PROJECT INFORMATION DOCUMENT (PID)
IDENTIFICATION/CONCEPT STAGE

Report No.: PIDC46851

Project Name	AGRICULTURE POLICY MONITORING AND EVALUATION CAPACITY BUILDING PROJECT
Region	EUROPE AND CENTRAL ASIA
Country	Armenia
Lending Instrument	IPF
Project ID	P158359
Borrower Name	MINISTRY OF FINANCE
Implementing Agency	Ministry of Agriculture, Agriculture PIU State Institution
Environment Category	B - Partial Assessment
Date PID Prepared	01-Sep-2016
Estimated Date of Approval	11-Nov-2016
Initiation Note Review Decision	The review did authorize the preparation to continue

I. Introduction and Context

Country Context

Armenia is a lower middle income country with a GNI per capita of USD 4,020 in 2014. Since the disintegration of the Soviet Union, the country has undergone significant a structural shift towards a market oriented economy. The country experienced significant poverty reduction in the 2000s, underpinned by robust economic growth of about 12 percent per annum and well-targeted redistributive programs. However, the economic crisis in 2008 halted these gains in poverty reduction as growth slowed down. The policy response to the crisis -- a significant increase in public spending -- tested Armenia's macroeconomic resilience to external shocks as fiscal headroom was quickly eroded. While the fiscal stimulus had an impact and growth started to recover, crossing 7 percent in 2012, the economy started to slow down significantly by 2013, mainly because of modest regional and global momentum, limited progress on competitiveness enhancing reforms, and sluggish investment. The dramatic fall in oil prices starting in 2014-15, which led to a sharp depreciation in the ruble and slowdown in Russia, was the next shock to hit Armenia, transmitted through declining remittances, exports and foreign investment. As a result, poverty incidence in 2014 (30.0 percent) is still higher than that pre-crisis (27.6 percent in 2008).

Sectoral and Institutional Context

The real value of agricultural output grew by 86 percent over 2000-2015, an average of 5.4% per year, driven by increases in both prices and production. Real prices increased for many commodities, due to increasing demand on both domestic and export markets, except for food staples such as wheat, potatoes, milk, poultry and eggs. The medium-term outlook for continued price increases is weak, however, due to depressed conditions on traditional export markets and depressed demand and increased competition on domestic markets. Slower real sector growth rates since 2012 (annual average growth of 2.2% for 2012-2015) further suggest that the conditions

underlying the price and production increases that drove previous growth no longer apply. The basis for growth will need to change if Armenia's agriculture sector is to continue to enjoy the steady growth achieved since 2000.

Agricultural policy in Armenia is liberal with low levels of import protection and no direct intervention in agricultural markets. Limited budgetary resources restrict the government's capacity for direct support, with total government expenditure on agriculture and irrigation less than 2% of total budget expenditure. Foreign direct investment (FDI) is also modest with US$ 77 million invested in agriculture and fisheries from 2000-2012, most of which is in large-scale enterprises involved in the export of alcohol, wine, fruits and vegetables. Given the limited capacity for direct government support it is pertinent to improve the capacity of Armenia's Ministry of Agriculture (MoA) to track progress in implementation of sector policy and to better align budget expenditure with the objectives for sector development. The limited resources available need to be used well.

Within MoA, responsibility for the development and monitoring of agricultural policy has traditionally resided in the Department of Agricultural Program Development, which reports to the Minister of Agriculture. This department is responsible for the preparation of medium-term sector strategy, and the formulation of programs, policies, laws and regulations for agriculture. It also liaises with other Ministries and government agencies, including the Ministries of Economy and Finance and the National Statistical Service of the Republic of Armenia (NSSRA), and oversees Food Safety. Until recently this department was also responsible for the oversight of public programs implemented by the Ministry's various technical departments and/or of subsidy programs funded from Ministry budget lines. These programs are reviewed on a quarterly basis to monitor compliance with program objectives and to identify and report on constraints to program implementation.

