Following earlier successful Bank efforts, this project supported and expanded the rural development activities of the Federal Land Consolidation and Rehabilitation Authority (FELCRA). It aimed at: (i) increasing rural incomes and the quality of rural life; (ii) expanding national tree crop revenues; (iii) strengthening FELCRA's institutional capacity; and (iv) assisting with FELCRA's efforts to disengage from the management of mature operations and palm oil mills. The project included two main components - agricultural development and the strengthening of FELCRA's institutional capacity. Total project costs amounted to US$ 386.8 million (US$ 361.6 at appraisal). The Bank loan of US$ 88.5 million was approved on June 9, 1992, and was closed with a one year delay June 30, 1997. US$ 5.54 million was canceled because a fertilizer procurement dispute.

Project objectives were partially achieved, and implementation took 18 months longer than anticipated, due mainly to land availability problems. Nonetheless, FELCRA surpassed appraisal targets for oil palm development (106%) and immature crop maintenance (131%). Immature crops, but not for rubber. FELCRA's capabilities were strengthened with the creation of a new Plantation and Finance Divisions, a capacity to co-ordinate human resources development, the implementation of an extensive training program for staff and settlers and the privatization of the management of the palm oil mills. However, FELCRA's withdrawal from the management of mature agricultural schemes was stopped pending government review of the role of the state land development agencies.

On newly planted areas, net incremental income per beneficiary at full production is estimated to reach about RM 700/month for rubber and RM 1,400/month for oil palm which compares favorably with the official family poverty threshold of RM 425/month. Overall recovery of loan payments by FELCRA are above 95%.

A major project risk - the difficulty of finding available land suitable for crop expansion and rehabilitation in Peninsular Malaysia - was not identified at appraisal.

### Ratings:

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<th>Outcome</th>
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<td>Outcome</td>
<td>Satisfactory</td>
<td>Satisfactory</td>
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<td>Institutional Dev.</td>
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<tr>
<td>Sustainability</td>
<td>Likely</td>
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### 7. Lessons of Broad Applicability

In rapidly industrializing economies, the design of agricultural development projects needs to take into account the increasing opportunity cost of land and labor. Such projects also need to have the flexibility to respond rapidly to market signals. Using an adequately funded and competently staffed parastatal agency functioning as an estate plantation for smallholder development can be successful in addressing the high start-up costs of tree crops with long gestation periods.

### 3. Audit Recommended?

- **Yes**
- **No**

**Why?** A sector impact of the Bank supported treecrop program and its impact on poverty and privatization would be of interest.

### 3. Comments on Quality of ICR

The ICR addresses and analyzes project issues precisely and appropriately with particular emphasis on project achievements and sustainability. The lessons learned are especially appropriate and relevant. However, the ICR is weak on performance indicators and the M&E plans for future operations.