Report Number: ICRR0023393

1. Project Data

Project ID	Project Name	
P150008	ZA-Land Bank Financial Intermediation Pr	
Country	**Practice Area(Lead)**	
South Africa	Finance, Competitiveness and Innovation	
L/C/TF Number(s)	**Closing Date (Original)**	**Total Project Cost (USD)**
IBRD-86860	01-Apr-2022	10,942,615.71
Bank Approval Date	**Closing Date (Actual)**	
23-Jan-2017	01-Apr-2022	

	IBRD/IDA (USD)	Grants (USD)
Original Commitment	93,000,000.00	0.00
Revised Commitment	10,942,615.71	0.00
Actual	10,942,615.71	0.00

Prepared by	Reviewed by	ICR Review Coordinator	Group
Burcin Pamuksuz	Ebru Karamete	Christopher David Nelson	IEGSD (Unit 4)

2. Project Objectives and Components

a. Objectives

According to both Schedule 1 of the Loan Agreement (p.6) and the Project Appraisal Document (p.11), the project objective was “to “sustainably scale up the Borrower’s financing specifically to benefit emerging farmers”. The Borrower is defined as the Land and Agricultural Development Bank of South Africa (Land Bank).

b. Were the project objectives/key associated outcome targets revised during implementation?
No

c. Will a split evaluation be undertaken?
No

d. Components
The project was designed as a financing intermediary loan for the Land Bank. It was to be implemented through a line of credit (LOC) of US$ 93 million.

The project had a single component **(Component 1: Line of Credit for Agricultural Financing)** with two windows:

Window 1 Wholesale finance to commercial and emerging farmers (Estimated Cost: Approx. US$ 65.1 million, Actual Cost: None): This window was to extend LOC to the Land Bank and support the Land Bank on wholesale lending. The Land Bank was to on-lend funds to participating financial intermediaries (PFIs) which comply with eligibility criteria agreed with the World Bank. The PFIs were to on-lend funds to eligible agriculture enterprises, commercial and emerging farmers, communal property associations and other eligible borrowers supported under the Land Bank's corporate banking (CB), and commercial development banking (CDB) business lines. Funding for Land Bank was to on-lend funds to PFIs under CB for commercial farmers, at interest rates that consider at minimum Land Bank's cost of funding, operating costs and an appropriate credit risk margin. On the other hand, under CDB, the Land Bank was to on-lend funds to intermediaries at interest rates that would allow the bank to at least cover its average costs of funds. The wholesale lending was to help the Land Bank to leverage a network of financial intermediaries without incurring significant operating costs.

Window 2 Financing to integrate emerging farmers into established value chains (Estimated Cost: Approx. US$ 27.9 million, Actual Cost: US$ 8 million): Under this window, a line of credit was extended to Land Bank to provide direct lending to emerging farmers for integrated value chain finance. The Land Bank was to finance eligible emerging farmers and agriculture enterprises in collaboration with large agriculture corporates and/or technical partners in a targeted value chain. The high-potential value chain projects were to be identified in a given geographic region and securing buy-in from large agriculture corporates or technical partners that would support emerging farmers' integration into the chain. The agriculture corporates were to provide technical support (directly or indirectly) to the emerging farmers, building up their capacity to be sustainable suppliers to the chain. The pricing for direct lending by the Land Bank to integrate emerging farmers in established value chains was to be market based.

Revised Components: Following the mid-term review (MTR) on 11 December 2019, the World Bank (WB) and the Land Bank agreed to restructure the project with an aim to particularly facilitate the utilization of the wholesale lending window (Window 1). However, this restructuring could not be materialized as the Land Bank experienced liquidity crises and defaulted to some of its commercial lenders which were triggered by downgrading of the Land Bank by one of the credit rating agencies. Two years after the MTR, the Land Bank requested cancellation of undisbursed loan amounts through a level 2 restructuring. Accordingly, undisbursed amount of US$ 66,124,638.88 was cancelled.

