

Republic of Azerbaijan

Rural Development Project for the North-West (RDPNW)

Mid-Term Review Report

Main Report and Appendices

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Near East North Africa and Europe Division
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THE REPUBLIC OF AZERBAIJAN

Rural Development Project for the North West - RDPNW

IFAD Loan No. 745-AZ

Mid-Term Review Mission: 18 June –June 30 2012

A. Introduction¹

1. An IFAD Mid Term Review mission visited Azerbaijan from 18 June to 30 June 2012 to carry out the Mid-Term Review of project implementation (RDPNW- IFAD Loan No. 745-AZ) financed by the Government of Azerbaijan and IFAD. The Mission met with the Minister of Agriculture and his staff, State Agency for Agricultural Credits (SAAC), the Project Management Unit (PMU), including Participatory Irrigation Management (PIM) Group and the Regional Project Coordination Center (RCC) and staff of the Ministry of Finance and staff of Ministry of Economic Development. The mission reviewed the implementation progress and discussed opportunities and activities to further enhance Project implementation for the remaining part of 2012 and beyond. Joint field visits (PMU and IFAD) were undertaken to the Agstafa, Gazakh, Tovuz from 20 June to 24 June, where the mission met with Project stakeholders and clients.

2. This Aide Mémoire reflects the mission's main findings and recommendations, and records the agreements reached with concerned authorities. The key issues and recommendations were discussed and agreed at a Wrap Up meeting in Baku on June 29 2012, chaired by Mr. Famil Rustamov, Acting Director of SAAC. This document is subject to confirmation by IFAD Management. The mission expresses its appreciation for the cooperation and hospitality extended by Government Authorities.

3. The RDPNW became effective on 13 January 2009, and constitutes an investment of USD 32.33 million, of which the IFAD loan amounts to ca. USD 17.2 million (SDR 10,850,000) or 53.2% of total project cost, a contribution by the Government of USD 13.01 million (40.2% of total costs); participating financial institutions 0.5 million (1.5% of costs); and beneficiaries' contribution equivalent to USD 1.62 million or 5% of total project costs. The Project, scheduled for completion in March 2014, has been operational for 42 months or 66% of its 63-month implementation period. As of 30 June 2012, IFAD loan disbursement amounts to SDR 4.99 million, accounting for 46.04% disbursement of the IFAD loan amount of SDR 10.85 million. In terms of implementation maturity the disbursement factor is 0.71, indicating that financial performance is behind schedule. The Project was supervised twice: in May 2010 and October 2011.

4. The key objectives of the Project are: i) some 37,000 households in about 42 WUAs/irrigated lowland village clusters obtain increased crop and livestock outputs and incomes from an enhanced, reliable irrigation water supply from a rehabilitated infrastructure and an effective operation, maintenance and management regime; ii) some 7 500 households in 23 upland and rain-fed lowland village clusters in pockets of poverty in irrigated lowland villages achieve higher farming outputs and incomes through delivery of advisory, technology transfer, financial and enterprise support services; and iii) the capability and self-reliance of communities are

¹ The IFAD Mission consisted of Mr. Abdelkarim Sma, IFAD Country Program Manager and Mission Leader, Ms. Dina Saleh, NEN Portfolio Advisor joined from June 28 to July 1, 2002, Ms. Denisa Butnaru, Portfolio Management Specialist, and Ms. Stefania Gnoato, Implementation Support Specialist, Ms. Nedret Okan, Agronomist and Team Leader, Mr. Aziz Tabet, Irrigation Engineer and Water Management Specialist, Mr. Cüneyt Okan Rural Development Specialist.

strengthened to enable them to better look after their own affairs and to plan and execute their own future development activities.

B. Overall Assessment of Project Implementation Progress

5. In view of the delays in recruitment of RCC staff, procurement of irrigation rehabilitation work and field vehicles, the engagement of Water Users' Association, the project implementation is lagging behind schedule. The overall progress in project implementation performance is **moderately satisfactory**. If the recommendations of the MTR Mission are implemented as agreed, RDPNW will be on a satisfactory track for the remaining part of 2012 and well positioned for a serious leap forward in 2013. This requires frequent visits by the PMU management to the Project area and close interaction with the RCC. The mission assessed that the Ministerial clearance process is currently time consuming and impedes efficient management oversight. The project would greatly benefit from emulation of the streamlined modalities applied to other international donor funded projects.

6. Component 1. Irrigation Rehabilitation and Participatory Irrigation Management has two Sub-components: 1.1. Support and Development of WUAs and 1.2. Rehabilitation Works. Activities so far comprised of (i) the amalgamation of the 42 existing WUAs into 19 bigger ones and their re-registration under the Law on Amelioration and Irrigation, including relative institutional adjustments to their structures, and (ii) the preparation of the engineering designs and tender documents for the rehabilitation of the on-farm irrigation systems in the Project area.

7. The overall component implementation is far behind schedule, mainly due to the discussions within the PSC with regard to: i) the revision of the component scope and cost in light with the results of the engineering detail design and ii) procurement procedures for the rehabilitation work and therefore, could be assessed as **moderately unsatisfactory**. The design study covered, for technical and social reasons, the whole command area of the 19 WUAs irrigation systems that is in need for rehabilitation and estimated to be about 60,700 hectares while the Terms of Reference of the design study contract refer only to 30,000 hectares. The total cost for the rehabilitation of the whole command area reaches AZN 77 million (about USD 96 million) that is beyond the budget allocated in the Project.

8. During field visits, the mission noticed that after the intense awareness campaign and sensitisation organized by the Project at its start, a feeling of disillusion is spreading among farmers and local stakeholders. This constitutes a major risk regarding the achievement of the component development objectives.

9. Recently, the Government (MOA/SAAC/Project Steering Committee-PSC) took the initiative to accelerate the process by providing additional funds and by hiring a contractor, through an "exceptional" national procurement procedure, to start with the rehabilitation works of on-farm irrigation systems of 9 WUAs covering an area of about 29,266 hectares representing about 50% of the total command area, for a total cost of AZN 41.18 million (about USD 51.5million) (about USD 1,700/ha). This initiative will certainly renew the trust that has been long lost between the Project and the concerned stakeholders. According to the PMU/PIM Group, the selection of the 9 irrigation schemes was mainly based on the search of a balanced distribution between the three concerned Rayons of the Project area (three in each District) and a combination that has ended up with a total area of about 30,000 hectares in line with the instructions given by the SAAC/PSC.

10. The mission discussed the design parameters with the PIM Group and the Consulting Firm engineer and visited most of the irrigation systems. It appears that the entire irrigation system network of the total command area is in poor conditions with high water losses that is the result of lack of maintenance of part of

the system during more than two decades. Most of farmers complained that they barely receive 50% of the water requested because of the low efficiency of the system and not on a timely manner.

11. With regard to the design of the rehabilitation and the upgrading of the performance of the system in terms of efficiency, the level of the standard adopted by the recruited Consulting Firm responds to common norms. During its investigation, the mission did not come through any major issue regarding the soundness of the technical aspects of the design neither in the geographic coverage of the 9 WUAs selected by the PMU/PIM Group. However while the design may be considered appropriate, it does not seem to be cost effective. In this regard, the mission expressed its concern with reference to:

- *Assurance of present and future water supply at farm boundary.* The existing storage reservoirs and the current construction of a new storage reservoir in Tovuz river as well as the interconnection that exist between irrigation systems through the main distribution system of Aghstafa main canal left and right bank will ensure water resources availability for almost all the 9 WUAs selected assuming favourable runoff from rivers upstream watersheds. However, the improvement of the global efficiency of the whole system would necessitate additional investments in the rehabilitation of off-farm irrigation system mainly primary and secondary canals that are being operated and maintained by Azerbaijan Amelioration of Water Farm Company (AAWFC, ex SAIC). The Project has however taken some of these canals into consideration for rehabilitation (about 10% of the overall estimated rehabilitation cost).
- *Rehabilitation Unit Costs.* According to the Bill of Quantities elaborated by the consulting firm, the average cost of rehabilitation works of the nine WUAs is about AZN 1,400/ha (about USD 1,700/ha), which the mission considers 20 to 30% higher than the common agreed figures from other projects related to investments for on-farm rehabilitation². This higher unit cost could be justified by the difficult natural topographical conditions in the project area and also by the inclusion in the cost, the rehabilitation of part of the off-farm canals that is necessary for water distribution improvement in the targeted WUAs. Nevertheless, the unit cost could have been significantly lowered if economic return considerations were taken into account as well as technical once.

12. After careful review, the mission's assessment that the coverage of the entire project command area of 60,000 hectares is justified. However, the above-mentioned aspects regarding delimitations between *off-farm* and *on-farm* space of interventions as well as those related to mission's findings about the unit cost should be taken into consideration by the Government to ensure smooth and cost-effective rehabilitation .

13. Component 2. Agricultural and Community Development includes 4 sub-components: 2.1. Support and Development of Farmer Community Groups; 2.2. Critical Social Infrastructure Improvement; 2.3) Technology Demonstration and Transfer and 2.4. Input Supply and Marketing Facilitation. Activities so far comprised of: i); establishment of 23 Village Clusters and appointment of 26 community focal points (CFPs); ii) conducting awareness activities in 80 villages; iii) formation of 45 Interest Groups (493 member farmers, 23% being women) and 83 Credit Groups (316 members, 39% being women) by the CFP; iv) preparation of 49 Village Development Plans (VDPs) out of 68, v) identification of 53 critical social infrastructure (CSIs) in a participatory manner; vi) completing all the procedures for the construction of 15 CSI out of the 53 in 2012; vii) Activity Managers (AMs)

² In particular, the new World Bank financed WUAsDP and the IRDP project co-financed by IsDB and IFAD.

overseeing and coordinating the agricultural activities in the field; viii) 4 veterinary units servicing livestock owners in animal health and artificial insemination; and ix) conducting a modest demonstration program.

14. This component is also lagging behind schedule mainly due to the recruitment of the RCC staff, providing mobility to them and lengthy procedures to start the constructions of CSIs. Therefore implementation performance is assessed **as moderately satisfactory**.

15. Component 3. Financial Services and Enterprise Promotion has 2 sub-components: 3.1. Micro-finance, and 3.2. Agribusiness and Enterprise Development. Activities so far includes the following: i) signing of a tripartite Subsidiary Loan Agreement (SLA) between the NBFI (AgrarKredit and MadadCredit) and the, the MOF and SAAC in 2010 for a period of 30 months that enabled them to borrow project funds at 2% interest rate and on-lend to sub-borrowers at 15% interest rate; ii) extending both group and individual loans to people in 40% of the villages in the Project area of which 27% are situated in the upland areas. The overall component performance is **moderately satisfactory**.

16. As of 12 June 2012, an aggregate amount of USD 2.95 million (73.89% of IFAD total allocation for the credit line) has been disbursed. A total of 1,333 working capital loans (67 individual loans for a total of USD 742,974 and 1,266 borrower group loans for a total of USD 4,019,217-including NBFI contribution) were extended to some 4,313 beneficiaries of whom 18% (218 borrower groups) were second-time borrowers. Women, given their limited access to household assets ownership, are only granted access to group loans where they reached a remarkable 71.4% ratio. The average loan size for individual loan is AZN 8,679 (USD 10,849)³ with an average maturity of 28 months; for group loans it is AZN 628 (USD785) with a fixed maturity of 12 months respectively. The repayment rate for both interest and capital is 100% for AgrarKredit, and 99.8% for MadadCredit. Credit demand has increased significantly over project implementation.

17. As stipulated in the SLAs, NBFIs deposit principle borrowers' payments into a Revolving Fund managed by the PMU to provide loans to project beneficiaries using the same conditions established under the SLAs. As of 12 June 2012, the reflows into the revolving fund amounted to USD 1.14 million.

18. The majority of loans, 965 (72%) financed livestock production (cattle and sheep fattening), 197 (14.2 %) vegetable production, and 146 (14.5%) field crop production.

19. Component 4. Project Coordination and Implementation: All of the envisaged elements of project management are in place with the PMU and RCC almost fully staffed but the functional aspects of these elements remain underdeveloped and **moderately satisfactory**. Implementation progress, particularly for C1 and to an extent C2 are considerably behind schedule.

20. Flow of funds delays due to accuracy issues in the preparation of the AWPBs have reflected into implementation as processing delays that have cascaded into lack of vehicles, delayed salaries for some field elements including the RCC and general loss of face in front of the beneficiaries where the promised critical infrastructure investments under C.2 could not start. The situation, requiring rapid remedial action, has been improved after intensive consultations and concurrence with the mission regarding the nature of the delays and above impacts, resulting in immediate release of funds for long-pending and urgent matters. Working closely with project management, the mission has developed streamlining options that are presented in the Conclusions section of this Aide Memoire.

³ 1 AZN=1.25 USD

21. Overall, the mission has agreed with project management at both the PMU and RCC that more technical support in the form of "Implementation Support Missions" will be provided. It was agreed that the quality of M&E, given its role in the AWPB process, and the lack of vehicles would be addressed as a matter of priority in order not to miss the working season of 2012.

22. Key issues and recommendations to be addressed are outlined throughout this Aide Memoire.

C. Outputs and Outcomes, by Component

Component 1-Irrigation Rehabilitation and Participatory Irrigation Management

Sub-component 1.1. Support and Development of WUAs

23. **Institutional Support.** At the start of the project implementation, an awareness and sensitization campaign has been conducted in order to disclose the objectives of the project and the re-registration of existing water user associations under the amended Law of Amelioration and Irrigation (LAI, 2004). The project has achieved the planned process of amalgamation of the former 42 small Water User Associations, established during the period before 2004 on the basis of villages grouping into 19 new WUAs based on geographic common shared irrigation system (hydraulic boundaries). The Project supported the legal re-registering procedures including the acquirement of certificates that have been delivered by the Ministry of Justice.

24. **Progress toward support to WUAs.** Project support to WUAs started only during 2010 AWPB and continued mainly during 2011. Activities planned to be launched during AWPB 2012 have not yet been started.

- (i) **Equipment of WUA Offices.** The Project has provided to the 19 WUAs rented or refurbished offices with equipment, computer, fax/telephone, and printer, furniture (tables, filing cabinets, chairs, and cupboards) and installed the financial system software and appropriate accounting documents. The mission considers while this action has given a sense of physical concrete existence to WUAs the arrangement of offices renting is temporary and do not guarantee the long-term durability of the entity. Consideration should be given by the Project to assist those WUAs that would be interested to own by purchasing or building offices through an agreed cost sharing mechanism.
- (ii) **Training support.** Mission's discussion with most of the WUAs chairmen showed that the training provided regarding the positions and functions of the governing bodies, obligation and rights of members, rules and modalities for the use of water and other assets of WUA remaining insufficient. It was agreed during the last supervision mission that the training sessions will be repeated /extended. The identified limitations are of administrative, financial, technical and regulatory nature. The high inter-relation that exists between these aspects would necessitate the organization of multidisciplinary training sessions were all the issues are covered. Beside this, knowing that each WUA has its specificities, the mission considers that specific and adapted on-the-job training sessions should be organized.
- (iii) **Maintenance Equipment and transportation:** During field visit, WUA chairmen met by the mission expressed the urgent need that the Project

to provide them with earth moving machinery to be used for on-farm irrigation scheme rehabilitation and maintenance particularly tertiary and quaternary canals. The type and number of machines and equipment needed would be assessed for each WUA according to its specificities.

The mission noticed during field visits that the Irrigation Engineer of RCC, the Executive Directors and Field Agents of WUAs do not have transportation means for frequent visits to operate the irrigation system. One vehicle to RCC Engineer and motorcycles would be provided by the Project to the first 9 WUAs on a cost sharing agreed arrangement.

- (iv) WUAs Operation and Maintenance Recurrent Costs. As of June 2011, the Project started financing recurrent WUA costs including the salaries of WUAs staff and other recurrent expenditure. According to the Project Design Documents (PDD) this support will be pursued on a declining scale for three years, with the WUA covering the remaining proportion of costs from the water charges paid by the membership. However, Project future payments to WUAs should be based on an assessment of the quality of account recording, water charges recovery rate, quality of budget elaboration, and acceptable annual account closure balance sheet. Of the 10 WUAs visited by the mission, none has an acceptable accounting filing. As the previous supervision mission recommended, it is highly required that the PMU exercises a closer view on WUA expenditure and helps them prepare realistic annual business plans by calculating carefully their operational costs. Since the rehabilitation of the irrigation system has not yet occurred and in view of the lack of capacity, it seems premature to ask WUAs to prepare by themselves, medium-term development plans and annual business plans.

25. Overall, it is the mission opinion that with regard to the legal, institutional and financial implications of the Government reform regarding the nation-wide devolution of on-farm irrigation management responsibility to WUAs, a transitory period is required to adapt the existing and longstanding behaviours to the new arrangements. In this regard, an important effort is needed to be deployed by the PMU in collaboration with AAWF JSC in the three concerned Rayons to ensure a smooth, gradual and sustainable transfer of on-farm irrigation systems once rehabilitated to WUAs according to the terms and conditions of the Law on Amelioration and Irrigation (LAI). In particular modalities and conditions need to be worked out and convened with all the concerned parties: e.g. WUAs, AAWFC Regional Irrigation Departments, Local Executive Power and PMU.

