



1. Project Data

Project ID

P087140

Project Name

NP:Agriculture Commercialization & Trade

Country

Nepal

Practice Area(Lead)

Agriculture

Additional Financing

P128304

L/C/TF Number(s)

IDA-46030,IDA-51800,IDA-H4860,IDA-H8130

Closing Date (Original)

30-Jun-2015

Total Project Cost (USD)

45,834,946.02

Bank Approval Date

04-Jun-2009

Closing Date (Actual)

30-Jun-2018

IBRD/IDA (USD)

Grants (USD)

Original Commitment

20,000,000.00

0.00

Revised Commitment

51,667,446.02

0.00

Actual

45,834,946.02

0.00

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2. Project Objectives and Components

a. Objectives

The Project Development Objective (PDO) as stated in (Financing Agreement (Schedule 1, page 4); "To improve the competitiveness of smallholder farmers and the agribusiness sector in selected commodity value chains in selected districts in the Recipient's territory by: (i) helping farmer groups and cooperatives engage in profitable market-oriented production and improved access to markets through the provision of technology and information services and critical public infrastructure and linkages to agribusiness; (ii)



creating and strengthening industry-wide partnerships along the value chain, thus forging linkages between producers, traders, processors, and other stakeholders; (iii) reducing existing obstacles to agriculture and food trade thereby increasing the ability of farmers and agribusiness to respond to Sanitary and Phytosanitary (SPS) and food-quality standards to meet domestic and international market requirements". The PDO as stated in the Project Appraisal Document (PAD, page 5) was similar and stated that the project was to be implemented in a total of 25 districts (out of the 75 districts in Nepal). The PDO was modified with the Additional Financing (AF) to remove the restriction on the number of districts to be covered (that is, the project coverage was expanded to the whole country).

b. Were the project objectives/key associated outcome targets revised during implementation?

No

c. Will a split evaluation be undertaken?

No

d. Components

There were three components (PAD, pages 6 to 8). The revised estimate after AF and the actual cost are from the Implementation Completion and Results (ICR) Report (pages 9-10).

One. Agriculture and Rural Business Development. Appraisal estimate US\$19.92 million. Estimate with AF US\$45.04 million. Actual cost US\$27.65 million. This component financed demand-based sub-projects proposed by farmer groups, agribusiness and other value-chain participants through matching grants. Activities included: (i) providing pre-investment advisory support for helping farmers prepare sub-project proposals and business plans for grant financing; (ii) financing approved subprojects in technology support and market infrastructure; and (iii) agribusiness development by agro enterprises, commodity associations and cooperatives engaged in developing commodity value chains.

This component was split into two sub-components during the project restructuring (discussed below). One: Commodity value chain development with the matching grant scheme; and, two: Institutional development for enhanced competitiveness. These activities were added: (i) rehabilitation of six agricultural commodity markets and 10 agriculture/Livestock service centers damaged during the 2015 earthquake; and, (ii) establishing an agribusiness innovation center.

Two. Support for sanitary and phytosanitary facilities and food quality management. Appraisal estimate US\$2.35 million. Estimate with AF US\$5.39 million. Actual cost US\$4.97 million. This component aimed at strengthening the sanitary and phytosanitary services (SPS) for improving food quality management systems. Activities included: (i) food quality and safety enhancing activities through improving laboratory and certification facilities; and (ii) capacity building measures for meeting food safety and quality standards.



Three. Project Management and Monitoring and Evaluation. Appraisal estimate US\$4.28 million. Estimate with AF US\$9.57 million. Actual cost US\$13.18 million. This component provided support for project management and monitoring and evaluation and reporting.

e. Comments on Project Cost, Financing, Borrower Contribution, and Dates

Project cost. The appraisal estimate was US\$24.50 million. Revised estimate with AF US\$64.50 million. The actual project cost was US\$45.83 million.

Project financing. The project was financed by an IDA credit of US\$20.00 million. AF of US\$40.00 was approved on February 2013. With this the total credit for the project was US\$60.00 million. Amount disbursed US\$45.83 million. About US\$11.00 million was cancelled (discussed in section 5).

Borrower contribution. The contribution from the government was estimated at US\$0.73 million and contribution from beneficiaries was estimated at US\$5.82 million. There was no contribution from either the government or from the beneficiaries.

