Report Number: ICRR0023096

1. Project Data

Project ID P122812	**Project Name** ACIP	
Country Azerbaijan	**Practice Area(Lead)** Agriculture and Food	
L/C/TF Number(s) IBRD-82860	**Closing Date (Original)** 31-Dec-2018	**Total Project Cost (USD)** 34,500,000.00
Bank Approval Date 30-Sep-2013	**Closing Date (Actual)** 31-Dec-2021	

	IBRD/IDA (USD)	**Grants (USD)**
Original Commitment	34,500,000.00	0.00
Revised Commitment	34,500,000.00	0.00
Actual	34,500,000.00	0.00

Prepared by	**Reviewed by**	**ICR Review Coordinator**	**Group**
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2. Project Objectives and Components

a. Objectives

The Project Development Objective (PDO), as stated in the Financing Agreement (FA, 2013) was:“to facilitate the access of agricultural producers to markets by strengthening sanitary and phytosanitary services, enhancing selected value chains and providing financial services to agribusiness enterprises.”

For assessing the extent to which the PDO was achieved, this ICRR parses the PDO into three closely inter-related objectives:

Objective 1: to facilitate the access of agricultural producers to markets by strengthening sanitary and phytosanitary services;

Objective 2: to facilitate the access of agricultural producers to markets by enhancing selected value chains;

Objective 3: to facilitate the access of agricultural producers to markets by providing financial services to agribusiness enterprises.

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

Yes

Did the Board approve the revised objectives/key associated outcome targets?

No

c. Will a split evaluation be undertaken?

No

d. Components

Component 1/Support for sanitary and phytosanitary services: Support for sanitary and phytosanitary services (Appraisal: US$19.06 million; Closing: US$17.99 million). It aimed to strengthen the efficiency and effectiveness of sanitary and phytosanitary services, structured according to three subcomponents: (i) Food safety capacity building;(ii) Upgrading plant health and phytosanitary system; (iii) Animal health and veterinary services.

Component 2/Agribusiness value chain development: Agribusiness value chain development (Appraisal: US$11.9 million; Closing: US$11.95 million). It would help develop value chains by partially financing demand-driven investment proposals, and would support activities for improving seed varieties and quality of seeds entering the market.

Component 3/Financial services to agribusiness: Financial Services to agribusiness (Appraisal: US$19.18 million; Closing: US$19.34 million). It was comprised of 4 sub-components/associated activities: (i) Expanded availability of investment financing for agribusinesses through sub-loans and leasing; (ii) Introduction of new financial services; (iii) Capacity building program for participating financial institutions (PFIs); and (iv) Feasibility study on agricultural insurance mechanisms, and capacity building in risk assessment and product development.

Component 4/Project management: Project management (Appraisal: US$2.98 million; Closing: US$3.58 million). It financed the administrative and operational project implementation and management costs.

e. Comments on Project Cost, Financing, Borrower Contribution, and Dates

(i) Project Costs: The total project costs at approval was US$53.24 million. The actual project costs a closing was US$52.94 million (99%). (ICR, Annex 3, total and by component).

(ii) Financing: According to the PAD, the project was to be financed by a IBRD loan, of US$34.5 million, and Government counterpart funding of US$18.75 million, for a total amount of US$53.24 million. At project closing, US$52.94 had been disbursed (with 100% of the IBRD loan and 98% of Government funds)

(iii) Borrower Contribution: Government contributed a total of US$18.75 million (or 35% of total project costs), mainly towards 28% counterpart component costs, plus the project's VAT costs.

(iv) Dates: The project approved on September 30, 2013, and became effective August 27, 2014. The delay was primarily due to internal Borrower procedures caused by the appointment of a new Minister of Agriculture. The original closing date was December 31, 2018, with the actual closing date three years later, to December 31, 2021 (and following two restructurings).

Restructurings: There were two level II project restructurings. The first restructuring occurred in 2018, following a major macro-economic/monetary event and significant institutional changes, which interrupted project implementation (ICR, para. 17). The events included: the devaluation of the local currency (Manat) by 33% in early 2015 and a further 50% in late 2015, resulting in no demand for the project's credit line due to the sharp increase in the on-lending rate to the PFIs. In early 2017, there was a Presidential decree improving the food safety system and establishing the Azerbaijan Food Safety Agency (AFSA), resulting in a restructuring of ACIP, and an extended project closing date, by 18 months (for details, see ICR, para. 17). Partly arising from these revisions, in 2020 there was a second level II project restructuring, involving 4 further revisions: (i) adjusting the descriptions/activities of Component 1, in view of the institutional reorganizations in phytosanitary and veterinary systems; (ii) changing the name of the project's implementing agency (IA), becoming the Agrarian Credit and Development Agency (ACDA); (iii) revising the project's results framework (RF) to better reflect project results and adjust some indicators to the project's new institutional arrangements; and (iv) extending the project closing date by an additional 18 months (see ICR, para. 18, Annexes 8 and 9). The ICR provides clear and sound rationale for these two restructurings, which retained the same PDO, with most of the same indicators and targets, coupled with some appropriate revisions. While none of the components were revised, some of the activities were adjusted to respond to the evolving needs and institutional changes (ICR, paras. 22 and 23). Given the nature of the changes, there was no need to undertake a split evaluation approach.