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

Project Cost: The project cost estimated at appraisal was US$ 93 million. The total estimated cost was revised down to US$ 26.9 million at the First Restructuring cancelling the undisbursed amount of US$ 66.12 million. The cancellation was mainly due the Land Bank's default status and the Land Bank suspending its new loan originations. The actual cost at closing was US$ 10.9 million (12 percent of the total amount). The US$ 8 million was utilized for sub-projects. The difference between the total cost and the actual disbursements was because of the currency exchange rates.

Financing: The project was financed through an IBRD loan in the amount of US$ 93 million. Land Bank was the Borrower and the implementing agency. The Ministry of Finance was the Guarantor acting as the primary obligor for due and punctual payments of the loan to the WB. The Bank's financing was revised down to US$ 26.9 million at First Restructuring. At project closing actual disbursements from the IBRD loan was US$ 10.9 million.

Borrower's Contribution: The ICR did not report any planned borrower contribution amount. While the project's task team consequently reported that there was Borrower's contribution at the sub-loan level, the exact amount was not provided.

Restructurings: The project had one Level 2 restructuring on December 21, 2021.

The WB conducted an MTR in December 2019. At the time of the MTR only 6% of the funds were utilized (only under Window 2) due to delays in upgrading the Land Bank's Environmental and Social Management System (ESMS), and delays in implementing Environmental and Social Action plans with intermediaries. In addition, no funds were utilized under Window 1 because of design shortcomings. Although the Land Bank and the WB agreed on a restructuring to improve implementation, this restructuring could not be completed, as in early 2020, the Land Bank faced financial difficulties and was downgraded by Moodys' to below investment grade in January 2020. In April, the Land Bank defaulted on one of its commercial credit obligations and cross-defaults with most of its lenders followed. Origination of new loans was suspended and lending to its existing customers was reduced significantly. The situation could not be resolved and upon the request of the Land Bank, undisbursed portion of the loan was cancelled. However, the ICR reports that the project was not closed earlier than the original closing date, as the WB intended to provide the maximum opportunity to the Government of South Africa (GoSA) and the Land Bank to resolve the default status and fully utilize the funds available under the project (ICR, p.12).

Dates: The project was approved on December 13, 2017, and became effective on September 29, 2017. The project was closed on the originally envisaged day, on April 1, 2022.

3. Relevance of Objectives

Rationale

Country Context: South Africa has one of the highest inequality rates in the world. Land distribution in particular, is one of the most unequal. Although the rural share of poverty fell over the years partly due to migration of the poor to larger towns and informal settlements around urban centers, by 2011 rural areas remained to be characterized by greater poverty and inequality compared to urban areas. South Africa's National Development plan identified agricultural development and successful land reform as key the elements for combatting poverty and achieving integrated, inclusive growth. Among the main challenges for rural and agricultural development in South Africa, were affordable access to working capital for emerging farmers and medium to long term finance for small and medium sized agricultural enterprises. In this context the project objective was highly relevant both at appraisal and closing to the GoSA's priorities of eliminating poverty and reducing inequality. Through Land Bank's enabling function for access to finance, the project directly targeted farmers and farm workers and aimed to achieve poverty reduction.

Bank Strategy: At appraisal, the project was fully aligned with Country Partnership Strategy (CPS) for South Africa for the period of FY14-17. The CPS had three pillars (Pillar 1: Reducing Inequality, Pillar 2: Promoting Investments, and Pillar 3: Strengthening Institutions). The project aimed to support the reduction of inequality by increasing access to finance for specifically emerging farmers. It also foresaw facilitation of private investment in rural development and agriculture through financing solutions provided by the Land Bank. The project remained highly relevant to 2018 Systematic Country Diagnostic and the CPS for FY22-26. Focus Area 2 of the CPS aims at achieving an inclusive private sector that creates jobs and opportunities. To reach that objective strengthening value chain solutions, access to early-stage finance and deepening financial markets intermediation are identified among the priority areas for support. The project was also in line with the Twin Goals of the World Bank Group to eradicate extreme poverty and increase shared prosperity.

