



<b>1. Project Data :</b>		<b>Date Posted :</b> 06/28/2000	
<b>PROJ ID:</b> P004552 <b>OEDID:</b> L3204		<b>Appraisal</b>	<b>Actual</b>
<b>Project Name :</b> Coconut farms development project	<b>Project Costs (US\$M)</b>	154.7	146.2
<b>Country:</b> Philippines	<b>Loan/Credit (US\$M)</b>	121.8	108.2
<b>Sector, Major Sect .:</b> Perennial Crops, Agriculture	<b>Cofinancing (US\$M)</b>	1.30	1.20
<b>L/C Number:</b> L3204			
	<b>Board Approval (FY)</b>		90
<b>Partners involved :</b> DFID	<b>Closing Date</b>	06/30/1996	12/31/1999
<b>Prepared by :</b>	<b>Reviewed by :</b>	<b>Group Manager :</b>	<b>Group:</b>
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**2. Project Objectives and Components**

**a. Objectives**  
 "(i) to launch a long-term program of coconut development and productivity improvement, supported by the necessary infrastructure and strengthened technical and support services;  
 (ii) to increase the incomes of small-scale coconut farmers by improving coconut yields and copra quality; and  
 (iii) to boost foreign exchange earnings by ensuring an increasing and reliable supply of higher quality copra for processing and the export market" (Staff Appraisal Report, p. 15).

**b. Components**  
 (i) coconut farm development, including establishment of seedgardens and nurseries, replanting of old palms, support to intercropping, and rehabilitation of middle-aged palms; (ii) copra quality improvement, including equipment of a laboratory and introduction of hot-air copra dryers; and (iii) institutional strengthening of the Philippine Coconut Authority (PCA), including staff expansion, training facilities, and upgrading of the research program (SAR, pp. 16-17).

**c. Comments on Project Cost, Financing and Dates**  
 Twelve years elapsed between identification (March 1988) and closing (December 1999), reflecting substantial delays in the first five years of implementation. The actual project cost was 5 percent lower than expected owing to exchange rate depreciation.

**3. Achievement of Relevant Objectives :**

(i) "If all project farmers continue to apply inorganic and organic fertilizers to their replanted and rehabilitated farms, incremental copra production from the project in year 2004 is estimated at 382,000 tons, compared to 405,000 tons expected at appraisal. If all project farmers stop using inorganic fertilizers, incremental production will be about 90,000 tons per annum" (ICR, p. 3).

(ii) Replanting with tall generated incremental returns per hectare that exceeded appraisal estimates by 7 percent; replanting with hybrids was less successful, with incremental returns 39 percent lower than appraisal projections---but still giving an economic rate of return of 18 percent. Rehabilitation of mature palms produced a increment that was 88 percent higher than the appraisal target. In addition, "the average net returns per family labor day, ranging from Peso 834 to Peso 1,235 are very attractive compared to the prevailing wage rate of about Peso 100 per day" (ICR, p. 7).

(iii) Incremental earnings from copra in year 2004 are projected to range from US\$30 million to US\$128 million (1999 dollars), depending on whether or not farmers continue to use inorganic fertilizer (ICR, p. 3).

**4. Significant Outcomes /Impacts:**

About half of the project benefits accrued to the Special Zone for Peace and Development on the (poor) island of Mindanao. The target for rehabilitating low-yielding palms was achieved: the area receiving at least two fertilizer applications was 344,400 hectares, compared to an appraisal target of 348,000 hectares. Copra yields of a representative sample of "mature local tall" went up from 1,032 kg/ha to 2,136 kg/ha after four years (ICR, p. 5). The economic rate of return for the whole project, assuming that all farmers continue to apply fertilizers at the recommended rates after project completion, is re-estimated at 32 percent, compared to 40 percent at appraisal. The

ICR (p. 8) maintains that "even in the adverse scenario where all project farmers discontinue applying inorganic fertilizers,...the economic rate of return remains very attractive". "The staff training program was successfully implemented" (ICR, p. 6).

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

"A major issue at project completion is the lack of consensus in the government regarding the precise elements of the long-term coconut development program to be followed" (ICR, p. 4). Only one out of four of the private seed gardens scheduled for establishment were actually set up. Management of nurseries and seed quality is poor. Owing to severe drought and poor seedling quality, the replanted area surviving at project completion was 77 percent of the appraisal target. There was little progress with the cover-cropping and inter-cropping of replanted areas. Development of a quality-based pricing system for copra was reportedly "undermined" (ICR, p. 6), but it is not clear how. PCA extension staff increased by an amount less than expected, and there were delays in improving laboratory facilities and other infrastructure.

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
<b>Outcome:</b>	Satisfactory	Satisfactory	
<b>Institutional Dev.:</b>	Substantial	Modest	Apart from "successful implementation" of the staff training program (with what outcome?), there is no evidence adduced to demonstrate significant improvement in the management of human and financial resources.
<b>Sustainability:</b>	Likely	Likely	(OED accepts the ICR's judgement that "Project sustainability is not an issue, since even in the adverse scenario where all project farmers discontinue applying inorganic fertilizers, the returns on investment remain very attractive" [p.8])
<b>Bank Performance:</b>	Satisfactory	Satisfactory	(Satisfactory rating mainly based on Bank's supervision turnaround after June 1996, based on use of six-monthly action plans).
<b>Borrower Perf.:</b>	Satisfactory	Satisfactory	
<b>Quality of ICR:</b>		Satisfactory	

**7. Lessons of Broad Applicability:**

- (i) A clear strategy and a development program for the coconut subsector are needed.
- (ii) When rapid production of seed or other planting material is required, it is better to rely on contract services with the private sector rather than attempting to establish a separate public sector facility.
- (iii) Project readiness at entry is critical to timely implementation. "The deficient quality of the project at entry into the portfolio due to uncertainties of seednut supply, lack of adequate field staff, undefined procedures for fertilizer transport and distribution, and unclear M&E arrangements, seriously delayed project implementation and undermined its benefits" (ICR, p. 12).

**8. Audit Recommended?**  Yes  No

**9. Comments on Quality of ICR:**

Plenty of detail but not enough grappling with the issue of relevance: it is too willing to assume that project conception and objectives can be taken as self-evidently justified.