

Armenia: Agricultural Services Project

Item	Assessment Remarks	Rating
Country& Project Name	Armenia: Agricultural Services Project	
Loan No.:	561-AM	
Project Id.:	1177	
Board Date	26 Apr 2001	
Effectiveness Date	26 Sep 2001	
Original Closing Date	31 Mar 2006	
Final Closing Date	31 Mar 2006	
Total Project Cost USD(M)	USD 17.33 million	
IFAD loan USD (M)	USD 17.22 million	
Cofinanciers (if any)	none	
Implementing Agency	Ministry of Agriculture - Center for Assistance to Water User Associations	
Principal Components	The goal was to improve the living conditions of the rural households in the poorer areas of the project zone. The specific objectives were to: (i) provide support to private seed producers and seed certification authorities; (ii) provide support to the maintenance and management of irrigation infrastructure at the different levels, (iii) promote the development of tertiary water infrastructure to further develop irrigated land; (iv) promote access to rural finance for agriculture and off-farm activities; (v) provide support to small enterprise development; and (vi) contribute to the up-grading of community infrastructure and provision of improved services. Project components include: (a) agricultural development; (b) irrigation development; (c) rural finance; (d) community infrastructure; (e) project coordination.	
Project Performance		
Design	The project built on lessons learnt and results from previous projects and responded to the changing needs and priorities of a country that has moved rapidly from subsistence agriculture to commercially oriented agriculture. Consistent with the principle of continuous adaptation of the country programme, the overall strategy and approach of the programme has been to build on institutions and approaches that have proven successful under previous IFAD interventions, while at the same time expanding into new fields of intervention that have been identified as relevant since then. The programme's strategy embodied the following principles consistent with the IFAD strategic framework: programme interventions based on beneficiary demand, complementarity of interventions with national programmes and initiatives, sub-contracting of project implementation to implementation agencies (public, private, NGOs) and focus on women. The programme focused on increasing agricultural productivity and off-farm incomes in a country where agriculture counts for 40% in GDP (mid 1990s) and has an important place in the overall poverty alleviation strategy.	6
Implementation	Project implementation was adapted, in due course, to a rapidly changing environment. The two major changes concerned agricultural development and irrigation. By the time the IFAD programme became operational, the seed production sub-sector was supported by a grant-financed programme, so that the agricultural component was refocused to concentrate on horticultural development. Regarding irrigation, the creation of federations of water user associations (WUAs) was replaced by support to the creation of larger WUAs under a new legal framework that required local management of irrigation water resources by larger WUAs. The project was fully disbursed 9 months ahead of time. Project implementation benefited from the continuity in the administrative set-up and experience of staff from the former IFAD-financed NWASP. The PCU was highly competent and pro-active in dealing with unforeseen changes. It was also able to establish positive working relationships with local authorities who facilitated enormously project implementation and acceptance. Project M&E, however, left room for improvement and was not systematically used to inform decisions.	5
Relevance	The focus of the project on increased agricultural production and agriculture-related business was highly important for poverty reduction and food security. The project components were fine tuned to address the main constraints facing agricultural and rural development. The nature of the programme's interventions and the approach and methodology were found highly relevant to the immediate needs of the rural populations (deteriorated irrigation infrastructure, lack of access to appropriate financing, scarcity of off-farm employment opportunities). They were also found relevant in the longer term perspective of building appropriate institutions and legal frameworks necessary for the creation of an enabling environment that will allow the rural populations to be empowered. Relevance of the programme was limited regarding support to women as the micro-finance sub-component, developed to benefit directly women involved in micro-agriculture and subsistence farming was cancelled before implementation, following difficulties of the ARAGAK foundation to obtain legal registration as NGO.	6

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Effectiveness	The project has been very effective in terms of achieving its goal of improving the living conditions of rural households. A programme approach based on demand was effectively operationalized and it allowed a genuine participatory implementation of irrigation development, rural finance and community infrastructure. This allowed the project to have a substantial impact on physical and productive assets of poor farmers, increased food security through increased agricultural production and reduced vulnerability through increased household income and access to financial resources. The project's effectiveness is evidenced in particular by the strength and success of the institutions that the project has helped to foster and that were essential in achieving the project's overall goal. All project objectives were reached except two. The objective of providing support to private seed producers and seed certification authorities became obsolete and was not pursued by the project, but was replaced by a new horticultural component which proved to be highly effective. The second related to the micro-finance sub-component could not be implemented and had to be cancelled (see relevance).	6