Sub-component 1.2. Irrigation System Rehabilitation

26. Design of Irrigation Rehabilitation Works: Following a competitive process, the design, tender documents and supervision for the rehabilitation of the on-farm irrigation and drainage systems were awarded to a private engineering consulting firm.

27. The engineering designs and bidding documents with tender drawings have been completed for all the 19 irrigation systems considered under the responsibility of the established WUAs. All the drawings and bill of quantities were reviewed by a dedicated Committee of the State Agency for the Construction Supervision of the Ministry of Emergency that was established for this purpose.

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28. Construction of rehabilitation works. As mentioned above, the MOA/SAAC/PSC with agreement of all the Government concerned institutions has awarded the construction contract of a first batch of WUAs covering an area of 29,622 ha to a private company through a direct contracting procedure. Construction control and supervision will be performed by 'Kamala-A' engineering firm and the PIM Group engineers. The mission has been informed that the quality of the construction works will be as well checked also by engineers of the State Agency for the Construction Supervision of the Ministry of Emergency.

29. With regard to the remaining 31,000 ha that concern 10 WUAs, additional funding from the Government are required in order to complete the rehabilitation of all the 60,700 ha command area.

Recommendation / Agreed action	Responsibility	Agreed date
Government of Azerbaijan should consider timely allocating additional counterpart funding covering the whole Project area (about 60.000 ha) to ensure uniform support to the total 19 WUAs. This would justify continuing and enhancing IFAD support to the strengthening of the whole WUAs.	Ministry of Finance, Ministry of Economic Development and PSC	As soon as possible
SAAC/PSC would convene with AAWFC Management through an exchange of letters for organizing meetings between the PMU/PIM Group and the AAWFC Regional Irrigation Departments of Ghazakh, Aghstafa, and Tovuz to agree on the delineation of the hydraulic boundaries of WUAs and on the program of construction works. A letter should be sent by SAAC/PSC to AAWFC for this purpose.	SAAC/PSC and PMU	As soon as possible
Consultation between RCC and AAWFC-RID should start in each Rayon to discuss the modalities under which medium-term (10 years) legal agreements with WUAs for water delivery and water fee collection will be concluded. The agreement will be signed once the rehabilitation is completed in each WUA.	PMU/SAAC/PSC	As soon as possible
The PMU provide assistance to WUAs in the elaboration of an annual work plan and budgets on which to base calculations of expenditure and income, including prices of water and of equipment services to users, training needs, and other. In this context, WUAs should be assisted to calculate carefully their operating cost and increase efforts to recover fully water charges to achieve coverage of recurrent costs.	PMU/RCC	Before end December 2012
An assessment analysis for WUA needs of type of equipment that will be financed by the Government and modalities for its handing over will be conducted and specifications and tender document elaborated by the PIM Group	RCC/ PMU	Before end December 2012
The Project would assist those WUAs that would be interested to own by purchasing or building offices through agreed cost sharing mechanism based on 70% from the Project and 30% from the WUAs.	PMU /RCC	As soon as rehabilitation will start

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Within the WUA training program, PMU is encouraged to involve the staff of the 6 WUAs under the North East Development Project (NDP). Study tours should be offered to officers and members of the WUAs to be exposed to successful similar organizations and operations.	PMU/RCC	As soon as possible
Study tours for PMU management and PIM Group engineers should be organized to a country where mature WUAs have developed, such as Tunisia and Spain.	PMU/RCC	During 2013 AWPB

Component 2-Agricultural and Community Development

Sub-component 2.1. Support and Development of Farmer and Community Groups

30. **Village Development Plans (VDPs).** To date, 49 VDPs were prepared by an NGO (IIALD for Shamkir, Gazakh and Agstafa rayons) and a company (Agroideya for Tovuz rayon) that were contracted for 12 months. The last 6 of these were for Shamkir rayon and prepared using the new format provided by the previous supervision mission. In these VDPs, the process is well described, number of participants for problem identification meetings is given and the priorities are clearly reported for agriculture and social infrastructure that can attract local and foreign financing. In 2012, 19 more VDPs need to be prepared. However, no service providers to assist rural communities in the preparation of these have been contracted yet

31. **Village Clusters and Community Focal Points (CFPs).** To date, 23 Village Clusters were established. Almost all of the clusters comprised of 3 villages except those 2 in Gazakh that have only 2 villages. The CFPs that are appointed on an annual contracted basis reside in one of the cluster villages and were provided with some initial training, office space with basic furniture, and computer and printer and some office supplies. However, many of the offices urgently need rehabilitation. Based on the recommendations of the previous supervision mission, payments were made to cover 2011 operational costs. The CFPs are the cutting edge of the Project work in villages. Mission's meeting with 23 CFPs at RCC, visiting several villages and contacting community members, beneficiaries and local administrations revealed that the CFPs have good rapport with the stakeholders and carry the pride of doing something for their community. Although it was not envisaged to provide vehicles for them, they still manage to visit each village in their clusters 2-3 times per week.

32. **Group formation.** To date, CFPs mobilized about 800 persons to form Interest Groups (IGs) and Credit Groups (CGs) and organize mechanisms and operations for group support. As a result of such efforts 45 IGs and 83 CGs were established. The majority of the IGs in the three rayons (Gazakh, Tovuz, Shamkir) are interested in improving the wheat and barley yields. In Agstafa, about half of the groups focused on alfalfa production. Fruit production is a popular area in all rayons that is found promising.

33. The majority of the CGs received the loans for livestock. This is followed by those for vegetables, potato and alfalfa production. It appeared to be that these loans were used as working capital mostly to buy seed, feed and in some cases livestock.

Sub-component 2.2. Critical Infrastructure Improvement

34. This Sub-component depends on the preparation of the VDPs. Once a VDP indicates the priority social infrastructure, then a long and complex bureaucratic process starts to conduct the feasibility study, cost estimate calculations, designing and getting necessary permissions from various government agencies. The number of VDPs prepared in 2010 and 11 were 23 and 26, respectively. With the addition of some urgent request from some of the Project villages, the number of critical social infrastructure (CSIs) identified in a participatory manner reached 26 and 27, respectively. In 2010, the construction program was severely delayed; in the planned CSIs (15 +11 if the remaining internal procedures could be completed) will be constructed in the second half of 2012. However, the procedures have to be completed as soon as possible not to miss the construction season. It should be noted that particularly in upland villages, the season ends around mid-October.

35. Until the end of Project, 17 more CSIs (2 CSIs have been already included in the previous packages due to their urgency) will be identified as soon as the remaining 19 VDPs are completed in 2012.

36. Field visit indicated that the communities are very keen for the CSIs that they identified and frustrated with the on-going delays. The delays are also affecting the motivation and the image of the RCC and the CFPs, significantly. The mission would like to recommend to re-allocate necessary funds from the Project budget in order to construct all 70 CSIs.

Sub-component 2.3. Technology Demonstration and Transfer

37. **Expanded Scope.** To date, this Sub-component has been implemented only in upland-rainfed villages in line with the Appraisal document. However, there are number of production problems need to be addressed also in lowland-irrigated areas. Because of these problems, the wealth creation and trickle-down effect aimed at increasing productivity and thus alleviating poverty in irrigated areas through improvements in irrigation is not happening as expected. It is recommended that all activities supporting agricultural production under this sub-component be provided also to the farmers in lowland-irrigated villages. The WUAs will nominate one of their staff members to act as "contact point" for the RCC and AM for such activities (e.g. demonstrations and training).

38. In the implementation of this sub-component, technical criteria have been inconsistently applied in providing the inputs (seed, fertilizer, pesticides etc) careful monitoring was not done and results were not recorded. The activities only provided some inputs to poor farmers on a one-time-basis without achieving an impact on the respective production areas of the farming community. However, in line with the recommendations of the previous supervision mission, The MTR mission noticed that both the PMU and the RCC staff, CSIs and AMs improved their approaches and has already started to apply them in the field.

39. The Technical Service Providers did not present any added value in technology transfer and demonstration activities and there were obvious duplications of their contributions and those of the AMs. Therefore, the mission recommends that the PMU and the RCC cancel all such positions. However, the mission observed that only in the case of the veterinarians (5) operating in 4 rayons, such support benefited the livestock owners and these veterinarians should remain contracted. To improve the quality of artificial insemination (a.i) and restore the farmers' confidence in this activity, there is a need to use high quality semen by the Project-supported veterinarians.

Sub-Component 2.4. Input Supply and Marketing Facilitation

40. The mission has concluded both from the field visit as well as discussions with the beneficiaries and PMU Community Development Specialist that such subcomponent has not demonstrated any impact. It is recommended that the funds allocated for activities foreseen for this subcomponent be used for those others with proven impact such as early warning system for orchards that would significantly reduce the pesticide use or farmer exposure visits to successful farms, cooperatives, private companies, big city markets, agro-processing enterprises will be organized/conducted by the PMU for farmers. These visits will help the participating farmers to: i) interact with better farmers; ii) open up themselves to explore different ideas and broaden their understanding, iii) develop a vision for their holding.

Recommendation / Agreed action	Responsibility	Agreed date
Monitor the changes at the individual, household and community level as a result of component activities (demonstrations, farmer exposure visits, training)	PMU, CFPs RCC M&E specialist	As soon as possible
Closely monitor demonstrations, activities of the IGs and their peers and record the changes in their agricultural practices and livelihood	CFGs and RCC M&E specialist	As soon as possible
Conduct farmer exposure visits successful farms, city markets, agro-processing enterprises, cooperatives and private companies etc.	PMU, RCC	Starting in Sep 2012
Make arrangements to provide high quality semen and liquid nitrogen for veterinary units to improve the performance of a.i.	PMU, RCC	As soon as possible
Make arrangements to establish "early warning system " for horticultural crops	PMU, RCC	As soon as possible
Monitor the changes at the individual, household and community level as a result of component activities (demonstrations, farmer exposure visits, training)	PMU, M&E, CFGs RCC	As soon as possible
Reallocate funds from Subcomponent 2.4 to Subcomponent 3	IFAD, MoF, SAAC	When restructuring is approved

Component 3- Financial Services and Enterprise Promotion

Sub-component 3.1. Micro-finance

41. Field visits undertaken by the mission to the rayons of Gazakh and Tovuz confirmed the appropriateness of group loans in terms of accessibility and type of product with the caveat that a longer maturity period of two years with a grace period would be more suitable and would allow lending to be diversified also towards investment rather than only working capital. The beneficiaries met also reported the presence of more competitive lenders in the area -especially for individual loans- such as Access Credit that lends at 6% interest rate with higher loan ceilings through a less lengthy process. Awareness campaigns about project opportunities are reportedly mainly done by the CFP and at times by the NBF1. Some of the loan beneficiaries met are also member of WUAs. Preliminary outcomes from project lending activities report i) an increase in herd size, ii) increased use of improved seeds, iii) expansion from backyard garden production to the fields, and iv) an increase in yields in field crop production.

Sub-component 3.2. Agri-business and Enterprise Promotion

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42. This subcomponent, to be implemented by the RCC, aims at fostering and supporting linkage, by project staff and/or the participating NBFIs or private advisers, of individual entrepreneurs or groups to sources of assistance from other projects for larger scale investment, leasing and business development service provision. The major part of the assistance shall be provided by service contractors and private advisers.

43. The budget allocation from IFAD loan proceeds estimated at appraisal for this subcomponent amounts to USD 96.00 for technical assistance i.e. for promotion of enterprise linkages and the provision of service contract for business development services.

44. Since project implementation, under this sub-component, the project has organised only one activity, i.e. a one-day regional fair that costed approximately one half of the funds allocated for this sub-component (USD 48,000) and took place last October 2011 in each of the rayons of Shamkir and Gazakh. The actual impact of these events remains highly questionable, as there was no registry of participants nor any particular outcome or benefit for the project target group.

Recommendation /Agreed action	Responsibility	Agreed date
PMU to prepare a comprehensive training plan for 2012-2013 for NBFI staff, PMU credit specialist, village focal points and credit beneficiaries to be conducted only on a need-assessment base.	IFAD/PMU	As soon as possible
Amendment of SLAs to extend validity period beyond 30 months and reflect i) additional funds availability, ii) changes in the loan terms and conditions e.g. longer maturity of 2 years for group loans, possible granting of grace period, and iii) new monthly reporting formats.	SAAC/NBFI/MOF/IFAD	As soon as possible
Amendment of the loan agreement to allocate additional funds to the credit line category, in line with resources becoming available from other components agreed re-configuration.	MOF/MOA/IFAD	As soon as possible
PMU to discontinue support to credit facilitators; operation cost support to be extended to the NBFIs only for establishment of new branches, representation offices in the project area, mainly in highland villages, upon IFAD clearance.	PMU/IFAD/NBFIs	From second semester of 2012
Project subcomponent 3.2 'Agribusiness and Enterprise Development' to be integrated under Component 2 'Agriculture and Community Development'.	Ministry of Finance and Ministry of Agriculture	At Mid Term Review

Component 4- Project Coordination and Implementation

45. **Project Steering Committee (PSC):** The PSC that was constituted on 28 November 2008 as specified in the Loan Agreement remains fully operational with 11 members. Chaired by the representative of the Cabinet of Ministers, it comprises three representatives from the Ministry of Economic Development and one representative each from SAAC, SAIC, Ministry of Finance, Central Bank, the State Committee on Women, Child and Family Issues, the Ministry of Environment and Natural Resources, and the Director of PMU. The representation of the Ministry of Economic Development was increased from one member to three as result of a proposal Minister of Economic Development. The committee remains actively involved in the oversight of project implementation and progress and meets periodically to address planning and implementation related issues. Since the last IFAD mission of September 2011, the PSC has met 6 times in 2012: once in each

February and March and four times in April. The minutes of each meeting are kept and signed by the Chairman and all committee members. The decisions taken are subsequently followed up for necessary action by the delegated parties.

46. **Project Management Unit (PMU):** The PMU remains responsible for the overall implementation of the Project, comprising the Director and, currently, 19 other staff. Since the last mission five staff left the PMU: the Gender Specialist, one of the M&E specialists, an assistant accountant, and two drivers. Several technical service providers and consultants had been employed in Baku and the Regional Coordination Center (RCC) in Agstafa until end-2011 but their contracts have not been renewed. The PIM Group and the rest of PMU need to be better integrated.

47. **Regional Coordination Center (RCC):** The Regional Coordination Center (RCC) in Agstafa is active, with observed presence particularly in the upland rainfed villages. Ten staff comprise the Regional Coordinator, an Irrigation Engineer, a Community Development Officer, an M&E Officer, a lawyer, an office manager, an IT specialist, a secretary/operator and two drivers. The RCC is leading project implementation at the field/district level where effectiveness and efficiency is crucial to project success. It is currently effective in awareness and outreach to communities and WUAs, preparation and implementation of village development plans, engagement and training of CFPs and assisting the beneficiaries in improving their agricultural knowledge and production base though the currently nascent demonstration program. While envisaged, support from development programs other than the Project, such as the World Bank and USAID, is not possible because the programs have closed and the project activities were delayed.

48. As also emphasized by the September 2011 mission, the RCC needs to strengthen its system of communication, coordination and general information sharing between the component specialists in the field, and, between the field and the PMU. At the RCC level, the mission identified two bottlenecks in the generation and dissemination of project implementation-related information.

- (i) The mission observed that staff was allocating precious time and resources to collecting information that was only used internally at the RCC or only individually. Such data/information collection methodology used by individual staff needs to be better linked to the basic information requirements of the PMU to be effectively used in the M&E system.
- (ii) The PMU should ensure that all project-level information such as outputs, supervision reports and linked technical annexes, updating of project manuals, etc. are promptly shared with the RCC, in Azeri, as needed. While the burden of such communication improvement lies equally on the PMU and the RCC, the RCC would immediately benefit from contracting a translation service provider on a per-unit (day or text) basis. This would reduce the translation burden on the PMU and broaden the domain of information that can be directly shared between the PMU and RCC in English. The mission could not ascertain that the English and/or Azeri versions of the PIM, the last Aide Memoire's Technical Annexes were made available at the RCC.

49. Vehicle shortages at the PMU and particularly at the RCC have severely reduced project implementation capacity and thus impact. Outreach by project staff for both training and awareness activities as well as monitoring of ongoing work has been hampered amplifying the effect of the late and slow start-up. The mission noted that personal vehicles are frequently used without compensation to owners or with only the cost of fuel being covered from petty cash. Vehicle procurement delays need to be compensated by the alternative of renting the vehicles, either sedans or 4WD, on an annually contacted basis. Such remedial

steps should be taken rapidly otherwise a complete working (agriculture and construction) season will be lost in 2012.