3. Relevance of Objectives

Rationale

The PDO was highly relevant with the strategies formulated and implemented by the Government and the World Bank, at both the country and sectoral levels (and with other development partners engaged in the agrarian sector), at project design, implementation and post-implementation stages. These strategies address the main constraints and challenges of the agricultural sector, which was performing below its potential, in terms of low productivity and low production levels and limited competitiveness for achieving growing domestic and export market prospects (ICR, paras 1-3, and Annex 11). Specific challenges remained along the value chains, including absence of improved seed varieties, low productivity livestock breeds, and outdated production and processing technologies, inefficient market structure, limited access to finance for agriculture and agro-processing. At project design, the Government's overall strategy was to accord high priority to expanding the role and competitiveness of the agricultural sector, especially to reduce the dependence on the oil/petroleum sector, to reduce poverty and increase employment opportunities. This strategy was further strengthened with the Government's core strategic program, "State Program on Socio-Economic Development of the Regions of the Republic of Azerbaijan (2019 – 2023), and its post-2025 strategic vision --- it prioritizes creating competitive agri-business through transition from traditional farming to market-oriented, value-adding farming, envisioning an agriculture industrialized and efficiently integrated into the global value chain system (ICR, para. 29).

Similarly, the project was highly relevant with the Bank's country partnership strategy prior, during and following project implementation, including (ICR, para. 31): building on two phases of the Bank's Adaptable Program Lending (APL) in agriculture (1999- 2012); Bank's Country Partnership Strategy for Azerbaijan (2011-2014; the Bank's/IEG's Performance and Learning Review of the Country Partnership Framework for Azerbaijan (FY16-2020); the Bank's Systematic Country Diagnostic (SCD), currently being finalized. These Bank documents place emphasis on focus area of "Competitiveness" in the non-oil sector, especially, the agricultural sector, as one of the core components helping to diversify and dynamize the nonhydrocarbon economy, and supporting the pillar of "strengthening human and social services", and upgrading key institutions and associated services, with potential to reduce poverty, increase employment/incomes of the majority of the population.

Rating

High

4. Achievement of Objectives (Efficacy)

OBJECTIVE 1

Objective

Objective: to facilitate the access of agricultural producers to markets by strengthening sanitary and phytosanitary services.

Rationale

The theory of change (TOC) underlying ACIP, although not explicit at design, was reconstructed in the ICR, and highlighted the interplay of the 3 objectives to contributing to the overall PDO of increased access of agricultural producers to markets. With respect to objective 1, building public and private sector capacities in food safety, upgrading plant health and phytosanitary system (labs and capacities) and investing in animal health and veterinary services would help strengthen sanitary and phytosanitary services, which would help contribute to expanded access of agricultural producers to competitive markets, and contribute to the broader objectives of increased rural productivity, enhancing the commercialized agricultural sector, and increased family incomes (ICR, para. 6, Figure 1, and Annex 6).

Accordingly, the project's component of strengthening sanitary and phytosanitary services generated numerous strategic outputs, including (see ICR, Annex 1 for more details, with most outputs meeting or exceeding targets): various types of training, enhanced training programs and capacity building initiatives on food safety, pest control/risk assessment and IPM, involving farmers and specialists from various entities;

provision of essential equipment, tools and improved labs; enhanced legislation, regulations and manuals; various feasibility studies for improved traceability; various strategies for guiding enhanced vet services).

These outputs (with details in ICR, Annex 1) contributed to the following strategic outcomes (ICR, p. 41):

i. Decreased prevalence of brucellosis disease in animals: Original target: 35%; Actual: 23%; Actual as % of Target: 66%;

ii. The project contributed to more efficient and effective sanitary and phytosanitary services in terms of achieving or exceeding objectives/targets of 3 subcomponents/SCs (ICR, paras. 36-48 provide further details): SC1: completing major capacity building and infrastructure support activities in food safety; SC2: upgrading plant health and phytosanitary system, including implementation of integrated pest management system and support to biological control program; SC3: improved provision of animal health and veterinary services, including implementation of national animal disease control program, successful transition to private veterinary practices (currently at advanced stage) and the successful development, implementation and sustainability of the animal identification and registration system (AIRS). It is reasonable to conclude that the project's substantial progress and associated outputs/outcomes with respect to providing these specific improved sanitary and phytosanitary services will continue a positive trend line regarding the continued reduction of brucellosis disease (showing a baseline of 1.5%, 15% in early 2021, 23% in mid-2021), and provide sustainable contributions to the broader objective of enhanced farmer access to markets.