Dates. The original project was approved on June 4, 2009 and became effective on November 13, 2009 and was to close on June 30, 2015. The following changes were made with the AF that was approved on February 13, 2013: (i) The original project was to be implemented in 25 districts (out of the total 75 districts). This restriction on the number of districts was removed; (ii) Some indicator targets were scaled up, as the targets had already been met; (iii) Two core indicators - the number of direct project beneficiaries (gender disaggregated) were added; (iv) Given the geographic expansion of the project, Project Regional Implementation Support teams were to be established in five regions; (v) The modalities of the Matching Grant Scheme were changed. As originally envisioned, the grant was to be provided as an upfront installment for a portion of the grant. To mitigate the observed risk of grants being used by beneficiaries for purposes not stated in the Grant Agreement, henceforth the grant was to be disbursed in three installments, after satisfactory completion of agreed milestones; (vi) A Micro Grant Window targeted at smallholder farmers was introduced. This window featured a simplified selection process, quicker disbursement modalities and capped at US\$10,000 per beneficiary; and (vii) Following a request from the Ministry of Agricultural Development for supporting the Integrated Pest Management agenda, six Rapid Bioassay Pest Residue laboratories were to be set up.

These changes were made through the Level 2 project restructuring on June 29, 2015. (i) some activities were added to component one activities (described in section 2d); (ii) the results framework was modified and one indicator was dropped (discussed in section 9b); and. (ii) the closing date for the original project was extended by 18 months to December 31, 2016. The second Level 2 restructuring on June 6, 2018 cancelled the undisbursed amount of US\$11.00 million from the AF. The project closed on June 30, 2018, three years (36 months) after the original closing date.



3. Relevance of Objectives

Rationale

The PDO was consistent with the government of Nepal's priorities. The agricultural sector contributed about 33 percent of Gross Domestic Product and 66 percent of rural population, depended on the sector for their livelihoods. The incidence of poverty was disproportionately high within the country, with 35 percent of the rural population classified as poor (compared to 10 percent in urban areas). At appraisal, the PDOs were relevant to the government's strategy articulated in the Three-Year Interim Plan for 2007-2010. The strategy highlighted the need for developing market linkages and commercialization of agriculture (away from subsistence farming). The strategy also emphasized the role of co-operatives, private sector and local bodies for developing the sector. The government's Agricultural Perspective Plan for 1995-2015 period, identified the challenges facing the sector. These included: (i) the need for diversification, given that 82 percent of cultivated land was used for only growing basic staple grains; (ii) lack of marketing channels and infrastructure; and (iii) insufficient incentives for improving farm management techniques.

The PDO was well-aligned with the Bank strategy for Nepal. At appraisal, the second pillar of the Interim Strategy Note for 2009-2011, highlighted the need for laying the foundation for sustainable and inclusive economic growth. The first pillar of the Interim Strategy Note for 2012-2013 underscored the need for enhancing connectivity for growth. The second pillar Country Partnership Strategy for 2014-2018 highlighted the need for increasing inclusive growth through, among other things, increasing agricultural productivity and commercialization of the sector. The PDO was fully aligned with the Banks Maximizing Finance for Development Agenda, a new corporate priority, central to the CPF. The second focus area of the current Country Partnership Framework for 2019-2023 underscored the need for private sector led jobs for improving income opportunities.

Rating
High

4. Achievement of Objectives (Efficacy)

Objective 1 **Objective**

To improve the competitiveness of smallholder farmers in selected commodity value chains in the selected districts.

Rationale



Theory of change. Capacity building activities to farmer groups and other value chain participants for preparing sub-project proposals and business plans coupled with matching grants for constructing market infrastructure, aimed at providing the required infrastructure for developing the agricultural sector. These activities, with technical assistance to farm-level activities, post-harvest management and processing techniques, aimed at improving the competitiveness of small holder farmers in the local, regional and global markets and thereby aid in the commercialization of agriculture.

Outputs (ICR. page 16. pages 56 - 62).

These outputs were largely realized or exceeded the targets.

