



1. Project Data:		Date Posted : 05/15/2002	
PROJ ID: P008811		Appraisal	Actual
Project Name: Agricultural Reform Implementation Support Project	Project Costs (US\$M)	325.0	145.88
Country: Russian Federation	Loan/Credit (US\$M)	240.0	117.7
Sector(s): Board: RDV - Central government administration (68%), Agricultural marketing and trade (32%)	Cofinancing (US\$M)		
L/C Number: L3757			
	Board Approval (FY)		94
Partners involved :	Closing Date	06/30/2000	06/30/2001
Prepared by :	Reviewed by :	Group Manager :	Group:
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2. Project Objectives and Components

a. Objectives

The original objectives of the project were very general and were restated slightly at the mid-term review to sharpen the focus of the operation. The restated objectives were to:

- create and strengthen critical agricultural support services through the establishment of a market information system and a system of farmer information and advisory services;
- create an enabling environment in the seed sector through appropriate legislative changes in seed variety testing and certification; and
- demonstrate the role that the private sector can play in promoting efficiency in the agro-industrial sector through the establishment of pilot agricultural wholesale markets and seed production, processing and marketing facilities.

b. Components

The project included the following primary components:

- *Market infrastructure development* - This included (i) establishing an agricultural market information system (MIS) to collect, process and disseminate information for farmers, traders and policy makers; and (ii) demonstrating the role of commercially viable marketing enterprises through pilot investments in fruit and vegetable storage enterprises and wholesale markets (US\$ 90.9 million).
- *Farmer Information and Advisory Services (FIAS)* - This component was designed to provide timely, reliable and easily accessible information, enabling farmers and others to make decisions in a market-oriented environment. It consisted of three sub-components: farmer information development; information dissemination; and training and technical assistance for agricultural and related staff, including the establishment of linkages with agricultural development institutions. (US\$ 54.3 million)
- *Seed industry development* - This comprised (i) the establishment of 10 pilot enterprises for production, processing and marketing of hybrid corn and sunflower seeds, to demonstrate the commercial viability of a modern seed industry; and (ii) the establishment of an enabling policy and institutional framework for the development of a competitive seed industry in the private sector, (US\$ 124.3 million).
- *Project Development Unit (PDU)* - The PDU was to provide the MOA with critical institutional support to implement ARIS and to develop analytical capacity to prepare investment projects for financing by international financing institutions, (US\$ 7.4 million).

c. Comments on Project Cost, Financing and Dates

Total cost was initially estimated as US\$ 325.0 million. But this was progressively scaled back. The structure of the project was unchanged but the scope was reduced and the focus sharpened. At the MTR a reduced program was agreed with a cost of US\$ 135 million and the Bank loan was reduced from US\$ 240 million to US\$ 117.7 million, with the balance of US\$ 122.3 million being canceled. The closing date was extended by one year to June 30th 2001.

3. Achievement of Relevant Objectives:

Substantial progress was achieved in establishing *support services* through the MIS and FIAS. Studies show that areas of the country where the MIS is being intensively supported, there has been a substantial reduction in the variation of prices of the 10 products on which the system has placed emphasis. Similarly, studies have shown that the financial condition of enterprises utilizing the services of the FIAS have improved over the past three years, while that of those not using the service has declined.

The *enabling environment* has been developed for the seed sector through the passage of a new seed law and relevant by-laws, and the establishment of two seed testing and training centers. Russia has also become a full member of three international seed associations.

Achievements have been more mixed in the third element, demonstrating the role that the private sector can play in promoting efficiency in the *agro-industrial sector*. In the storage and wholesale marketing of fruits and vegetables, six of the seven enterprises that participated in ARIS are functioning well. However, in the seed processing area the outcome is unsatisfactory. The projected market for improved sunflower and hybrid corn seed has failed to materialize so far, partly because of low domestic prices and also because (in the case of corn) of competition from seed imported at concessional prices under a food aid program.

4. Significant Outcomes/Impacts:

Market information systems and infrastructure. The MIS is operating in about one-third of the regions in the Russian Federation (RF). It provides weekly and bi-weekly producer, wholesale, and retail prices on a wide range of agricultural products. The services offered are now the main source of producer, wholesale and retail prices used by agricultural producers, traders, banks, and others interested in the agricultural sector. All but one of the wholesale market and storage enterprises are fully complete and operational and the last is partly operational. It is estimated that the ERR of this sub-component is 15%.

Farmer information and advisory services. Two training centers for the training of extension specialists have been established. More than 750 individuals have been trained and about 250 regional extension workshops held. The training subjects and objectives have included: farm production analysis and planning; financial management; business planning; recently developed technologies; and extension service organization and operational on the province and regional level. FIAS services are now fully operational in 27 regions. A strong indication of the support for this effort is the fact that almost all the operating expenses are now covered by federal or regional governments and also that the program is being extended to other regions outside of the project using local funding.

Seed industry development. The project financed five corn seed and one sunflower seed processing facilities in major seed processing regions of RF (as noted above). The institutional element has been more successful. Two seed testing and training centers have been established and nearly 4,000 individuals received training. Russia was assisted to join the relevant international seeds organizations and a number of study tours were undertaken to European and North American seed centers.

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

The most significant shortcomings were in the seeds component. Most of the enterprises established under the project are experiencing financial difficulties. Major problems have been the repercussions of the regional turmoil for those in the north Caucasus region, adverse weather conditions in 2000, and the impact of subsidized imports of hybrid corn seed under the food aid program, that depressed the prices the processors could obtain for their seed.

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
Outcome:	Satisfactory	Moderately Satisfactory	The project achieved most of its major relevant objectives efficiently, but with significant shortcomings. This is recognized in the ICR which, in Section 4.1, assesses the outcome as 'marginally satisfactory' [OED's moderately sat. rating is not possible under the ICR's 4-point rating scale]
Institutional Dev.:	Modest	Modest	
Sustainability:	Likely	Likely	
Bank Performance:	Satisfactory	Satisfactory	
Borrower Perf.:	Unsatisfactory	Unsatisfactory	
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:

With new borrowers, especially in large countries, care needs to be taken to ensure that all those likely to be involved with the project are fully aware of their anticipated role and responsibilities, including financial management and reimbursement procedures.

8. Assessment Recommended? Yes No

9. Comments on Quality of ICR:

This is a good ICR. Considerable effort was made to estimate the rates of return to the investments undertaken . Another positive feature is the inclusion of a report of the completion workshop held in October 2001 and which both reviewed experience with the project and looked forward to future operation of the activities ..