Previous Sector Experience: The project design benefited from international experience as well as WB's own previous experience in various countries such as Turkey, Mexico, Bolivia, and Colombia in relation to development finance institutions (DFIs). The design of the project which included wholesale lending model, allowing flexibility for LOC terms, and designing LOC on commercial principals was built on these experiences. In addition, project design used private sector-led relationships for integration of emerging farmers into supply chains instead of government-led grant programs which was proven to be less effective in South Africa. The project complemented WB's previous engagement with the GoSA on rural development and financial inclusion. Through the reimbursable advisory program, the WB provided advisory services on implementation of the land reform program. In addition, a WB executed Trust Fund, enables financing of analytical and advisory services to the GoSA on financial inclusion and strengthening financial stability.

Rating
High

4. Achievement of Objectives (Efficacy)

OBJECTIVE 1
Objective
Objective 1: To sustainably scale up the Borrower's financing specifically to benefit emerging farmers.

Rationale
Theory of Change: According to the theory of change (ToC), the WB would disburse the LOC of US$ 93 million to the Land Bank which would channel funds for utilization through two windows. Under Window 1, the

Land Bank would on-lend funds to PFIs and as output they would then on-lend them to eligible agriculture enterprises, commercial and emerging farmers, communal property associations and other eligible borrowers supported under the Land Bank's CB or CDB business lines. Through this approach, the Land Bank would avoid costs associated with retail lending such a maintaining a large branch network and would leverage the networks already built by the PFIs. As outcome, the Land Bank would strengthen and scale-up its wholesale business and would enable access of small emerging farmers to finance while creating jobs. As an impact the project is expected to contribute to reduction of poverty and inequality. On the other hand, under Window 2, direct lending by the Land Bank to emerging farmers would encourage collaboration with large companies/technical partners and as outcome, result in not only increase their access to finance but also increase technical skills and financing capacities.

While the ToC's causal links and full results chain were clear, a TA and a project management component (proposed by the project team but rejected by the Borrower) was missing; these would complement the financing element and ease implementation. In addition, the weaknesses in the institutional structure of Land Bank (although briefly assessed in the PAD) and lack of robust national financial supervision framework for DFIs were not taken into account in project design. The critical assumptions for the project were that there would be appetite for the products extended through LOC and the Land Bank would continue to commit to its new strategy. During the implementation of the project, the Land Bank remained committed to its new strategy. However, the assumption on the demand for LOC's products proven to be wrong. The new scheme introduced through LoC, replaced a subsidized lending which had financed the cost of providing agricultural advisory and market access services via using a grant from the Department of Agriculture, Forestry and Fisheries, creating motivation for the intermediaries to provide such services. In the absence of the subsidy element, the demand for LoC products remained low.

By the time of restructuring (and project closing) the project did not disburse any funds allocated under the Window 1 and supported only two sub-projects under its direct lending window (Window 2). While the project disbursed US$ 26.9 million, it utilized only US$8 million, and the balance was refunded.

Outputs:

The project had seven intermediate indicators. Five of the indicators could not be achieved due to the Land Bank's declining financial condition, which began to deteriorate at the begging of 2020, followed by a downgrading below investment grade and eventually Land Bank's suspension of new lending operations. Two of the intermediate indicators (Return on Average Assets, Return on Average Equity) exceeded the targets. However, they were misleading, and targets were achieved only because the Land Bank wrote-off a significant volume of loans (ICR, p. 14).