This structure provides a basic framework for policy monitoring and evaluation (M&E); and a means to review the efficiency of budget expenditure on public programs. However its capacity is limited in the following ways. First, most of the staff lack training and experience in policy M&E and the use of M&E for a market-oriented economy. Second, the current monitoring system is poorly linked to the evaluation of broader strategic objectives for the sector. There are no indicators for the achievement of sector level objectives, as described in medium-term sector strategies, and no rigorous evaluation of the contribution of individual public programs to sector performance. Finally, there is an over-emphasis on program supervision, with too many staff involved in public program oversight and not enough involved in policy M&E.

Recognizing these limitations, the MoA has recently drawn on a wide-ranging program of EU support for the agriculture sector (ENPARD), to establish a new, separate Department for Program Monitoring and Evaluation. The aim of this program, which is being implemented with limited technical support from the Food and Agriculture Organization of the United Nations (FAO) from November 2014 to November 2017, is to support the reform and development of the agriculture sector in order to meet international and European standards and to integrate the Armenian agricultural system into the global economy. Within this project, FAO support for agriculture policy formulation and M&E includes staff training in English language, limited funding of computers and equipment, and the provision of training and software to support the current focus on public program evaluation. The underlying need to build a capacity for evidence-based policy making remains, however -- a need that exceeds the resources of both the FAO technical support program and the MoA. For example, over the past 18 months the FAO's technical support program activities

were limited to a training course on data collection for the agricultural census and an exchange visit to Georgia.

Evidence based decision making is an innovative approach to policy making, u   sed increasingly by governments. Its aim is to improve the efficiency and effectiveness of policy making, by focusing on "what works". This requires the systematic compilation and use of available evidence to inform decisions about policies,programs and projects in order to improve the quality and timeliness of policy decisions. The adoption of evidence based policy making will help MoA to fully own the policy making process. For example, a good policy M&E can: (i) warn the MoA of forthcoming problems in agricultural markets; (ii) inform the MoA about what impact sector policies are actually having, including unexpected side-effects; (iii) propose and evaluate a range of options to solve a particular policy problem; (iv) assess what impact a proposed new policy or policy change could have, before the MoA is committed to it; and (v) support the MoA in negotiations with the WTO, EU, Eurasian Union and bilateral partners, resulting in better outcomes for Armenia.

A comprehensive M&E system is critical for evidence based policy making. It ensures that government has the "evidence-base" needed; both in terms of having appropriate indicators for monitoring policy inputs and outputs, and in having the capacity for rigorous, objective analysis of this information to evaluate and strengthen policy outcomes. To be fully effective, support for evidence-based decision making should also include extensive training in policy analysis and policy formulation. This capacity building should focus on the government departments or agencies responsible for policy and program formulation and implementation, as these are the elements of government most closely associated with policy decisions. National universities and public think tanks are also important targets for training and capacity building as they provide a further source of potential expertise, along with a capacity for independent analysis.

The M&E capacity building agenda in the agriculture sector also includes specific measures to better understand gender inequalities. In effect, rural residents employed in agriculture are often overrepresented among the poor in Armenia in particular. Rural women are considered to be especially vulnerable because they are often not legal owners of land or agribusiness, and tend to be employed as lower-skill laborers. These measures could include for example, development of specific mixed-method indicators to track gender (surveys, specific evaluations), gender-specific impact evaluation and use of diagnostics / thematic studies to recognize gender-specific constraints or opportunities and design corresponding activities.

Armenia has a well-developed system of statistics collection for generating much of the information needed for an effective, evidence-based M&E system. The NSSRA generates most of the requisite, basic information on agricultural land use, production, farm input use, producer and consumer prices, food consumption, agro-processing and agricultural trade in a timely manner. This statistical base has also been deepened recently by an Agricultural Census, which will be ready for analysis by the end of 2016. If approved, the proposed project activities could build on the World Bank's ongoing engagement with NSSRA under the Strengthening Armenia's Integrated Living Conditions Survey Project (P159054).

