



1. Project Data:		Date Posted : 06/24/2003	
PROJ ID: P003593		Appraisal	Actual
Project Name: Songliao Plain Adp	Project Costs (US\$M)	382.3	415.6
Country: China	Loan/Credit (US\$M)	205.0	210.7
Sector(s): Board: RDV - Agricultural marketing and trade (30%), Animal production (27%), Irrigation and drainage (20%), Crops (20%), Central government administration (3%)	Cofinancing (US\$M)		
L/C Number: C2571			
	Board Approval (FY)		94
Partners involved :	Closing Date	12/31/2001	06/30/2002
Prepared by :	Reviewed by :	Group Manager :	Group:
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2. Project Objectives and Components

a. Objectives

The overall objective of the project was to assist Liaoning and Jilin Provinces in their agricultural development plans, which aimed to increase agricultural production, farmers' incomes and rural employment by boosting the productivity and marketability (*sic*) of agriculture, horticulture, livestock, aquaculture and agro -industries in the project areas. The two provinces, located in the north-east of the country, are among the poorest in the country, with marginal agricultural resources.

The specific objectives of the project were to :

- improve productivity of existing low-yield farmland by expanding irrigation and drainage facilities;
- develop unutilized wastelands for rice production;
- introduce soil and water conservation;
- develop marginal highlands for fruit production;
- provide a complementary package of farm inputs, agricultural support services, training and technical assistance;
- develop inter-tidal areas for aquaculture production;
- support livestock production, processing and support services;
- expand agroprocessing activities using available raw materials; and
- strengthen research, extension and environmental protection programs .

b. Components

To address these objectives, the project included nine components :

- **Irrigation and Drainage** : (US\$29.3 million, 9.5 percent of base costs). Reclamation of wastelands for paddy production, development of low-yield corn areas for irrigated wheat production, and investment in new and rehabilitated low-lift surface irrigation and drainage networks to solve waterlogging problems .
- **Soil and Water Conservation** : (US\$4.0 million, 1.5 percent of base costs). Construction of check dams, gully head protectors, interceptor channnels and associated cross -drainage works; carry out reforestation with larch and poplar.
- **Field Crop Development** : (US\$21.6 million, 7.0 percent of base costs). Provision of farm inputs, support of purchases of farm machinery by farmer groups, improvement of management and facilities of farm machinery stations, and strenghtening of crop extension services .
- **Orchard Development** : (US\$30.3 million, 9.8 percent of base costs). Development of marginal lands for orchards, improvement of existing apple, pear and apricot orchards, and finance of construction of fruit cold stores.
- **Livestock Development** : (US\$59.2 million, 19.2 percent of base costs). Support of the integrated production and processing of cattle, sheep, rabbits, deer, pigs, and geese; strengthening of livestock support

services.

- **Livestock Processing** : (US\$32.1 million, 10.4 percent of base cost)
- **Aquaculture Development** : (US\$20.4 million, 6.6 percent of base costs) Development of low-lying mud-flat wasteland for shrimp, shellfish and river-crab production and construction and equipment of hatcheries and cold stores.
- **Agro-processing** : (US\$106.5 million, 34.5 percent of base costs). Construction or rehabilitation and equipment of various agro-processing and agro-industrial facilities that utilize agricultural outputs or by-products and produce corn starch, industrial alcohol, gelatin, fruit juice, edible oil, paper, (from straw and dogbane), textiles, leather, and other products.
- **Institutional Support /Project Management** : (US\$5.3 million, 1.7 percent of project cost). Strengthening overall project management, research and extension, and the environmental protection program, by providing equipment, technical assistance and training .

c. Comments on Project Cost, Financing and Dates

Actual project costs were US\$415.6 million, or 9 percent above the appraisal estimate of US\$382 million. The project closing date was extended by six months .

3. Achievement of Relevant Objectives:

Agricultural production and productivity in the two provinces has been increased considerably, with over 700,000 families benefiting directly from the project and another two million benefiting indirectly . Household survey data and focus group discussions suggest that the economic and social benefits of the project in both provinces were substantial.

The bulk of the project activities were completed a year before planned closing . The project was extended by a year to encourage the deepening of poverty targeting and expansion of selected activities that had a proven track record of increasing agricultural and off-farm incomes.

The agro-processing component is responsible for the direct employment of about 5,600 people. However, of the 19 processing plants financed by the project, only seven are reported by the ICR as being operational and several have been closed.

4. Significant Outcomes/Impacts:

Overall, particularly on the agricultural side, the anticipated programs within the several components were completed, e.g the irrigation and drainage works were completed, orchards planted and established, livestock herds of all types and aquaculture expanded and support services strengthened . The ICR notes that, with the improvement and expansion of agricultural capital assets, productivity was increased and, based on this improvement, and with the expansion of capacity, a significant increase in incomes was achieved . The ICR reports that per capita income of project beneficiary households grew at an average of 8 percent per year, with per capita income rising from 1,000 yuan to 2,300 yuan (in real terms) over the 10 year life of the project.

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

On the other hand, the performance of the agro-processing components (including livestock processing), comprising 37 percent of expenditures, was generally unsatisfactory . Of the 19 plants financed wholly, or in part, by the project, only seven are reported by the ICR as being fully operational . Two of the balance have not yet been completed, The operational plants are in strong financial positions and have well defined markets, nationally or internationally. These plants are being operated as semi-private joint-venture partnerships between the respective county and private sector entities. Efforts are being made to join with other private sector partners to bring the others back into production.

The appraisal report projected a rate of return for the project of 37 percent. The ICR reestimates that at 22 percent. A major factor in this decline in rate of return is reported to have been substantial declines in some agricultural output prices, particularly those for fruits and crop products . This has also held down the growth of incomes in these two low-income provinces. However, the ICR notes that the ERR contains estimates for 14 agro-processing plants, despite the fact that half of them were not operating at the time the report was written, and with no immediate prospects of doing so. Thus, the ERR for several plants are likely to be negative and the overall 22% ERR may be less robust than the ICR claims. Given the general problem of the financial viability of SOEs in China, this raises questions as to the overall contribution of the project .

The project could have formulated better poverty -targeting selection criteria. Under the project most household loans were extended only to those who had the ability to repay their loans from the beginning, i .e., who were able to make payments before the benefits of the loan -funded investments were generated. Poorer families who could only repay the loans from the gains from the activity did not qualify .

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments

Outcome :	Satisfactory	Moderately Satisfactory	[the ICR rating scale does not allow for a "moderately sat." rating]. The project is expected to achieve its major relevant objectives with significant shortcomings (the shortfalls in the processing components that amounted to 35% of project expenditure).
Institutional Dev .:	Substantial	Modest	The project had no stated institutional objectives. Also, because of the problems in agro-processing, the best judgement is that the "project as a whole increased to a limited extent the region's ability to effectively use human, financial and natural resources."
Sustainability :	Likely	Likely	
Bank Performance :	Satisfactory	Satisfactory	
Borrower Perf .:	Satisfactory	Satisfactory	
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:

The Bank should avoid "Christmas Tree" projects of this type. More sharply focussed projects are more easily managed by the Borrower and supervised by the Bank.

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8. Assessment Recommended? Yes No

Why? Major concerns over the viability of the agro-processing investments, the largest single component of the project.

9. Comments on Quality of ICR:

The ICR is generally of good quality. However, the appraisal report indicated that the project would establish revolving funds for the purchase of agricultural inputs, but the ICR does not make any reference to this, or to the management of the funds, although this has been a significant problem in some past projects. It would also have been strengthened if more details could have been added on the majority of processing plants that were not operational at completion.