



1. Project Data:		Date Posted : 08/16/2000	
PROJ ID: P004837		Appraisal	Actual
Project Name: Agricultural Rehabilitation Project	Project Costs (US\$M)	106.7	107.52
Country: Vietnam	Loan/Credit (US\$M)	96.0	98.8
Sector(s): Agricultural Credit	Cofinancing (US\$M)	0	0
L/C Number: C2561			
	Board Approval (FY)		94
Partners involved : None	Closing Date	12/31/1997	06/30/1999

Prepared by :	Reviewed by :	Group Manager :	Group:

2. Project Objectives and Components

a. Objectives

The overall objective was to support the government's efforts to increase rural incomes and to assist Vietnam's transition to a market economy through assistance to key agricultural institutions serving the newly emerged smallholder sector. As the first in what was expected to be a long-term series of IDA projects to help develop Vietnam's agriculture, it would address a broad range of immediate needs, deepen the supply response to ongoing market and production reforms, and contribute to the alleviation of rural poverty .

b. Components

The three major components were:

- (1) Agricultural support services: To upgrade the quality of support services to smallholder farmers through assistance to extension, crop protection, research, and sector management . (US\$ 15.3 million, or 15% of base costs)
- (2) Rural credit: To provide short and medium-term credit, for up to five years, to smallholder farmers, and to assist the institutional development of the Vietnam Bank for Agriculture and Rural Development (VBARD). (US\$ 55.0 million, or 53% of base costs)
- (3) Rubber rehabilitation: To rehabilitate the rubber sector as a basis for future smallholder development through improving tree maintenance in rubber plantations, modernizing processing facilities, strengthening rubber research, and upgrading the management and technical skills of the General Rubber Corporation . (US\$ 34.3 million, or 32% of base costs)

c. Comments on Project Cost, Financing and Dates

The original closing date of December 31, 1997, was extended twice and the credit finally closed on June 30, 1999. The original implementation period of 3 1/2 years was unrealistic because the Borrower had no previous experience working with the Bank, and the Bank had limited experience working in a country changing rapidly from a centrally planned to a market economy. While project costs were very close to appraisal estimates, and 98% of the credit was disbursed, there were major design revisions in the extension service subcomponent .

3. Achievement of Relevant Objectives:

The project achieved most of its objectives, including (1) increased crop and livestock output in the project areas due to the provision of credit and support services, (2) support services that are more demand-driven, and (3) rehabilitated rubber plantations and modernized processing facilities . However, the project made less progress than expected with respect to institutional development, that is, in improving the organization, management, and operational efficiency of the key sector institutions associated with each of the three subcomponents .

4. Significant Outcomes/Impacts:

- (1) Rural credit: The line of credit totaling US\$ 52 million was established and fully disbursed by mid-1996. Some 750,000 small-scale farm households have received credit. Repayments have exceed 95%. VBARD has become the bank for the rural sector, the largest deposit institution in the country, the most transparent of all Vietnamese state-owned banks, and the closest to adopting international accounting standards .
- (2) Livestock extension: Redesigned at the request of the government to support livestock rather than crop extension, this was implemented in 231 districts in the 27 provinces where the national herd is mostly located .

Aimed at improving cattle productivity through cross-breeding indigenous cows with high productivity zebu breeds, some 5,200 extension agents, 2,365 cattle inseminators, and 25,000 farmers were trained, and about 470,000 farm households have benefited from breeding and other support services .

(3) Crop protection: An integrated pest management program operated by FAO reached some 68,500 farmer-leaders through about 2,300 farmer field schools, compared to the target of 1,600 field schools. The training also helped improve cultivation methods, raise the efficiency of fertilizer applications, and extend the use of hybrid rice seeds.

(4) Rubber rehabilitation: Through the application of fertilizers and herbicides to immature areas, and yield stimulants and fungicides to mature trees, average rubber yields increased by about 30% during the project period. Five new rubber factories were constructed as planned . Only one old factory was rehabilitated (compared to four planned) due to the high costs of factory rehabilitation .

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

While ambitious training programs were mostly realized, less progress than expected was made in raising the operational efficiency of the key sector institutions associated with each of the three subcomponents .

(1) For the Ministry of Agriculture and Rural Development, little was achieved in developing policy -planning capacity and in reorienting the organization of the Ministry towards a market economy .

(2) For the Vietnam Bank for Agriculture and Rural Development, less than expected was achieved in institutional restructuring, financial management, and risk management .

6. Ratings :	ICR	OED Review	Reason for Disagreement /Comments
Outcome :	Satisfactory	Satisfactory	
Institutional Dev .:	Modest	Modest	
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:

(1) Projects like this one with diverse components are implemented best with a separate project coordination unit for each component (in this case three components).

(2) For smallholder credit operations, it is important to have an independent and viable financial institution, qualified and experienced management and staff, close supervision, and strong focus on timely repayment at all levels .

(3) For agricultural support services, it is important to make provision for the sustainable continuation of these services and their replication to non -project areas once the Bank-supported project is completed .

8. Assessment Recommended? Yes No

Why? The project is in an underaudited country which is undergoing a transition to a market economy, the project design was innovative, and there are likely to be positive lessons of relevance to other countries, particularly in relation to rural finance, livestock extension, and integrated pest management .

9. Comments on Quality of ICR:

The ICR satisfactorily covered most components of the project in sufficient depth, with the following exceptions . For the rural credit component, the ICR did not provide any data on nominal and real interest rates in relation to market rates, on the spreads between deposit and lending rates, and on the overall subsidy dependence of VBARD . For the crop protection component, the ICR only provided information on immediate outputs (e.g. numbers of farmers trained), not any tangible information on outcomes (e.g. less use of pesticides) or impacts (e.g. higher yields). The borrower contributed to the ICR by contributing to the aide -memoire, commenting on the draft ICR, and preparing its own ICR.