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| 1. Project Data: | | Date Posted : 08/09/2001 | |
| PROJ ID: P002535 | | Appraisal | Actual |
| Project Name: Agric Sector | Project Costs (US\$M) | 17.25 | 12.31 |
| Country: Sao Tome & Principe | Loan/Credit (US\$M) | 9.83 | 10.10 |
| Sector(s): Board: RDV - Central government administration (51%), General agriculture fishing and forestry sector (47%), Other social services (2%) | Cofinancing (US\$M) | 2.17 | 1.56 |
| L/C Number: C2325 | | | |
| | Board Approval (FY) | | 92 |
| Partners involved : WFP | Closing Date | 06/30/1998 | 12/31/2000 |
| Prepared by : | Reviewed by : | Group Manager : | Group: |
| John C. English | William B. Hurlbut | Alain A. Barbu | OEDST |
| 2. Project Objectives and Components | | | |
| a. Objectives | | | |
| The project aimed primarily to increase and diversify agricultural production through privatizing publicly owned agricultural estates and land, and promoting smallholder development . It aimed to: | | | |
| <ul style="list-style-type: none"> • distribute and lease a major part of the public estates to smallholders and medium sized farms and agro-processing enterprises; • reduce the number of estate laborers and increase labor productivity on remaining enterprises; • lease the financially viable estates and processing facilities to the private sector; • complete ongoing investments in cocoa replanting; and • strengthen support services and sectoral administration to promote diversification . | | | |
| b. Components | | | |
| There were four components: | | | |
| <ul style="list-style-type: none"> • Land distribution (12 percent of costs): technical assistance, training and equipment for the distribution and leasing of about 20,000 ha of public estates. • Labor reduction and economic support measures (45 percent of costs): financial assistance to laborers leaving their permanent public service employment on the public estates and additional assistance in kind (including food aid) to those settling on private smallholder plots . • Operational and management reform of the cocoa sector (30 percent of costs): technical and financial assistance to privatize cocoa estates and, through them to introduce private input supply and produce marketing; and financial assistance to complete the replanting program begun under the Cocoa Rehabilitation Project (Cr. 1830-STP). • Agricultural sector administration and support services (13 percent of costs): technical assistance to strengthen the Directorate-General of Agriculture (DGA) and the Ministry of Social Equipment and Environment (MSEE) in agricultural planning, sector management, agricultural and livestock extension, agricultural training, land use planning and implementation, cadastral services and the monitoring of the economic and social impacts of the project. | | | |
| c. Comments on Project Cost, Financing and Dates | | | |
| The appraisal cost estimate was \$ 17.2 million, to be financed by IDA (\$9.8 million), WFP (\$2.1 million), Government (\$5.0 million) and the private sector (\$0.3 million). Final project costs was estimated at \$ 12.3 million covered by IDA (\$10.1 million), WFP (\$ 1.56 million) amd Government (\$0.56 million). The major shortfall was in the labor reduction and economic support measures where most of those laid off from the estates received little assistance except some land and food aid . | | | |
| 3. Achievement of Relevant Objectives: | | | |
| Substantial progress has been made in land distribution : 27,000 ha were redistributed (compared with the initial target of 20,000 ha). 8,000 households have received land under the program, almost half the rural population . | | | |

Consequently, the number of estate laborers has been sharply reduced . Agricultural production has been diversified as food production has increased but, given the small size of the local market, prices have fallen and the potential for further growth is limited.

The other objectives were not achieved . An effective, private sector lead, system of input supply and produce marketing has not been created and productivity has not increased . The capacity of the relevant ministries to support sectoral development has not been increased .

4. Significant Outcomes/Impacts:

Surveys have indicated that most of the households that have received land, most of whom were dependent upon unskilled labor before, believe that they are better off than before the project . With an increase of food production (including livestock) nutritional levels are better than before .

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

Smallholder beneficiaries were not provided with agricultural or social services as planned, in large part because anticipated programs to be financed by other aid agencies did not materialize . Moreover, low prices for cocoa and the saturation of the small local market for foods mean that returns from production are low . This has been exacerbated by the low quality of the cocoa being produced . The ICR notes that about one-third of the land redistributed is now underutilized or abandoned . As noted, the basis for increased productivity has not been established. The country has been unable to maintain conditions that would enable upgrading of the cocoa sector . The institutional environment is not conducive to investment by private enterprises . Lax law enforcement resulted in loss of confidence of the larger private sector actors and their withdrawal . An effective marketing system has not been established.

| 6. Ratings: | ICR | OED Review | Reason for Disagreement /Comments |
|-----------------------------|----------------|-----------------|---|
| Outcome : | Unsatisfactory | Unsatisfactory | |
| Institutional Dev .: | Negligible | Negligible | |
| Sustainability : | Unlikely | Highly Unlikely | Based on the information provided in the ICR, none of the factors determining overall resilience are currently met and likely to continue to be met. Most may be met currently, but they seem unlikely to continue. |
| 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:

Where significant aspects of an operation are critically dependant upon assistance from a second, separately funded program, it is essential that the funding for the second program be committed before the relevant parts of the first are initiated.

8. Assessment Recommended? ☒ Yes ☐ No

Why? This may be a good case for an audit to address issues related to development in isolated, poor, small island economies. What realistic alternatives were there at the time of appraisal; does a sectoral, rather than a macro focus make sense, when the sector accounts for 80% or more of the economy's exports?

9. Comments on Quality of ICR:

The ICR is generally satisfactory, but may be a little harsh on the appraisal . It judges the project design as being unrealistic when what may have been more at fault was the country strategy . Would the type of situation faced by Sao Tome at the time have been better addressed by a structural adjustment operation (or two), linked to a technical operation to support the production activities, i.e. one designed to more explicitly follow up on the Cocoa Rehabilitation Project?