Relationship to CAS/CPS/CPF
The Armenia Development Strategy (ADS) (2014-2025) aims to eradicate extreme poverty, create

jobs to improve living standards, deepen human capital, improve access to basic services, and modernize public administration and governance. The World Bank's Country Partnership Strategy (FY2014 to FY2017) is designed to support the country's development strategy in key areas. Improving the ability of the Government of Armenia to promote sound evidence-based decision making will lead to more robust agriculture sector performance. This falls under the first cluster of targeted outcomes under the current CPS -- "supporting competitiveness and job creation".

II. Project Development Objective(s)

Proposed Development Objective(s)

The broad objective of the PRIME window of the Japanese PHRD technical assistance grants program is to enhance the use evidence-based decision making in government systems, by strengthening the monitoring and evaluation (M&E) systems of recipient ministries in priority sectors. Agriculture has been selected as a priority area for grant support, along with health, nutrition, population and urban development. Armenia's Ministry of Agriculture (MoA) is viewed as a strong candidate for support due to its demonstrated commitment to policy reform, its awareness of the need to improve its capacity for policy analysis and policy formulation, and its recent efforts to strengthen its capacity for monitoring and evaluation.

Within this context, the objective of the proposed project is to strengthen M&E capacity and systems as elements of evidence-based agriculture policy analysis and formulation. Strengthened government ownership of the policy process is viewed as an important further outcome of grant support.

Key Results

Evidence based decision making ensures that policies respond to the real needs of the constituency for which they are designed, and so leads to better long-term policy outcomes. It also helps to highlight the urgency of an issue or problem that requires immediate attention; and so strengthens the case for securing funding and resources for an effective public response. Ultimately, the proposed project will help optimize government expenditure by ensuring that resources are directed to the most effective policies and programs and improve service delivery and the outcomes of public programs and investments.

The results framework will be developed together with MoA and the key results could include enhanced capacity of the MoA to inform policy formulation and implementation of agriculture sector strategy, and support for adoption of the principles and techniques of evidence-based policy making including statistical and gender-disaggregated analysis, as well as a targeted number of commissioned evaluations. For example, the proposed project outcome indicators could include:

 - Systems established for regular collection, analysis and publication of data on Ministry policies and programs;
  - Number of Ministry staff trained in analytical software packages;
  - Number of policy evaluations completed;
  - Elements of evidence-based policy making procedures embedded into Ministry practice.

These indicators will be further refined at the project appraisal stage.

III. Preliminary Description

Concept Description

The MoA in close collaboration with FAO will undertake detailed project design during August-September 2016 in a way that complements and extends the initiatives already taken by FAO in the context of evidence-based decision making. The tentative project design includes: a review of the training needs for MoA staff; the scope for associated capacity building within national universities and think tanks as a means to further strengthen the capacity for independent policy M&E; a review of the existing information and statistical base and recommendations on how best to use this information for evidence-based decision making; and the basis for building effective links with other Ministries and relevant public and private agencies as a means to increase understanding and awareness of the impact of evidence-based policy making. Support and training would cover all Ministry units involved in designing, implementing and monitoring policy. This would include the Department of Monitoring and Evaluation and the Department of Agricultural Program Development, but also the line departments and divisions involved with specific policies, e.g. the Department of Plant Growing and Plant Protection, the Department of Land Use and Melioration, the Department of Agro-processing Development and the Department of Veterinary and Livestock Agriculture. This would ensure that all elements of the policy cycle critical to M&E are upgraded, with policies being well documented with clear intervention logic and appropriate monitoring indicators and are well evaluated, and would ensure that no one department was swamped by too much technical assistance and training.

The project will run for 2 years, from early 2017-2019, with an estimated total cost of US$ 1.8 million and will have two components.

Component I: Capacity Building for Evidence Based Policy Making (US$1.625 million)

I.1 Staff Training (US$ 350,000). The training needs identified by the International Expert will be followed up with an extended series of short (2-4 day) training programs, to be implemented once every 2 months during the life of the project. In addition to relevant MoA staff, training will also be provided for staff of other ministries and public agencies (e.g. NSSRA), and university staff, as deemed appropriate. Potential areas of training will include building skills in: the selection, design and use of appropriate monitoring indicators; how to review existing and prospective sources of information; the development and management of data bases; the design and commissioning of evaluations to support evidence based policy making; techniques of policy analysis; the design of mechanisms to build citizen engagement into the process of policy evaluation; and the alignment of M&E outputs with strategy implementation and budget formulation.