Outcomes:

Disbursement of wholesale loans: No achievement could be reported as no disbursements could be made. Target of US$ 65.1 million could not be achieved. Reasons for lack of achievement were delays in upgrading the Land Bank's own ESMS, delays in implementing the required environmental and social framework (E&S) for intermediaries. In addition, the new scheme for wholesale loans did not have a subsidy element which had allowed the Land Bank to offer wholesale loans at sub-market rates. These favorable rates had motivated intermediaries to provide non-financial services to beneficiaries cost-free. The absence of a subsidy element decreased the appetite and demand for loans and the project was not able to disburse any wholesale loans prior to the Land Bank suspending origination of new loans in mid-2020 due to its liquidity crises. This indicates that viability of wholesale financing in the country and the approach were not tested enough at appraisal stage.

Disbursement of value chain loans: The project disbursed US$ 8.0 million but the target of US$ 27.9million could not be achieved. Through the disbursed funds the project supported two value chain sub-loans: The first black majority-owned pork producer of significant size in the country and a black majority owned farm to develop grape and citrus orchards.

Number of beneficiaries: The project had 350 beneficiaries but the target of 1,100 beneficiaries could not be met. The supported 350 beneficiaries represent new jobs generated as result of disbursement of two sub-loans financed under Window 2 and do not represent small-scale farmers benefitting from the finance provided.

Total Non-Performing Loan (NPL) rate under credit line: The target was to achieve a rate below 10%**.** The ICR reports that at the time of writing the ICR, the larger of the two sub-loans under the credit line were in NPL status. This resulted in a total NPL rate of 74 percent (ICR, p.14). The ICR team interviewed the sub-borrower of the sub-loan in NPL status. The managers reported that while the sub-project was forced to default on its obligations to the Land Bank due to cash-flow challenges associated with COVID-19 (high freight charges) and extended drought conditions, the sub-project continued to be operational and was generating a positive cash-flow (ICR, p.14).

Overall, the Land Bank's liquidity crisis, and its defaulting to some of its commercial lenders and eventually ceasing new loan originations were the main reason which impeded project's reaching its objectives. However, a number of shortcomings at the project design and underestimated risks at appraisal also constituted as major elements affecting project's performance. Lack of a technical assistance element to support Land Bank's implementation of its strategy and the project, lack of a solid project management and monitoring structure, not accurate risk assessment and identification of appropriate mitigation measures constrained project implementation.

Rating
Negligible

OVERALL EFFICACY

Rationale
Overall, the project's efficacy in achieving its objective is rated Negligible. None of the PDO indicators could be achieved. Under Window 1, on-lending activities could not be performed due to Land Bank's financial situation. Under Window 2, achievements are negligible.

Overall Efficacy Rating	**Primary Reason**

Negligible	Low achievement

5. Efficiency

Economic and Financial Analysis:

At appraisal an economic analysis for Window 1 (wholesale lending) was conducted. However, no analysis was made for direct lending window. The ICR reports that as no disbursement was made under Window 1 during implementation, there is no basis for comparing ex-ante analysis in the Project Appraisal Document with the actual project results. On the other hand, when the utilization rate of project funds (less than10 percent) and the NLP status of the one of the only two projects are considered, the efficiency is assessed to be very low. It is the view of the ICR that the costs to the Borrower and the World Bank in implementing the project were substantial in comparison to the US$8 million in funds that financed the sub-projects. The costs to the World Bank for preparation and supervision exceeded US$1.5 million during FY14-22 (ICR, p.15).

Administrative and Operational Efficiency:

The first disbursement was delayed by more than a year mainly due to the delays in the Land Bank's upgrading its ESMS and implementation of Environmental and Social Action plans with the intermediaries. Both Land Bank's and intermediaries' capacities necessary to make required changes were overestimated during appraisal. Project did not have designated project implementation unit within the Land Bank until the MTR. The overall responsibility was with the Chief Financing Officer not with the Chief Operating Officer or equivalent. All of these led to sub-optimal project implementation. The WB's task team at appraisal had identified some shortcomings (legal and institutional) in the financial supervision of the Land Bank. Despite these shortcomings, the project had been approved and the implementation commenced. It is the view of the ICR that if a more robust national financial supervisory framework for DFIs were in place, the task team could have identified financial problems with the Land Bank early-on and could have helped taking remedial measures avoiding the liquidity crisis. At appraisal several risks were identified. However, regarding majority of the risk factors (i.e., Land Bank's and PFIs capacity, absence of technical assistance component, problems with the Land Bank's business model) the task team was over optimistic and assumed that the mitigation measures would be sufficient which have proven to be the contrary during the implementation.