50. The mission has concluded that only having one Irrigation Engineer at the RCC poses high risks to monitor the project activities in the 19 project-supported WUAs. The contracting of a second irrigation Engineer would benefit the RCC's project monitoring the field work and reduce pressure of supplementing the activity with PMU/PIM Group staff.

51. **Project Operations Committee (POC):** The POC remains operational and has met once since the last mission, in January 2012, under the chairmanship of the Project Regional Coordinator to review progress and develop the outline of the AWPB for 2012. Particular attention was given to participation from all stakeholder representatives ensure that the draft AWPB and overall project implementation reflect the demand-driven nature of the Project and take into account beneficiary views. The POC comprise one representative of the Head of the Executive Power in each project District, the chairpersons of the 19 WUAs earmarked to receive project support, one representative from the SAIC office in each project district and one representative from each of the two NBFIs involved in the Project. Minutes are kept for each meeting which is signed by all committee members and decisions taken are followed up for necessary action.

52. **Annual Work Plan and Budget (AWPB):** The AWPB for the year 2012 and attendant Procurement Plan were submitted with delay in early June. The mission has reviewed this and made recommendations towards improvements. Until the AWPB and Procurement plan remainder of 2012 have been formally approved, the Project will be implemented on the basis of no-objections provided by IFAD for operating costs and activities, case-by-case.

53. **Project Progress Reports:** It is the Mission's assessment that as a consequence of the broader deficiencies of the M&E system, project progress reports remain incomplete and shallow with recurrent inconsistencies in numerical data and terminology. It has also been found that the English versions of the progress reports are prepared to purely satisfy IFAD requirements, as parallel reports in Azeri of equivalent coverage could not be located. The mission would like to indicate concern that such reports of broad are not better disseminated among staff, particularly those technical ones, to enhance knowledge sharing. It is recommended that progress reports (i) are prepared in both English and Azeri and submitted timely; (ii) give an accurate interpretation of projects activities based on M&E outputs as opposed to raw data; (iii) provide in depth comparisons against targets set for the period under review by both the AWPB and Appraisal Report, including and achievements and shortcomings; and (iv) provide an indication of rate of adoption by beneficiaries, and, (v) to the extent possible, measure or give an approximation of impact to the extent available (e.g. obvious impact of interest groups on market and bulked input access). It is recommended that reports that are not based on valid and verifiable M&E data generated at the RCC and PMU should not be accepted by the PSC and POC, or other targeted consumers such as IFAD. All summary reporting (AWPB and Annual Progress Reports) should be prepared in Azeri and English to optimize participation, envisaged management ownership, and communication between and among implementation partners.

54. The mission would like to underline its satisfaction in discovering that the NBFIs collect a wealth of comprehensive data and information through the beneficiaries' applications for credit. Unfortunately, such data does not appear in the more generalized and cumulative monthly reports submitted to the PMU credit specialist nor in the M&E-generated reports. These include e.g. collateral, average individual loan maturity, average individual and group loan size, gender ratio.

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Recommendations / Agreed actions	Responsibility	Agreed date
The existing PMU M&E capacity in place should be supported through the recruitment of a new M&E specialist based on well defined TOR and involvement of IFAD in the selection process.	PMU/IFAD	By Oct 2012
Contract additional Irrigation Engineer for RCC	PMU	By Sep 2012
Contract translation service provider part-time at RCC	RCC	By Sep 2012
Rent two 4WD vehicles and one sedan for RCC	RCC	By Aug 2012
Rent one sedan and one 4WD for PMU	PMU	By Aug 2012
The AWBP process, including the underpinning Annual Progress Report(s) of the previous year(s) should ensure inputs from all project staff and be produced in parallel in Azeri and English	PMU and RCC	By Oct 2012
A single set of formats should be developed and used for data collection and information reporting at the RCC and PMU (harmonization)	PMU	By Oct 2012
Include the above additional information in the form of aggregated data in their monthly reports, as well as number of rejected applications and number of active borrowers in highland villages.	NFBIs	By Oct 2012
The effectiveness of targeting requires periodic monitoring that would be undertaken with simple household surveys conducted by the CFPs and through the WUAs management.	CFPs, WUAs, M&E of PMU and RCC	By end of 2012
M&E specialist to collect project data from subject specialists and input it on a continuous basis. The adoption of appropriate software by the PMU should be considered.	M&E Specialist	Initiated by Oct 2012

D. Project Implementation Performance

55. **Project management performance.** Although there is no established routine for experience sharing, the CFPs use every opportunity to meet with RCC staff 1-2 times per month to discuss the bottlenecks and seek their guidance. The RCC also calls for meeting. Good support is provided by the RCC, particularly by the Regional Coordinator and Community Development Specialist (CMS) despite limited resources. On the other hand, horizontal communication appears to be also satisfactory since the CFPs share their experiences with their peers by coming together 1-3 times per week. This cross-fertilization should continue also to support team spirit. However, communication with the Activity Managers needs to be more structured and strengthened since their technical support is vital for the CFPs.

56. **Monitoring and evaluation.** There is an overall awareness of the relevance of an effective M&E system for management of the project. There is a multitude of data being collected by individual technical staff but without a cohesive and comprehensive "system" to translate the data into information, and subsequently to knowledge, that can generate meaningful evaluations to guide implementation management. The system in place needs to further work on the envisaged improvements in view of the recommendations of the last mission, including all performance indicators being organized on the RIMS format.

57. The mission has ascertained that the information linkages and information flow between the RCC and PMU as well as among the staff (e.g. credit, community development specialists, etc.) and management at both would benefit from more intensive assistance. A Technical Annex will accompany this Aide Memoire for further guidance on making possible the generation of tiered monthly, six-monthly and yearly progress reports that would show physical and financial progress against AWPB and Appraisal targets separately for each and every activity pursued by Project. The annual one would serve as the skeleton of the Annual Progress Report thus guiding the following years' AWPBs.

58. It has been found that the contents of even basic, primary level, databases differ widely depending on the location of the data, whether such is the PMU, RCC, staff, or management. The mission found it difficult to corroborate data across these platforms indicating lack of primary guidance from the M&E department. This issue has been identified as the major bottleneck for developing the routines for information flow for maintaining and updating the database should be established. To this end, the regional administrator should establish a close cooperation with all key technical staff in order to ensure that the information needed for the database flows in a continuous and timely manner.

59. The recruitment of a new M&E specialist is imperative to develop and operate a monitoring system that satisfies the above described critical issues. Such need is further exacerbated by the coming on stream of the new IRDP project that will add to the workload of the M&E staff of the PMU.

60. **Gender focus.** Gender mainstreaming is progressing gradually in all project components. In Component 1, although it is below the appraisal target that is 30% for administrative and management layers of local organizations, 21% of the accountants in 19 WUAs are women. In Component 2, in their effort for community mobilization, CFPs were successful in reaching women for group formation. To date, 45 Interest Groups and 83 credit groups were formed and the ratio of women members reached to 23% and 39%, respectively. This could be considered as "promising" when the overall delays in the Project are taken into consideration. In Component 3, although women are granted access only to group loans due to lack of collateral to be eligible for individual loans, they reached a remarkable ratio of 71.4% in benefiting from micro-finance group loans.

61. **Poverty focus.** Poverty focus in lowland irrigated villages is not straightforward because the overall beneficiary population covered by designated irrigation schemes include both the better-off and less poor HHs, as well as poorer ones, since by the nature of irrigation works, it is not possible to assist one segment without helping the whole population. It should be noted that even the better off might be heavily reliant on irrigation water supply. However, they are unlikely to represent a threat of elite capture of Project benefits-given the general pattern of land distribution.

62. Concerted efforts are needed to identify pockets of poverty in lowland irrigated villages that may need additional assistance in terms of provision of services for crop and livestock productivity improvement, income generation and access to credit, particularly those who have limited assets in the Project area.

63. Targeting of rainfed villages (upland and lowland) is more straightforward because all of the communities concerned can be taken as almost unanimously poor-and many of them are extremely poor.

64. **Effectiveness of targeting approach.** A set of criteria was successfully applied in selection of the communities or villages to reach the intended Project target groups. The RDPNW targeting strategy also includes self-selection for income raising activities, capacity building and empowerment for individuals, households, and community organizations; and is largely interactive and demand driven. In self-selection, expressed interest and existence of –or clear potential for-the necessary capability for participation are the factors in all activities. These have been the case particularly in the formation of IGs and CG, volunteering for on-farm demonstrations, willingness to make beneficiary contribution to critical social infrastructure.

65. The data available at the household level that is currently being generated by the M&E system at the RCC level and the accumulated implementation delays indicate a need for a simple survey covering all project activities. This survey

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should be conducted by the CFPs and the WUAs management using the below table as guidance. The activity, for which extra project resources are not required, will be coordinated by the newly contacted M&E specialist of the PMU.

Target Group “category”	Total number of hh to be reached by the end of project implementation (Appraisal Targets)_	Number of hh reached so far (cumulative)	
		Total number	Of which, women
<i>Households in lowland-irrigated areas</i>	37,500	<i>tbd</i>	<i>tbd</i>
<i>Households in rainfed areas, upland and lowland villages</i>	21,050	<i>tbd</i>	<i>tbd</i>
Total (Target group universe)	59,050	<i>tbd</i>	<i>tbd</i>
<i>Households in pockets of poverty within non-poor, lowland-irrigated villages benefiting from Component 2 and 3</i>	14,800	<i>tbd</i>	<i>tbd</i>
<i>Individuals in 23 village clusters in rainfed areas-lowland and upland-</i>	7,500	<i>tbd</i>	<i>tbd</i>
Total (Prime target group)	22,300	<i>tbd</i>	<i>tbd</i>
<i>30% of the prime target group : lowland irrigated households</i>	4,400	<i>tbd</i>	<i>tbd</i>
<i>30% of the prime target group :rainfed households in upland and lowland</i>	2,250	<i>tbd</i>	<i>tbd</i>
Total (Direct beneficiaries)	6,690	<i>tbd</i>	<i>tbd</i>

66. **Knowledge management.** Knowledge products and learning processes of the RDPNW will stem from Annual Stakeholder Review and Planning Workshops, special studies as required, reporting, monitoring and evaluation, and field experiences with demonstrations, farmer training and group activities. Multi-media publication of this experience gained would be the Project's main contribution to regional and national knowledge. However despite two years lapse of time, the project is basically in a start-up phase and knowledge management processes still have to be initiated. However already at this stage, the project should document results on farmer training, farmer demonstrations and group activities in terms of change in behaviour and investment patterns.

67. **Partnerships.** The envisaged partnership with the ADPC II could not be materialized due to the dormant status of the Regional Advisory Centers (RACs) and the functional disbanding of the existing staff. The envisaged system appeared to rely solely on the assumption that the centers would function and be sustainable. Regrettably, both aspects have failed.

E. Fiduciary Aspects

68. The loan became effective in January 2009 and is scheduled for completion in March 2014. To date, almost 66% of the implementation period has elapsed with a disbursement rate of 46.04%. While the disbursement rate is satisfactory, in terms of implementation maturity the disbursement factor is still low at 0.713. There has been a slowdown in this year's disbursements compared to the last one, due to a number of factors: changes in the composition of the Project Steering Committee in charge with the approval of the AWPB and additional clarifications related to the planned activities required.

69. **Financial management.** As already reported in the last supervision mission, the PMU is using simultaneously 2 accounting systems, a "C1 accounting software"

and one based on excel. The accounting software was purchased in 2009 from a local company. The Financial Manager (FM) together with a freelance consultant carried out the customisation of the system in line with IFAD, Ministry of Finance and Agriculture requirements. The same person is also dealing with its maintenance, which is performed as needed.

70. The financial statements are available in the relevant reporting formats requested by the Ministry of Finance and Ministry of Agriculture and the payments\expenditures are distinguished by category, component, activity and sources of financing. The Financial Manager is currently working to customise the "C1 Accounting System" to automatically produce WAs.

71. The Excel system is used by the FM as a back up and control tool, and the data is recorded by sources of financing, components and categories for all project transactions.

72. The project financial team currently comprise a Financial Manager and a support staff. The Accountant, who was previously part of the team, left the PMU in May 2012. Her responsibilities – preparation of payment orders, accounting entries in the system etc. – were taken over by the support staff with no disruptions reported.

73. With respect to the present internal controls set-up, the support staff is responsible for preparing the payment orders and imputing the payments\expenditures in the accounting software. The Financial Manager holds jointly with the PMU Director the approval and control functions. She is also responsible for checking the eligibility of payments in accordance with the AWPB, procurement plan, contract payment conditions and availability of supporting documentation.

74. **Regional Coordination Center (RCC).** Currently the RCC does not hold a bank account. For the daily recurrent costs (electricity, office materials etc.), the PMU transfers, dependent on monthly needs, petty cash money on advance basis to the Regional Coordinator. This is highly inefficient and results in delays and inflexibility for urgent or impromptu decision and needs. These advances are managed by the Project Coordinator, which justifies them regularly by submitting the supporting documentation to the PMU Financial Manager. All other expenditures such as staff salaries, payments to the contractors, rent etc., are handled directly by the PMU through direct transfers to beneficiaries upon submission of the required documentation. When financially empowered with a separately bank account with an agreed minimum balance and reporting system in place, with the exception of large-scale project- level contracts, the RCC's role should shift from basic oversight to broader responsibility for field implementation, thus revealing some of the burden of such from the PMU.

75. **Special Account (SA).** The loan account in US Dollars is held at the International Bank of Azerbaijan and, as of 13 June 2012, shows a closing balance of USD 571,068.50. The exercise of reconciliation undertaken by the mission didn't disclose any gap or surplus of funds.

76. **Project Account (PA).** The Project Account, held also at International Bank of Azerbaijan, is denominated in Azeri Manat (AZN) and receives funds from the SA for project operations in local currency and Government Contributions. The closing balance, as of 13 June 2012 is AZN 83,946.60 (USD 107,389.79).

77. The Financial Manager has an internal system in excel of monitoring the IFAD and Government Contributions funds available in the PA. The total of the GoA funds received in the PA during the whole life of the project is compared with the total amount spent to cover the GoA share of project expenditures. It is compared with

the actual balance of the PA, and the outstanding amount is considered to be the IFAD share.

78. The mission inquired on the reasons why the PMU did not open a separate account to accommodate the GoA proceeds. The FM considers more cumbersome to use 2 separate project accounts when processing payments eligible under the 2 sources of financing (ex. 90% of the payment from IFAD loan PA and 10% from GoA PA), and prefers to follow the above-mentioned procedure.

79. **Disbursement.** At the time of the mission, 15 withdrawal applications (WAs) had been submitted to IFAD, for a total amount of USD 7.80mill. (SDR 4.99mill. equiv.), representing 46.07% of the loan amount.

80. Two WAs, one under reimbursement procedure for the credit line and one under the replenishment method, amounting to a total amount of USD 1,469,561.33, were submitted to the Ministry of Finance for the required signatures.

81. Since the last supervision mission, 7 WAs had been submitted to IFAD, two under the replenishment method and 5 under reimbursement of pre-financed expenditures, for a total amount of USD 3.40mill. (SDR 2.19 mill. equiv.).

82. **Reallocation of Funds.** Taking into consideration the GoA stated willingness to entirely finance the cost of irrigation rehabilitation works as well as the relatively high absorptive capacity in the project area, the mission conducted an assessment, in collaboration with the PMU, of the foreseen project activities and simulated the financial projections for the following years and deemed it essential to process a reallocation of the loan proceeds (see table below).

SDR			
	Category Description	Loan Agreement Allocation	Amount after Reallocation
I	Civil works	3,600,000.00	1,400,000.00
II	Vehicles, Equipment and Goods	500,000.00	400,000.00
III	Training, Studies and Technical Assistance	1,070,000.00	1,070,000.00
IV	Credit	2,520,000.00	6,050,000.00
V	PMU Operating Costs	1,250,000.00	1,350,000.00
VI	Irrigation Operations and Maintenance	1,160,000.00	580,000.00
VII	Unallocated Initial deposit	750,000.00	-
	Total	10,850,000.00	10,850,000.00

83. The mission carried out spot-checks on expenditures claimed under the Statement of Expenditure (SOE) modality and reviewed supporting documentation related to WAs 10 and 11. The SOEs are covering the period from 1 October to 14 December 2011.

84. An amount of USD 8,728.67 claimed for replenishment from IFAD under WA 10 – Cat. V (PMU Operating Costs), was incorrectly claimed under this category. As the expenditures covered are related to the operation costs of the WUAs, the expenditures should have been claimed under Cat. VI (Irrigation Operation and Maintenance).

85. The same situation was encountered when reviewing the expenditures claimed under WA 14. An amount of USD 45,780.00 covering the cost of IT

consultancy services was claimed for replenishment under Cat. II (Vehicles, Equipment and Goods) instead of Cat. III (Training, Studies and Technical Assistance.)