- The Matching Grant Scheme supported 1,223 demand-driven sub projects, in 62 districts out of the 75 districts in Nepal. This exceeded the target of 700 sub-projects. The sub projects supported under the project were mainly in the vegetables, meat and dairy value chains. The scheme supported infrastructure investments aimed at boosting agricultural yields and processing of agricultural commodities in 43 value chains. Assets acquired under the scheme included 3,685 tunnel houses, 1,432 animal sheds, 436 fish ponds, 257 storehouses, 175 collection centers, 109 tractors, 98 urine/manure/compound pits, 86 farm vehicles, 31 biogas plants and 400 other machines (such as, generators and milking machines). About 40 percent of matching grants were micro-grants for small farmers.
- 81 percent of sub-projects were fully operational six months after completion of their completion report. This exceeded the target of 70.
- 172 staff of the state agencies were trained annually in laboratory analysis, exceeding the target of 60. This included training 75 staff of the Department of Food Technology and Quality (target 16), 56 staff of the District Livestock Services Office (target 41) and 41 staff of the Department of Agriculture (target 40).
- 16,172 samples were analyzed annually by the state agencies, exceeding the target of 13,777. This included 6,783 samples by the Department of Food Technology and Quality (target 6,039), 646 samples by the District Livestock Services Office (original and revised target 510 and 140) and 7,099 by the Department of Food Technology and Quality (target 6018).
- 97 percent of the samples analyzed by the state agencies met minimum quality standards, exceeding the target of 94 percent. This included, 97 percent by the Department of Agriculture, slightly short of the target of 99 percent, 100 percent by the District Livestock Services Office (target 90 percent) and 95 percent by the Department of Food Technology and Quality, as targeted.
- A total of 386 Inspection services were provided annually to grant recipients by the state agencies at project closure. This was slightly short of the target of 405. This included, 151 Inspection services by the Department of Food Technology and Quality (target 160), 161 by the District Livestock Services Office (target 180) and 74 by the Department of Agriculture (target 65).

This outputs was below the target.

- 301 additional stalls were available at the commodity markets rehabilitated by the project. This was short of the original target of 410.

Outcomes (ICR pages 15 and 53).

The increase in yield of selected commodity value chains were as follows;



- The yield of tomatoes increased from 52 metric tons at the baseline to 90 metric tons at project closure, exceeding the target of 66 metric tons.
- The yield of cauliflower increased from 13 metric tons at the baseline to 24 metric tons, exceeding the target of 17 metric tons.
- The yield of wheat increased from 2.40 metric tons at the baseline to 2.95 metric tons. This was slightly short of the target of three metric tons.
- The yield of rice increased from 3.20 metric tons at the baseline to 3.97 metric tons. This was slightly short of the target of 4 metric tons.
- Milk production increased from 2,381 liters at the baseline to 3,238 liters, exceeding the target of 2,976 liters.
- 100,592 people (such as, members of cooperatives and producer associations, farmer groups, individual farmers and small and medium agribusiness enterprises), benefitted from project activities at closure. This was short of the target of 150,000 beneficiaries.
- 45.60 percent of beneficiaries were women. This exceeded the target of 45 percent.

Rating

Substantial

Objective 2

Objective

To improve the competitiveness of the agribusiness sector in selected commodity value chains.

Rationale

Theory of change. Capacity building activities to agribusiness organizations for preparing value chain sub-project proposals and matching grants for investments in production and processing and establishment of Nepal Agribusiness innovation center were aimed at improving the marketing of agricultural products. Activities such as laboratory and certification facilities for SPS were aimed at increasing compliance with food quality and safety standards. The outcomes of these post farm-gate activities together with farm-level activities described above, were expected to contribute to the long-term development outcome of boosting farmers' incomes and thereby reducing rural poverty.

Outputs. (ICR pages 18-19 and page 54).

In addition to the outputs described above, the following outputs were also relevant for this objective:

- The Nepal Agribusiness Innovation Center was established to support innovation, growth and competitiveness of agribusiness, as targeted. The mandate of this center was to nurture start-ups and small



and medium sized enterprises in the agribusiness sector. 1,079 clients received services from the center at closure. This exceeded the target of 1,000.

- Six Rapid Bioassay Pesticides Residue laboratories were established across Nepal (one in each province) and training was provided to the staff on the use of the equipment. (There were no targets for this indicator).

The following activities were not completed at project closure:

- The fumigation chamber and post-quarantine facility were not operational by project closure.
- Only 27 agri-food subprojects supported by the project (out of 40) had either received or submitted a formal request for the required Food License at project closure.

Outcomes.

The outcomes of these activities, which focused on supporting post-farm gate segments of the agricultural value chain, were as follows:

- The production of parchment coffee increased from 126 tons a year at the baseline to 180 tons a year, exceeding the target of 176 tons a year.
- The production of ginger increased from 930 tons a year at the baseline to 2,364 tons a year, exceeding the target of 1,302 tons a year.
- The production of honey increased from 103 tons a year at the baseline to 380 tons a year, exceeding the target of 144 tons a year.
- The milk production increased from 2,381 liters at the baseline to 3,237.80 liters, exceeding the target of 2,976 liters.

