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PROJECT APPRAISAL REPORT (PAR)

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1. PROJECT NO. 730-11-140-291.03 1001	2. PAR FOR PERIOD: July 1, 1969 to June 30, 71	3. COUNTRY Vietnam	4. PAR SERIAL NO. 730-72-
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5. PROJECT TITLE

AGRICULTURAL CREDIT

6. PROJECT DURATION: Begin FY 65 Ends FY 76	7. DATE LATEST PROP N/A	8. DATE LATEST PIP N/A	9. DATE PRIOR PAR N/A
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10. U.S. FUNDING	a. Cumulative Obligation Thru Prior FY: \$ *	b. Current FY Estimated Budget: \$ 123,000	c. Estimated Budget to completion After Current FY: \$ 209,000
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11. KEY ACTION AGENTS (Contractor, Participating Agency or Voluntary Agency)

a. NAME UNITED STATES DEPARTMENT OF AGRIC. (PASA)	b. CONTRACT, PASA OR VOL. AG. NO.
* Project Funding Aggregated under Project 730-11-140-291 (FARMERS' ORGANIZATIONS/CREDIT/AGRIC-BUSINESS)	

I. NEW ACTIONS PROPOSED AND REQUESTED AS A RESULT OF THIS EVALUATION

A. ACTION (X)			B. LIST OF ACTIONS	C. PROPOSED ACTION COMPLETION DATE
USAID	AID/W	HOST		
X		X	Amendment of ADB charter to permit discounting notes with National Bank.	FY 73
X		X	Special emphasis on establishing technical assistance department within ADB.	FY 72
X		X	Complete action on ADB procedural changes to permit capitalization through Sales of Bonds.	FY 73
X		X	Install write-off procedures for bad loans.	FY 73
X		X	Simplify loan procedures.	FY 73
X		X	Amend charter to expand eligibility for depositors beyond farmers and fishermen.	FY 73
		X	Special emphasis on loan collections.	FY 72

D. REPLANNING REQUIRES	E. DATE OF MISSION REVIEW
REVISED OR NEW: <input type="checkbox"/> PROP <input type="checkbox"/> PIP <input checked="" type="checkbox"/> PRO AG <input type="checkbox"/> PIO/T <input type="checkbox"/> PIO/C <input type="checkbox"/> PIO/P	12/8/71

PROJECT MANAGER: TYPED NAME, SIGNED INITIALS AND DATE Eugene Schroepfer	MISSION DIRECTOR: TYPED NAME, SIGNED INITIALS AND DATE
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II. PERFORMANCE OF KEY INPUTS AND ACTION AGENTS

A. INPUT OR ACTION AGENT CONTRACTOR, PARTICIPATING AGENCY OR VOLUNTARY AGENCY	B. PERFORMANCE AGAINST PLAN							C. IMPORTANCE FOR ACHIEVING PROJECT PURPOSE (X)					
	UNSATISFACTORY		SATISFACTORY			OUT-STANDING		LOW		MEDIUM		HIGH	
	1	2	3	4	5	6	7	1	2	3	4	5	
1. USDA						X							X
2.													
3.													

Comment on key factors determining rating

Advice to ADB regarding procedures on discounting notes, bond sales, savings deposits policies and reorganization actions.

Contractor's performance in providing guidance to ADB on medium and long term loan policy is important criteria indetermning rating.

The contractor is particularly effective in his relations with Vietnamese counterparts.

4. PARTICIPANT TRAINING						X								X
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Comment on key factors determining rating

Returned participants have been assigned to positions for which trained. On the job performance indicates excellent transfer of training knowledge to the job.

USAID's predeparture training and briefing considered outstanding.

5. COMMODITIES														
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Comment on key factors determining rating

N/A

6. COOPERATING COUNTRY	a. PERSONNEL						X							X
	b. OTHER					X								X

Comment on key factors determining rating

- a) GVN is providing staff as planned for both headquarters and field offices. It is providing staff and candidates for training for branch bank personnel.
- b) (1) Enactment of Rural Bank law is satisfactory. Bank is moving ahead with reorganization.
- (2) ADB actions re charter amendment to facilitate discounting, sale of bonds, and to extend eligibility of depositors require special focus over next 12 to 18 months.

7. OTHER DONORS			X										X	
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(See Next Page for Comments on Other Donors)

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II. 7. Continued: Comment on key factors determining rating of Other Donors

1. Asian Development Bank US\$2 $\frac{1}{2}$ million loan to Fisheries is first farm international body. Also supplied 1 Master fisherman and 1 fisheries tech.
2. Ph.D candidate selected to study Agric.Economic - Rockefeller Foundation sponsored.
3. The Assistant Director of ADB is designated for advanced training in the U.S.
4. World Bank sponsored ADB tea specialist for 3 months course.
5. West German Government provided VN\$ 225 million loan funds for farm mechanization and agric.-business.