Overall, the efficacy with which objective 1 was achieved is rated substantial, given the positive progress on several strategic initiatives/activities presented in qualitative and quantitative terms, while also noting there was a shortfall in one outcome indicator (ref. decrease of prevalence of brucellosis, although with a positive trend line as stated above toward meeting the target). Accordingly, the ICR provide strong evidence that the achievement of various specific outputs and associated outcomes arising from this objective's 3 subcomponents would continue the positive trend line of reduction of brucellosis, and would constitute substantial progress toward meeting objective 1, and thereby, would continue to contribute to the broader objective of increased access to competitive markets and value chains.

Rating
Substantial

OBJECTIVE 2
Objective
To facilitate the access of agricultural producers to markets by enhancing selected value chains

Rationale
The theory of change (TOC) underlying ACIP, although not explicit at design, was reconstructed in the ICR, and highlighted the interplay of the 3 objectives to contributing to the overall PDO of increased access of agricultural producers to markets. With respect to objective 2, improving quality seeds leads to improved potential access to competitive value chains and partners, which in turn is expected to lead to commercially viable businesses which can also access finance and possible leasing arrangements. These activities would then contribute to the strategic outcomes of expanded access of agricultural producers to enhanced and

competitive markets, increased productivity, commercialized agricultural sector and increased incomes of beneficiaries.

Accordingly, the project's objective/component of enhancing selected value chains, including improved quality of seeds, generated the following strategic outputs (for details, see ICR, Annex 1, p. 43, with most outputs meeting or exceeding the targets, while noting the ICR provided limited details on some outputs):

With respect to improved quality of seeds, included outputs for: upgrading/modernization of central and other seed testing labs; implementation of laboratory capacity building program; volume of quality seeds from seed farms supported by the project; procurement of equipment for seed clean services;

With respect to enhanced selected value chains, included strategic outputs for: relevant client training; TA to agribusinesses; provision of agricultural assets/services to farmers, with achievement exceeding target (6,501 vs. 5,000 farmers, respectively) (with services/assets not specified in ICR);

These outputs contributed to the following strategic outcomes/intermediate results (ICR, Annex 1, p. 42):

(i) New productive partnerships established and supported, as reflected by the following indicators: Original target: 15; Actual: 17; % of Actual: 113%; the ICR stated that these partnerships were through investments in productive subproject investments, including matching grants, which "demonstrated remarkable results on the ground that extend beyond the project life" (ICR, paras. 49 and 50, supported by empirical evidence compiled from beneficiaries).

(ii) There was a total of 404 producer beneficiaries among the 17 active sub-projects, and 10 percent of the producer beneficiaries were women. In terms of employment generation under these 17 sub-projects, 1,072 (or 78.5 percent) of the 1,366 jobs created under the value chain sub-projects were held by women;

(iii) A further 1,373 indirect project beneficiaries under the value chain sub-projects support were reported.

(iv) Percentage of women participating in sub-projects funded by the project grant facility: Original target: 20%; Actual: 63%: % of Target: 315%;

Overall, the efficacy with which objective 2 was achieved is rated Substantial, given the good progress in meeting the project's targets, especially with respect to the project-supported investment partnerships, and the supporting evidence provided in the ICR regarding the effects of these project-supported partnerships. The progress also includes the consistent application of sound criteria for prioritizing value chains supported by the project's partnerships (ICR, para. 49).

Rating

Substantial

OBJECTIVE 3

Objective

to facilitate the access of agricultural producers to markets by providing financial services to agribusiness enterprises.

Rationale

The theory of change (TOC) underlying ACIP, although not explicit at design, was reconstructed in the ICR, and highlighted the interplay of the 3 objectives to contributing to the overall PDO of increased access of agricultural producers to markets. With respect to objective 3, strategic activities facilitating expanded financial services to agribusiness enterprises through expanded lines of bank credit (via SMEs) and financing viable subprojects by the Project's credit line, were assumed to contribute to increased marketed outputs and to expanded access to markets of targeted value chains and agribusinesses, thereby also assumed to contribute to increased productivity and to a commercialized agricultural sector.

Accordingly, the project's objective/component of providing financial services to agribusiness enterprises generated the following strategic outputs (ICR, Annex 1, p. 43):
(i) No. of PFI and non-project bank specialists trained (study tour to the Netherlands and in-country) in agricultural lending and value chain financing: Original target: 100; Actual: 121: % of Target: 121%;
(ii) Agribusiness lending program implemented (per the targets and achievements indicated below);
(iii) 2,016 new jobs were created from project loans, 827 of which were held by women;
(iv) Operations of AIF and establishing the key data and information infrastructure for the operation of the AIM supported. Ten specialists hired by the project developed the risk analysis and claim handling manuals on 14 products. Twenty-five private loss adjusters were trained. The IT team hired by the project advanced with data collection for preparing the different modules of the Agricultural Insurance Information System.

