

Reported unintended consequences were : (i) the project strengthened the entrepreneurial spirit among beneficiaries; and (ii) the environmental skills acquired under the project became as asset for the participating financial institutions outside of the project.

**d. Other:**

<b>12. Ratings:</b>	<b>ICR</b>	<b>IEG Review</b>	<b>Reason for Disagreement /Comments</b>
<b>Outcome:</b>	Satisfactory	Satisfactory	
<b>Risk to Development Outcome:</b>	Moderate	Moderate	
<b>Bank Performance :</b>	Moderately Satisfactory	Moderately Satisfactory	
<b>Borrower Performance :</b>	Moderately Satisfactory	Moderately Satisfactory	
<b>Quality of ICR :</b>		Satisfactory	

**NOTES:**

- When insufficient information is provided by the Bank for IEG to arrive at a clear rating, IEG will downgrade the relevant ratings as warranted beginning July 1, 2006.
- The "Reason for Disagreement/Comments" column could cross-reference other sections of the ICR Review, as appropriate.

**13. Lessons:**

Among the lessons in the ICR, two in particular merit highlighting :

1. *Picking the winners allowed the project to achieve its full potential in terms of the achieved results* .. (para. 99, pg. 35) More specifically, the lesson affirms that "a rigorous process of early selection (including whether management of the company is fully committed, whether the decision making process is streamlined, and whether the company is able to secure a loan or other funding, if needed ) allowed the project to pick future winners for participation in the technical assistance packages ."

2. *The individual design of each [Technical Assistance ] service package, according to the needs of the client, was crucial for the good results of the project* .. (para. 100, pg. 36) Detailed action plans, designed by consultants, were also part of these packages, which covered a combination of financial management, technical and marketing



services.

**14. Assessment Recommended?**  Yes  No

**15. Comments on Quality of ICR:**

The ICR is generally well written and provides good evidence, especially in Annex 2 (Outputs by Component) to support the proposed ratings and judgments . It also undertook an ex-post economic analysis/estimation of ERR and FRR even when the PAD had not been able to do so . It could have been somewhat clearer, however, with respect to the underlying political factors that contributed to the Government's extended delay in approving the project restructuring, although political sensitivities were apparently the reason why it did not do so . The ICR should also have provided a Table of Contents to facilitate navigation .

**a.Quality of ICR Rating :** Satisfactory