Efficiency Rating

Negligible

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 ☐ Not Applicable
ICR Estimate		0	0 ☐ Not Applicable

* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome

The relevance of objective is rated High. The project's efficacy is rated Negligible as it did not achieve the PDO because of very low utilization of funds by the Land Bank. The project's efficiency is also rated Negligible since the costs for the WB and the Borrower in comparison to the benefits achieved through the utilization of the funds are much larger. Therefore, the overall outcome rating is Highly Unsatisfactory.

a. Outcome Rating

Highly Unsatisfactory

7. Risk to Development Outcome

The achievements under the project are rather limited as there were only two sub-loans financed under the Window 2. One of the of the sub-loans was in the status of NPL constituting risk to achieved jobs creation through this loan. On the other hand, the continued dialogue between the WB and the Borrower contributed to capacity building in the field of strengthening ESMS at the Land Bank. It updated its ESMS policy and put in place a qualified E&S team. The E&S specialists were responsible for carrying out comprehensive environmental due diligence of ESMS of Land Bank's Intermediaries and of its direct borrowers. This contribution to the capacity building of the Land Bank is likely to be sustained as it will continue to its role as the primary DFI in agricultural and rural development.

8. Assessment of Bank Performance

a. Quality-at-Entry

The project had a strategic relevance as it addressed rural and agricultural development by facilitating access of emerging farmers and land reform beneficiaries to finance through a line of credit. Affordable access to working capital for emerging farmers and medium to long term finance for small and medium agricultural enterprises are among the main challenges for rural and agricultural development in South Africa.

The wholesale model was the chosen approach for the project in line with the international experience. However, its viability for South Africa was not tested enough. The model introduced was based on commercial principles and did not involve a subsidy element. Whereas the Land Bank's previous model involved a subsidy element which facilitated the intermediaries to provide cost-free technical advice to beneficiary farmers. Without the subsidy element, the intermediaries were reluctant to provide such services and did not have the appetite for the loans offered by the Land Bank.

The Implementation arrangements were inadequate. The Land Bank did not have a dedicated unit for project management during the early years of implementation. CFO, instead of COO or equivalent oversaw management of the project. At appraisal, the PAD identified absence of a TA component as a source of risk for implementation of the project. It was assumed that the risk could be mitigated if technical assistance needs of the Land Bank as well as operating expenses would be covered through external technical assistance resources. However, this had proven to be insufficient and project experienced difficulties in implementation.

From the institutional aspect, although the project team identified gaps in institutional and legal framework for the supervision of the Land Bank at appraisal, implementation of the project commenced before addressing these gaps. The weaknesses in the supervision framework (not having an independent supervisory body separate from the owner) negatively impacted identifying and addressing Land Bank's financial weaknesses and its implementation of the project.

The project triggered the World Bank's Performance Standards for the Private Sector (PO/BP 4.03). At appraisal capacities of both the Land Bank and its intermediaries for the management of E&S risks were over estimated. The necessary improvements in the Land Bank's ESMS which would support implementation of the required safeguards could not be completed on time and this delayed the first disbursement by more than a year. As for intermediaries, although ESMS systems could not be approved, a gap analysis study conducted during the later years of implementation reveled that, E&S risk management capacities were in fact generally absent.

M&E arrangements were made generally sufficient and reflected the theory of change. The lack of clarity on the definition of beneficiaries and lack of indicators regarding the intermediaries were the noted shortcomings.