These outputs contributed to the following strategic outcomes/intermediate results (ICR, Annex 1, p. 43/44):
(i) Volume of IBRD Support (lines of credit: SME): Original target:12.9 million; Actual: 12.9; % Actual: 100%; (see below for further assessment)
(ii) Volume of Project Support (lines of credit: SME): Original target:18 million; Actual: 27 million (includes $9 million reflows); % of Actual: 150%;
(iii) Number of sub-projects financed by the project credit line: Original target: 85; Actual: 115; % of Target: 135;
(iv) 19 value chain sub-projects developed & supported; 17 successful after project closing;
(v) Farmers reached with agricultural assets or services (with respect to above lending activities): Original target: 5000; Actual: 6501: %: 130%;
(vi) Farmers reached with agricultural assets or services (female) Original target: 1500; Actual: 1947: % of Target: 130%;

Overall, the efficacy with which objective 3 was achieved is rated Substantial, given the good progress in meeting the project's targets, especially with respect to lending activities, which reflects solid demand and supply factors, including good disbursements and reported "timely repayments" (ICR, para. 58). The credit line supported competitive agribusiness investment activities, and provided benefits to all regions and agribusiness sectors, and reported sizeable growth in sales. The ICR also reported that an additional 94 subprojects were financed from the project's reflows, arising from good repayment rates. There was no evidence that the grants under component B crowded out the credit component. These conclusions also are supported by further clarifications/evidence provided by the ICR author regarding: the expansion of PFI lending to new beneficiaries and expanded areas, resulting from the project's capacity building program to PFIs; the intention of PFIs to expand their rural branch network, building on the project's experience; the increased diversification of the PFI portfolio; strategic role and results arising from the project-supported financing interventions.

Rating
Substantial

OVERALL EFFICACY

Rationale

The ICRR (and supporting documentation) provided sufficient evidence to demonstrate Substantial progress toward Objective 1 (enhanced phytosanitary practices) and Substantial progress toward meeting Objectives 2 and 3 (enhanced value chain/seed development and expanded access to financial services, respectively). Most of the targets were achieved or exceeded in many cases, especially with respect to promoting investment partnerships and expanding access to financial services, including effective formulation and implementation of viable subprojects, across various agribusiness sectors. Although the project was not able to develop and implement structured finance products, this did not affect the achievement of the project's main targets and objectives. More broadly, the project provided valuable and sound approach and support to the Government's objective to diversify its economy and enhance the competitiveness of the agriculture sector. The challenge will be to ensure that the value chain activities/enterprises funded by the project are financially sustained and provide a solid basis for further scaling up and expansion of competitive value chains, also taking into account the effectiveness of technical and institutional capacity building of the relevant public and private entities. Provided these assumptions are validated over time, it is reasonable to conclude that the project would contribute to increased rural productivity, and to expanded, diversified and competitive value chains and increased incomes of participating rural households.

Overall Efficacy Rating

Substantial

5. Efficiency

Economic Efficiency:

The ICR provides a sound explanation for the approach it used to carry out the economic and financial analysis (EFA) for this project. For both the appraisal and ICR stages, a traditional ex-ante and ex-post analysis was not possible for all project investments, since some of them were public goods and others were market driven, hence no full economic rate of return (ERR) for the project was estimated. Accordingly, both the ex-ante and ex-post EFA analysis carried out a partial analysis, based on a selected number of "representative" subprojects for each component/subcomponent, in a sound, rigorous and comparable manner, complemented by a sound qualitative analyses, to generate some meaningful conclusions (for further details, see ICR, paras. 67-70, Annex 4). Overall, the conclusions highlight positive and robust EFA results.

In summary: (a) With respect to Objective 1/Component A (ref. phytosanitary aspects), the planned public good type of interventions were expected to improve the competitiveness of agricultural products through institutional development activities which would generate strengthen institutional capacities, operational efficiencies and compliance with international standards, thereby enabling the marketed surpluses to be competitive and exportable. As indicated above, most of the project activities for this component were carried out, also in a manner which was generally efficient, with strong and positive qualitative results, especially with respect to enhanced technical standards and institutional capacities to promote and comply with enhanced phytosanitary standards.

(b) With respect to Objective 2/Component B (ref. seeds/B1 and value chain development/B2):

(i) at appraisal, there were 3 different indicative and hypothetical subprojects which were assessed in financial and economic terms (e.g., apple orchard rehabilitation and marketing; milk production/collection center; and improved quality of meat production), resulting in moderate economic internal rates of return (EIRRs) (ranging from 18.6% to 21.4%).