Efficiency	The project can be considered as highly efficient. The loan was fully disbursed 9 months ahead of time and most output targets were exceeded. This result is mainly due to the excellent collaboration between implementation partners who were able to proactively reallocate savings on some components and activities to other activities with a greater potential for efficient use of resources. Cost per beneficiary was projected at USD 62.80 but stood at USD 27.50 at completion. The costs per ha of farmland were projected at USD 516.13 and stood at USD 510.97 at closing. At project closing, the recalculated IRR was of 35.4% compared to a projected IRR of 24.9%.	6
Partner Performance		
IFAD	IFAD was praised for the quality of project design, in particular for having skilfully distilled lessons from previous interventions and adapted them to the evolving context, and for having aligned the project with the IFAD SF and COSOP and Government policies, while giving enough flexibility to the project to rapidly adapt to changing implementation circumstances. IFAD participated actively in supervision missions and fielded relevant support missions. IFAD has been particularly pro-active in the analysis and resolution of technical and administrative/financial implementation issues, as shown by the three loan amendments that were processed during the short implementation period of the project. The PCR noted that a less prescriptive loan agreement would have facilitated project implementation, considering the rapidly evolving political, economic and institutional implementation environment.	6
Cooperating Institution	The PCR provides only a very light assessment of CI performance. According to the PCR, UNOPS performed well, both in terms of timeliness and efficiency of loan administration and in terms of timely fielding of supervision missions. UNOPS has provided competent and adequate implementation support within the limited budget available. Altogether, UNOPS undertook 3 supervision missions.	5
Government	The PCR provides only a very light assessment of Government of Armenia's (GoA) performance. The GoA has shown commitment to the project's goal and objectives. It has met its financial obligations in terms of counterpart funding and has been responsive to supervision missions. It has provided appropriate guidance and facilitation during project design and implementation.	5
NGO/Other	The 2 agencies responsible for the rehabilitation and construction of irrigation schemes performed in an efficient and professional manner. This has allowed the irrigation component to be implemented ahead of schedule and above target. The Agricultural Cooperation Bank of Armenia was responsible for the implementation of the agricultural sub-component. Its performance was outstanding. The ANIV (Universal Credit Organization - an Armenian MFI) foundation was responsible for the implementation of the small enterprise development sub-component. It was successful in delivering credits to start small enterprises in rural areas but had, at first, difficulties in obtaining acceptable recovery rates. The deficiencies were addressed through appropriate training of ANIV staff and TA provided by IFAD. Finally, the Armenia Social Investment Fund responsible for the implementation of activities under the community infrastructure component has performed satisfactorily. Altogether, performance of NGOs and other implementation partners was satisfactory.	5
Cofinancier(s)	Not applicable (no co-financiers)	NA
Combined Partner Performance	<i>Collaboration between partners was very good. Timely action on the part of UNOPS and IFAD and proactive financial management on the part of the project has helped the project to quickly adapt technically and financially to a changing environment which, in turn, has allowed a fast disbursement of the loan.</i>	6
Rural Poverty Impact		
Physical Assets	Most important impact has been the rehabilitation of irrigation infrastructure and creation of related WUAs. This has contributed to increasing the productivity of farms on the 21 800 ha of land covered. Productivity could be increased between 29% and 94%, depending on the crop and area considered. Access to irrigation has also had an impact on land under	5

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	cultivation. It is estimated that access to irrigation has allowed private plots to increase by 0.61 ha, on the average, which is a relatively large increase, given the average farm size of 2ha in 2002 (at project start-up). An M&E survey conducted in 2003 has concluded that 41% of the households were renting additional plots, due to a combination of factors: access to irrigation and increased arable land made available at community level. Higher incomes due to increased agricultural production have most likely also improved access to tools and equipment.	