Quality-at-Entry Rating
Moderately Unsatisfactory

b. Quality of supervision

Throughout project implementation, the World Bank's performance reporting was candid and detailed in the ISRs and during MTR. The Bank team's focus on development impact was demonstrated by their effort to address design shortcomings of the project. The involvement of two co-TTLs (one from the Agriculture and Food Global Practice, who was assigned later) contributed to the efforts to improve project design through restructuring. Even though the restructuring was not materialized, the scope of the restructuring was agreed by the Borrower. The project team provided close and continuous support to the Borrower beyond the project objective after it had faced financial difficulty.

The project team provided intensive support to Land Bank for upgrading its ESMS. Even though this process took longer than anticipated and delayed the first disbursement, this support helped development of an updated ESMS policy, establishment of a qualified E&S team at the Land Bank. In addition, following the MTR's findings a Partnership Management Unit was established at the Land Bank. With the suspension of Land Bank's lending activities and its default to its commercial lenders, the effectiveness of such unit in project's implementation, could not be tested.

However, the risks associated with the Land Bank's business model as well as the problems with the viability of the wholesale financing approach identified at the appraisal could not be foreseen and avoided by the World Bank during implementation. In addition, due to the weak supervision framework which was underestimated at appraisal, increasing financial risks and approach of a credit rating downgrade could not be diagnosed early. According to the ICR, additional resources and expertise focused on the risks of Land Bank financial and business model could have potentially helped to support Land Bank in implementing needed reforms prior to the default in 2020 (ICR, p.22).

Quality of Supervision Rating

Moderately Satisfactory

Overall Bank Performance Rating

Moderately Unsatisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design

In line with the PDO, the indicators were defined to measure change is the Land Bank's business towards wholesale financing as well as the contribution of the project to the Land Bank's overall portfolio and its asset-liability management framework. The four results indicators were direct. However, it did not include any indicator related to PFIs. Although the theory of change did not establish a direct link between the impact of the project and the PFIs, they are integral to wholesale financing. Therefore, the results framework could have benefitted from indicators providing evidence on an established and a functioning network between the PFIs and the Land Bank. One of the PDO indicators (direct project beneficiaries) was not defined clearly. The definition implied by the PDO and the one in the results framework were not aligned. Land Bank was responsible from monitoring and evaluating progress against the proposed indicators through regular reports. The data were to come from Land Bank's internal reports and from information provided by the PFIs.

b. M&E Implementation

M&E implementation was very limited due to limited disbursement of funds and project implementation. The Land Bank provided required reports in accordance with the M&E framework until the time of its liquidity crisis. No formal reporting took place from thereon in this regard.

c. M&E Utilization

Only two sub-loans totaling slightly more than US$8 million were utilized under Window 2. The utilization of the M&E information on project design was minimal.

M&E Quality Rating

Modest

10. Other Issues

a. Safeguards

The project was categorized as a Financial Intermediary Loan (FI-2) at appraisal with moderate environmental and social risks and impacts according to WB's Performance Standards for Private Sector Projects (OP/BP 4.03). The Land Bank was required to manage the environmental and social risks of the supported activities consistent with the OP/BP 4.03 and applicable national environmental and social laws and regulations. On the other hand, the PFIs were also responsible from screening loan applications for environmental and social risks and impacts and manage the risks and impacts in a manner consistent with the procedures stipulated in the ESMS. According to the ICR, the Land Bank was to put in place an ESMS compliant with the WB's performance standards. However, Land Bank's upgraded ESMS was approved by the WB only in 2018, while delaying the first disbursement significantly. Although this process took longer than anticipated it contributed to development of an updated ESMS policy, establishment of a qualified E&S team at the Land Bank. The two sub-loans under the direct lending window were approved in compliance with Land Bank's ESMS system (ICR, p.20). As for the PFIs, the Land Bank conducted a gap analysis to assess environmental and social risk management capacities of the five PFIs. The analysis showed that such capacities and structures were in general absent and needed to be established. During implementation, no PFI ESMSs were approved and no wholesale lending was disbursed.