(ii) By project completion, good progress was made in carrying out the envisioned activities, as follows:

a. With respect to seeds (B2), the project's support for seed production boosted the volume and quality of certified seed produced by the public agencies responsible for seed breeding, seed multiplication and seed certification. The ICR estimated an associated IRR of 291% (ICR, para. 70); there was no ex-ante IRR estimate, hence it's not possible to make a comparison.

b. With respect to selected value chains (B2), the ICR carried out a sound analysis, based on a representative sample of seven value chain subprojects, resulting in satisfactory financial and economic returns (EIRRs), ranging from 24% to 178% (and positive economic NPVs, and robust sensitivity analyses), and compares favorably with the ex-ante ERR estimates, reflecting also the technical support provided by the project.

c. With respect to Objective 3/Component C, the ICR makes sound conclusions, based on both quantitative and qualitative information. The ICR highlights sizeable sales growth, substantial employment generation and absence of loan default, thereby suggesting that the investments under the project's credit line were profitable

d. Other: Qualitative economic and financial benefits from the project (ICR, para. 71 provides summary conclusions, with further details reflected in various subsections of the ICR):

- job creation in agribusinesses that benefited from the project credit line (para.71 and 80);
- strengthened veterinary services, including privatization of field veterinarians (para. 47);
- improved animal health due to the project animal disease control program (para. 46);
- support to veterinary education (para. 41);
- improved phytosanitary services (paras. 37-41); and
- improved capacity for monitoring food safety and seed testing and certification (para.53-57).

<u>Implementation Efficiency</u>:

Notwithstanding the need for two project extensions that extended the project completion by three years, the core elements of project design and implementation were retained throughout project implementation. These extensions helped ACIP respond to evolving client needs and allowed for the completion of project activities that were critical to achieving the PDO. The extensions did not result in increased project costs, and 100% of ACIP funds were disbursed. Actual project expenditures were close to the original cost estimates. The extensions of the project resulted in an increase in project management costs/PIU, although they remained reasonable as a proportion of total project expenditure (6.8%, consistent with international norms, of 5-10%). This increase was offset by lower expenditures on Component A, largely due to the institutional reforms and efficiencies with respect to the transfer of a number of functions of the SPCS related to the phytosanitary control measures to the project's revised institutional arrangements (via new AFSA).

Given the above assessment of the project's economic, financial and implementation efficiencies, the overall rating for efficiency is **Substantial**. The project achieved most of its targets, generated acceptable financial and economic returns to investment (where they could be measured), did not incur cost overruns, and fully disbursed loan funds. The implementation delays were due primarily to exogenous factors, due to the delay in effectiveness and to the devaluation of the local currency. The ICR correctly notes that the delays and project extensions allowed ACIP to respond to evolving client needs and allowed for the completion of project activities which were critical to achieving the PDO (ICR, para. 72).

Efficiency Rating

Substantial

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

	Rate Available?	Point value (%)	*Coverage/Scope (%)
Appraisal	✓	18.60	22.00 ☐ Not Applicable
ICR Estimate	✓	24.00	22.00 ☐ Not Applicable

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

6. Outcome

The Project Development Objective/PDO were highly relevant to Azerbaijan's socio-economic development, especially for promoting growth and diversification in its non-petroleum sectors. Overall efficacy is rated Substantial, as follows: the first objective on phytosanitary aspects was rated substantial due to meeting or exceeding most of the three subobjective objectives, while recognizing a shortfall in one of the outcome targets (ref. reduction in prevalence of brucellosis disease, which is likely to be improved as a result of meeting or exceeding the other objectives/targets); the second objective on value chain development and third objective on access to financing also were rated substantial for meeting or exceeding most or all of their targets, although providing limited evidence on some indicators. Overall efficiency is rated Substantial, based on available evidence and the ICR's sound approach and analyses. Accordingly, these three results lead to a Satisfactory outcome rating, with some modest shortcomings and limited evidence on some of the achievements, as highlighted above. In addition, the ICR highlighted positive evidence regarding the project's other emerging outcomes and impacts, involving: gender, especially women's significant participation levels (ICR, para. 75);

institutional strengthening of existing and newly formed entities, and legislative groundwork for enabling sustainability.

a. Outcome Rating

Satisfactory

7. Risk to Development Outcome

Based on internal/project-related and external factors and associated risks, and the project's design and implementation strategies and performance/results, the risk to sustaining the development outcome is Moderate for the following 3 reasons (ICR, paras. 108 – 110).

First, ACIP promoted enhanced and sustainable institutional capacities in 4 complementary ways: invested heavily in investment support and institutional strengthening activities for implementing agencies and beneficiaries; established a cadre of professionals in both existing and newly formed institutions in several strategic areas (e.g., food safety, phytosanitary, animal health and veterinary, seed sector, and financial services to agribusinesses); supported legislative preparatory work, further solidifying the high likelihood of sustainability of activities, although some of the legislative activities initiated by the project are still pending; and invested in the next generation of professionals by strengthening tertiary education in plant protection and veterinary services.