Financial Assets	The project had an important impact on the financial assets of the rural poor. It has contributed to the ability of the poor to accumulate financial resources for the stabilization of household livelihoods and investments. 38% have reported a remarkable increase in incomes from sales of agricultural products and 57% a slight increase. Similar results have been reached regarding livestock production. More importantly, 64% of the populations attribute this increase to the project. Only 36% attributed it to other factors such as remittances. The project has also contributed to improving the access to financial services. Impact through the project's support to the Agricultural Cooperation Bank of Armenia (ACBA) and ANIV (?) has been substantial and remarkable. Households who have benefited from ACBA loans have reported a higher income increase (by 72%) than non-ACBA borrowers. It appears, however, that ACBA lending operations may not yet have reached the poorest sections of the population. ACBA however, is steadily expanding its activities to reach more remote areas. Prospects for ACBA to reach the most remote and poorest and therefore good.	6
Food Security	The project has had a substantial impact on the general availability of food, access to food through increased production and purchase and the stability of access to food throughout the year. Main contributing factors is the increased production on irrigated land. This has allowed a larger share of agricultural production to be marketed, better food security (higher food security margin) and increase in the quantity of food reaching local markets. In addition, increases in agricultural productivity have reduced the amount of land needed for a farm household to be self-sufficient in wheat (from 1 ha to 0.62 ha). Between 2002 and 2005, agricultural production has increased by 49% and the quantity of food produced for home consumption has increased by 31%. Due to the important increase in total production, the share of agricultural production consumed has decreased and the marketed share has increased, which in turn means that larger amount of food are now available on local markets. Improved access to water (irrigation) has further contributed to the diversification of agricultural production, incl. the introduction of cash crops and vegetable production (establishment of orchards)	5
Environment	The rehabilitation of irrigation infrastructure did not impact on land use, but had an impact on agricultural productivity. The increase in productivity has, however, also been accompanied by an increase in the use of fertilizers, of which the increase in organic fertilizers was 50% higher than the increase in chemical fertilizers. Finally, the establishment of WUAs have led to a better and more efficient use of water resources. Overall impact on the environment is rated moderate, notwithstanding the fact that the project was most likely not designed to have a strong impact on the environment.	4
Human Assets	The project's social infrastructure component had an impact on access to health care and education since most requested infrastructure concerned the rehabilitation of drinking water supply systems and village schools. Furthermore, it can be assumed that the project's direct impact on food security and incomes will have a long-term impact on health and general well-being.	4
Social Capital and Empowerment	44% of the households reported being involved in WUAs and 60% of them reported being poor. WUAs have improved social cohesion by facilitating dialogue and conflict resolution. Households found them essential to securing water supply and ensuring an equitable access to water for irrigation. The social infrastructure component (ASIF micro-projects) has contributed to enhancing the social capital in different ways. They have allowed local leaders to be empowered by giving them control over resources and decision-making with regard to local infrastructures development. Also, their capacities were strengthened (organization, management, technical skills). The ASIF micro-projects helped strengthening social cohesion horizontally (within communities) and vertically (linkages between local government and communities). Interpersonal trust at all levels and between levels could be increased with the ASIF component. Finally, the creations of village associations under the agricultural credit component have impacted positively on the social capital (cohesion) and empowerment (planning skills, management of household expenses, etc.)	6
Ag. Productivity	The project has had an important impact on agricultural productivity. Yields have increased for all crops, ranging from 10% for potato and vegetables to 40-70% for fruits and grapes. Cereals range in-between with 20-30% yield increases.	5
Institutions and Services	The project was focused on institutional development (rural finance and the construction/rehabilitation of irrigation infrastructure) appropriate to the transition to a market economy, particularly at the beneficiary level. Support provided by a former IFAD-financed	5

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	project (NWASP), a World Bank-financed irrigation rehabilitation project and the present project have contributed to and influenced the policy and institutional framework that was codified in the new water management legislation in 2003 (private sector, user-led and financially sustainable irrigation management). Support provided by the project to the establishment of larger WUAs has further contributed to the implementation and operationalization of the new law. The present project together with the former NWASP have further contributed to the expansion of the Agricultural Cooperation Bank of Armenia which has become immensely important for the provision of rural and agricultural finance.	