I.2 Survey Design and Analysis (US$ 200,000). To further build skills in the development of M&E for evidence based policy making, the project will support a small number of surveys and analyses to be commissioned and implemented by staff in the Ministry of Agriculture or other relevant agencies (e.g. NSSRA, Agrarian University etc). Potential activities include: analysis of the recently completed Agricultural Census; the development of templates for farm enterprise analysis (gross margins), that can be updated quickly and easily with secondary data on an annual basis as the basis for monitoring trends in on-farm incomes and profitability; and a joint program with the NSSRA to review and improve the current survey instruments used for agriculture and rural areas, to render them better suited to evidence based policy making.

I.3 Specific Evaluations (US$400,000). The proposed project will fund specific, detailed economic evaluations on topics agreed with the MoA's leadership. These evaluations would typically take a few weeks to complete, often involving a small ad hoc working group comprising staff from the

relevant departments. These papers can focus on different issues, such as impact analysis of existing policies, including socio-economic impact, environmental impact and regulatory impact assessment. (ii) Each kind of evaluation would have its own issues and approaches, which could be taught by engaging an international expert to guide and support the MoA as they do their first evaluations. Where capacity in the MoA is limited, many of these evaluations can be contracted out to universities and think tanks, but it would be good for the MoA to have their own experience of carrying out such evaluations, to help them prepare good Terms of Reference and better assess the reports that they receive.

I.4 Computers, Printers and Software for Data Base Management (US$ 60,000). The project will provide limited support for computers and software for data base management.

I.5. Technical Assistance (US$615,000). An international advisor with demonstrated experience in capacity building for evidence based policy making will be recruited to guide and support project activities in the Ministry of Agriculture. Potential areas of support (to be agreed during project preparation) include: review of the current institutional base within the Ministry of Agriculture for M&E and evidence-based policy making, including its links to other ministries and public agencies, followed by recommendations and guidance on ways to strengthen this institutional base; an assessment of the human resource base for policy M&E and the design of a training program for building and strengthening relevant skills; a review of the current system of M&E, its capacity to evaluate policy and its links to implementation of agriculture sector strategy and design of the agriculture budget, and support for adoption of the principles and techniques of evidence based policy making -- including statistical analysis, commissioned research, citizen engagement and the use of administrative information; a review of the current evidence base for agricultural policy monitoring produced by the NSSRA and the development of recommendations on ways to strengthen its contribution to evidence based policy making for agriculture; a review of the need to build capacity for independent policy monitoring outside the Ministry (e.g. universities, think tanks) as a further input to evidence based policy making and the design and implementation of appropriate training and support programs; and the development of appropriate forums for sharing the outcomes of evidence based policy making with other government ministries and public agencies. As capacity building of this nature is a gradual process, and needs constant support and reinforcement to be effective, the International Expert will be appointed for the duration of the project.

This subcomponent will support implementation of the knowledge transfer strategy to strengthen ownership while ensuring sustainability. The knowledge transfer strategy will be developed at project appraisal using experience from implementation of similar projects in Bulgaria, Georgia, Macedonia, northern Cyprus, Serbia and Uzbekistan.

In line with the requirements of section 3(b) of the Operating Guidelines for the Japan PHRD Technical Assistance Grants Program: "Performance and results with improved monitoring and evaluation" (PRIME) window the project will support an Action Plan which could include the following activities under the Component 1:

  - Establishing user-friendly databases and regular updating procedures for key sources such as the agricultural census results, annual agricultural statistics, reports from Ministry, systems, and trade data for food and agricultural products.
  - Creating standard systems for monitoring common elements of Ministry policies (payments, beneficiaries, etc.) so policy analysts have ready access to these data.

