



1. Project Data:		Date Posted : 08/08/2002	
PROJ ID: P008556		Appraisal	Actual
Project Name: Agric I	Project Costs (US\$M)	18.5	12.9
Country: Moldova	Loan/Credit (US\$M)	10.0	9.8
Sector(s): Board: RDV - Agro-industry (87%), Central government administration (13%)	Cofinancing (US\$M)		
L/C Number: L4011; LP270			
	Board Approval (FY)		96
Partners involved :	Closing Date	12/31/2001	12/31/2001
Prepared by :	Reviewed by :	Group Manager :	Group:
John English	Christopher D. Gerrard	Alain A. Barbu	OEDST
2. Project Objectives and Components			
a. Objectives			
[Note: This project was an agricultural research and not an extension operation .]			
The objectives of the project were to :			
<ul style="list-style-type: none"> • upgrade and improve the effectiveness of key agricultural research programs, focusing on priority export crops and products; • strengthening institutions in priority areas (the agricultural knowledge system; product quality regulatory system; and management in the post-privatized agro-processing sector); • develop capacity to prepare sector investments and develop sector policy; and • develop project management and implementation capacity for the agricultural investment program . 			
b. Components			
The project had four components, with several subcomponents, involving nine research institutes, twelve farms, two ministries, and a project implementation Unit (PIU), which managed day-to-day operations.			
<ol style="list-style-type: none"> 1. <i>Agro-technology Development and Transfer</i> (US\$13.2 million - 87% of project costs) <ul style="list-style-type: none"> - Viticulture improvement (US\$8.7 million) - Horticulture improvement (US\$3.5 million) - Animal breeding (US\$0.4million) - Integrated pest management (US\$0.7 million). 2. <i>Institutional Strengthening</i> (US\$ 1.0 million - 7% of project costs) 3. <i>Project Preparation and Policy Development</i> (US\$ 0.3 million - 2% of project costs) 4. <i>Project Management</i> (US\$ 0.7 million - 4% of project costs) 			
c. Comments on Project Cost, Financing and Dates			
During project implementation the Lei was devalued by over 300%, resulting in a sharp decline in local costs below appraisal estimates. As a result, total cost at completion was US\$ 12.9 million.			
3. Achievement of Relevant Objectives:			
<p><i>Research</i> Nine research institutes were selected and received goods (such as testing, laboratory, processing and quality control equipment) and key staff at these institutes participated in external study tours and training . The project did not, however, have a significant impact on upgrading and improving research programs . Five of the institutes are struggling to survive, the wine institute (the major beneficiary) was officially declared bankrupt in late 2001, and only two have a reasonable chance of being viable by shifting focus towards commercial activities rather than the original research mandates.</p> <p><i>Institutional strengthening</i> The project supported a series of study tours linked to the work of a working group on the structure of agricultural research in Moldova . As a result of their report the number of institutes was reduced from 18 to 13 and some overlap reduced.</p> <p><i>Project preparation and policy development.</i> This was a minor component and overlapped with activities funded by other projects.</p> <p><i>Project management.</i> In an environment where there were several changes of government, minister etc . during</p>			

project implementation, the creation of the PIU, which had one director and senior staff throughout, was a major factor in enabling the project to function effectively and to at least partially achieve its objectives .

4. Significant Outcomes/Impacts:

Research. As a part of the research support, the project provided Moldova's first importation of virus -free, genetically superior rootstock for grapes and fruits . The gene bank for grapes has been upgraded with 75 new varieties and 116 clones from Italy, France, and Germany . These, and the fruit varieties, are still in the experimental stage and commercial application will not start until at least 2005. Farms that received the genetically superior rootstocks, many of them under new private ownership, show promising improvement and a commitment to maintain and replicate the rootstocks for commercial applications . Once commercial application begins, and as the plantings mature, Moldova should see a large increase in the production of grapes and fruits of international quality, significantly increasing its export potential .

Institutional Strengthening. Most of the specialists and technicians that gained knowledge, training and expertise are engaged in research, operation of nurseries, or commercial farming and thus will continue to contribute to regenerating growth of the high value fruit and wine subsectors .

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

As part of the research support, the project financed turn key bottling lines (for wine) and a fruit processing line, costing in total about US\$4.6 million, or more than a third of the cost of the component . In neither case was the facility effectively utilized . Capacity utilization has been low, the processing facilities have only generated limited revenues, and they have not contributed to any meaningful research results .

Other elements of the project also created capacity that is now greatly underutilized . The demand for improved semen from the Animal Breeding Research Institutute is very low, and the pre -existing equipment would have been quite adequate . Similarly, with reduced use of pesticides, much of the diagnostic equipment for testing the quality of pesticides and the level of chemical residues is now superfluous .

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
Outcome:	Unsatisfactory	Moderately Unsatisfactory	While the project achieved only some of its relevant objectives, the development benefits are expected to be significant and not just minor.
Institutional Dev .:	Modest	Modest	
Sustainability:	Likely	Unlikely	There appear to be significant doubts about the future viability of the major entities assisted by the project. Major restructuring of these entities appears to be necessary, together with long-term arrangements for financing agricultural research, if the long-term benefits anticipated from the project are to be fully realized.
Bank Performance:	Unsatisfactory	Unsatisfactory	Aspects of the project (particularly the bottling and food processing facilities) were clearly oversized.
Borrower Perf .:	Satisfactory	Satisfactory	The text of the ICR rated borrower performance as only marginally satisfactory.
Quality of ICR:		Satisfactory	

NOTE: ICR rating values flagged with '*' don't comply with OP/BP 13.55, but are listed for completeness.

7. Lessons of Broad Applicability:

Moldova was a relatively new borrower that was not familiar with Bank operations and requirements, while Bank country knowledge was limited . Under such conditions an operation along the lines of the currently available LILs, or a flexible project design with built-in opportunities for project restructuring would have been more appropriate .

The ICR notes two lessons that have broad applicability :

- Initiating investment projects in an unstable environment is risky, particularly when support is given to state-owned entities where major restructuring is looming .
- High-quality state-of-the-art equipment given to non-reformed institutions in the public sector does not necessarily improve their overall effectiveness .

8. Assessment Recommended? Yes No

Why?

An audit is recommended as a part of an overall review of the strategy adopted by the Bank towards the agricultural sector of the former socialist countries, perhaps covering several of the smaller countries that had been republics of the former Soviet Union. In this case the collapse of Moldova's principal export market, in Russia, fundamentally altered the outlook for the agricultural sector. One issue for study is whether the extensive economic and sector work carried out on the country paid adequate attention to this possibility and to the comparative advantage of Moldovan agriculture in a global context.

9. Comments on Quality of ICR:

The ICR is fully satisfactory.