86. **Counterpart funds.** Government of Azerbaijan's (GoA) counterpart funds are mainly used for taxes and contributions to civil works, operation, maintenance and project recurrent costs, for a cumulative amount of USD 6.20 mill., which represents approx. 47% of the target estimated at appraisal (USD 13.00 mill.). From the last Supervision Mission, the contribution of the Government had a considerable increase of approx. 500%. For the year 2012, the GoA contribution was USD 4.47 mill. The Government funds have always been timely transferred to the project.

87. **Non Bank Financial Institutions** cumulative contributions MadadCredit and AgrarCredit to the project were USD 0.42 mill., and USD 0.13 mill. for 2012. These represent 84% of the target at appraisal.

88. **Beneficiaries Contributions.** Cumulative beneficiaries' contributions in cash, up to 13 June 2012, are equivalent to USD 0.06 mill., which represent 4% of the target estimated at the appraisal (USD 1.62mill. - cash and in kind). As for 2012, cash contributions were USD 0.016 mill.

89. **Compliance with loan covenants.** The PMU has largely complied with the loan covenants. Their performance is considered highly satisfactory (see Appendix 4).

90. **Procurement.** Since the last supervision, no procurement actions under IFAD financing were undertaken. A total of 9 contracts not exceeding AZN 100,000 comprising mainly of services with 1 contract each for the annual external audit, rental contract for the RCC and an accounting system for the WUAs, were issued. At the time of the mission, the 2012 procurement plan had just been approved by the Project Steering Committee but had yet to be approved by IFAD. The mission expressed its concerns with the substantial delay in the processing of the procurement plan thereby defeating its main purpose of serving as an instrument for advance planning and resource allocation; such a delay is inevitably contributing to the slow implementation pace. Thus, the mission focused its review on revising the procurement plan in view of the changes envisaged at the MTR. Significant changes included the deletion of TSP services, regional fairs with the exception of the beekeeping regional fair⁴ (proposed changes are reflected in the attached Technical Annex 2).

91. As aforementioned - under the Irrigation System Rehabilitation section of this aide-memoire - the MOA/ SAAC/PSC have awarded a contract on 11 April 2012 to a private contractor by direct contracting⁵ through a special waiver granted by concerned Government Authorities. The value of the awarded contract to Korpu-Bina-Tikinti is AZN 41,18mill. (approx. USD 52mil) is fully financed by Government Counterpart Funds. So far an advance of approximately 10% has been paid while the contract provides for 20% advance payment. The receipt and acceptance of works will be certified by a committee comprising 14 members representing Ministries of Emergency and Agriculture, Local Authorities and Technical Specialists. A monthly working group certifies the progress of works and submits the progress

⁴ It was agreed that this would be organised by the PMU through local shopping and accommodation costs settled directly with the selected venue/ hotel.

⁵ The Law on public procurement came into effect under Decree of the President of Azerbaijan Republic No.668 dated 29 January 2002. According to this Law, all public procurement at the amount of AZN250 (two hundred and fifty) million and more are carried out through open tender. If proposed price of goods (works and services) is less than the amount of AZN250 (two hundred and fifty) million, procurement organization uses any procurement method. (Source: State Agency on Procurement established 16 May 1997.) Exceptions prevail when the procurement contains a foreign element of financing which is then managed with the unit costs set by the Ministry of Emergency.

certificates to Ministry of Finance for payment. While IFAD is not financing this activity, the mission expressed the need for prior consultation as these activities are complementary and the programme interventions should be looked at from a holistic point of view.

92. It was foreseen during design, that the project would support WUAs through procurement of earthmoving equipment. The company that carried out the design and supervision for the irrigation rehabilitation (Kamala-A) recommended the purchase of 2-excavators, 1- tractor, 1-canal digger and 1-sleeve excavator for cleaning and maintaining the canals. However, the PIM Group presented a proposal for procuring machinery for each of the 16 WUAs to include 1 excavator, 1 tractor, 1 canal digger and 1 ploughing machine at an estimated cost of AZN 2.7mill. It was agreed during the wrap-up that the Government would finance the purchase of the required equipment in consultation with IFAD. The mission advised that while the estimated costs look low, the PIM Group should carry out a market search to have a realistic estimate of the purchase.

93. **Audit.** The Audit Report for the FY2011 was carried out by Kapital Karden and submitted to IFAD on 27 June 2012. The IFAD deadline for audit submission, which is 30 June 2012, was complied with.

94. The selection process of the audit company is carried out every two years. In the previous project years, the contract was signed for a 2-year period, but starting from FY 2011 exercise, the contract is signed on an annual performance basis. The CPM and IFAD Controller's and Financial Department cleared the terms of reference for FY2011 exercise.

95. The auditor's opinion is overall Unqualified. The management letter addresses one observation on the reporting of foreign exchange gains and losses calculations, and recommends that this anomaly is resolved for reconciled financial statements with actual bank transactions. The legal framework of the country stipulates that all payments made in the territory of Azerbaijan must be in local currency (AZN), even if the contract and/or invoices are in a foreign currency. In such cases and to avoid future noncompliance, it is recommended, as per the FM current practice, to use in the calculation of the salaries, the corresponding amount in AZN based on the exchange rate USD\AZN on the day of preparing the payment orders. For contracts in foreign currency, the amount to be paid in local currency should be calculated using the prevailing exchange rate at the date of signature and a relevant clause should be stipulated in the contracts.

96. The IFAD Controller's and Financial Department's Audit Unit reviewed the FY 2010 Audit Report and suggested a few areas for improvement to be taken into consideration for this year exercise, including the expression by the Auditor of separate opinion on the SOE procedure, and the disclosure of expenditures by category, and not only by component. The above suggestions have been shared with the Audit Company, which followed/endorsed IFAD's recommendations for the FY2011 exercise.

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To use in the calculation of the salaries, the corresponding amount in AZN based on the exchange rate USD\AZN on the day of preparing the payment orders.	Financial Manager	Continuous
For contracts in foreign currency, the amount to be paid in local currency should be calculated using the prevailing exchange rate at the date of signature and a relevant clause should be stipulated in the contract.	Financial Manager	Continuous
Settle in the forthcoming WA the amount of USD 8,728.67 claimed in the WA 10 under wrong category (from Cat. V to Cat. IV).	Financial manager	31 December 2012
Settle in the forthcoming WA the amount of USD 45,780.00 claimed in the WA 14 under wrong category (from Cat. II to Cat. III).	Financial manager	31 December 2012
Formalise the already undertaken tasks of the support staff and make the necessary steps to confirm her as an assistant accountant.	PMU	31 December 2012
Request the reallocation of loan proceeds as per the mission's assessment.	Ministry of Agriculture through Ministry of Finance	By 30 September
Procurement Plan to be prepared and submitted to IFAD for No-Objection at least 30 days prior to the start of the financial year	PMU/ Procurement Officer	By 30 November of each preceding year
Prior consultations with IFAD on procurement matters irrespective of financing source	PMU/ PIM Group and Procurement Officer	Continuous
A proper assessment for the needs of the WUAs should be done and the list of items to be procured should be consistent	PMU/ PIM Group	Prior to tendering
Carry out market search to obtain confidential estimates of earth moving equipment to be financed by Government	PIM Group/ Procurement Officer	Prior to launching tender

F. Sustainability

97. A preliminary assessment conducted by the mission on the stage of maturity of WUAs shows that most of them are in need for further support to be self-sufficient technically and financially. After the Project closure they will be left to themselves in performing management responsibilities and contracting procedures with the Regional Irrigation Department. This constitutes a major risk to sustainability and hence would require a robust support programme for the remaining period of Project implementation.

98. **Institutional sustainability.** Under Component 2, the services provided by the contracted veterinarians are in demand.

99. **Social sustainability** (Empowerment). The composition of credit groups reflects that the projects targeting of women is appropriate. Interest groups for efficient procurement of inputs have been successfully formed with assistance from the Village Focal Points.

100. **Economic and financial sustainability.** Despite the delays in start-up, some activities conducted under Component 2 show visible results. Once the farmers use the clean seed of improved varieties and see the final result, they do not go back to old the varieties and poor quality seed. Sustainability risks remain with the availability and accessibility of the quality seeds of better yielding varieties not with the behavioural change of the farmers (adoption).

101. **Exit strategy.** The recommended restructuring of the Project is geared to improve the technical capacity and productivity of the targeted beneficiaries and reduce poverty in the Project area.

G. Impact

102. Due to the delays in overall implementation and the limited amount of activities underway, the impact of Project other than access to loans, group formation and some demonstration activities is not yet visible.

103. **Physical and financial assets.** Loans- individual or group- has an impact on household asset i.e. increased number of livestock. Group formation has an impact on the livelihood of the members. For example, the members of the ICs benefit from: i) cheaper (10-15% less than individual purchases) input supply (seed, seedling, fertilizer, pesticide and feed) due to purchasing in bulk; ii) better access to markets as a result of jointly hiring vehicles at a lower price for transport; iii) better prices (at least 15-25% more than the village market) due to access to markets other than those in the villages; iv) tailor-made advice provided by the Activity Managers, and iii) cross-fertilization due to interaction within the group.

104. **Food security.** Among the households that have borrowed to increase assets, food security has been improved due to increased incomes primarily from sales of milk and calves.

105. **Increase in incomes.** The impact of the project has not yet been measured on individual household incomes. Such a study will be conducted by the PMU at Project's closing.

106. **Policy impact.** None.

107. **Other impacts.** On-farm demonstration program, although modest and technically not yet at the desired level, has an impact on the agricultural practices of the farmers. New varieties introduced through these demonstrations have been gradually adopted e.g. for potato and fruits. However, no quantitative data is available. All these need to be monitored at the village and household level and evaluated throughout the implementation year.

Agreed action	Responsibility	Agreed date
Annual monitoring of adoption rate for previous years' demonstrations, farmer trainings, etc.	RCC	Fall and winter 2012
Simple income and asset surveys conducted at village and household level by RCC staff during off-season	RCC, PMU	Fall and winter 2012

H. Conclusion

108. The issues and recommended solutions to resolve these are detailed in the above relevant section and in Annex 1, Technical Reports. The slow rate of progress, changes in circumstances since the project's design in 2007, and the remaining length of implementation, i.e. 2.5 years, the mission has concluded that a restructuring of the project be recommended to the Borrower. The changes envisaged by such restructuring and its underlying reasons are summarized below.

109. Component 1. Irrigation Rehabilitation and Participatory Irrigation Management: After careful review, the mission's assessment that the rehabilitation of almost the entire project command area of 60,700 hectares is justified. With regard to the financing, taking into account the proactive initiative already taken by the Government to fund and move ahead with contracting process rehabilitation

works and in view of the large amount needed, that is beyond the financing capacity of IFAD, the mission suggested during the wrap-up meeting that the implementation of the rehabilitation of the remaining 31,000 hectares should be totally financed by the Government and that IFAD funds allocated to the component will be reallocated to other activities of the project (agriculture and credit).

110. It is therefore recommended that the loan allocations that will not be spent from the Civil Works category as relevant to Sub-Component 1.1 Irrigation Rehabilitation Subcomponent be re-allocated to the "Credit" category of the Loan.

111. Component 2. Agricultural and Community Development: In order to avoid further redundancies and repetitions, it is recommended that Component 2 be streamlined under two sub-components: Sub-component 2.1. Critical Social Infrastructure Development covering only infrastructure development activities, and Sub-component 2.2. Agricultural Development covering activities regarding support and development of farmer and community groups and facilitating input supply and marketing, and technology demonstration and transfer.

112. The above streamlining further targets efforts of staff to ensure effective and efficient farmers training programs, in all irrigated and rainfed project villages, including those in the command areas of the WUAs.

113. Component 3. Financial Service and Enterprise Promotion: There is demand from the beneficiaries to extend the maturities of the loans available for BGs and Individuals as well as higher ceilings for borrowing in both. The currently available allocations for the component under the "Credit" category are expected to be depleted within 2012, with 72% of the allocation having been used by this MTR's date. On the other hand, much of the marketing support provided by Component 3 makes Subcomponent 3 redundant and though small, the funds allocated for this would serve Project objectives more efficiently if used for Component 2.

114. It is therefore recommended that amendments to the Loan Agreement be made to reallocate additional funds to Component 3 in line with resources becoming available.

115. Component 4. Project Coordination and Implementation: The current structure and functions of the PMU remain relevant for the suggested restructuring, notwithstanding the urgently needed improvements in the M&E and related reporting systems. Implementation progress and success is contingent upon a well-designed and functioning M&E system at the PMU and RCC.

116. A new and revised Log Frame (LF) will be developed once the recommended changes are accepted by IFAD and GoAz. A provisional/draft LF is presented as Annex 2.

117. The suggested reallocation of funds by categories are given in the below table. After the reallocation, there will no longer be any unallocated funds.

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SDR			
Category	Category Description	Loan Agreement Allocation	Amount after Reallocation
I	Civil works	3,600,000.00	1,400,000.00
II	Vehicles, Equipment and Goods	500,000.00	400,000.00
III	Training, Studies and Technical Assistance	1,070,000.00	1,070,000.00
IV	Credit	2,520,000.00	6,050,000.00
V	PMU Operating Costs	1,250,000.00	1,350,000.00
VI	Irrigation Operations and Maintenance	1,160,000.00	580,000.00
VII	Unallocated	750,000.00	-
	Initial deposit		
	Total	10,850,000.00	10,850,000.00

118. IFAD and the Government of Azerbaijan endorsed the findings of this Mid-Term Review Mission.

Appendices

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Appendix 1: SUMMARY OF PROJECT STATUS AND RATINGS

Basic Facts

Country	Azerbaijan			Project ID	1398	Loan/DSF Grant No.	745
Project	Rural Development Project for the North-West					Supp. Loan/DSF Grant	
Date of Update	19-Jul-2012					Financing terms	HC
Supervising Inst.	IFAD/IFAD						
No. of Supervisions	2	No. of Implementation Support/Follow-up missions	9				
Last Supervision	06-Oct-2011	Last Implementation Support/Follow-up mission	08-Jun-2012				

					USD million	Disb. rate %
Approval	13-Dec-2007			Total costs	32.33	
Agreement	17-Jun-2008	Effectiveness lag	13.2	IFAD Total	17.20	
Effectiveness	13-Jan-2009	PAR value	-----	IFAD loan	17.20	46
MTR	02-Jul-2012			DSF grant		
Current completion	31-Mar-2014	Last Amendment		IFAD grant		
Current closing	30-Sep-2014	Last Audit	30-May-2012	Domestic Total	15.13	
No. of extensions	0			Beneficiaries	1.62	0
				Government (National)	13.01	0
				Domes. Fin. Inst.	0.50	0
				Cofinancing Total		

Project Performance Ratings

B.1 Fiduciary Aspects	Last	Current	B.2 Project implementation progress	Last	Current
1. Quality of financial management	5	5	1. Quality of project management	4	4
2. Acceptable disbursement rate	4	5	2. Performance of M&E	3	2
3. Counterpart funds	5	5	3. Coherence between AWPB & implementation	3	2
4. Compliance with loan covenants	4	4	4. Gender focus	3	4
5. Compliance with procurement	3	3	5. Poverty focus	5	5
6. Quality and timeliness of audits	5	5	6. Effectiveness of targeting approach	5	3
			7. Innovation and learning	4	3

B.3 Outputs and outcomes	Last	Current	B.4 Sustainability	Last	Current
1. Irrigation Rehabilitation and Participatory Management	4	3	1. Institution building (organizations, etc.)	4	3
2. Agriculture and Community Development	3	4	2. Empowerment	4	4
3. Financial Services and Enterprise Promotion	4	4	3. Quality of beneficiary participation	4	4
4. Project Coordination and Management.	4	4	4. Responsiveness of service providers	3	3

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5. Exit strategy (readiness and quality)	4	3
6. Potential for scaling up and replication	4	3

B.5 Justification of ratings

1. Irrigation Rehabilitation and Participatory Management: i) Delays in the contacting of the civil works need to be compensated. The intended results have been not been achieved, ii) The project provided necessary support to the 42 WUAs in amalgamated them into relatively larger 19 WUAs however they have not yet been able to undertake fully the responsibilities stipulated by the amended law as the contacts with SAIC have not been signed. The training provided to the WUAs management and staff is not sufficient for the effective and efficient operation of a commercial entity. The WUAs are appropriately staffed, offices' renovated and fully equipped. The envisaged machinery and equipment for WUAs has not yet been procured. The design of 60,400 ha of irrigation systems rehabilitation has been completed. The GoAZ has agreed to finance 100% of the cost of civil works for the rehabilitation of the designed schemes. Upstream investments by SAIC appear to be delayed hence risking the impact of on-farm Project investments.

2. Agriculture and Community Development: i) the Component was been streamlined with emphasis on improved livestock and crop production with the assistance of the Activity Managers in both the rained and irrigated areas, supported with high quality demonstrations and farmer outreach. The performance of the technical service providers were found to be poor and the positions were abolished, ii) the Village Focal Points (CFPs) engaged by the project are effective in delivering some of the project interventions; iii) The formation of interest groups have been successful in procurement of bulk inputs at favourable prices and improving the market access for the interest groups.

