

**Azerbaijan: Farm Privatization Project**

Item	Assessment Remarks	Rating
<b>Country &amp; Project Name</b>	<b>Azerbaijan: Farm Privatization Project</b>	
Loan No.:	447-AZ	
Project Id.:	1033	
Board date	29/04/1997	
Effectiveness date	24/07/1997	
Closing date	31/12/2003	
Total Project Cost USD(M)	28.82	
IFAD loan USD (M)	14.7	
Cofinanciers if any	Parallel with International Development Association (IDA): US\$14.7M	
Implementing Agency	Ministry of Agriculture	
Principal Components	Farm privatisation, Irrigation rehabilitation, Community and women's development and Project management.	
<b>Project Performance</b>		
Design	The project was designed collaboratively with IDA. It sought to carry forward important aspects of the GOA's (Govt. of Azerbaijan) agrarian reform programme: true privatisation. In this sense, although based on detailed actions on the ground, the project sought progress on a higher plane. This was relatively new ground for IFAD. It has a very good log -frame with indicators and assumptions.	6
Implementation	Most activity took place on six pilot state farms that were to be privatised. The project contributed directly to major legislative and institutional change (land titling and WUAs- water user associations). All components were successfully implemented with minimal delays. Nearly all appraisal targets were exceeded, some massively e.g. establishment of WUA's and area covered by irrigation rehabilitation. The project management unit (PMU) operated successfully, eventually creating permanent project implementation capacity.	6
Relevance	The project was highly relevant to the country's needs as indicated in the design section.	6
Effectiveness	All or nearly all development objectives were met. The pilot land registration was so successful it was mainstreamed nationally laying the basis for efficient markets in land. Associated FIAS established. Irrigation rehabilitation was highly satisfactory: exceeding the target by 70%. Work on a legal framework for WUAs was adopted nationally (6 pilot WUAs became 550 nationally). Size (scale) of WUAs remains an issue in order to maximize efficiency. WUAs led to effective cost recovery for water, although national legislation sub-optimally introduced a flat unit area rate replacing volumetric charges. Rural credit successfully overcame institutional difficulties in the agricultural bank and set up a credit programme with acceptable recovery rate (90%). The community and gender development component was not well thought through and was slow to be redesigned and implemented.	6
Efficiency	The project was highly efficient creating a legally sound framework for land reform and WUAs, developing effective rehabilitation procedures for irrigation systems (which typically increased crop production by 125%), establishing a FIAS and rural credit system and permanent project implementation capacity.	6
<b>Partner Performance</b>		
Partner Perf. & Quality	Partner performance was outstanding throughout. GOA was supportive and maintained policies. Implementing departments were keen to learn and effective. IDA was instrumental in the design process and very constructive during implementation.	6
<b>Rural Poverty Impact</b>		
Physical Assets	Performance in this aspect was strong. Land became privately owned and tradable. Restoration of irrigation works was undertaken to high standards; good cost recovery mechanism through the WUAs should ensure sustainability.	6
Food Security	By raising production of all crops, especially food grains, through higher productivity and by developing a market in land (which will enhance efficiency of factor allocation and hence output) project has contributed very substantially to food security. No evidence of nutritional change.	6
Environment	There was no evidence of environmental impact - positive or negative.	NA

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Human Assets	Positive but unknown degree of knowledge change was propagated through FIAS.	4
Soc. Cap. & Emp.	Although WUAs mushroomed, the degree to which they have increased empowerment and built social capital is very limited owing to slight use of participatory techniques and democratic procedures.	4
Ag. Productivity	Substantial impact through physical, knowledge inputs and legal and institutional change (see food security above).	5
Inst. & Serv.	The project had a profound impact on legal framework, agrarian reform strategy and public and private institutions. Positive distributional consequences were seen.	6
Financial Assets	There was a modest improvement in access to rural financial services. But the basic distribution of assets (land) was permanently changed.	6
Markets	Very large change in factor markets (land) and output markets (crops)	6
Rural Poverty	Although poverty reduction was never an explicit goal it is probable that the project had strongly positive effects on the poor.	5
<b>Overarching factors</b>		
Targeting	The project had neither explicit nor implicit targeting mechanisms. However the project was launched at a time when the economy was in a deep depression following the country's separation from Russia and the war in Nagorno-Karabakh. The rural sector as a whole was especially impoverished.	5
Gender	The community development component had a negligible impact on women.	2
Sustainability	This is rated very high. The institutional reforms were politically popular. There was little chance of reversal. The WUAs and irrigation works were effective, efficient and self-sustaining. Continuing challenges in the financial sector leave the sustainability of rural credit operation in doubt. Another reform project is expected to overcome existing problems.	6
Innov, Rep & Scaling	Replication and scaling up nationally are well underway within the life of the project. This represents a model with powerful lessons for other CIS (Commonwealth of Independent States) states.	6
<b>Overall Performance</b>	Overall, an outstanding project whose lessons deserve wide dissemination. Also, this is an example of how a project may be of high value but have little impact in some key domains.	6
Contribution to IFAD Strategic Objectives	Project approaches were very much in line with IFADs Regional Strategy and Strategic Objective No. 3.	
Contribution to MDG's	There was a positive and direct contribution to MDG 1. Despite good intentions, there was no observed contribution to MDG 3.	
<b>PCR Quality</b>		
Scope	ICR covers much but not all (e.g. Innovation, Impact). And treats other areas only partially (e.g. Strategy, Relevance and Efficiency).	4
Quality	What is provided is lucid and persuasive, but given the plentiful M&E data there is no recalculated ERR.	4
Lessons	Lessons are clearly drawn, but have relevance mostly to Azerbaijan (especially those on WUAs). The ICR fails to draw out the key lessons relevant to other CIS and reforming countries.	4