



1. Project Data:		Date Posted : 11/10/2000	
PROJ ID: P003860		Appraisal	Actual
Project Name: Treecrops Smallholder Development Project	Project Costs (US\$M)	154.5	149.5
Country: Indonesia	Loan/Credit (US\$M)	87.6	76.9
Sector(s): Perennial Crops	Cofinancing (US\$M)	0	0
L/C Number: L3464			
	Board Approval (FY)		92
Partners involved : None	Closing Date	09/30/1998	03/31/2000
Prepared by :	Reviewed by :	Group Manager :	Group:
2. Project Objectives and Components			
a. Objectives			
"The project would promote income growth and employment opportunities in the outer islands . It would seek to: (a) assist poor farm families increase their incomes; (b) test ways of lowering support costs to facilitate a more rapid and spontaneous expansion of planting with improved varieties; (c) further strengthen the Directorate General of Estates' supervision of smallholder program activities; and (d) help the Government to further develop sustainable financing procedures for the smallholder tree crop program " (Staff Appraisal Report, p. 12)			
b. Components			
"The project would: (a) assist 93,000 farm families establish 65,000 ha of rubber and 35,000 ha of hybrid coconuts; (b) assist 7,000 farmers develop 4,000 ha of rubber and 3,000 ha of coconuts using a self-help approach; (c) assist 61,000 farm families maintain 61,500 ha of rubber and 13,000 ha of coconuts established under earlier projects; (d) construct farm access roads; (e) provide for training and extension to new farm families joining the project, and to farmers assisted under earlier projects; staff training; and project management; (f) implement the project's environmental management plan; (g) improve monitoring and inspection of project and program activities; and (h) provide for administration and recovery of credit granted under the project, for a study of sustainable financing and cost recovery options, for a feasibility study and start -up of a future smallholder tree crop project, and for other agreed studies". (Staff Appraisal Report, p. 12)			
c. Comments on Project Cost, Financing and Dates			
None			
3. Achievement of Relevant Objectives:			
The project: (a) successfully assisted poor families increase their incomes ---by an increment of Rupiah 26,220/day for rubber farmers and Rupiah 28,312/day for coconut farmers, respectively 404% and 529% higher than forecast at appraisal; (b) partially succeeded in facilitating expansion of planting with improved varieties, falling short because the hybrid coconut self-help program was curtailed; (c) failed to strengthen the Directorate General of Estates' supervision of smallholders; and (d) failed to develop sustainable financing procedures .			
4. Significant Outcomes/Impacts:			
The economic rate of return was 21%, compared to the appraisal forecast of 14%. The project assisted the establishment of 70,769 ha of rubber and 41,036 ha of coconut, respectively 9% and 17% higher than the appraisal target. It also assisted maintenance of 59,565 ha of rubber and 13,304 ha of coconut, in line with appraisal expectations. Construction of access roads, bridges and culverts also met targets . Project farmers--and some farmers in neighboring areas-- have improved treecrop husbandry, based on technologies diffused by the project .			
5. Significant Shortcomings (including non-compliance with safeguard policies):			
The project did not provide adequately for cost recovery, making staff responsible for collecting loans (because earlier programs which used banks to recover credit had failed) even though the implementing agency had no relevant experience. Staff spent an inordinate amount of time on credit recovery, reducing their effectiveness as extension agents. The provision of free planting material (intended to reduce the credit burden on farmers facing rising interest rates) worked against the development of private nurseries and may have weakened sustainability . Land titling was delayed, possibly inhibiting the development of a sound system of smallholder financing : 153,189 ha were titled, leaving a balance of 156,118 ha still awaiting title. Only 35% of the 12,000 farmer groups			

established--intended as a precursor to cooperatives --were at an "advanced" stage when the project closed. There is no quality premium in the prices paid to farmers.

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
Outcome:	Satisfactory	Moderately Satisfactory	Weak performance on credit recovery, land titling and farmer cooperative development; unsatisfactory quality at entry.
Institutional Dev .:	Modest	Negligible	Sustainable financing of the smallholders has not been achieved, cooperative formation lagged and management capacity remains weak.
Sustainability :	Unlikely	Unlikely	
Bank Performance :	Unsatisfactory	Unsatisfactory	
Borrower Perf .:	Unsatisfactory	Unsatisfactory	
Quality of ICR :		Satisfactory	

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

7. Lessons of Broad Applicability:

(a) Project management units tend to undermine institutional development; (b) Extension workers should not be used as debt collectors; (c) Providing planting material free to farmers does not provide a sustainable basis for treecrop development; (d) Processors should reward farmers for product quality .

8. Assessment Recommended? Yes No

9. Comments on Quality of ICR:

Generally well laid out; but, in Annex 3, the figure for Net Present Value may reflect typographic error (if it is correct an economic rate of return of 21% would not be plausible).