



<b>1. Project Data:</b>		<b>Date Posted :</b> 08/07/2002	
<b>PROJ ID :</b> P004389		<b>Appraisal</b>	<b>Actual</b>
<b>Project Name :</b> Oro Smlhldr Oil Palm	<b>Project Costs (US\$M)</b>	36.25	28.65
<b>Country :</b> Papua New Guinea	<b>Loan/Credit (US\$M)</b>	27	21.04
<b>Sector(s) :</b> Board: RDV - Roads and highways (49%), Agricultural extension and research (16%), Crops (15%), Central government administration (15%), General education sector (5%)	<b>Cofinancing (US\$M)</b>	NA	NA
<b>L/C Number :</b> L3485			
	<b>Board Approval (FY)</b>		92
<b>Partners involved :</b> none	<b>Closing Date</b>	12/31/1999	12/31/2001
<b>Prepared by :</b>	<b>Reviewed by :</b>	<b>Group Manager :</b>	<b>Group:</b>
Nalini B. Kumar	Christopher D. Gerrard	Alain A. Barbu	OEDST
<b>2. Project Objectives and Components</b>			
<b>a. Objectives</b>			
The project objectives were to (a) increase agricultural production and exports, (b) provide employment opportunities, (c) generate income for poor farmers, (d) maintain the income of existing smallholders established under the previous Bank assisted smallholder development project and (e) protect the habitat of the endangered world's largest butterfly species. The original objectives were maintained throughout the project though the scale of some components changed. The Oil Palm Industry Corporation (OPIC) was the primary implementing agency.			
<b>b. Components</b>			
The six year project was an expansion of the smallholder component of the ongoing Popondetta Oil Palm Nucleus Estate Scheme and included the following components: smallholder development, main road improvement, environmental protection, institutional strengthening, technical assistance and studies. A number of revisions to quantitative targets were made and institutional changes were recommended at the time of the mid term review (MTR).			
<b>c. Comments on Project Cost, Financing and Dates</b>			
The project was appraised in February 1992 and became effective in August 1993. The MTR took place in November 1996. The project closed in December 2001, two years behind schedule, largely to accommodate the access road construction program that was behind schedule. Total project costs at appraisal were US \$ 36.25 million of which the loan amount was US \$ 27 million. Actual project costs were US \$ 28.04 million of which the loan amount was US \$ 21.04 million.			
<b>3. Achievement of Relevant Objectives:</b>			
The project largely achieved its objectives, albeit with significant shortcomings. The ERR at completion was estimated to be 10.7 percent compared to 12.4 percent at appraisal. However the environmental benefits and the direct benefits to women were not included in the analysis.			
<b>4. Significant Outcomes/Impacts:</b>			
<ul style="list-style-type: none"> <li>Substantial increase in agricultural production and exports of palm oil and kernel;</li> <li>Significant increase in number of participating farmers;</li> <li>The cash income from palm fruit has provided diversification of income and more secure household economies;</li> <li>Positive impact on income of women and consequently on household nutrition levels;</li> </ul>			
<b>5. Significant Shortcomings (including non-compliance with safeguard policies):</b>			
<ul style="list-style-type: none"> <li>The replanting program of oil palms in the area of the earlier Popondetta scheme was less successful;</li> <li>Significant failings under the infrastructure component;</li> <li>Productivity both from young plants in the new blocks and mature plants in old blocks was less than expected and fertilizer procurement, distribution and utilization was a major concern;</li> </ul>			

6. Ratings :	ICR	OED Review	Reason for Disagreement /Comments
<b>Outcome :</b>	Satisfactory	Moderately Satisfactory	The project achieved most of its major relevant objectives but with significant shortcomings, including: (i) the access road infrastructure component which performed poorly and formed more than 50 percent of total project cost; (ii) main road construction which was not undertaken during the project; (iii) the replanting of oil palms in the area of the earlier Popondetta scheme; (iv) though a management information system was introduced it was not fully utilized.
<b>Institutional Dev .:</b>	Modest	Modest	
<b>Sustainability :</b>	Likely	Non-evaluable	The sustainability of current and projected benefits is contingent on a number of measures that the Government intends to implement, including: (i) funding for planned access roads construction, which is critical for successful smallholder oil palm development, is still not assured; (ii) regular and appropriate annual funding sources for access road maintenance are not yet in place; (ii) funding for support of the continuation of the palm replanting program is yet to be identified; and (iv) projected production levels will only be obtained if reasonable use of fertilizer input continues which in itself is uncertain .
<b>Bank Performance :</b>	Satisfactory	Satisfactory	
<b>Borrower Perf .:</b>	Satisfactory	Satisfactory	Borrower performance is considered satisfactory but only marginally so . Inadequate funding for access road maintenance, the ineffectiveness of the national and provincial coordination committees, the unsatisfactory performance of the Department of Works and Transport and lack of government diligence in the provision of audited accounts negatively affected project implementation and outcome .
<b>Quality of ICR :</b>		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:

Two of the important lessons identified by the ICR are the following :

- (i) As access roads to allow collection of fresh fruit are critical for success, the institutional and funding arrangements to enable their timely construction and subsequent maintenance must receive high priority .
- (ii) In development programs in which success is linked to the attitudes and adoption behavior of smallholders, it is necessary to have an effective monitoring capability . This not only implies a management information system for collection of appropriate data, but also an ability to analyze data and carry out survey /study work as a basis for corrective action when a problem is identified .

OED would add that an efficient monitoring and evaluation (M&E) system is also essential because not all the challenges and problems in project implementation can be visualized upfront, and (iii) Components that have been shown to perform poorly in earlier reviews of similar projects should be given special attention during design and implementation. The ICR notes that an earlier world wide review of oil palm development projects had shown that there was a tendency for infrastructure to lag behind plantings (ICR section 3.3). Since this had been identified as a problem, special attention should have been given upfront to the institutional arrangements, implementation progress and possible roadblocks to the implementation of the infrastructure component .

#### 8. Assessment Recommended? ☒ Yes ☐ No

**Why?** To verify the outcome, sustainability and institutional development impact . There is some evidence

In the ICR that raises doubts about (i) the long run sustainability of outcomes, for example the institutional arrangements for maintenance of access roads has not been worked out; (ii) possible safeguard violations, for example the ICR clearly notes under para 7.1 that no reference was made to policies of clearance of forests in its various forms as project preparation had assumed that all forests existed in a seriously degraded state which was not necessarily correct;

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

The ICR is satisfactory and provides a substantial amount of project related information .