



1. Project Data:		Date Posted : 06/26/2003	
PROJ ID : P010001		Appraisal	Actual
Project Name : Macedonia Private Farmer Support	Project Costs (US\$M)	10.17	7.27
Country : Macedonia	Loan/Credit (US\$M)	7.90	5.94
Sector(s) : Board: RDV - Central government administration (31%), Agricultural extension and research (26%), Animal production (18%), General finance sector (17%), Agricultural marketing and trade (8%)	Cofinancing (US\$M)	0	0
L/C Number : C2863; CP869			
	Board Approval (FY)		96
Partners involved : None	Closing Date	12/31/1999	08/31/2002
Prepared by :	Reviewed by :	Group Manager :	Group:
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2. Project Objectives and Components

a. Objectives

The objectives were to support the economic transformation process in the agricultural sector and to improve the production and income of private farmers by (1) strengthening the provision of technology and information related services to private farmers, (2) changing the mechanism for providing such services, and (3) initiating the restructuring of public sector institutions providing such services.

The project was one of a package of loans/credits to Macedonia in the wake of the 1995 CAS, which identified the small-farmer-dominated private agriculture sector as a growth sector. These included a Structural Adjustment Loan and Credit and a Financial and Economic Structural Adjustment Credit, which addressed policy and structural reforms, including in the agricultural sector, and a Private Sector Development Project (PSDP), which contained a complementary agricultural credit component.

b. Components

Actual costs and percentages for each component are in parentheses.

- (a) Agricultural advisory services (\$2.71 million; 37%): Pilot initiatives to develop cost-sharing arrangements with farmer associations, to decentralize extension management, and to strengthen extension capacity.
- (b) Adaptive research (\$1.01 million; 14%): Support for applied agricultural research through competitively awarded contracts.
- (c) Private veterinary and animal health services (\$1.93 million; 27%): Support for privatization of veterinary services and development of public epidemiological and quarantine services.
- (d) Agricultural marketing (\$0.48 million; 7%): Development of a market/news information service and planning work for a private horticultural wholesale market;
- (e) Rural financial services (\$0.23 million; 3%): To improve access of private farmers to commercial credit.
- (f) Project preparation facility and management unit (\$0.91 million; 13%).

c. Comments on Project Cost, Financing and Dates

The project utilized 92 percent of the available SDR credit and was extended twice due to the unrealistic implementation schedule set at appraisal.

3. Achievement of Relevant Objectives:

Quality at entry was low and the project was overambitious. It was reduced from 5 to 3.5 years in the white cover SAR. While this was associated with a reduction in the number of project activities and in their complexity, the project remained complex relative to the weak economic and institutional setting in Macedonia, and ultimately closed almost 3 years after the initial closing date. Expectations at appraisal were particularly optimistic with regard to the amount of time needed to enact the legal measures underpinning the key institutional reforms in the face of pressure

from vested interests associated with the previous socialist-style agricultural extension system. The implementation of the project was also adversely affected by (1) an outbreak of foot and mouth disease in 1996 which shut down the important lamb export market, (2) the Kosovo conflict in 1999 and associated Serbian blockade, and (3) the 2000/2001 insurrection in Macedonia which prevented Bank supervision and substantially reduced the government's capacity to address project issues. Notwithstanding these difficulties, the majority of anticipated project outputs were ultimately realized, although at a much slower pace than anticipated at appraisal. A major setback occurred when, in the process of reforming the agricultural extension law, a "centralist" extension management team took the control of the resulting National Agricultural Extension agency (NEA) away from the Ministry of Agriculture, Forestry, and Water Economy (MAFWE).

4. Significant Outcomes/Impacts:

(1) About 120 local farmers associations were established and integrated into 7 national commodity associations, 4 regional associations, and one apolitical, national apex farmer organization (the Federation of Macedonian Farmers, or FMF). However, the capacity of the FMF to influence government agricultural and extension policy remains to be tested.

(2) 33 formerly socially-owned veterinary stations were privatized and 70 additional private veterinary practices were registered. Competition is leading to better quality and more affordable services for farmers.