3. Financial Services and Enterprise Promotion: The access to financial services rendered by the Project to the local poor farmers improved access to working and investment capital with favourable terms and conditions and the level of satisfaction was very high. It is recommended that the resources of the Component be increased. The Component's success may be attributable to its relative independence from the shortcomings at the PMU since the contracted NBFIs successfully conduct their field operations.

4. Project Coordination and Management: While all of the envisaged elements of project management are in place with the PMU and RCC almost fully staffed, the functional aspects of these elements remain underdeveloped and underperforming. Despite over 10 years' experience in managing IFAD projects, M&E capacity is weak, with new staff additions and implementation support required. Flow of funds delays due to accuracy issues in the preparation of the AWPBs and PPs have reflected into implementation as processing delays that have cascaded into lack of vehicles, delayed salaries for some field elements including for the RCC and general loss of face in front of the beneficiaries. Overall, this has reflected into the effectiveness *in the field where implementation takes place* as almost complete lack of progress.

Overall Assessment and Risk Profile

	Last	Current
C.1 Physical/financial assets	5	5
C.2 Food security	4	4
C.3 Overall Implementation Progress (Sections B1 and B2)	4	4

Rationale for implementation progress rating

Overall progress in project implementation performance is rated as **moderately satisfactory**.

Progress has been hampered due to delays in the preparation of 2102 AWPB (described below under C.5). Under the Irrigation Rehabilitation and Participatory Management Component, delays have been encountered due to the still pending agreements between the WUAs and SAIC regarding transferring to the responsibilities of irrigation infrastructure and water fee collection to WUAs as well as the on-going discussions in the PSC regarding completing of tendering for the irrigation works. These delays have resulted in disillusionment among the beneficiaries thus risking ownership. Under the Agriculture and Community Development Component, several areas in need of improvement and affecting the achievement of project development objectives were identified, including the quality of demonstrations and farmer training, delays in the works regarding critical infrastructure where the Village Development Plans were completed. Poor monitoring of on-going activities is reflected in delays in AWPB preparation and consequent approval of procurement plans by IFAD.

There has been a slow down in this year's disbursements compared to the last one, due to a number of factors: changes in the composition of the Project Steering Committee in charge with the approval of the AWPB and additional clarifications related to the planned activities required. At the time of the mission, the 2012 procurement plan had just been approved by the Project Steering Committee but had yet to be approved by IFAD.

C.4 Likelihood of achieving the development objectives (section B3 and B4)	4	4
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Rationale for development objectives rating

The project progress remains **moderately satisfactory** towards achieving its development objectives.

If the recommendations of the MTR Mission are implemented as agreed, RDPNW will be on a satisfactory track for the remaining part of 2012 and well positioned for a serious leap forward in 2013

C.5 Risks

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Fiduciary aspects	The disbursement rate is satisfactory but in terms of implementation maturity the disbursement factor is low at 0.716.
Project implementation progress	The Project has been operational for 42 months or 66% of its 63-month implementation period. As of June 1, 2012 IFAD loan disbursement amounts to a total of USD 7.80mill. (SDR 4.99mill. equiv.), representing 46.07% of the loan amount. Since the last supervision, procurement under IFAD financing was not undertaken due to delays in the processing of the AWPB and PP; disbursements were primarily for C3, further reflection of slow progress.
Outputs and outcomes	<p>The 42 existing WUAs have been amalgamated into 19 larger ones and re-registered but training of management and staff remain inadequate with risks for the primary functions of WUAs, i.e. O&M. The overall implementation of Component 1 is far behind schedule mainly due to the discussions within the PSC with regard to: i) the revision of the component scope and cost in light with the results of the engineering detail design and ii) procurement procedures for the rehabilitation work(iii) while the engineering and design for 60,700 ha covering the command area of the 19 WUAs has been completed the Terms of Reference of the design study contract refer only to 30,000 hectares. The total cost for the rehabilitation of the whole command area reaches AZN 77 million (about USD 96 million) that is beyond the budget allocated in the Project. Therefore the financing of the works under Component 1 will be financed 100% by the GoAZ where the direct contacting for the civil works for the first batch of 29,622 ha has been completed. Consultations need to be undertaken between RCC and AAWFC-RID (SAIC) to discuss the modalities under which medium-term (10 years) legal agreements with WUAs for water delivery and water fee collection. A machinery and equipment needs assessment will be carried out at all 19 WUAs.</p> <p>The selection of 102 villages to benefit from project activities have been completed (68 non-irrigated and 34 irrigated). Village Development Plans have been prepared for 49 villages out of a total of 68. The critical infrastructure investments are expected to begin in all 49 villages before fall of 2012.</p> <p>An aggregate amount of USD 2.95 million (73.89% of IFAD total allocation for the credit line) has been disbursed comprising 1,333 working capital loans extended to 4,313 beneficiaries of whom 18% were second-time borrowers. About 72% of the loans financed livestock production and the rest, crop production.</p>
Sustainability	A preliminary assessment conducted by the mission on the stage of maturity of WUAs shows that most of them are in need for further support to be self-sufficient technically and financially. Farmers adopting new agricultural practices are under risk of finding affordable higher quality inputs on the market.

Proposed Follow-up

Issue / Problem	Recommended Action	Timing	Status
Delays in the preparation and submission of acceptable AWPBs	Steps should be taken to ensure AWPB and procurement plan be prepared and submitted to IFAD for No-Objection at least 30 days prior to the start of the financial year	By next planning period	PMU/SAAC/PSC should pursue the issues as top priority
Speed up project implementation pace to compensate for late start-up and delays over 2010 and 2011	GoAZ should request the reallocation of loan proceeds as per the mission's assessment.	As soon as reformulation of Project is agreed	SAAC/MoF/PMU
WUAs have not yet been able to undertake fully the responsibilities stipulated by the amended law	(i) The PSC should take steps to finalize the legal agreements transferring the O&M responsibility, usage rights for the irrigation infrastructure and water fee collection authority. (ii) The capacity building at the WUAs should target development of annual business and medium-term development plans.	As soon as possible	PMU/SAAC/PSC
The delays in the civil works for the	Government of Azerbaijan should allocate additional counterpart funding covering the	As soon as possible	PMU/SAAC/PSC

⁶ A disbursement factor of 1.0 and above reflects a satisfactory and mature disbursement performance

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Issue / Problem	Recommended Action	Timing	Status	
rehabilitation of the irrigation infrastructure risks WUAs operational effectiveness and sustainability	whole Project area (about 60.000 ha) to insure uniform support to the total 19 WUAs.			
Members of WUAs lack farming skills to maximize upon benefits of benefitting from improved access to irrigation	Coverage of Component 2 expanded to include the irrigated areas (villages in the WUAs' command area)	As soon as possible	RCC/PMU	
Behavioural changes in at individual, household and community are not monitored in order to guide future farmer training activities	Closely monitor demonstrations, activities of the IGs and their peers and record the changes in their agricultural practices and livelihood	As soon as possible	RCC/PMU	
There is unsatisfied demand from borrowers to increase amount and maturity period of credit provided by Project NBFIs	Amendment of SLAs to extend validity period beyond 30 months and reflect i) additional funds availability, ii) changes in the loan terms and conditions e.g. longer maturity of 2 years for group loans, possible granting of grace period, and iii) new monthly reporting formats.	As soon as reformulation of Project is agreed	SAAC/NBFI/MOF/IFAD	
Allocations for credit lines almost depleted	Amendment of the loan agreement to allocate additional funds to the credit line category, in line with resources becoming available from other components agreed re-configuration.			
M&E system remains weak, understaffed, lacking objective in collection and evaluation of information/data	The M&E system: i) should be re-organized based on the RIMS format to show physical and financial progress against AWPB and Appraisal; (ii) project progress reports should adhere to standardized formats in order to provide useful input to the AWPBs. iii) consistency needs to be ensured regarding format and content of reports generated at the RCC. A short implementation support mission is recommended to address these shortcomings.		PMU	
Substantial delays in the processing of AWPBs defeat its purpose of serving as a management instrument for planning and resource allocation.	The Project management should take steps to ensure timely collection of progress data for planning and prepare standardized AWPBs.	By Sept. 2012		

Appendix 2: Progress Against Previous Mission Recommendations.

Action Area	Action Agreed	Agreed Date for action to be taken	Whom	Progress in completion of action
Irrigation Rehabilitation and Participatory Management Component	Government (PSC/SAAC) should expedite the initiation of the competitive selection of the construction firm for the rehabilitation of the irrigation canals and the procurement of the earth moving equipment for WUAs to allow the earliest commencement of irrigation and agricultural development.	As soon as possible	PMU/SAAC/PSC	The Government (MOA/SAAC/PSC) has accelerated the process by providing additional funds and by hiring a contractor, through an "exceptional" national procurement procedure, to start with the rehabilitation works of on-farm irrigation systems of 9 WUAs covering an area of about 29,266 hectares representing about 50% of the total command area.
	SAIC should be prompted to sign legal agreements with WUAs, whereby it will transfer to them responsibility of irrigation infrastructure and water fee collection.	As soon as possible	PMU/SAAC/PSC	No progress noticed
	The WUAs should prepare: (i) medium-term development plans and annual work plan and budgets on which to base calculations of expenditure and income, including prices of water and of equipment services to users, training needs, and other. In this context, WUAs should be assisted to calculate carefully their operating cost and increase efforts to recover fully water charges to achieve coverage of recurrent costs; (ii) the first AWPB for 2012 should be prepared by November 2011; (iii) WUAs should monitor progress against the business plan for the year.	As soon as possible	WUA/PIM Group	No progress noticed
	WUAs need training to build further capacity in management, business planning and cash flow projection, implementation of high (international) accounting standards and in raising awareness of water users on the need to attain sustainability.	PIM Group/PMU	PIM Group/PMU	The training programme planned in 2012 AWPB has not been yet executed
	Within the WUA training programme, PMU is encouraged to involve the staff of the 6 WUAs under the North East Development Project (NDP) to transfer knowledge to the WUAs of the RDPNW Project. In addition, officers and members of the 19 WUAs should visit the WUAs of the NDP, and perhaps WUAs in Turkey, to see and study successful respective operations.	PMU	PMU	No progress noticed
	PMU management, PIM Group engineers and community mobilization specialist should visit a country where mature WUAs have developed, such as Spain and Italy, to study successful WUA operations.	PMU	PMU	No progress noticed
Agricultural and Community				

Action Area	Action Agreed	Agreed Date for action to be taken	Whom	Progress in completion of action
Development				
	Use a revised format for VDPs to ensure transparency and improve ownership by the community and to present the priorities not only for critical infrastructure but for agriculture as well	in the beginning of the new VDP preparation period	PMU/ Community mobilization company and/or NGO	The last 6 VDPs were successfully prepared with the new format.
	A routine of meetings and reporting needs to be developed and implemented for the Component 2 that horizontally and vertically ensures efficient and effective, information, knowledge and experience flow among all project actors.	As soon as possible	RCC/CFPs/SPs	Progress was made until the end of 2011. No progress in 2012 because most of the actors' contracts have not been renewed.
	Given the seasonal nature of most of the work, the technical staff in the PMU and RCC are recommended to develop and deliver short term training programs (1-2 days in each district, October-May) to all actors in the field as time permits, e.g. project approach and principles, participation approach, gender sensitization, basic agricultural extension principles, adult training, conducting demonstrations and computer skills. Hiring of additional consultants is not necessary.	As soon as possible	PMU/RCC	planned for 2012 fall.
	The PMU should increase operational funds for CFPs to also cover communication and transportation costs	As soon as possible	PMU	Payments were made to CFPs and TCPs for operational costs in 2011. Payments regarding 2012 has not been made because the contracts have not been renewed yet.
	For effective demonstrations follow the guidelines given in Technical Annex of the Aide-memoire	As soon as possible	PMU	The approach was adopted and already been started to be applied in the field.
	Before any Project resources are committed to the Potato Producers Cooperative's initiative for seed potato production and (cold) storage a draft business plan be developed by the Cooperative at its own (refundable if approved) expense addressing the issues indicated in paragraph 66. Once such is submitted to the PMU, a No Objection must be received from IFAD before proceeding further.	As soon as possible	PMU	No progress yet.
	Input supply and marketing: Promotional activities for producer groups and processing (support for packaging, transport, certification, selling	As soon as possible	PMU	No progress yet.

Action Area	Action Agreed	Agreed Date for action to be taken	Whom	Progress in completion of action
	space) as proposed in 2011 AWPBs, need to be developed based on business plans and calculation of potential impact. The identification of PG that is envisaged to benefit from the support needs to be transparent, criteria based with the result fully documented in detail. Support to any informal marketing groups should be based on transparent selection criteria.			
Financial Services and Enterprise Promotion Component	NBFIs to consider applying a repayment schedule taking into account the seasonality of the farmer's activity (as per Article X, Section 10.01 of the SLA).	As soon as possible - continuous	NBFIs/PMU	Reportedly NBFIs are not interested and to some extent also borrowers as they prefer to 'settle their debt ASAP'.
	NBFIs to further expand their reaching out to the mountain village households.	Immediate - continuous	NBFIs/PMU	NBFIs are not interested as this is costly and currently they see no incentives to do it.
	NBFIs to include in their quarterly report information on: active borrowers in highland poor villages, average loan maturity, and average disbursed loan size and number of active loans for agriculture processing.	Immediate - continuous	NBFIs/PMU	Not systematically done by the NBFIs in their periodic reporting; however PMU is able to provide this information upon request.
	PMU to give preference to the utilization of incremental credit in order to maximize the revolving amount.	Immediate - continuous	PMU	Done
	MoF to assess the possibility of raising MadadCredit current capital-indexed credit allocation limit and/or PMU to consider the possibility of refinancing NBFIs on quarterly basis.	As soon as possible	MoF/PMU	MadadCredit is likely to resolve the issue through i) a recent agreement with its own founder whom will be granting them more funds as well from ii) possibilities of new partnerships with other donors.
Financial Management / Procurement	Submit WAs for Government Pre-financed Expenditures	As soon as possible	PMU/ Financial Manager	Completed
	Strict application in compliance to Procurement Plan and ensure consistency with Annual Work Plan and Budget. Future deviations from the procurement plan will be declared ineligible.	PMU/ Procurement Manager	Continuously	Continuous
	Procurement items should be bulked in appropriate packages and lots	PMU/ Procurement Manager	Continuously	Continuous

Action Area	Action Agreed	Agreed Date for action to be taken	Whom	Progress in completion of action
	Revision of Procurement Thresholds: All consulting services and other services (firms or individuals) <u>under direct contracting</u> will be subject to prior review and IFAD No-Objection; Goods and Works estimated to cost USD 5,000 or more and procured <u>through direct contracting</u> will be subject to prior review and IFAD No-Objection. The above thresholds may be further revised during the course of implementation. Prior review thresholds stipulated in Schedule 4 of the Project Loan Agreement remain unchanged	PMU	Immediately	Continuous
	Preparation of 2012 Procurement Plan to be prepared with close guidance from IFAD	PMU Procurement Manager/ IFAD	Before end December 2011	June 2012
	Contract register to be further enhanced with columns for unit costs and remarks	PMU Procurement Manager	As soon as possible	Continuous
	Provision of a statement of expenditure from KAMALA-A listing all inputs charged to date to enable further processing of WAs for design related services	PMU Senior Engineer	Immediately	Completed/October 2011
	In order to provide an <u>exceptional</u> <i>ex-post</i> "no objection" to the purchase of the Laboratory Apparatus for the Agrarian University of Azerbaijan and the plough for Shamkir District, the PMU is required to submit to IFAD a detailed rationale for the purchase and proof of their relevance for the project (i.e. that beneficiaries/vets are actually being trained by the University and the use of the plough).	PMU	As soon as possible	October/November 2011
Financial Management / Procurement (cont'd)	No expenditures or commitments under the Farmer House activity are eligible until after IFAD review and approval. Project to submit separate rationale for it	PMU/IFAD	As soon as possible	October/November 2011
	Selection of Veterinarians: A performance assessment should be conducted to ensure that the Veterinarians are continuing to support project beneficiaries	PMU	As soon as possible	
	Quality of Documentation and Procurement Process: Due care and precision should be placed in the documentation and procurement processes and errors to be avoided (<i>see details in procurement section</i>)	PMU/Procurement Officer	As soon as possible	Continuous
	Audit: Auditor's TOR for FY 2011 should include a Management Audit and extend the audit to review the accounts of the contractor KAMALA-A related to the	PMU/ IFAD to clear revised TORs	Prior to end of 2011	Completed

Action Area	Action Agreed	Agreed Date for action to be taken	Whom	Progress in completion of action
	contract on design and supervision services in accordance with the provisions of GCC Clause 3.6 of the contract (RDPNW-CS-D&S-01/10).			