Markets	Not applicable	NA
Rural Poverty Impact		5
Overarching Factors		
Innovation	The project was not designed to lead to innovations. However, it introduced a major innovation in the way IFAD provided support to the Agricultural Cooperation Bank of Armenia. Following the refocusing of the first component, the project was also able to successfully pilot test horticultural production in 2 provinces with a high level of acceptance (1000 ha of horticultural production established by farmers in one of the 2 provinces).	3
Replicability and Scaling-up	The provision of IFAD resources to the Agricultural Cooperation Bank of Armenia (ACBA) in a manner which, on one hand ensures full recovery of the funds and on the other hand helps increasing the capital base of the bank was designed as an innovative attribute. It is considered appropriate for replication to other countries with similar characteristics of the financial sector (absence of financial support to rural areas and weak capital base in the banking sector). KfW and other private organizations have approached ACBA to learn from its experience and to assess the potential for replication to other transition economies.	5
Innovation, Replicability and Scaling-up		4
Sustainability and Ownership	The project was designed to ensure continuation of the institutions involved in project implementation after project completion. The Agricultural Cooperative Bank of Armenia (ACBA) has grown to become the prime player in agricultural lending (70% of total portfolio invested in rural areas) with a steadily increasing loan portfolio and recovery rates close to 100%. ANIV's financial sustainability is a concern. ANIV has graduated from NGO type activities into higher value-added credit activities (start-up businesses). Recovery rates are still very low (78% in 2004). Other problems relate to the small size of the lending portfolio and the interest rate level which is too high to be competitive). Regarding the sustainability of WUAs, the PCR concluded that while the timely collection of water fees is still an issue, WUAs will, in the main future, be financially, institutionally, and technically sustainable. Regarding the ASIF social infrastructure micro-projects, the PCU and Government indicated that the maintenance of the infrastructure is ensured, but details about the arrangements made are not provided in the PCR.	4
Targeting	The target group varies between project activities. The overall targeting strategy was essentially geographical by concentrating activities on the 8 poorest marzes (provinces). There was no mechanism to target specifically the poorest and most vulnerable populations, including women. Hence, the project did not determine specific strategies to address the needs of the different groups of poor. The project did not appear to have a mechanism avoiding exclusion. Nevertheless, the project met the priority needs of the poor by targeting interventions on the poorest marzes.	3
Gender	The PCR states that the project was designed to target specifically women. Women were to participate equitably in all project components and the project was to implement a specific micro-finance programme for women, which, however, could not be implemented. The PCR states that no assessment has been carried out with respect to the project's effect on the empowerment and participation of women in the development process. It further states that on the basis of the data available, it can be assumed that its impact in this field has been negligible.	2
Overall Performance		5
Estimated number of beneficiaries	Target: 247 000 beneficiaries; Beneficiaries at completion: 626 942 of which 48% women (which corresponds to an achievement rate of 253%)	
PCR Quality		
Scope	The PCR was prepared in line with the PCR guidelines. Two annexes were omitted: annex VII on the environmental impact and annex viii reflecting the findings from stakeholder workshop, which, it appears, did not take place.	5
Quality	Very rich and comprehensive report. At the same time, clear and to the point. The analysis and conclusions are clear and convincing, and are evidenced by a fair amount of relevant figures emanating mainly from the 2004 impact survey. Useful summary assessments made at the end of some sections.	6
Lessons	The PCR confirms 3 main lessons from 2 previous IFAD interventions, which are still	5

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	relevant for future IFAD interventions in the country. The lessons are clearly drawn and well presented.	