Second, ACIP laid the groundwork for promoting financial sustainability, in four complementary ways. Project activities were driven also by the principle of a market-driven approach and the participation of the private sector which contributes to financially viable investments. The Project supported the transition from public to private provision of veterinary services and provided support to private seed growers and to the Agricultural Insurance Mechanism (AIM), which is expected to follow a public-private partnership model. The Project supported sub-projects that went through a rigorous selection process to prove their concept and have an exit strategy in place. The earlier of these projects have already demonstrated their viability, having survived even a global pandemic (with the exception of two sub-projects). The project provided revolving reflows into new sub-loans (Component C), which had already started, and is another very promising sign of financial sustainability.

Third, ACIP laid the groundwork for promoting policy sustainability, ensuring that project priorities continue to be aligned with government priorities. ACIP remains consistent and highly relevant with the Government's Strategic Vision for Agriculture. Also, ACIP continues to be in line with the State Program on Socio-Economic Development of the Regions of the Republic of Azerbaijan for 2019-2023.

Notwithstanding the above positive project risk mitigation and sustainability actions, the project provided limited actions to help ensure sustained access to agricultural technology dissemination services and to financial services, resulting in some uncertainty in sustainability, and hence, the reason for "Moderate" degree of sustainability risk.

8. Assessment of Bank Performance

a. Quality-at-Entry

The Project demonstrated Satisfactory level of quality at entry and design for four main reasons. , for the following reasons (ICR, paras. 102-103):

First, the project was designed with a sound and comprehensive concept, providing appropriate expertise and new initiatives to address critical constraints in agriculture development. Project design provided a practical and feasible option to operationalize the Government's plan to diversify the economy away from the gas and oil sector.

Second, the project design was informed by existing national capacities, lessons learned from the two preceding phases of the APL as well broader World Bank experience, and it scaled up the successful pilots of ADCP-II (e.g., the productive partnership model chosen for ACIP was well-thought out and suitable for a country weak in production organizations. Also, the lead aggregator model, as opposed to the productive alliance model, served to bring together groups that were geographically related to sell to one buyer and helped agricultural value chain coordination and integration.

Third, ACIP was highly collaborative with other development partners at design (e.g., complementing FAO's Phytosanitary Support Project that would provide TA and training for strengthening SPCS);

Fourth, project design was built on the Government's existing systems and structures with appropriate plans to mobilize and strengthen these for project implementation.
One aspect that the Bank team could have taken up during project preparation is to have better assessed the financial capacity of the small and medium size seed multipliers (Subcomponent B2), as they ended up not being able to meet the financing eligibility criteria.

Quality-at-Entry Rating

Satisfactory

b. Quality of supervision

Overall, the Bank's performance in the quality of supervision is Satisfactory, based on the following evidence presented in the ICR (paras. 104-105) and supporting documents, including Borrower's and other stakeholders' positive feedback (ICR, Annex 5):

(i) The Bank team exhibited a high degree of flexibility and adaptiveness in the face of major institutional changes in the country, and proactive in addressing implementation issues (e.g., with the delays with the approval of sub-loans submitted to the PMU, when the Bank suggested to shorten the review and approval procedures);

(ii) The Bank effectively addressed "significant changes during implementation" and key factors that affected implementation and proceeded to carry out with the project counterparts two restructurings of the project and extensions of the closing date to accommodate changing circumstances. The Bank maintained a constant supervision presence. It organized twelve implementation missions, including specialized technical missions, and a MTR;

(iii) The project benefited from leadership continuity and accessibility, with the Bank's Task Team Leader remaining the same throughout the life of the project, and based in Baku. This proximity enabled continuous interaction, frequent technical meetings with the client, and close supervision of progress, and adjustments;

(iv) During implementation, the Bank team suggested an alternative and complementary activity to IFC's agri-insurance work; it cooperated with an IFC Investment Climate Advisory Project, which undertook a diagnosis of regulatory constraints in horticulture value chains, and co-developed a regulatory framework/ road-map and submitted to MOA;

(v) The Bank team was very synergistic and collaborative with other development partners (e.g., worked closely with FAO's IPPC on phytosanitary services; and when discussing refurbishing the regional testing points, agreed for one of them to be equipped by ACIP, and the other by a then upcoming IFAD project);

(vi) At the same time, the Bank team was very mindful of the Government's cautionary approach on transitioning to private veterinary services and achieved this very challenging reform at the pace set by the government.

(vii) The Bank team and the client were vigilant and proceeded with the suspension of three PFIs due to non-compliance with the PFI eligibility criteria following the results of the audit of PFIs for 2016;

(viii) The Bank's team provided support to the client on fiduciary, and environmental and social safeguards, as well as on all technical components.

