



1. Project Data:		Date Posted : 04/28/2003	
PROJ ID: P008403		Appraisal	Actual
Project Name: Agriculture Project	Project Costs (US\$M)	30.90	24.57
Country: Estonia	Loan/Credit (US\$M)	15.3	11.3
Sector(s): Board: RDV - Irrigation and drainage (38%), Central government administration (32%), Agricultural extension and research (30%)	Cofinancing (US\$M)	0.50	0.37
L/C Number: L3983			
	Board Approval (FY)		96
Partners involved : EU, Netherlands	Closing Date	12/31/2001	06/30/2002
Prepared by :	Reviewed by :	Group Manager :	Group:
Christopher D. Gerrard	Alice C. Galenson	Alain A. Barbu	OEDST
2. Project Objectives and Components			
a. Objectives			
The overall objective was to increase rural incomes and to stimulate the rural economy by strengthening farmers' skills and capacity for entrepreneurship and by improving the responsiveness of rural agencies to farmers' needs .			
b. Components			
This was a "second generation" reform project, Estonia having already stabilized its currency (by means of a currency board), liberalized all agricultural commodity prices, started to restitute and privatize land, and nearly completed the privatization of agro-processing enterprises prior to project approval . The project had six components. Actual costs are in parentheses .			
(a) Land reform (\$2.61 million)			
(b) Farm drainage rehabilitation (\$8.60 million)			
(c) Land use management (\$0.66 million)			
(d) Agricultural advisory services (\$5.30 million)			
(e) Food quality and veterinary control (\$6.99 million)			
(f) Project management (\$0.41 million)			
c. Comments on Project Cost, Financing and Dates			
The loan was denominated in German marks to which the Estonian Kroon is pegged . While actual project costs were DM 47.55 million compared to DM 44.45 million at appraisal, these were only US\$ 24.57 million compared to US\$ 30.9 million at appraisal, due to the 35 percent depreciation of the DM between appraisal and closing . The World Bank financed 46% of total costs, the Government of Estonia 43%, the EU 2%, and the beneficiaries 9%. Many bilateral donors provided additional unspecified amounts of parallel technical assistance . Loan closing was extended by six months to allow for completion of several activities under the land reform and advisory service components.			
3. Achievement of Relevant Objectives:			
The project successfully implemented the activities as foreseen at appraisal, and achieved or surpassed all physical targets established at appraisal, notwithstanding several adverse circumstances . Average net farm incomes in the dairy sector (the dominant farming system in Estonia) increased by an estimated 35%. Due to the demand-driven approach, particularly under the farm drainage rehabilitation and advisory services components, positive impacts on policies, institutions, and behavioral standards have been substantial . Adverse circumstances affecting the project were (1) the Russian financial crisis in 1997, (2) two very poor agricultural years due to drought in 1998 and flooding in 1999, and (3) late provision of counterpart funds and lagging project disbursements in 1996 and 1997 due to unexpected macro-economic difficulties in those years . An already existing and experienced PIU of an ongoing EU-Phare project was responsible for project coordination and overall management, which minimized the start -up time.			

4. Significant Outcomes/Impacts:

- (1) The National Land Board transformed itself from a Soviet-era Land Management Agency into a modern Cadastre along Western European lines, and 68% of the country's land area is now registered in the Cadastre .
- (2) A total of 104 Land and Water Associations (compared to the SAR target of 60) with close to 1,400 active members were established under the Farm Drainage Rehabilitation component . These are participating actively in the rehabilitation works and have assumed substantial routine maintenance responsibilities for local drainage facilities and field roads .
- (3) A widely endorsed wetlands management strategy was developed and adopted, and now guides the country's wetlands management activities .
- (4) The Private Advisory Services Development Fund jump-started the development of private sector advisory services by subsidizing the provision of such services, at a declining rate, by registered and certified private advisors on a contract basis .
- (4) The State laboratories for food and veterinary control became accredited by the EU, a critical aspect of EU accession .

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

There do not appear to have been any **significant** shortcomings. Disposal of rural land under the Land Reform component was slow until after the MTR (1999), due to the adverse circumstances mentioned in 3 above. The PIU suffered from a shortage of funds when the EU project ended in 1999, which caused a temporary delay in loan disbursements and a liquidity problem for the project . The PIU's M&E effort could also have been more intensive and sustained .

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

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) Even though it took longer than expected, the highly participatory process of project preparation led to greater agreement and ownership of the Borrower and the Bank on all issues of project objectives, content, and design . This included a social assessment to assess farmers' commitment to rehabilitating drainage systems, to form Land and Water Associations, to share costs, and to be responsible for operation and maintenance .
- (2) It is possible to establish a public-private partnership to provide agricultural advisory services in an effective and flexible way. Other countries might want to examine the Estonian model and adapt it to their own circumstances .

8. Assessment Recommended? ☒ Yes ☐ No

Why? This is the first and only Bank-supported agricultural project in Estonia . It appears to have been well prepared, and to have achieved a substantial level of institutional development, notwithstanding four Bank task managers throughout the life of the project . It has potential for many positive lessons for other "second generation" projects in ECA. The public-private partnership approach to agricultural extension is innovative . A PPAR should also validate the highly satisfactory outcome rating and the highly likely sustainability rating .

9. Comments on Quality of ICR:

This is an exemplary ICR, particularly the detailed and forthright assessments of outputs by components in section 4.2. However, paragraph 2.32 and Annex 1 of the SAR anticipated a considerable amount of complementary donor-funded technical assistance, and section 8 of the ICR cites the benefits of effective aid coordination as one of the lessons learned from the project . Yet the ICR is largely silent on the dollar amounts of technical assistance provided and for what purposes, except for the \$ 0.37 million provided by EU-Phare for the agricultural advisory services component . For such a successful project, the lessons learned section could also have been stronger . Also, the actual/latest estimate costs are not consistent among the four tables in Annex 2.