ICR Review
Operations Evaluation Department

Report Number : ICRR11477

1. Project Data:		Date Posted : 06/24/2003		
PROJ ID:	P008503		Appraisal	Actual
Project Name :	Kazahstan Agricultural Post-privatization Assistance Project	Project Costs (US$M)	23.76	23.36
Country:	Kazakhstan	Loan/Credit (US$M)	15.0	15.14
Sector(s):	Board: RDV - General finance sector (82%), Central government administration (15%), Capital markets (3%)	Cofinancing (US$M)	2.33	2.37
L/C Number:	L4331; LP331			
		Board Approval (FY)		98
Partners involved :	UK, EU	Closing Date	01/31/2002	07/31/2003

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2. Project Objectives and Components

a. Objectives

The project was the first phase of a three phase program . The objectives of the **overall program** are to assist farms and associated enterprises to restructure and to improve productivity by :

- supporting the establishment of rural advisory and information services;
- furthering the development of a sound legal and institutional framework for secured lending and the protection of creditor rights; and
- facilitating commercial bank lending for working capital and medium term lending for restructured farms and other rural enterprises.

The **project** itself had the following, more specific objectives :

- facilitate commercialization of rural enterprises aimed at increasing farm productivity and incomes;
- assist commercial banks to develop lending to such enterprises; and
- strengthen the legal and institutional framework for agricultural lending and for bankruptcy procedures of agricultural enterprises.

b. Components

The project had four major components :

Rural Advisory Services (US$ 2.0 million, or 8.6 percent of base costs). This was to provide advisory and information services to rural enterprises, and to build a business infrastructure for the delivery of advice and trainng on technical and commercial practices.

Credit (US$ 19.45, or 83.9 percent of base costs). This was to provide critically lacking investment and working capital financing through eligible, participating financial institutions (PFIs) to rural enterprises with viable business plans and demonstrated repayment ability.

Institutional Development (US$ 0.45 million, or 1.9 percent of base costs). This was to provide technical assistance and training for the implementation of bankruptcy proceedings, and to develop an institutional and legal framework that facilitates the use of a wide range of assets, including land and moveable property, as collateral to help build a sustainable finacial system.

The Project Implementation Unit (PIU) (US$ 0.44 million, or 1.8 percent of base costs). To provide TA, training and establishment support for the PIU, which was primarily responsible for coordinating all activities under the project.

c. Comments on Project Cost, Financing and Dates

Project cost was US$23.36, compared with the appraisal estimate of US$23.76. The Closing Date was delayed by 18 months, but, in a project of this type with a new borrower and in a sector in which there was no previous local experience, this delay not significant.

3. Achievement of Relevant Objectives:

The project objectives were generally achieved. The key performance indicators specified in the appraisal report for the project were:

- **at least 300 farms and associated rural enterprises utilize project -supported advisory services in the first phase.** The initial intention of developing advisory services based on public institutions was judged not to be effective and the approach was changed to that of engaging private consultants (individuals or firms) under specific contracts. These held some 250 seminars and information campaigns, involving 10,000 seminar participants. Over 1,500 initial credit consultations were held.
- **at least 70 family farms and 20 corporate farms which can demonstrate commercial viability receive credit through participating banks.** Through the initial consultations, 140 business plans were prepared, and 119 sub-loans approved. Of these, 58 were to family farms. While the latter is lower than the appraisal target, the issuance of loans to family operations has increased rapidly, comprising over 75% of loans in 2002.
- **less than 10 percent of outstanding sub -loans under the project classified as problem loans.** The ICR does not specifically report on this target, but does note that, at the time of the report, the repayment rate was 98 percent.
- **improvement in yields and increased profitability on farms receiving advice and credit.** The ICR notes that, based on a beneficiary survey, crop yields are reported to have increased by 10 percent. The report does not update the farm models used at appraisal, or make other estimates of profitability.
- **bankruptcy legislation for agricultural enterprises and law on registration of moveable property are in force and routinely utilized.** Agricultural bankruptcy legislation is in force and was judged to be well understood and widely applied. However, there were more problems with moveable property and collateral. The project was instrumental in the introduction of the Grain Law, that provides the legal basis for using grain receipts as collateral. In many areas the market for farm land is virtually non-existent and this change increased the eligibility of farmers for credit.

4. Significant Outcomes/Impacts:

The project has established a solid foundation for a sustainable rural financial system. There was a near absence of agricultural credit being extended through commercial baks when the project started. The outcome and impact of the project have been significant:

- farm restructuring is being implemented through disciplined and well executed bankruptcy procedures;
- a legal system for moveable collateral and warehouse receipts is in place with active support by IFIs;
- the institutional and operational structure for delivering private sector rural advisory services is in place; and
- commercial lending to rural clients through private commercial banks has begun expanding.

Although credit coverage and outreach can be broadened further, at completion the credit line was performing satisfactorily while carrying commercial conditions, offering positive real interest rates, and maintaining exceptionally high repayment rates.

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

There were no significant shortcomings

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

There was a direct correlation between the pace of project implementation and timely, hands-on Bank supervisdion. Changes in Bank task management should be better anticipated so as to ensure continuity of project supervision, minimal transition gaps and continued delivery of high quality of service to the client.

There needs to be a clear distinction between the institutions carrying out the non-public, commercial and supervisory roles. A mixture of these roles can create huge conflictsa of interest.

8. Assessment Recommended? ○ Yes ● No

9. Comments on Quality of ICR:

The ICR is of above average quality and provides a clear and detailed picture of project experience.