Quality of Supervision Rating

Highly Satisfactory

Overall Bank Performance Rating

Satisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design

The ICR did not include an explicit discussion of the Project's M&E design, and instead focused entirely on highlighting the Results Framework (RF), which provided the overall framework for the Project's M&E system. Overall, the Project's M&E design was based on a sound approach, building on the M&E system from the previous two Bank-supported ADCP operations, especially ADCP II, which was considered to have been well designed and implemented. ACIP's M&E system was designed to provide timely and reliable results for management to facilitate informed decision-making and good project performance. ACIP's PAD (2013) highlighted the following main features: a comprehensive results framework (RF), with generally sound key indicators at output and outcome levels for the overall project and main project

components (also generally consistent with the project's theory of change, albeit some shortcomings); quarterly reports to highlight the status of implementation, based on the performance indicators for each component/subcomponent, and the annual performance targets and monitoring indicators.
The RF was largely well designed with a few minor weaknesses. Almost all RF indicators are well defined and with details on frequency of collection, data source and methodology, as well as responsibility for data collection, and are linked to a project outcome. The ICR highlighted an exception, regarding the indicator, "farmers reached with agricultural assets or services", for which the RF does not include a definition or details on frequency of collection, data source and methodology, as well as responsibility for data collection, other than the standard CRI system-generated information. A shortcoming of the RF was that it focused on output type indicators, with relatively few outcome indicators, reflecting the challenges in their tracking and measurement.

b. M&E Implementation

Overall, the ACIP M&E implementation was strong, building on the successful ADCP-II M&E implementation practices. The notable features included (for details, see ICR, para. 94): monitoring credit line sub-loans and value chain subprojects; value chain subprojects included baseline information from participants, assessment report and exit strategy; at the second restructuring, the RF and various indicators were enhanced; semi-annual progress reports, based on a sound template, were prepared and used; and the PMU commissioned an independent entity to conduct a completion assessment of the seed subsector and the overall project (with a useful focus on generating beneficiary feedback).

c. M&E Utilization

Overall, the Project and World Bank teams made good use of the M&E system to help guide and prioritize project management and decision making, as follows (ICR, para. 95):
(i) at Mid Term Review (MTR), the M&E data directly informed the upward revision of project targets of some of the indicators;
(ii) The M&E results for the various components, including training, were used as inputs during the project's two restructurings (2018 and 2020);
(iii) The PMU also collected data on the financial status of PFIs, including key performance indicators, such as portfolio quality, liquidity ratios, and conducted evaluation of the training courses.

M&E Quality Rating

Substantial

10. Other Issues

a. Safeguards

The project was classified Category "B" at appraisal, and triggered two safeguard policies: (a) Environmental Assessment (OP/BP 4.01) and (b) Pest Management (OP 4.09). ACIP was fully compliant with the triggered safeguards policies and was consistently rated Satisfactory for environmental safeguards, including at project completion. The ICR included supporting evidence (ICR, paras. 97 and 98).

Of note, a series of trainings were provided to: 1,624 veterinarians involved in animal vaccination on occupational health & safety, biosafety, environmental protection during disease control measures; and AFSA staff on the environmentally sustainable management of project-supported laboratories.

b. Fiduciary Compliance

Financial Management (FM): Throughout ACIP's implementation, FM performance was consistently rated Satisfactory. Satisfactory FM arrangements were already in place for ADCP II. The PMU's accounting records were accurate and reliable, and internal control policies and procedures were documented. The PMU followed FM covenants consistent with the legal agreements. Quarterly IFRs and audit reports were submitted to the Bank within agreed deadlines. Audit reports were found to be satisfactory to the Bank.

Procurement: ACIP's procurement performance was consistently rated satisfactory throughout implementation. By appraisal, the procurement assessment of the PMU had shown that the PMU had acquired good experience in procurement under the ADCP-II and Avian Flu projects. Overall, good quality of the procurement-related documents allowed for quick review of the procurement packages by the Bank, and best practices were followed.

c. Unintended impacts (Positive or Negative)

No unintended impacts were reported by the ICR, while it highlighted several other intended benefits which contributed to the above cited positive outcomes, including: gender (para. 75); institutional strengthening (para. 76); private sector financing (para. 78); poverty reduction and shared prosperity (para. 79).

d. Other

Not applicable.

11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Satisfactory	Satisfactory	
Bank Performance	Satisfactory	Satisfactory	

Quality of M&E	Substantial	Substantial
Quality of ICR	---	Substantial

12. Lessons

The ICR outlines five sound strategic lessons and recommendations which have broader application for Azerbaijan and for other countries which are promoting agricultural competitive development. The three most relevant lessons and implied strategic recommendations are consolidated and summarized below (for further details, especially on recommendations, see ICR, paras.111 – 115).