Rating

Substantial

Rationale

Outcomes were for the most part realized.

Overall Efficacy Rating

Substantial

5. Efficiency

The expected benefits of selected value chains were to come from: (i) operating efficiency at farm level; (ii) value-addition at the farm gate level and at the post-farm level, due to greater integration between



smallholder farmers, traders and processors along the value chain; (iii) increase in market access and reduction in economic losses, due to improvements in national capacity for meeting SPS standards for food quality.

Economic analysis. A traditional economic analysis was not conducted at appraisal, since the main portion of the project cost was for financing demand-driven subprojects (PAD, paragraphs 69-70). However, an economic analysis was undertaken at appraisal for what were expected to become the 'typical' subprojects (small road to market connection, a collection center for fresh produce marketing and a smallholder irrigation system). The Economic Internal Rate of Return for these activities ranged between 14 percent and 36 percent. The EIRR at closure was not comparable to the ex ante EIRR, since the subprojects that were eventually financed were different from the typical subprojects (ICR, paragraph 39). An ex post analysis was conducted for activities associated with agriculture value chain (vegetables, meat processing, milk production, dairy processing, fishery, goats, cereal seeds, poultry broiler, poultry layer, potato seeds and animal feed) (ICR, paragraph 41), accounting for about 75 percent of the project cost. The Net Present Value of these investments was estimated at Nepalese Rupees 725,000 at 12 percent discount rate and the ex post EIRR was 19 percent.

Administrative and Operational inefficiencies. There were implementation delays due to a combination of factors such as: (i) procurement delays and not sufficient diligence by the Project Management Team to monitor agreed annual progress plans; (ii) delays for commencing technical assistance activities (the technical support group and the regional technical support group did not start their assignment until one and two years, which meant that calls for proposals were managed by the Project Management Team without technical assistance); (iii) poor coordination between the Technical Support Group at the National level and the five Regional Technical Support Groups. These delays were exacerbated by external factors such as the earthquakes in April and May 2015 and extended disruptions at the border with India over a six-month period from September 2015. These delays contributed to the non-completion of project activities (discussed in section four). The amount of AF approved for the project was well beyond the absorptive capacity of the country and this resulted in a cancellation of 18 percent (US\$11.00 million) of the total IDA credit (US\$60.00 million). The expected outreach of the project in terms of direct project beneficiaries was only 67 percent of the target. In view of the operational inefficiencies, efficiency is rated as Modest.

Efficiency Rating

Modest

a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

	Rate Available?	Point value (%)	*Coverage/Scope (%)
Appraisal		0	0 <input type="checkbox"/> Not Applicable



ICR Estimate	✓	19.00	75.00 <input type="checkbox"/> Not Applicable
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* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome

Relevance of the PDO to the government and Bank strategy is High. Efficacy of the objectives - to improve the competitiveness of smallholder farmers and the agribusiness sector in selected commodity value chains - is rated as Substantial, as the objectives were for substantially achieved. Efficiency is rated as Modest, in view of the administrative and operational inefficiencies during implementation.

a. Outcome Rating

Moderately Satisfactory

7. Risk to Development Outcome

Technical risk. Some activities such as the fumigation center and commodity markets were not complete when the project closed. Also, though the Nepal Agribusiness Innovation Center was operational when the project closed, it is unclear whether there would be adequate financing for operating the center in the coming years.

Institutional risk. It is not clear if there is adequate institutional capacity to ensure the sustainability of investments made under the project, with regard to meeting SPS measures for enforcing food quality standards.

8. Assessment of Bank Performance

a. Quality-at-Entry

The implementation arrangements were appropriate, with the Project Management Team housed in the Ministry of Agriculture Development - the agency in charge of implementing the project (PAD, paragraph 43). Several risks were identified at appraisal, including risks associated with political instability and frequent breakdown of law and order, inadequate understanding of government departments on fostering public-private partnerships and fiduciary risks. Mitigation measures incorporated at design, included greater role in decision-making to communities, organized farmer groups and private sector, consultations with institutions in the private sector to create viable partnerships and close monitoring and external audit (PAD, paragraphs 63-65). Appropriate arrangements were made at appraisal for safeguards and fiduciary compliance (discussed in section 10).