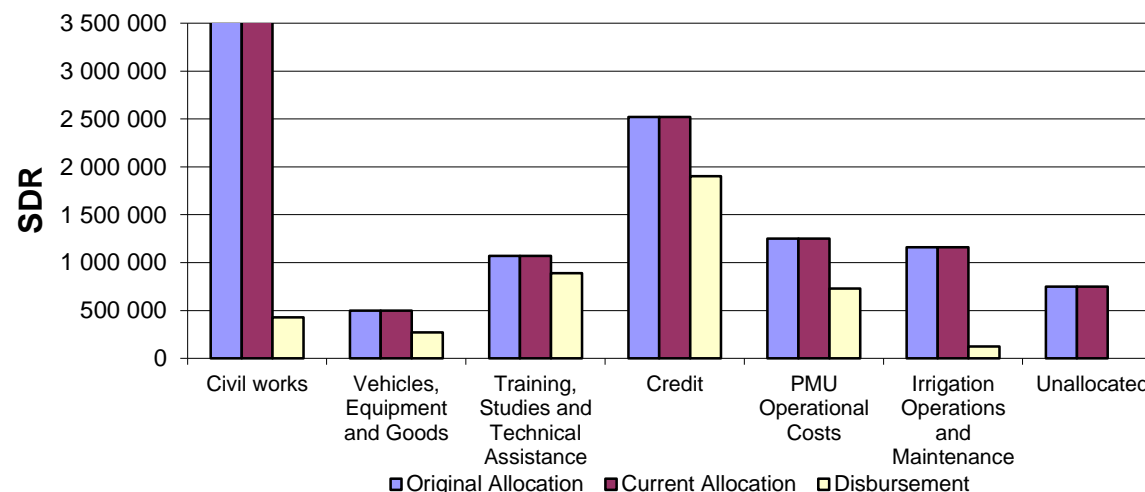
**Appendix 3: Financial: Actual financial performance by financier;
by component and disbursements by category**

Table 3A:	Financial performance by financier as of 13 June 2012			
Financier	Approved (US\$ '000)	Current (US\$ '000)	Disbursement (USD '000)	Per cent disbursed
IFAD loan	17 196.0	17 196.0	7 695.0	45%
Government	13 007.0	13 007.0	6 204.7	48%
Beneficiaries	500.0	500.0	422.3	84%
NBFI	1 622.0	1 622.0	66.7	4%
Total	32 325.0	32 325.0	14 388.7	45%

Table 3B:	Financial performance by financier by component (USD '000) as of 13 June 2012														
	IFAD loan			Government			NBFI			Beneficiaries			Total		
Component	Current	Actual	%	Current	Actual	%	Current	Actual	%	Current	Actual	%	Current	Actual	%
Participatory Irrigation Management	7 814.1	1 215.7	16%	11 893.7	5 570.3	47%				1 110.3	66.7	6%	20 818.0	6 852.6	33%
1) Support to WUAs	1 627.0	738.5	45%	611.2	85.9	14%				612.4	66.7	11%	2 850.6	891.1	31%
2) Irrigation Rehabilitation	6 187.0	477.1	8%	11 282.5	5 484.5	49%				497.9		0%	17 967.4	5 961.6	33%
Agriculture and Community Development	2 426.4	1 251.0	52%	905.2	232.0	26%				512.2		0%	3 843.7	1 483.0	39%
Rural Finance Services	4 483.9	3 210.3	72%				500.0	422.3	84%				4 483.9	3 632.6	
Project management	2 471.6	2 018.0	82%	207.7	402.4	194%							2 679.4	2 420.4	90%
Total	17 196.0	7 695.0	45%	13 006.6	6 204.7	48%	500.0	422.3	84%	1 622.4	66.7	4%	31 825.0	14 388.7	45%

Table 3C: IFAD loan disbursements (SDR, as at 13 June 2012)							
	Category Description	Original Allocation	Current Allocation	Disbursement	Balance	Per cent disbursed	W/A Pending
I	Civil works	3 600 000	3 600 000	426 781	3 173 219	12%	
II	Vehicles, Equipment and Goods	500 000	500 000	270 667	229 333	54%	
III	Training, Studies and Technical Assistance	1 070 000	1 070 000	889 594	180 406	83%	
IV	Credit	2 520 000	2 520 000	1 902 013	617 987	75%	
V	PMU Operational Costs	1 250 000	1 250 000	729 996	520 004	58%	
VI	Irrigation Operations and Maintenance	1 160 000	1 160 000	125 099	1 034 901	11%	
VII	Unallocated	750 000	750 000	0	750 000	0%	
	Initial deposit			650 806	-650 806		
	Total	10 850 000	10 850 000	4 994 955	5 855 045	46%	0

Figure 1: IFAD loan disbursement, comparisons between original and revised allocations and actual disbursement



Appendix 4: Compliance with loan agreement covenants: Status of implementation

Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
Section 2.03	Opening of the Special Account	Opening prior to Effectiveness	Complied with	Special Account with International Bank of Azerbaijan
Section 2.04	Use of IFAD Loan proceeds	IFAD Loan proceeds to be used exclusively to finance Eligible Expenditures	Complied with	
Section 3.02	Annual Work Plans and Budgets and Procurement Plans to be submitted to Fund	No later than 60 days before beginning of each Fiscal Year	Complied with	
Section 3.03	Opening of Project Account	Opening in a commercial bank prior to Effectiveness	Complied with	Project Account with International Bank of Azerbaijan
Section 3.04	Availability of Loan Proceeds and Counterpart Funds	Continuous	Complied with	
Section 3.06	Procurement of goods, civil works and services in accordance with Schedule 4	Continuous	Complied with	
Section 4.01	Monitoring, establishment of information management system	Continuous	Complied with, but requires further improvements	
Section 4.02	Progress Reports to be submitted to IFAD on a six-monthly basis	No later than six weeks after the end of each six-month period	Complied with	
Section 4.03	A Mid-Term Review to be carried out jointly by Borrower and IFAD	No later than 36 months after the Effective Date	Complied with	
Section 5.01	Submission of Financial Statements	Within 3 months after the end of each fiscal year	Complied with	
Section 5.02	Audit Reports on project accounts of each year to be submitted to Fund	Within 6 months after the end of each fiscal year	Complied with	

Appendix 5: Physical progress measured against AWP&B and appraisal targets, including RIMS indicators

(Based on Log Frame indicators at Appraisal)

Period: 01.10.11 to 01. 06.12				
Impact and Outcomes	Indicators (with global target if available)	Achievements (as per M&E data)	RIMS Rating	
			(by Project)	(by supervision mission)
Impact level				
Overall Goal To reduce income poverty, malnutrition and food insecurity in a sustainable manner, improve the livelihoods and prevent further impoverishment of the rural poor in the districts of the North West	Prevalence of child malnutrition (RIMS mandatory impact indicator); Households with improvement in asset ownership index: compare: male, single and female headed (RIMS mandatory impact indicator); Persons receiving Project services: direct, total project; compare male/female (RIMS 1 st level indicator); Households with increased income and improved food security: compare: male, single and female headed (RIMS 2 nd level indicator) People with access to safe, reliable drinking water (RIMS indicator);	Cannot be assessed yet		
1. Irrigation Rehabilitation and Participatory Management Responsive, effective and sustainable WUAs operate and maintain rehabilitated on-farm irrigation systems on behalf of all members with assured and consistent water supply at farm gate by the SAIC	Irrigation schemes operating at a water efficiency level of not less than 70% after 3 years (RIMS 2 nd level); Number of new WUAs established and operational after 3 years WUAs with satisfactory water charge recovery; Proportion of female farmers /members represented in WUAs; Farmers reporting yield, production increases (RIMS 2 nd level);	WUAs’ consolidation completed in 2012	3 n/a 3 3	n/a n/a n/a n/a

Period: 01.10.11 to 01. 06.12				
Impact and Outcomes	Indicators (with global target if available)	Achievements (as per M&E data)	RIMS Rating	
			(by Project)	(by supervision mission)
Impact level				
2. Agricultural and Community Development Farming households and communities are empowered and supported to increase production, produce marketable surpluses, pursue income generating activities and fully participate in community development	Community workers/volunteers operating after 3 years (RIMS 2 nd level);	n/a		
	Community projects operating after 3 years, by type (RIMS 2 nd level);	n/a		
	Infrastructure operating and self- financing after 3 years (by type);	n/a		
	Groups/committees: share of women members/leaders (RIMS 2 nd level);			
	Households served by safe water sources (RIMS 2 level indicator);	n/a		
	Enterprises operating after 3 years (RIMS 2 nd level);	n/a		
	Jobs generated by small and medium enterprises (RIMS 2 nd level);	n/a		
	People adopting technology recommended by Project (by type/gender);	94	4	94
	Farmers reporting production/yield increases (RIMS 2 nd level);	n/a		
3. Financial Services and Enterprise Promotion MFIs providing sustainable financial services and facilitating access to business development advice for small-scale farmers, groups and other micro-entrepreneurs in a gender sensitive way	Suitable, well performing MFIs contracted;	2		
	Operating cost/loan portfolio with split of male/female borrowers (RIMS 2 nd level);	\$206,000/3,727,200 male/female data. n/a	4	4
	Outstanding loans/credit officer: staff productivity (RIMS 2);	n/a		
	Portfolio at risk: outstanding balance of overdue loans (RIMS 2);		5	5

Period: 01.10.11 to 01. 06.12				
Impact and Outcomes	Indicators (with global target if available)	Achievements (as per M&E data)	RIMS Rating	
			(by Project)	(by supervision mission)
Impact level				
	Portfolio growth and degree of client satisfaction; New enterprises established by male and female borrowers and operating after 3 years; Jobs generated by Project MSEs/SMEs and share of employment for women (RIMS 2 nd level);	Zero n/a n/a		
4. Project Coordination and Management RCC, with National PMU support, provides effective project management and coordination	Project performance in relation to appraisal and AWPB targets; Execution of AWPBs; Uninterrupted flow of local counterpart funds; Rate of loan disbursement; Established M&E system operational; Review processes (surveys and studies) and participatory M&E procedures (VDPs and VIAs) operational and effective;	moderately satisfactory AWPB preparation and execution has been consistently delayed. Smooth counterpart funds flow; 45% rate of loan disbursement M&E system requires substantial improvement at IPMU and RCC VDP finalized for 49; critical infrastructure investments will begin in fall of 2012		
Outcome level				
Participatory Irrigation Management	Likelihood of sustainability of groups managing infrastructure formed/strengthened	Newly agglomerated with poorly trained staff and management	3	3
	Effectiveness of productive infrastructure - Irrigation schemes	No civil works completed	n/a	n/a
	Likelihood of sustainability of productive infrastructure - Irrigation schemes	No civil works completed	n/a	n/a
Agricultural and Marketing Development	Improved performance of service providers	Poor performance of TSPs, position terminated. CFPs contribution to project found very positive	4	3
	Improved agricultural, livestock and fishery	Yield increases not observed	n/a	4

Period: 01.10.11 to 01. 06.12				
Impact and Outcomes	Indicators (with global target if available)	Achievements (as per M&E data)	RIMS Rating	
			(by Project)	(by supervision mission)
Impact level				
	production			
	Likelihood of sustainability of the marketing groups formed/strengthened	Interest groups needed sustained support from Project	4	4
Rural Financial Services	Likelihood of sustainability of saving and credit groups formed/strengthened	Sustainability would be improved by longer maturity and larger loans	4	4
	Improved access of the poor to financial services	Client satisfaction ascertained by the mission	5	5
	Sustainability: improved performance of financial institutions	Outreach needs improvement at AgrarCredit	4	4

Appendix 6: RIMS Tables

FIRST LEVEL RESULTS

Note: Changes have been recorded only since the Supervision Mission of Nov. 2011

Component/Output/Indicator	Unit	Indicator	AWPB			Actual			% AWPB			CUMULATIVE		
Total Project		Level	2009	2010	2011	2009	2010	2011	2009	2010	2011	Appraisal	Actual	% Appraisal
Persons receiving project services														
Men received project services	Number	1st	10000	10000	50000	0	500	1900	0	5	4	200250	2400	1.2
Women received project services	Number	1st	4000	4000	20000	0	350	1250	0	9	6	60075	1600	2.7
1. Irrigation Rehabilitation and Participatory Management														
1.1. Support and Development of WUAs														
WUAs re-registered	Number	1st	12	12	19	0	0	18	0	0	95	12	18	150
Total number of members	Number	1st	NA	NA	NA	0	0	50414	NA	NA	0	NA	50414	-
- female members	Number	1st	NA	NA	NA	0	0		NA	NA	0	NA	-	-
Governing bodies	Number	1st	12	12	19	0	0	18	0	0	95	NA	-	-
- Women members in governing bodies	Number	2nd	NA	NA	NA	0	0	0	NA	NA	NA	NA	-	-
Executive directors	Number	1st	12	12	19	0	0	18	0	0	95	12	18	150
Engineers	Number	1st	12	12	19	0	0	18	0	0	95	12	18	150
Accountants	Number	1st	12	12	19	0	0	18	0	0	95	12	18	150
Field agents	Number	1st	32	32	52	0	0	55	0	0	106	96	55	57
N of WUAs staff trained in accounting and general WUA administration	Number	1st	NA	NA	NA	0	0	130	0	0	0	NA	-	-
Number of people trained in WUA organization and governance	Number	1st	NA	NA	NA	0	0	130	0	0	0	NA	-	-
Farmers trained in irrigation systems O&M	Number	1st	NA	NA	NA	0	0	0	0	0	0	NA	-	-
Number of HHs signed water contracts	Number	1st	NA	NA	NA	0	0	0	0	0	0	NA	-	-
Number of female headed HHs signed water contract	Number	1st	NA	NA	NA	0	0	0	0	0	0	NA	-	-
% female headed HHs signed water contract	Number	1st	NA	NA	NA	0	0	0	0	0	0	NA	-	-
Irrigable area	ha	1st	NA	NA	NA	0	0	60642	0	0	0	30000	60642	202

Area to be irrigated according to signed contracts	ha	1st	NA	NA	NA	0	0	0	0	0	0	NA	-	-
Actual area receiving water	ha	1st	NA	NA	NA	0	0	0	0	0	0	NA	-	-
Percentage of irrigable receiving water	%	1st	NA	NA	NA	0	0	0	0	0	0	NA	-	-
Area cultivated with high value crops	ha	1st	NA	NA	NA	0	0	0	0	0	0	NA	-	-
Area cultivated with low value crops	ha	1st	NA	NA	NA	0	0	0	0	0	0	NA	-	-
Length of irrigation canal repaired (concrete)	m	1st	NA	NA	NA	0	0	0	0	0	0	NA	-	-
Length of irrigation canal repaired (earth)	m	1st	NA	NA	NA	0	0	0	0	0	0	NA	-	-
Length of irrigation concrete canal cleaned	m	1st	NA	NA	NA	0	0	0	0	0	0	NA	-	-
Length of irrigation earth canal cleaned	m	1st	NA	NA	NA	0	0	0	0	0	0	NA	-	-
Length of irrigation pipes (metallic and PVC canals)	m	1st	NA	NA	NA	0	0	0	0	0	0	NA	-	-
Length of open drainage system cleaned	m	1st	NA	NA	NA	0	0	0	0	0	0	NA	-	-
Length of collector system cleaned	m	1st	NA	NA	NA	0	0	0	0	0	0	NA	-	-
Hydraulic facilities rehabilitated	Number	1st	NA	NA	NA	0	0	0	0	0	0	NA	-	-
New hydraulic facilities	Number	1st	NA	NA	NA	0	0	0	0	0	0	NA	-	-
% WUAs' Water Charges Collected	%	1st	NA	NA	NA	0	0	0	0	0	0	NA	-	-
														-
2. Agricultural and Community Development														-
2.1 Community Development														-
Number of VDP developed	Number	1st	20	20	26	0	0	26	0	0	100	NA	26	-
Number of social rehabilitation activities implemented	Number	1st	10	10	26	0	0	0	0	0	0	NA	0	-
Drinking water systems provided	Number	1st	0	0	12	0	0	0	0	0	0	20	0	0
Other types of works constructed, by type	Number	1st	0	0	13	0	0	0	0	0	0	70	0	0
Level (%) of beneficiary contribution, by type	Number	1st	20	20	20	0	0	0	0	0	0	NA	0	-
Number of women groups trained	Number	1st	40	40	80	0	0	0	0	0	0	NA	0	-
Number of trainings for local farmers	Number	1st	NA	NA	100	0	0	0	0	0	0	NA	0	-
Number of groups formed and supported	Number	1st	4	4	4	0	0	0	0	0	1	NA	0	-
Community Focal Points (CFP) employed and trained	Number	1st	20	20	23	0	0	23	0	0	23	NA	23	-
Community workers/volunteers operating after 3 years	Number	2nd	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	-
Community projects operating after 3 years, by type	Number	2nd	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	-
Infrastructure operating after 3 years (by type)	Number	2nd	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	-

