



1. Project Data:		Date Posted : 08/19/2002	
PROJ ID: P057926		Appraisal	Actual
Project Name : Second Agriculture Sector Adjustment Loan	Project Costs (US\$M)	50.0	50.0
Country: Bulgaria	Loan/Credit (US\$M)	50.0	50.0
Sector(s): Board: RDV - Agricultural marketing and trade (49%), Banking (19%), Irrigation and drainage (12%), Housing finance and real estate markets (10%), Law and justice (10%)	Cofinancing (US\$M)		
L/C Number: L4630			
	Board Approval (FY)		01
Partners involved :	Closing Date	07/31/2002	07/31/2002
Prepared by :	Reviewed by :	Group Manager :	Group:
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2. Project Objectives and Components

a. Objectives

The project had an overall objective and four contributory secondary objectives :

- **Improve agricultural sector efficiency and competitiveness** ;
- Support broad-based **rural growth thus contributing to rural development and rural poverty reduction** .
- Lay a broad institutional and regulatory basis for **market development** and market-driven structural changes .
- Maintain progress achieved in recent years on the **incentive regime** .
- Support Bulgaria's **accession process** to the European Union (EU).

The primary objective of the project is somewhat unclear in the formal Board documents as the content of the first two bullets above are presented in separate places in the President's report both as above and also in the reverse order giving primacy to rural growth, rural development and rural poverty reduction . The main points at issue affecting the evaluation are: (a) whether priority was intended to be given by the ASAL to poverty reduction (in a rural sector with a serious and increasing poverty problem), which is a matter of interpreting the documents; and if not, (b) should greater priority have been given (given the poverty problem) in keeping with the Bank's corporate goals, which is a project design issue. The judgement on these points affects the performance ratings as the ASAL components did not contain measures for directly reducing poverty and poverty has in fact increased .

b. Components

There were seven components (which were conditions of Board presentation):

- 1) Further **rural land market** development by substantially completing land restitution and titling, and strengthening private land ownership .
- 2) Further develop private **grain markets** while protecting domestic food security .
- 3) Further **privatization of agricultural food enterprises** .
- 4) Establishment of a regulatory and institutional framework for **irrigation** investments (public and private).
- 5) Development of a legal and institutional framework for sustainable **rural financial intermediation** and reduce the role of the public sector .
- 6) Improvement of the liberalized **trade regime** for agricultural products, and ensure food safety (compatible with the EU regulations).
- 7) Institutional changes to improve management of **forestry** resources.

c. Comments on Project Cost, Financing and Dates

The single tranche of EUR 55.8 million (US\$50.0 million equivalent) was disbursed following approval of the loan .

3. Achievement of Relevant Objectives:

The ASAL achieved the main objective of improving agricultural sector efficiency and competitiveness. Rural growth continued to occur at a pleasing rate (although the loan cannot yet be the major stimulus), but rural poverty has

worsened; competitiveness of the agricultural sector was improved by institutional changes and related developments on land holding, grain storage and marketing, irrigation, rural finance, the agricultural trade regime and forestry management; grain market development achieved satisfactory progress; the incentive regime improved especially with most land restitution and titling completed and less government competition with the private sector; and adjustments were in line with the accession process to the EU. All components were completed as conditions of Board presentation and by component outputs the ICR reports two of seven exceeding targets (land market and agro-industry privatization) and the other five meeting targets.

4. Significant Outcomes/Impacts:

The impact of the ASAL will show up more clearly in time rather than immediately. Independent reports from the Region indicate that grain crop production in 2002 was 4 million metric tons - the highest since the start of reforms following increased access of farmers to high quality seeds and fertilizer supported by the ASAL. ASAL II satisfactorily continued reforms begun under the first ASAL towards liberalizing and modernizing the rural economy while facilitating Bulgaria's accession to the EU.

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

ASAL II has not yet been able to increase the slow pace of rural recovery (as of the ICR dated June 28, 2002) and the rural poverty reduction impact of ASAL II cannot be determined (the operation did not include any social protection component). In particular, despite agriculture performing better than the economy as a whole: - (a) rural poverty rates have recently increased relative to urban rates to four times greater (1997 - 2001, from 5.7% to 23.7%) as agricultural incomes and off-farm wages fell; (b) rural income distribution has worsened; (c) privatization of agro-enterprises and institutional changes in irrigation have not yet revitalized these sub-sectors (irrigation requires an investment program); (d) agricultural exports have been declining given higher quality products from competitors; and (e) neither land markets nor rural finance are yet stimulating the rural economy as desired.

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
Outcome:	Satisfactory	Moderately Satisfactory	The design was deficient in having a poverty reduction objective but no related direct measure (thus reducing relevance) or complementary social protection in a situation that demanded attention to mounting rural poverty and given the Bank's corporate goals.
Institutional Dev.:	Modest	Modest	
Sustainability:	Likely	Likely	
Bank Performance:	Satisfactory	Satisfactory	
Borrower Perf.:	Highly Satisfactory	Satisfactory	The borrower is equally answerable for the deficiency noted above.
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:

(i) Single tranche adjustment can work with government commitment and broad political support (although this may be self-evident); (ii) complementary investment operations may be essential to reaping the full rewards of adjustment; and (iii) serious and increasing poverty demands direct attention in sector operations.

8. Assessment Recommended? ☐ Yes ☒ No

9. Comments on Quality of ICR:

Fully satisfactory and commendable on its methods and approach to determining the overall outcome rating (Table 2 of the ICR).