There were significant drawbacks at design. First, although the PDOs aimed at improving the competitiveness of smallholder farmers through farm-level activities, there was little or no follow-up in terms of activities, such as agricultural advisory services for smallholder farmers (ICR, paragraph 27). There was a disconnect between farm-level sub-project activities and activities aimed at supporting the government agencies in implementing SPS measures for food quality standards. This issue was resolved only in the latter years of the project, with the Project Management Team and the respective departments (Department of Agriculture, Department of Food Technology and Quality Control and the Department of Livestock Services), conducting subproject inspections (ICR, paragraph 78).

The project overestimated the absorptive capacity in the country context. The original project was to be implemented in 25 districts. Following the Mid-Term Review (MTR) in August 2012, AF of twice the original amount (US\$40.00 million) was approved to expand the geographic scope of the project to all districts in Nepal. The AF was approved when the overall disbursement under the original project was slow and three years into implementation, disbursement represented less than a quarter (24 percent) of the original credit (ICR, paragraph 71). At closure, despite an extension to the project closing date, more than US\$11.00 million of the credit had to be cancelled and over 250 subprojects (representing 18 percent of all grant agreements signed) were not completed as planned.

There were minor shortcomings in M&E design (discussed in section 9a).

Quality-at-Entry Rating Moderately Unsatisfactory

b. Quality of supervision

Supervision missions were held twice a year, with 18 supervision missions over a nine-year project implementation period. The Bank team also provided support to the project management team through technical missions (ICR, paragraph 22). The missions included systematic visits to project implementation sites and engagement with stakeholders. The team was proactive in responding to challenges such as, taking preventive measures to prevent the risk of grants being used by beneficiaries for purposes other than those stated in the grant agreement, by changing the modalities of grant financing (from upfront disbursement of the grant to disbursements in three installments, subject to satisfactory completion of agreed milestones). The team introduced micro grants, with simplified selection process and quicker disbursement modalities to smallholder farmers and micro entrepreneurs, in response to the Borrower's concern that the project would be perceived as primarily benefitting larger farmers (ICR, paragraph 18). Bank supervision flagged areas that needed attention from the project management team, such as: (i) ensuring that the agricultural commodity markets were begun only after the requirements had been met (such as, consultations with stakeholders and completion of environmental studies; (ii) ensuring that funds provided to matching grant beneficiaries in excess of milestones were fully recovered; and (iii) ensuring compliance of agri-food subprojects with the



requirements of the Food Law (ICR, paragraph 97). The ICR provides no information on the continuity of leadership.

Quality of Supervision Rating

Moderately Satisfactory

Overall Bank Performance Rating

Moderately Satisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design

The original two key outcome indicators (a) increase in productivity (measured as value added per unit of input) in the production of selected commodity value chains and (b) the increase in the volume of marketable agricultural products passing through the value chain), were appropriate for monitoring performance. The third indicator (c) increase in the sales of commodities supported by the project, was inappropriate, given attribution issues. Indicators for the number of direct project beneficiaries and the share of women beneficiaries was added during implementation.

The Project Management Team was in charge of monitoring project performance. The team was expected to work closely with the Monitoring and Evaluation division of the Ministry of Agricultural Development. The Monitoring and Evaluation also envisioned development of a management information system facility for maintaining the database of the system (PAD, paragraph 60).

Given that the PDO aimed at improving the competitiveness of smallholder farmers, there were no intermediate indicators aimed at monitoring activities pertaining to farm-level activities.

b. M&E Implementation

The indicator pertaining to the increase in the sales of commodities supported by the project was dropped. A core indicator - the direct project beneficiaries disaggregated by gender, was added.

A live web-based Monitoring and Evaluation system was launched in 2016. This system enabled field level data entry with smartphone and allowed for real time, user-developed reporting at Project Management Team level (ICR, paragraph 85). The ICR (paragraph 22) notes that the results framework was regularly updated with data collected by the Project Regional Implementation Support team and the Project Management Team, with panel data for the main indicators and the validation of data was strengthened by the findings of the Independent Assessment of the Matching Grant Scheme. During implementation, a detailed glossary of



indicators was also developed after the second Mid-Term Review. The ICR (paragraph 82) notes that this glossary helped in facilitating technical discussions on indicators.

c. M&E Utilization

The data was mainly used for monitoring project performance. The ICR (paragraph 86) notes that the project also experimented with direct entry of data at field level with smartphones, although this feature of the Monitoring Information System was not fully scaled up.