Enterprises operating after 3 years	Number	2nd	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	-
Households served by safe water sources	Number	2nd	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	-
2.2. Agircultural Development													0	-
Area planted with field crops	Ha	2nd	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	-
Area planted with trees	Ha	2nd	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	-
Area of established trees reporting production	Ha	2nd	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	-
HH reporting increases in horticultural production	Number	2nd	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	-
HH reporting increases in crop production	Number	2nd	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	-
Potatoes														-
Number of demonstration fields established	Number	1st	0	0	20	0	0	8	0	0	40	NA	8	-
Yield from the demonstration field	t/ha	1st	0	0	0	0	0	7	0	0	0	NA	7	-
Yeild from non demonstration field	t/ha	1st	0	0	0	0	0	4	0	0	0	NA	4	-
Fodder (alfalfa)														-
Number of demonstration fields established	Number	1st	NA	NA	32	0	0	32	0	0	100	NA	32	-
Yield from the demonstration field (corn)	t/ha	1st	NA	NA	NA	0	0	4	0	0	0	NA	4	-
Yeild from non demonstration field	t/ha	1st	NA	NA	NA	0	0	3	0	0	0	NA	3	-
Yield from the demonstration field (alfalfa)	t/ha	1st	NA	NA	NA	0	0	7	0	0	0	NA	7	-
Yeild from non demonstration field	t/ha	1st	NA	NA	NA	0	0	6	0	0	0	NA	6	-
Vegetables														-
Number of demonstration fields established	Number	1st	NA	NA	20	0	0	0	0	0	0	NA	0	-
Yield from the demonstration field	t/ha	1st	NA	NA	NA	0	0	0	0	0	0	NA	0	-
Yeild from non demonstration field	t/ha	1st	NA	NA	NA	0	0	0	0	0	0	NA	0	-
Fruits													0	-
Number of demonstration fields established	Number	1st	NA	NA	12	0	0	0	0	0	0	NA	0	-
Yield from the demonstration field	t/ha	1st	NA	NA	NA	0	0	0	0	0	0	NA	0	-
Yeild from non demonstration field	t/ha	1st	NA	NA	NA	0	0	0	0	0	0	NA	0	-
Livestock														-
Number of farmers accessing veterinary services	Number	1st	NA	NA	NA	NA	NA	156	0	0	0	NA	156	-
Farmers adopting technology recommended by project	Number	2nd	NA	NA	NA	NA	NA	NA	0	0	0	NA	NA	-
Farmers reporting increases in sheep milk yield	Number	2nd	NA	NA	NA	NA	NA	NA	0	0	0	NA	NA	-
Farmers reporting increases in goat milk yield	Number	2nd	NA	NA	NA	NA	NA	NA	0	0	0	NA	NA	-
Cattle														-

<i>Cows served by AI</i>	Number	1st	NA	NA	NA	0	0	0	0	0	0	NA	0	-
Number of calves borned from AI	Number	1st	NA	NA	NA	0	0	0	0	0	0	NA	0	-
<i>Farmers reporting increases in cattle numbers</i>	Number	2nd	NA	NA	NA	0	0	0	0	0	0	NA	0	-
<i>Farmers reporting increases in cow milk yield</i>	Number	2nd	NA	NA	NA	0	0	0	0	0	0	NA	0	-
<i>Farmers reporting meat yield increases</i>	Number	2nd	NA	NA	NA	0	0	0	0	0	0	NA	0	-
milk production	tonnes	2nd	NA	NA	NA	0	0	0	0	0	0	NA	0	-
meat production	tonnes	2nd	NA	NA	NA	0	0	0	0	0	0	NA	0	-
Honey														-
Number of beefarm supported	Number	1st	NA	NA	40	0	0	0	0	0	0	NA	0	-
Number of beehives distributed	Number	1st	NA	NA	400	0	0	0	0	0	0	NA	0	-
<i>Farmers reporting increase in honey production</i>	Number	2nd	NA	NA	NA	0	0	0	0	0	0	NA	0	-
<i>Honey production</i>	tonnes	2nd	NA	NA	NA	0	0	0	0	0	0	NA	0	-
2.3. Marketing Development														-
Training workshops for farmers	Number	1st	NA	NA	NA	0	0	0	0	0	0	NA	0	-
Number of fairs organized	Number	1st	NA	NA	5	0	0	0	0	0	0	NA	0	-
New market linkages established and operating	Number	1st	NA	NA	NA	0	0	0	0	0	0	NA	0	-
Number of entrepreneurs supported	Number	1st	NA	NA	NA	0	0	0	0	0	0	NA	0	-
Number of marketing groups supported	Number	1st	NA	NA	NA	0	0	4	0	0	0	NA	4	-
Processing facilities established or supported	Number	1st	NA	NA	NA	0	0	0	0	0	0	NA	0	-
3. Financial Services and Enterprise Promotion														-
MadadKredit NBF1														-
Group Loans														-
Livestock														-
Groups received loans	Number	1st	NA	NA	NA	0	40	35	-	-	-	NA	75	-
Women received loans	Number	1st	NA	NA	NA	0	23	20	-	-	-	NA	43	-
Total credit disbursed for livestock	AZN	1st	NA	NA	NA	0	73500	35500	-	-	-	NA	150,000	-
Fruit production														-
Persons received loans	Number	2nd	NA	NA	NA	0	0	0	-	-	-	NA	0	-
Women received loans	Number	2nd	NA	NA	NA	0	0	0	-	-	-	NA	0	-
Total credit disbursed for fruit crop establishment	USD	1st	NA	NA	NA	0	0	0	-	-	-	NA	0	-
Vegetables														-
Persons received loans	Number	2n	NA	NA	NA	0	0	0	-	-	-	NA	0	-

Women received loans	Number	2nd	NA	NA	NA	0	0	0	-	-	-	NA	0	-
Total credit disbursed for vegetables	USD	1st	NA	NA	NA	0	0	0	-	-	-	NA	0	-
Crop Production														-
Persons received loans	Number	2n	NA	NA	NA	0	0	87	-	-	-	NA	87	-
Women received loans	Number	2nd	NA	NA	NA	0	0	43	-	-	-	NA	43	-
Total credit disbursed for wheat production	USD	1st	NA	NA	NA	0	0	88000	-	-	-	NA	88000	-
Individual Loans														-
Livestock														-
Persons received loans	Number	2nd	NA	NA	NA	0	0	0	-	-	-	NA	0	-
Women received loans	Number	2nd	NA	NA	NA	0	0	0	-	-	-	NA	0	-
Total credit disbursed for livestock	AZN	1st	NA	NA	NA		0	0	-	-	-	NA	0	-
Fruit production														-
Persons received loans	Number	2nd	NA	NA	NA	0	0	0	-	-	-	NA	0	-
Women received loans	Number	2nd	NA	NA	NA	0	0	0	-	-	-	NA	0	-
Total credit disbursed for fruit crop establishment	USD	1st	NA	NA	NA	0	0	0	-	-	-	NA	0	-
Vegetables														-
Persons received loans	Number	2n	NA	NA	NA	0	0	0	-	-	-	NA	0	-
Women received loans	Number	2nd	NA	NA	NA	0	0	0	-	-	-	NA	0	-
Total credit disbursed for vegetables	USD	1st	NA	NA	NA	0	0	0	-	-	-	NA	0	-
Crop Production														-
Persons received loans	Number	2n	NA	NA	NA	0	0	0	-	-	-	NA	0	-
Women received loans	Number	2nd	NA	NA	NA	0	0	0	-	-	-	NA	0	-
Total credit disbursed for wheat production	USD	1st	NA	NA	NA	0	0	0	-	-	-	NA	0	-
														-
Agrarkredit Micro finance														-
Group Loans														-
Livestock														-
Persons received loans	Number	1st	NA	NA	NA	0	358	793	-	-	-	NA	1151	-
Women received loans	Number	1st	NA	NA	NA	0	247	545	-	-	-	NA	792	-
Total credit disbursed for livestock	AZN	1st	NA	NA	NA	0	180300	449000	-	-	-	NA	629300	-
Fruit establishment														-
Persons received loans	Number	1st	NA	NA	NA	0	0	14	-	-	-	NA	14	-

Women received loans	Number	1st	NA	NA	NA	0	0	8	-	-	-	NA	8	-
Total credit disbursed for fruit crop establishment	USD	1st	NA	NA	NA	0	0	10100	-	-	-	NA	10100	-
Vegetables														-
Persons received loans	Number	1st	NA	NA	NA	0	0	624	-	-	-	NA	624	-
Women received loans	Number	1st	NA	NA	NA	0	0	456	-	-	-	NA	456	-
Total credit disbursed for vegetables	USD	1st	NA	NA	NA	0	0	333900	-	-	-	NA	333900	-
Crop Production														-
Persons received loans	Number	1st	NA	NA	NA	0	57	102	-	-	-	NA	159	-
Women received loans	Number	1st	NA	NA	NA	0	34	66	-	-	-	NA	100	-
Total credit disbursed for wheat production	USD	1st	NA	NA	NA	0	41100	61400	-	-	-	NA	102500	-
Individual loans														-
Livestock														-
Persons received loans	Number	1st	NA	NA	NA	0	5	29	-	-	-	NA	34	-
Women received loans	Number	1st	NA	NA	NA	0	0	0	-	-	-	NA	0	-
Total credit disbursed for livestock	AZN	1st	NA	NA	NA		54000	235500	-	-	-	NA	289500	-
Fruit production														-
Persons received loans	Number	1st	NA	NA	NA	0	0	0	-	-	-	NA	0	-
Women received loans	Number	1st	NA	NA	NA	0	0	0	-	-	-	NA	0	-
Total credit disbursed for fruit crop establishment	USD	1st	NA	NA	NA	0	0	0	-	-	-	NA	0	-
Vegetables														-
Persons received loans	Number	1st	NA	NA	NA	0	2	1	-	-	-	NA	3	-
Women received loans	Number	1st	NA	NA	NA	0	0	0	-	-	-	NA	0	-
Total credit disbursed for vegetables	USD	1st	NA	NA	NA	0	22000	10000	-	-	-	NA	32000	-
Crop Production														-
Persons received loans	Number	1st	NA	NA	NA	0	1	1	-	-	-	NA	2	-
Women received loans	Number	1st	NA	NA	NA	0	0	0	-	-	-	NA	0	-
Total credit disbursed for wheat production	USD	1st	NA	NA	NA	0	12000	16000	-	-	-	NA	28000	-
Persons received loans	Number	1st	NA	NA	NA	0	5	29	-	-	-	NA	34	-
Women received loans	Number	1st	NA	NA	NA	0	0	0	-	-	-	NA	0	-
Total credit disbursed for livestock	AZN	1st	NA	NA	NA	0	54000	235500	-	-	-	NA	289500	-
Fruit production														-
Persons received loans	Number	1st	NA	NA	NA	0	0	0	-	-	-	NA	0	-

Women received loans	Number	1st	NA	NA	NA	0	0	0	-	-	-	NA	0	-
Total credit disbursed for fruit crop establishment	USD	1st	NA	NA	NA	0	0	0	-	-	-	NA	0	-
Vegetables														-
Persons received loans	Number	1st	NA	NA	NA	0	2	1	-	-	-	NA	3	-
Women received loans	Number	1st	NA	NA	NA	0	0	0	-	-	-	NA	0	-
Total credit disbursed for vegetables	USD	1st	NA	NA	NA	0	22000	10000	-	-	-	NA	32000	-
Crop Production							0							-
Persons received loans	Number	1st	NA	NA	NA	0	1	1	-	-	-	NA	2	-
Women received loans	Number	1st	NA	NA	NA	0	0	0	-	-	-	NA	0	-
Total credit disbursed for wheat production	USD	1st	NA	NA	NA	0	12000	16000	-	-	-	NA	28000	-
Group Loans														-
Livestock														-
Persons received loans	Number	1st	NA	NA	NA	0	398	828	-	-	-	NA	1333	-
Women received loans	Number	1st	NA	NA	NA	0	270	565	-	-	-	NA	835	-
Total credit disbursed for livestock	AZN	1st	NA	NA	NA	0	253800	484500	-	-	-	NA	738300	-
Fruit production														-
Persons received loans	Number	1st	NA	NA	NA	0	0	14				NA	14	-
Women received loans	Number	1st	NA	NA	NA	0	0	8				NA	8	-
Total credit disbursed for fruit crop establishment	USD	1st	NA	NA	NA	0	0	10100				NA	10100	-
Vegetables														-
Persons received loans	Number	1st	NA	NA	NA	0	0	624				NA	624	-
Women received loans	Number	1st	NA	NA	NA	0	0	456				NA	456	-
Total credit disbursed for vegetables	USD	1st	NA	NA	NA	0	0	333900				NA	333900	-
Crop Production														-
Persons received loans	Number	1st	NA	NA	NA	0	57	189				NA	246	-
Women received loans	Number	1st	NA	NA	NA	0	34	109				NA	143	-
Total credit disbursed for wheat production	USD	1st	NA	NA	NA	0	41100	149400				NA	190500	-
														-
Two NBFIs all loans														-
Persons received loans	Number	1st	1200	1200	1500	0	463	1686	0	39	112	NA	2149	-
Women received loans	Number	1st	480	480	600	0	304	1138	0	63	190	NA	1442	-
Total credit disbursed	USD	1st	74000	740000	1000000	0	382900	1239400	0	52	124	4000000	1622300	41

Repayment rate	%	1st	NA	NA	NA	0	100	100				NA	200	
Loans due more than 30 days	Number	1st	NA	NA	NA	0	0	0	-	-	-	NA	0	
Loans due more than 60 days	Number	1st	NA	NA	NA	0	0	0	-	-	-	NA	0	
Portfolio at risk (outstanding balance of overdue loans)	%	1st	NA	NA	NA	0	0	0	-	-	-	NA	0	

SECOND LEVEL RESULTS

Component	Sub Component	Results	Rating
C.1. Participatory Irrigation Management	C1.1 Support and Development of WUAs	Likelihood of sustainability of groups managing infrastructure formed/strengthened	3
		Effectiveness of productive infrastructure - Irrigation schemes	n/a
	C1.2 Irrigation System Rehabilitation	Likelihood of sustainability of productive infrastructure - Irrigation schemes	n/a
C.2 Agricultural and Marketing Development	C. 2.1. Support and Development of Farmer/Community Groups	Effectiveness: improved performance of service providers	3
			4
	C. 2.2. Critical Infrastructure Improvement	Effectiveness: improved agricultural, livestock and fishery production	
	2.3. Technology Demonstration and Transfer	Likelihood of sustainability of the marketing groups formed/strengthened	4
C.3 Rural Financial Services	2.4. Input Supply and Marketing Facilitation		
	C 3.1 Microfinance	Improved access of the poor to financial services	4
		Likelihood of sustainability of saving and credit groups formed/strengthened	5
	C3.2 Agri-Business and Enterprise Promotion	Sustainability: improved performance of financial institutions	4
C.4 Project Coordination and Management		N/A	

THIRD LEVEL RESULTS

Indicator	Unit	Benchmark	Mid-term	Completion	Target
Underweight children - weight for age*	%	17.0	N/A		
Chronic malnourished children - height for age*	%	17.0	N/A		
Acute malnourished children - weight for height*	%	15.0	N/A		
Households with access to improved sanitation**	%	70.6	N/A		
* data refer to rural areas across the whole state of Azerbaijan					
Source: Nutrition Survey conducted in 2009 within the project area; State Statistical Committee (SSC) [Azerbaijan] and Macro International Inc. 2008. <i>Azerbaijan Demographic and Health Survey 2006</i> . Calverton, Maryland, USA: State Statistical Committee and Macro International Inc. Available at: http://www.measuredhs.com/pubs/pdf/FR195/FR195.pdf					

Appendix 7: Learning and Innovation

Learning: What has worked particularly well in this project during this period? What have been the reasons for this?

The continuation of the PMU's functions from the NEDP has minimized the potentially huge delays at start-up. Since start-up, the negative impacts of a very poorly prepared PIM – virtual copy of the Appraisal Report - have been somewhat off-set by the PMU's experience of 11 years.

Learning: What has not worked so well? What have been the reasons?

1. The SAIC's lack of willingness to collaborate in a constructive manner with SAAC in general and in the Project area is specifically undermining the chance of success. An advance agreement with SAIC as part of the conditions of Loan effectiveness may have been more productive. Lessons from the NEDP were not taken.
 2. The ceilings for loans to, particularly BGs, are too low to have the expected benefit in improving incomes and increasing of assets. Any given BG has to borrow small amounts several times, hence the good second time borrower rates, in order for the credit's impact to multiply.
 3. Linkages envisaged with other projects at time of design did not take into consideration the sustainability risks of these where the effectiveness of both the WB's ADCP and USAID's TIRSP have proven to be quite limited and time-bound and in certain aspects redundant (TIRSP), particularly in view of RDPNW delays at start-up.
 4. Extensive impact analyses of completed projects would have benefitted the design of this and the other IFAD projects under similar circumstances.
-

Innovation: Describe any interesting innovation noted during supervision

Although unexpected given the delays, the CFPs, their success in forming interest groups for marketing and input bulking have been commendable. The CFP have also been instrumental in mobilizing the farmers for the demonstrations. The "return-on-investment" of the relatively low salaries paid to them have been substantial.