- Adding modules to monitor individual Ministry policies and programs, adjusted to the specific indicators used in each case.
- Providing access to and training in international databases, such as FAOSTAT, Eurostat database, UN Comtrade, World Bank DataBank and World Integrated Trade Solutions software (WITS).
- Helping establish an information unit in the Ministry to provide all departments with these data.
- Contracting studies and surveys to collect detailed data from farmers and other stakeholders, to support specific policy evaluations.
- Training all staff involved in agricultural policy, to raise understanding of the policy cycle, how to set appropriate monitoring indicators, and how to assess the economic impact of proposed and implemented policies.
- Establishing a regular gross margin survey to give the Ministry up-to-date and reliable information on the profitability of different farming activities, and training staff in how to use this for policy evaluation in areas ranging from assessing the impact of recent floods or drought, to calculating how policy changes could affect different types of farm.
- Providing the Ministry with regular commodity balances and a practice of monthly commodity briefings, so that policy makers are aware of potential problems before they appear in the newspapers.
- Improved procedures for consultation and stakeholder involvement in policy M&E and design.
- Developing more advanced tools for specific parts of the policy cycle (e.g. problem analysis and ex ante policy appraisal, regulatory impact assessment, environmental impact assessment, and ex post impact evaluation), with training and support for relevant staff to apply them.
- Assessment of gender development of specific mixed-method indicators to track gender (surveys, specific evaluations), gender-specific impact evaluation and use of diagnostics / thematic studies to recognize gender-specific constraints or opportunities to inform design corresponding activities.
- Re-establishing a market information system so that policy makers, farmers and traders have good and up-to-date information about developments on the markets.
- Creating an annual policy report setting out the objectives, beneficiaries, budget and impact of each policy and programme implemented by the Ministry.
- Training selected staff in survey design and analysis, so that they can both implement small surveys themselves and confidently specify and manage contracts for external survey work.
- Supporting senior Ministry staff to embed best practice and an evidence-based policy cycle into the routine operations of the Ministry, including strong linkages between strategy development, polices and budget.

Component II: Project Management and Administration, Monitoring and Evaluation, and Knowledge Dissemination (US$ 175,000)

This component consists of three subcomponents:

II.1 Project Management and Administration (US$124,000). The project will be managed by a national expert with extensive experience in agriculture and the institutional structures of government. He will be assisted by a full-time secretary. The project will be implemented by the existing Agriculture Projects Implementation Unit (APIU) of the Ministry of Agriculture. The project budget provides for incremental project management costs, including additional technical specialists as identified during further project preparation, costs of transport and field visits and audit.

II.2 Monitoring and Evaluation (US$25,000). This subcomponent will finance the costs of impact assessments at mid-term and at project completion. The project the M&E framework will be developed during appraisal and its implementation will be reviewed regularly by the Ministry of Agriculture and APIU.

III. 3 Knowledge Dissemination (US$24,000). This subcomponent will fund activities related to the project launch, expert round tables and web-based and paper copy dissemination of the project's key reports. The Ministry of Agriculture's and APIU's websites will be used for a virtual discussion of the project's studies. The project will finance printing and distribution by direct mailing 100 of the final project reports in Armenian and English to all key counterparts in the Government of Armenia's key ministries and agencies, think tanks, NGOs active in this sphere, key public libraries and higher educational institutions (faculties of economics and rural development/agriculture).

IV.   Safeguard Policies that Might Apply

Safeguard Policies Triggered by the Project	Yes	No	TBD
Environmental Assessment OP/BP 4.01	✗		
Natural Habitats OP/BP 4.04		✗	
Forests OP/BP 4.36		✗	
Pest Management OP 4.09		✗	
Physical Cultural Resources OP/BP 4.11		✗	
Indigenous Peoples OP/BP 4.10		✗	
Involuntary Resettlement OP/BP 4.12		✗	
Safety of Dams OP/BP 4.37		✗	
Projects on International Waterways OP/BP 7.50		✗	
Projects in Disputed Areas OP/BP 7.60		✗	

V.   Financing *(in USD Million)*

Total Project Cost:	1.8	Total Bank Financing:	0
Financing Gap:	0		

Financing Source	Amount
Japan Policy and Human Resources Development Fund	1.8

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