M&E Quality Rating

Substantial

10. Other Issues

a. Safeguards

The project was classified as a Category B project. Four safeguard policies were triggered: Environmental Assessment (OP 4.01); Pest Management (OP 4.09); Involuntary Resettlement (OP/ BP 4.12); and Indigenous People (OP/ BP 4.10).

Environmental assessment, Pest management and Indigenous People safeguards. The adverse environmental impacts expected at appraisal, included adverse impacts on land due to land degradation and deficiency in soil nutrients, localized air and odor pollution, water pollution due to mismanagement of wastes from processing units, chemical pollution impacts due to improper use of chemical pesticides and fertilizers and health and occupation safety issues due to use of chemicals (PAD, page 95). An Integrated Environmental and Social Management Framework (ESMF) was prepared at appraisal (PAD, paragraph 77). The safeguards on indigenous people was triggered, as the project covered areas with significant indigenous peoples (referred to as *Janajatis*). The ESMF provided a framework for preparing an Integrated Nutrient and Pest Management Plan (PAD, page 9). The ESMF included a strategy for addressing issues associated with indigenous peoples and their participation in project activities. The ICR (paragraph 90) notes that as per ESMF requirements, all sub-projects were subject to an environmental and social screening during implementation. The ICR (paragraph 91) notes that compliance with environmental and pest management safeguards was satisfactory during implementation.

Involuntary resettlement. A Resettlement and Rehabilitation policy framework was developed to address resettlement issues at appraisal (PAD, paragraph 14). The ICR (paragraph 90) notes that a grievance and redressal mechanism was developed in 2017. According to the clarifications provided by the team, there were no resettlement issues during implementation.



b. Fiduciary Compliance

Financial management. A financial management assessment conducted at appraisal, concluded that financial management risk was High, due to the weak implementation capacity (PAD, page 59). This risk was to be mitigated through close monitoring by the Project Management Team and external financial audits. The ICR (paragraph 93) notes that there was compliance with financial management. Audited project accounts were submitted within the grace period and the auditors provided unqualified audit opinions.

Procurement management. An assessment of the procurement management capacity of the implementing agency conducted at appraisal and risk mitigation measures were incorporated at design (PAD, pages 69-71). A procurement plan was developed (PAD, page 72). The ICR (paragraph 92) notes that procurement management was mostly satisfactory, except for one significant issue when the implementing agency, against the recommendation of the Project Evaluation Committee awarded a contract to the third-ranked candidate (while negotiations with the top-ranked candidate was still on-going). Consequently, the Bank declared mis-procurement.

c. Unintended impacts (Positive or Negative)

d. Other

11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Moderately Satisfactory	Moderately Satisfactory	---
Bank Performance	Moderately Satisfactory	Moderately Satisfactory	---
Quality of M&E	High	Substantial	The ICR also rates Quality of M&E Substantial (para 88, page 36).
Quality of ICR		Substantial	---

12. Lessons



The ICR (pages 40-41) draws these lessons from the experience of implementing this project, with some adaptation of language.

(1) A careful assessment of both investments at the farm level and off-farm level investments is required at design for designing projects on agricultural markets. Although this project aimed at commercialization of agriculture, activities pertaining to farm-level investments (such as through agricultural extension services) were lacking.

(2) A careful consideration of the absorptive capacity in the country context is required prior to scaling up project activities. In the case of this project, an AF of double the original amount was approved for increasing the geographical scope of the project at a time when more than 75 percent of the original credit was yet to be disbursed. The operationalization of the AF proved to be difficult, as provisions for scaling up project activities had not been made in a timely manner and no human resources strategy had been adopted to cater to the additional needs.

(3) Matching Grant schemes can be an effective instrument for reaching out to smallholder farmers and agribusiness small and medium sized enterprises. This can be particularly useful in countries where the commercial banking system is unable to cater to the needs of smallholder farmers and small and medium sized enterprises.

13. Assessment Recommended?

No

14. Comments on Quality of ICR

The ICR is clear and clearly provides a good exposition of the issues during implementation. The discussion of the matching grant scheme is clear and the ICR candidly acknowledges the problems associated with the lack of absorptive capacity in the country context. It also clearly discusses the ways the supervision team addressed the issues that rose during implementation. The ICR draws reasonably good lessons from the experience of implementing this project.

The ICR could have provided more information on the continuity of leadership during the lifetime of the project. The ICR is unduly long (with the main text of the ICR at 44 pages, almost three times the length of the recommended text) and could have benefitted from better editing.

a. Quality of ICR Rating

Substantial