Innovation: How might this be replicated by others, or up-scaled here?

For a significant number of CFPs, their roles are voluntary and supplemented with a small stipend. This may indicate that there are much untapped human resources that can be of benefit on an individual basis in thrust for rural development, in fact much more effectively in some cases than organized CSO/NGOs.

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Appendix 8: Audit Log

a) 1. Summary Audit Table

2) Audit 2009 to 2011

Financial Year	Audit Observations as per Audit Report		Audit Observations Settled		Audit Observations Outstanding	
	Numbers	Value (BDT)	Numbers	Value (BDT)	Numbers	Value (BDT)
2009	1	N/A	0	N/A	1	N/A
2010	1	N/A	0	N/A	1	N/A
2011	1	N/A	0	N/A	1	N/A
Total :	3	N/A	60	N/A	3	N/A

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2. Detailed Audit Table

Sl. No.	Financial year	Class: Serious/general	Audit Ref.	Audit observation	Total Amount per Observation (BDT)	Action taken by the project /PMU(Reply of para wise)	Present status (Auditors Validation Result)	Total amount not settled/outstanding (BDT)	Remarks
1	2009	General	Management Letter	The management letter addressed one observation on the reporting of foreign exchange gains and losses calculations, and recommends that this anomaly is resolved for reconciled financial statements with actual bank transactions.	N/A	The PMU agreed with the auditor's remark, but no measures have been taken to settle this issue.	Not settled	1	
2	2010	General	Management Letter	The management letter addressed one observation on the reporting of foreign exchange gains and losses calculations, and recommends that this anomaly is resolved for reconciled financial statements with actual bank transactions.	N/A	The PMU agreed with the auditor's remark, but no measures have been taken to settle this issue.	Not settled	1	
3	2011	General	Management Letter	The management letter addressed one observation on the reporting of foreign exchange gains and losses calculations, and recommends that this anomaly is resolved for reconciled financial statements with actual bank transactions.	N/A	The PMU agreed with the auditor's remark.		0	The MTR mission reviewed the audit report and management letter and addressed recommendations to the Financial Manager, in order to avoid future noncompliance
		Sub Total:						0	

Appendix 9: Mid-Term Review Mission Schedule and Persons Met

Mission Schedule

June 17, Sunday	Mission arrives in Baku (ND, AT, SG, CO)
June 18, Monday	Start-up meetings at PMU 7 September
June 19, Tuesday	Travel to Agstafa (2 vehicles)
June 20, Wednesday	Meetings at RCC; a) Field visit to demonstration sites b) Irrigation group visit civil works areas and WUAs
June 21, Thursday	a) Meeting with CFPs b) Irrigation group visit civil works areas and WUAs c) SG meetings with NBFIs
June 22, Friday	SG departs; a) Visit to remote villages for critical infrastructure review b) Meetings at RCC b) Irrigation group visit civil works areas and WUAs; visit SAIC local offices
June 23, Saturday	Return from field trip to Baku
June 24, Sunday	Report drafting, team review of findings and recommendations; DB and AS arrive;
June 25, Monday	Team meeting at PMU, begin drafting Aide Memoire
June 26, Tuesday	Various meetings with PMU, MoF, SAIC,
June 27, Wednesday	Meetings with PMU technical staff and PIM Group, review findings of the mission
June 28, Thursday	a) DN arrives b) Discuss draft Aide Memoire and recommendations with PMU; finalize 1 st draft of Aide Memoire
June 29, Friday	Distribute first draft Aide Memoire; Wrap-up with SAAC
June 30, Saturday	Develop final draft of Aide Memoire; follow-up on Wrap-up meeting with SAAC
July 1, Sunday	The mission members (excluding AT) depart for home base
July 2, Monday	AT departs for home base

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List of Persons met

Ministry of Agriculture	
Mr. Ismet Abbasov	Minister of Agriculture
State Agency on Agricultural Credits (SAAC)	
Mr. Famil Rustamov	Acting Director General
PMU	
Vugar Mehdiyev	Program Director
Safxan Mustafayev	Community Mobilization Specialist
Mehriban Eyvazova	Financial Specialist
Muttalip Shirinov	Credit Specialist
Arzuman Mamedov	Chief Irrigation Engineer, PIM Group
Teymur Bayramov	Irrigation Specialist, PIM Group
Siyavush Verdiyev	Legal Adviser, PIM Group
Gabil Huseynov	Procurement Specialist
Kamran Bayramov	M&E Specialist
Regional Coordination Center (Agstafa)	
Khalil Khalilov	RCC Coordinator
Nasimi Yusifov	Irrigation Engineer
Elesger Eleskerov	M&E Specialist
Nadir Ismayilov	Legal Adviser
Nofel Aliyev	Community Mobilization Specialist
Isfandiyar Mehdiyev	Farming Systems Specialist
Emin Hasanov	Accountant
Zaur Valiyev	Operator
Laman Ashirova	Office Manager
Fidan Huseynova	Computer Operator
Ministry of Economic Development	
Mr. Elchin Ahmadv	Director, Department of Cooperation with International Organizations
Ministry of Finance	
Mr. Mardan Mardanov	Director, Department of International Cooperation
Agrarkredit	
Mr. Suleyman Kalashov	Head of Strategic Planning
Mr. Yusif Veliyev	First Deputy Chairman
Mr. Orchan Karimov	Credit Facilitator
Madad Credit	
Mr. Razim Khaligov	Chairman
Azerbaijan Amelioration and Farm Water Open Joint Stock Company (aka SAIC)	
Mammadsadig Guliyev	First Deputy Chairman
Quliyev Metleb	Head of Amelioration & WUA Affairs Department
Irrigation Design Engineering Consulting Firm	
Rauf Babayev	Director, Kamala A Company
Adalat Asgarov	Engineer, Kamala A Company
Other Irrigation Private Companies	
Rafiq Mammadov	Monitoring Specialist, Viator, Ganja
Trond Langan	Norwegian Humanitarian Enterprises
Agstafa Rayon Water Users Associations	
Zakir Madadov	Chairman, Axmaz WUA
Arif Madadov	Executive director, Axmaz WUA

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Nasib Qadimaliyev	Chairman, Dag Kasaman" WUA
İmran Qarayev	Accountant, Dag Kasaman" WUA
Musa Musayev	Water specialist, Dag Kasaman WUA
Sagif Shamsiyev	Chairman, Candar WUA
Agstafa Rayon SAIC	
Nureddin Ashirov	Head, WUAs Support Group
Gazakh Rayon Water Users Associations	
Natiq Əliyev	Chairman, Kosalar WUA
Hafis Qasimov	Executive Director, Kosalar WUA
Fazil Nəbiyev	Accountant, Kosalar WUA
Müzəffər Qocayev	Chairman, Chaylı WUA
Etibar Gojayev	Executive Director, Chaylı WUA
Zabit Osmanov	Chairman, Das Salahklı WUA
Almara Abdullayeva	Field Agent, Das Salahklı WUA
Rafət Nəsirov	Accountant, Huseyinbeyli WUA
Hikmət Mahmudov	Field Agent, Huseyinbeyli WUA
Gazakh Rayon SAIC	
Abbas Goyushov	Director
Dursun Mirzəyev	Chief engineer
Tovuz Rayon Water Users Associations	
Bakir Həsənov	Chairman, Arzu WUA
İsrayıl Tagiyev	Accountant, Arzu WUA
Azer Mehraliyev	Chairman, Azər- Səl WUA
Tahir Orucov	Water specialist, Azer-Sel WUA
Rafail Mammadov	Chairman, Donuk Qırıqlı WUA
Sadaqat Abbasova	Accountant, Donuk Qırıqlı WUA
Shabran Rayon Water Users Association	
Ramiz Mursaliyev	Chairman, Rahimli WUA chairman, North East Rural Development Project
Community Focal Points	
Agstafa	Villages in the Cluster
Elşen İsmayılov	Aşağı Göyceli, Hetai, Aşağı Kesemen
Fazil Bayramov	Dağ Kesemen, Koçhasgar, Vurgun
Habil Aliyev	Koçvelli, Garayazi, Poylu
Rauf Meherremov	Pirilli, Khilkhina, Kolkhalfali
Gazakh	
Mahir Yusufov	Orta Salahli, Aşağı Salahlı, Jafarli
Mövlan Karimov	Gaymaglı, Kemerli
Elburus Valiyev	Alpoud, Abbasbeyli, Farahli,
Tahir Tanrıverdiyev	Yuharı Salahli, Aslanbeyli
Tovuz	
Vugar Aliyev	Yukarı Öksüzlü, Hacalı, Alibeyli
Tofiq Hüseynov	Esrik Cirdahan, Molla Ayrim, hacı Hesenli
Qedim Memedov	Sarıtala, Çobansıznaq, Ağaçgala
Alim Esedov	Qeribli, İsakend, Ağbaşlar
Ceyhun Bayramov	Sofular, Kirenkendi, Khina Kiren
Razim Qeribov	Qalaboyun, Baqqallı, Saladanlı
Faiq Həsənov	Göyebakan, Hesenli, Qaradash
Yaşar Qurbanov	Ağdam, Yanıqlı, Ahmedabad
Cavid Abbasov	Azafli, Bayramlı, Kohenebi
Elxan Orucov	Çatak, Ağbulaq, Papaqçılar
Xanbuta Hüseynov	Böyük Kışlaq, Çəsmeli, Qarallar
Shamkir	
Ferhad Tağıyev	Qasmalılar, Ehmədli, Hacıalılar
Meməd Ceferov	Çanlıbel, Seyidler, Atabey

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Qafar Meherromov	Yeni Göyçe, Varlı Hayat, Qarakoyunlu
Elşen Alizade	Irmaşlı, Dag Daşbulaq; Elesgerli
Siyaset Mammedov	Saritepe
Field Veterinary Unit (FVU)	
Qadim Qadimov	Poylu FVU, Agstafa
Akhundov Afig	Garapapagli FVU, Gazakh
Alakbarov Afig	Kovlar FVU, Tovuz
Rustamov Elkhan	Mukhtariyya FVU, Shamkir
Shahbazov Etibar	Alabashli FVU, Shamkir

Appendix 10: Summary of implementation support provided by IFAD

Following the critical findings and recommendations of last September 2011 supervision mission, a close follow-up on all implementation issues has been provided to the Project on a continuous basis. In particular, the issue related to the temporary dismissal of the PMU Director and the delays in the implementation of Component one have been addressed, and partially solved (in the case of the latter), by the CPM through a close and continuous dialogue with Government authorities and IFAD management.

The above-mentioned issues and others, as detailed in Annex 2, that have delayed project implementation, were addressed by this mission through a proposed restructuring and simplification of the project design. It is expected that, if this is endorsed and implemented, the Project will be able to speed up implementation progress and be positioned for a serious leap forward in 2013.

Appendix 11: REVISED LOGFRAME

Results Hierarchy	Verifiable Indicators	Means of Verification	Assumptions/Risks
Goal			
Income poverty, malnutrition and food insecurity is reduced in the rayons of Tovuz, Agstafa, Shamkir and Gazakh.	<ul style="list-style-type: none"> Reduction in prevalence of child malnutrition (RIMS Level 3) Increase in household assets (RIMS Level 3) Increase in no. of households with access to safe, reliable drinking water (RIMS Level 3) 	HBS Nutrition surveys SPPRSD M&E System RIMS annual reporting and Impact surveys Project Completion Report (PCR)	Political stability prevails Macro-economic situation does not deteriorate Existing markets for livestock and crops do not deteriorate Local agricultural products remain competitive
Development Objectives(DO)			
The DOs are: i)to improve WUA members' access to timely and sufficient irrigation; ii) to assist the the rural poor in increasing agricultural productivity and farm incomes; iii) to develop critical communal infrastructure; and iv) to improve access of rural communities to credit.	<ul style="list-style-type: none"> No. of democratically managed WUAs operating sustainably 80% of command area efficiently irrigated by WUAs No. of farmers reporting increases income from agriculture and related activities Increase in number of borrowers from intermediary institutions No. NBFIs providing sustainable financial services No. of women borrowing 	WUA records IMPU progress reports MTR and PCR Participatory monitoring by beneficiaries RIMS annual reporting and impact surveys Village Development Plans	SAIC maintains support for WUA registration Primary and secondary canals rehabilitated by SAIC The Law on Amelioration and Irrigation is enforced WUAs able to collect water fees from members Legislation continues to support NBFIs/MFIs Subsidies do not distort markets
Outcomes			
a. Democratically managed WUAs providing sufficient water to members operating sustainably b. Agricultural production increased with improved cross-fertilization between farmers	<ul style="list-style-type: none"> WUAs fulfilling irrigation requirements of all members Trained management in place at WUAs New agronomic packages with better yielding varieties adopted on rainfed and irrigated plots 	MTR and PCR IMPU progress reports WUA records Participatory monitoring by beneficiaries and CFPs RIMS annual reporting and impact surveys Village Development Plans	Primary and secondary canals rehabilitated by SAIC No deterioration in existing markets for livestock and crops

c. Critical infrastructure in upland villages rehabilitated	<ul style="list-style-type: none"> Access to inputs and markets improved through well-functioning voluntary interest groups formed by farmers 		Local agricultural products remain competitive
d. Access to credit of the rural households improved	<ul style="list-style-type: none"> Participatory mechanisms in place in 68 villages for community decisions regarding critical infrastructure investments MFI/NBFIs providing easy access to loans with preferred borrowing conditions 		Quality inputs available
Components / Outputs			
<u>C.1 Irrigation Rehabilitation and Participatory Management</u>			
C1.1 Development and Strengthening of Water User Associations (WUAs)	<ul style="list-style-type: none"> Number of WUAs re-registered No of WUAs' with staff having completed management and O&M training No. of trained staff/management in place by end of Project No. of WUAs investing in machinery, and equipment for O&M (based on needs assessment) No. of WUAs able to pay 100% staff costs by end of Project No. of WUAs with women comprising 30 % boards by end of Project No. of WUAs where 80% of members pay dues on time 	IPMU Progress Reports SAIC Statistics Supervision reports WUA records IMPU progress reports MTR and PCR	SAIC rehabilitation program is synchronized to Project activities Democratic management in place in WUAs WUAs remain amalgamated to maintain optimized command area SAIC maintains current policies for WUAs Farmers pay for water
C.1.2 Rehabilitation of On-Farm Irrigation Systems (100% of cost to be financed by GoAZ)	<ul style="list-style-type: none"> Km of canals rehabilitated (by type) No. of structures replaced/repared Ha farmland with access to improved irrigation and drainage (Target. 60,000 ha) % increase in water available on-farm % of water charges collected on time by WUAs % increase in yields in irrigated areas 	IPMU Progress Reports SAIC Statistics Supervision reports WUA records Contractors' progress reports IPMU progress reports Beneficiary impact assessments	GoAZ funds for tertiary and on-farm works available on time and required amount SAIC honors contracts with WUAs and maintains fair water pricing policies SAIC capable of delivering required amounts water to WUAs
C.2 Agricultural and Community			

Component 3: Financial Services and Enterprise Promotion	<ul style="list-style-type: none"> Value of gross loan portfolio (by NBFI, activity financed, gender, rayon) % increase in number of loans of minimum 2 years maturity % increase in no of small holdings that use credit Average loan size (by activity, NBFI, gender, district) (>AZM 8 000) Repayment rate (> 95%) PAR 30 days/90 days (<10%; <3%) Number of NBFIs' staff trained % of NBFIs loans from revolving funds No of NBFI field staff in project rayons (by NBFI) No of borrower groups borrowing more than once % increase in no of women borrowing Average ratio of women in borrower groups 	Ministry of Finance records Local administrations' records NBFI audits IPMU and RCC Progress Reports Supervision reports Mid-term Review Participatory Impact Monitoring	Contracted NBFIs remain interested in participating in the Project Government of Azerbaijan maintains support for agreements with financial institutions Commercial environment remains conducive for investments Financially attractive investments available No deterioration in existing markets agricultural products
Component 4: Project Coordination and Management			
IFAD Program Management Unit (IPMU; Baku)	<ul style="list-style-type: none"> Project Implementation Manual completed by end of 2009 M&E, accounting and procurement staff trained data collection, interpretation and reporting Office refurbishment completed Results-based monitoring reports rely on accurate data from the RCC M&E system generating data used as basis for AWPBs Vehicles rented Annual audits conducted 	Mid-term Review Supervision reports Project accounts/records Project audit	Qualified technical staff available in Project districts AWPBs and PPs produced according to IFAD standards Timely availability of operational funds
Regional Coordination Center (Agstafa)	<ul style="list-style-type: none"> Key RCC staff in place Activity Managers for C2 in place Vehicles rented Field M&E system in place Monthly, quarterly and annual reports acceptable to IPMU M&E specialist produced 	Mid-term Review Supervision and progress reports Project accounts/records	Qualified technical staff available in Project districts