Lesson 1: The development of agribusiness value chains is a composite and multistep activity which requires long term efforts as evidenced by the time it took to fund eligible sub-projects. Review of the available sub-project's completion reports generated three core sub-lessons on designing and implementing value chain development sub-projects. First, when identifying value chains, it is critical to consider their proximity to markets and storage facilities, as well as the business enabling environment and constraints associated with public infrastructure – particularly road access for farmland and building sites. Second, value chains need continuous support to access innovation and technology to raise productivity, reduce costs and stay competitive, and require a strong emphasis on farmer-level measures to boost productivity (high quality inputs, farmer training) and improve market access increases the likelihood of successful value chain development. Third, enabling women to expand their access to financial services (ref. components 2 and 3) requires additional supporting project interventions which the project introduced and carried out (including grants and partnership arrangements), and which need to be further institutionalized and scaled up, also as part of implementing a broader gender strategy as a core component of value chain development.

Lesson 2: ACIP's investments in public goods and services enabled increased and productive private sector participation. This included support to private seed growers, contribution to the privatization of veterinary services, as well as support to agribusinesses and agricultural value chain sub-projects, which contributed to improved job opportunities and increased income. In addition, the project enabled private participation in service delivery and larger investments in the agricultural sector by minimizing/eliminating competition of public livestock support services by: (a) focusing on government's role of public services provider (in regulations, monitoring, quality assurance and control, food safety, disease surveillance); and ultimately contributing to building effective agricultural value chains and food safety system; and (b) investing in public good aspects by providing various types of well-focused training/capacity building, drafting, approving and implementing appropriate new laws and regulations, and promoting wider public awareness and risk communication/interventions.

Lesson 3: The country's fragile/conflict context and ACIP's technical capacity did not compromise its success, and these pre-conditions require effective design and implementation management. ACIP was operating in a fragile/conflict context, and was characterized by a comprehensive design including an integrated set of activities, which at times may be discouraged by the World Bank as posing implementation risks. However, during ACIP's implementation, this complexity promoted strategic synergies and contributed to sustaining project results. Although project design should endeavor to minimize project "complexity", a technically complex project, especially in a conflict country context, requires greater implementation effort, and the project's engagement in various areas and with different actors can provide flexibility to adjust, and therefore the merits of project complexity should be carefully assessed at project appraisal, and managed during implementation, including the prudent use of project restructuring(s). Also, ACIP's experience with subprojects supported with grants can be a good model to replicate in fragile and conflict settings.

13. Assessment Recommended?

No

14. Comments on Quality of ICR

Overall, the ICR was comprehensive, analytical, evidenced and results-focused and well written. The ICR follows the Bank guidelines and focused on relevant strategic results, while also recognizing some of the project's shortcomings. The ICR reconstructed a generally sound theory of change/ToC, including a more detailed version presented in Annex 6.

The ICR provided strategically relevant lessons, coupled with sound strategic recommendations, which can be applied to a follow-up phase, and with proper country contextualization, can be applied to other countries which are promoting similar agricultural competitive development programs.

The main shortcomings of the ICR included the absence of an explicit discussion of:
(a) explicit criteria of and rationale for the selection of the value chains supported by the project, notwithstanding the apparent "effective screening of subproject proposals" (ICR, p. 49); subsequently, the ICR team provided the IEG evaluator clarifications on explicit and sound criteria for prioritizing/selecting subprojects;

(b) adequate extent of using outcome-oriented indicators in the RF, with a dominance of using output indicators given the limited timeframe and availability of data/results (e.g., with reference to key outcome indicators involving: subproject viability, farmer adoption of improved technologies; functional PPPs); the ICR focused on a key outcome of the project, regarding "facilitating access to markets", which was measured by several intermediary indicators;

(c) explicit actions for promoting expanded and sustainable access to financial services for the on-going and new value chain subprojects (aside from the reflows generated by the project), especially since the project support was provided on a subsidized basis. Subsequently, the ICR author provided important clarifications: (i) the capacity building program to PFIs and experience gained by PFIs have resulted in expanding outreach in lending to new beneficiaries and expanding geographical coverage; (ii) PFIs were considering expanding their rural branch network, building on project experience; (iii) PFIs were planning to diversify their lending portfolio, as they have become more comfortable in lending to agriculture; and

(d) explicit support for and sustainability of the generation and dissemination of improved agricultural technologies to help sustain and increase productivity and profitability of strategic value chains, while relying mostly on improving the seed system. Subsequently, the ICR author provided the following useful clarifications: (i) the project's training, outreach events and field demonstrations under the agribusiness component provided benefits/useful information to "secondary beneficiaries" (para. 82). Many of these beneficiaries brought their products for processing, using equipment provided by subprojects; (ii) about 1,400 farmers and specialists of research institutes participated in Integrated Pest Management training, covering various crops (para. 43). Post evaluation of this training revealed increased productivity on demonstration plots, which spread to surrounding farmers; (iii) provision of new equipment and training to lab personnel of the Plant Protection Institute helped to resume the biological control program, and helped to galvanize farmers' interest in using bio methods.

In summary, based on IEG evaluator guide questions, the ICR team addressed the above points by providing useful clarifications, as also reflected above. Accordingly, these clarifications provided by the TTL have further enhanced the clarity and depth of the ICR.

a. Quality of ICR Rating

Substantial