(3) A new Epidemiological Unit was successfully established in MAFWE with two competent staff trained abroad under the project. While these are significant achievements, the unit still requires high-level attention and support to become fully effective and sustainable.

(4) The market news service, which monitors daily prices in retail and wholesale vegetable, fruit, and livestock markets, is now fully funded by the Macedonian Statistical Office. Market prices are broadcast weekly on national television and plans are in progress for a web-based information service.

5. Significant Shortcomings (including non-compliance with safeguard policies):

(1) Monitoring and evaluation was weak. The stated project objectives were difficult to measure or attribute directly to project inputs. Work contracted to a local consultant was of poor quality and never completed. The farm monitoring program was only implemented in the last year and the planned project impact assessment was not tendered.

(2) While a new law and statutes provide the basis for a new independent public extension agency (the NEA) to operate in a market-oriented agricultural sector, the politicization of appointments to the NEA Management Board has led to an isolated and centralized management structure and to disaffected staff and clients. A wholesale management restructuring is needed to create a stakeholder-directed agency with both the capacity and the interest to meet farmers' technical needs. The attempt to institutionalize 50:50 cost-sharing arrangements between the NEA and farmers associations also failed as farmers became dissatisfied with the quality of services provided by the NEA and NEA staff grew dissatisfied with their resulting remuneration.

(3) Two subcomponents of the rural financial services component were dropped -- for drafting enabling legislation to facilitate chattel mortgages in agriculture and for expanding rural-based savings and loans associations -- due to delays in project implementation and lack of enthusiasm by the government. However, the third subcomponent -- to train farm financial advisers to work with private farmers and small processors to develop business plans and obtain loans from commercial banks -- was successful in training 10 farm financial advisers who have now formed a private agricultural advisory service called VISI.

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
Outcome:	Satisfactory	Moderately Unsatisfactory	The outcome of the largest and most important component of the project was unsatisfactory.
Institutional Dev.:	Substantial	Substantial	
Sustainability:	Likely	Non-evaluable	It depends, among other things, on the political will to restructure the management of NEA.
Bank Performance:	Satisfactory	Satisfactory	Marginally so. Strong and flexible supervision at the end outweighed weak project preparation, initial supervision, and M&E.
Borrower Perf.:	Satisfactory	Unsatisfactory	Good agency performance at the end did not make up for weak government performance during preparation and implementation.
Quality of ICR:		Satisfactory	

NOTE: ICR rating values flagged with '*' don't comply with OP/BP 13.55, but are listed for completeness.

7. Lessons of Broad Applicability:

(1) It takes great skill to implement policy and institutional reforms where civil society institutions are weak and in the

face of powerful minorities with vested interest in the old system . The project management team needs to be focused, flexible, and independent of day -to-day politics in order to do so .

(2) The administration of competitive grants requires strong, independent supervision and regular auditing, since these are susceptible to inappropriate use, particularly in a society where academic, community, and institutional leadership is often traditional and inflexible .

(3) Farmers' organizations must be built progressively upwards from the grass roots in a layered organizational structure -- from local to regional to national -- building leadership capacity along the way and avoiding elite capture at all points, particularly at the national level .

8. Assessment Recommended? ☒ Yes ☐ No

Why? This was one of a package of loans and credits to Macedonia designed to support small -farmer dominated private agriculture, identified as a growth sector in the 1995 CAS. The outcome ratings are borderline and the sustainability is non-evaluable based on the evidence in the ICR . The audit could be done as part of a cluster .

9. Comments on Quality of ICR:

The ICR is well-written with sufficient detail to assess project outcomes . It is open about project failings and the reasons for these. But there is a disconnect, especially in section 4.2, between the summaries of the outcomes of some project components and the outcome ratings for these components . The lessons arising from the project are sound and well-written. There are two errors in the "Project Financing by Component" table on page 25. The data are in US\$ thousands, not millions, and these do not always add up to the same amounts as in the "Project Cost by Component" table.