



1. Project Data :
OEDID: L3695
Project ID: P008527
Project Name: Agricultural Development Project
Country: Latvia
Sector: Agricultural Credit
L/C Number: L3695
Partners involved : Sweden, EU-PHARE
Prepared by : Jock R. Anderson, OEDST
Reviewed by : Alice Galenson
Group Manager : Roger Slade
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2. Project Objectives, Financing, Costs and Components :
The main **objectives** of the Agricultural Development Project (ADP) were to help newly-emerged Post-Soviet private farmers and to enhance the privatization of agriculture, the agro-processing sector, and forest industries, through financial and technical assistance. **Financing** in the amount of US\$ 25 million equivalent was approved on January 11, 1994 and the project became effective on April 14, 1994. The loan was closed on December 31, 1997 as planned at appraisal, following completion of the project in September 1997. It was fully disbursed. Parallel **co-financing** for the project was provided by EU-PHARE and Sweden. **Costs** totaled US\$55 million, with 52% allocated to farm credit, 21% to agro- and forest industries, and 26% to technical assistance. The **project components** were: (a) financing credit to private farmers for on-farm investment and incremental working capital, in order to create viable private farming units and increase production; (b) financing credit for the development, modernization, or rehabilitation of private and privatized agro- and forest industries; and (c) supporting a program of institutional development through technical assistance, including support for rural banking, land reforms, agricultural extension, marketing and distribution and project management.

3. Achievement of Relevant Objectives :
The ADP achieved its overall development objectives of revitalizing and commercializing the Latvian agricultural sector through providing credit with its parallel support to strengthen a rural financial intermediary system and re-establishing private ownership of land and collateral systems. Creating and strengthening agricultural business support systems, such as broad-based agricultural extension, and marketing and distribution support helped create “bankable” projects that were financed under the credit line operation.

4. Significant Achievements :
Timely implementation and completion of the project was a major achievement. This is remarkable given that the project was the first Bank-financed investment project in Latvia with a new financial institution that was set up by and for the project. It developed the specialized expertise in the Agricultural Finance Company (AFC), a non-bank financial institution, to serve many spatially dispersed small-scale private farmers. Because of the small size of the country and the need to reduce fixed costs, the AFC was created based on *mobile credit officers* (MCOs) serving all corners of Latvia. The MCO concept allowed frequent and regular visits by loan officers to keep close contact with clients for regular monitoring and support. Such frequent interactions helped increase both lending volume and repayment performances. The concept of “a bank coming to the clients” also helped overcome the transportation problems frequently faced by farmers. The project achieved over 95% on-time repayment performance and no loans have been written off. Effective development of wide understanding of commercial banking practice was definitely a significant achievement in this former Soviet republic.

5. Significant Shortcomings :

None apparent.

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
Outcome:	Highly Satisfactory	Highly Satisfactory	
Institutional Dev .:	Substantial	Substantial	
Sustainability:	Likely	Likely	
Bank Performance:	Highly Satisfactory	Highly Satisfactory	
Borrower Perf .:	Highly Satisfactory	Highly Satisfactory	
Quality of ICR:		Satisfactory	

7. Lessons of Broad Applicability :

The satisfactory ADP outcome and impact at completion were mainly due to the well-focused objectives, the simple design, and a number of innovative features, such as the MCOs. The successful results were also clearly underpinned by the Government's commitment to the project, which was surely strongly influenced by the effectiveness and staffing continuity of the PMU and of Bank supervision. Creating a non-bank financial institution, AFC, was controversial during project processing, but proved to be a good choice of institutional arrangement for a transitional economy.

8. Audit Recommended? Yes No

Why? Such an outstandingly successful project must contain more useful lessons for other agricultural credit operations.

9. Comments on Quality of ICR :

Well prepared, clearly expressed. Probably exemplary.