b. Fiduciary Compliance

During implementation, the application of the project financial management reporting was consistent with the fiduciary compliance protocols. Land Bank's accounting system provided required reports for monitoring the financial performance of the project. The annual financial reports were audited by the Auditor General in accordance with international standards on auditing and were submitted to the World Bank in a timely manner.

c. Unintended impacts (Positive or Negative)

None.

d. Other

None.

11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Highly Unsatisfactory	Highly Unsatisfactory	
Bank Performance	Moderately Unsatisfactory	Moderately Unsatisfactory	
Quality of M&E	Modest	Modest	
Quality of ICR	---	High	

12. Lessons

The following are lessons learned from the ICR (paragraphs 62 to 67) with some paraphrasing:

- **Projects with line of credits would benefit from having components that cover technical assistance and operating expenses to support implementation of new products offered by the credit line as well as the implementation of the project.** In the case of the project, no resources were allocated to support the implementation of Land Bank's new strategy and products, although the WB offered to include such funding in the project. This would have helped help with better implementation of the project. These funds would have also supported the capacity building in the field of ESMS systems in the PFIs.
- **For projects that support DFIs, addressing the legal and institutional shortcomings associated with DFI supervision before project approval, can help mitigating key risks during implementation.** The project preparation team identified supervision weakness for Land Bank, however the project commenced before addressing these gaps. If the necessary measures were introduced such as, oversight of national DFIs by the National Treasury's financial sector policy division in the short term and in the medium-term the South African Reserve Bank taking on the role of prudential supervision of these entities, the financial problems that the Land Bank had encountered could have been diagnosed in advance.
- **Replacing subsidized lending instruments with full cost recovery ones requires a through market analysis at project design to help assess the real demand for these products without subsidy and to include effective financing structures for other associated advisory services.** In the case of the project, when the Land Bank decided to replace the subsidized lending product with the one on commercial terms, it faced challenges in generating sufficient demand from financial intermediaries. The subsidized lending was indirectly financing the cost of providing agricultural advisory and market access services via using a grant from the Department of Agriculture, Forestry and Fisheries. However, it was not considered how these services would be provided if there was no subsidy. At appraisal a thorough analysis, which would assess the consequences of such change in the lending structure, could improve project design.
- **Design and implementation of credit lines focusing on specific sectors can be improved by involving TTLs from both the relevant sector as well as Finance, Competitiveness and Innovation GP**. During the design stage, having a co-TTL from the Agriculture GP may have helped avoid some of the shortcomings that negatively impacted

the project implementation. The ICR comments that a similar approach on the Borrower's side by involving the Department of Agriculture, Forestry and Fisheries in the project implementation arrangements and benefitting from its guidance may also have helped address some of the challenges the project faced in scaling up financing, particularly under the wholesale window.

13. Assessment Recommended?

No

14. Comments on Quality of ICR

The ICR is high quality. It provides a detailed overview of the project. It is candid in explaining the issues encountered at design and implementation phases. The report is concise and follows the guidelines. It is internally consistent and there is a logical linking of the various parts of the report (i.e., efficacy with bank performance and efficiency). The report follows the Bank guidance with regards to the ratings and adequately describes the reasons. The ICR is to be especially commented for openly discussing the reasons with impeded the performance and implementation of the project. Although the main driver for the PDO not being achieved was Land Bank's default to commercial lenders, the ICR goes beyond this and clearly articulates on factors related to project design and bank performance while drawing useful lessons out of these. The discussion in the Lessons and Recommendations section are clear, useful, and based on the evidence outlined in the ICR. However, they are more in the form of findings and recommendations rather than lessons, but overall, the ICR is a very sound document.

a. Quality of ICR Rating

High