III. KEY OUTPUT INDICATORS AND TARGETS

A. QUANTITATIVE INDICATORS FOR MAJOR OUTPUTS		TARGETS (Percentage/Rate/Amount)					END OF PROJECT
		CUMULATIVE PRIOR FY	CURRENT FY		FY 73	FY 74	
			TO DATE	TO END			
1. Increase number of ADB personnel at Headquarters.	PLANNED			120	120	130	1318
	ACTUAL PERFORMANCE	948	100				
	REPLANNED						
2. Increase ADB field personnel.	PLANNED			75	100	100	342
	ACTUAL PERFORMANCE	42	25				
	REPLANNED						
3. Training seminars in agric. credit by ADB for Farmers' Organizations/-(20 per meeting) - Board & officer members.	PLANNED			4/80	15/300	15/300	34/680
	ACTUAL PERFORMANCE	-	-				
	REPLANNED						
4. Increase number and amount of loans, to Farmers Organizations. Number loans(average loan VN\$ 3,000,000)	PLANNED			2	10	20	60
	ACTUAL PERFORMANCE		28				
	REPLANNED						
B. QUALITATIVE INDICATORS FOR MAJOR OUTPUTS		COMMENT:					
1. Advise on reorganization of ADB.							
a) Regional supervisor positions. (3)		- None established as yet.					
b) Loan processing procedures.		COMMENT: - Field procedures in effect. Reduction loan documentation pending.					
c. Establish tech assistance department with 6 prof. staff.		- Not formalized as yet.					
d. Establish co-op department with 4 proj. staff.		- Established with 2 staff.					
2. Enact Rural Bank Law (GVN)		COMMENT: - Pending. Expect passage in FY 73.					
3. Install procedures to capitalize ADB system by discounting notes at Nat'l Bank on loans in excess of VN\$ 5 million.		- Conflict between Min. of Agric. and Min. of Economy over inflationary impact of this policy is holding up procedural changes.					

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III. KEY OUTPUT INDICATORS AND TARGETS.

B. QUALITATIVE INDICATORS FOR MAJOR OUTPUTS

4. Install procedures to capitalize ADB system by sales of bonds.	Comment: Proposal sent by ADB to Ministry of Agriculture for action. in FY 72. Approval expected in FY 73.
5. Install procedures to capitalize ADB system by Extension deposit privileges to general public.	Comment: Formal procedures pending approval. Action expected in FY 73.
6. Install procedures to capitalize ADB system by borrowing from International agencies.	Comment: Initiation of procedures with completion of one loan from Asian Development Bank for Fisheries.
7. Coordinate and provide support for Asian Development Bank team working with ADB.	Comment: Advising ADB on utilization of skilled staff accountant (CPA), commodity specialist and Rural Bank expert. ADB is making good use of these experts.
8. Install procedures to effect write-offs, compromise and adjustments of delinquent accounts.	Comment: Detailed plan submitted to bank, FY 72, but not yet adopted. Action expected FY 73.
9. Install automated Data System for statistical data.	Comment: Balance sheet data beginning imputed on automated data equipment beginning July 1971. Expansion on national level, ^{scheduled} January 1972 to include branch bank loan data. Monthly reports on loan activity are issued as machine runs.
10.	Comment:

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IV. PROJECT PURPOSE

A. 1. Statement of purpose as currently envisaged.

2. Same as in PROP? YES NO

To develop an institutional capability to provide credit for priority agricultural programs in sufficient amounts to influence the total credit availability required for the development of the rural economy.

<p>B. 1. Conditions which will exist when above purpose is achieved.</p>	<p>2. Evidence to date of progress toward these conditions.</p>																											
<p><u>Agric. Credit</u></p> <p>1. A credit institution with demonstrated capability in processing economically feasible development loans as indicated by a review of its loan portfolio, e.g., volume, type, purpose, etc.</p> <p>2. A private rural bank system and production credit cooperatives, financed by ADB, geographically located to provide short and medium term credit to 500,000 farmers as indicated by review of weekly and monthly reports of loan activity and savings and deposits.</p>	<p>1. \$VN 5.9 billion was approved for 6 organizations for first 8 months in 1971 for purchase of rice and paddy, tea mill equipment and marketing green beans. \$VN 6.7 billion was loaned in 1970 of which 71% was for agricultural production. The chief of the Tech Serv. Div. has an agric.econ. graduate (B.S.) Australia, has just returned from special 3 month course sponsored by World Bank.</p> <p>2.</p> <table border="1"> <thead> <tr> <th>Year</th> <th>No. Loans</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>1965</td> <td>30,000</td> <td>\$VN 2.58 million</td> </tr> <tr> <td>1967</td> <td>100,000</td> <td>1.4 billion</td> </tr> <tr> <td>1968</td> <td>67,704</td> <td>4.6 billion</td> </tr> <tr> <td>1969</td> <td>89,405</td> <td>4.6 billion</td> </tr> <tr> <td>1970</td> <td>116,663</td> <td>6.7 billion</td> </tr> <tr> <td>1971*</td> <td>135,196</td> <td>7.1 billion</td> </tr> </tbody> </table> <p>* First 9 months figures</p> <p><u>1970 Figures:</u></p> <table border="1"> <tbody> <tr> <td>New Customers</td> <td>49,806</td> </tr> <tr> <td>Repeat Customers</td> <td>66,245</td> </tr> <tr> <td>Total:</td> <td>116,051</td> </tr> </tbody> </table>	Year	No. Loans	Amount	1965	30,000	\$VN 2.58 million	1967	100,000	1.4 billion	1968	67,704	4.6 billion	1969	89,405	4.6 billion	1970	116,663	6.7 billion	1971*	135,196	7.1 billion	New Customers	49,806	Repeat Customers	66,245	Total:	116,051
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V. PROGRAMMING GOAL

A. Statement of Programming Goal

To increase agricultural production to achieve self-sufficiency in food commodities and to increase exports of agricultural products.

B. Will the achievement of the project purpose make a significant contribution to the programming goal, given the magnitude of the national problem? Cite evidence.

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- B. 1. Conditions which will exist when above purpose is achieved.
3. A credit system able to mobilize local resources to provide the major source of all institutional credit.
e.g., savings deposits
discounting loans
sales of bonds
4. Increase medium and long term credit from 2.4% to 30% of loanable volume.
5. Adequate credit available for priority agricultural programs, e.g., fisheries, rice, sorghum, livestock, bananas, sugar cane and rubber.
6. Provide sufficient volume of institutional credit to influence the reduction of interest charges of non-institutional credit
7. A collection performance record in excess of 95% loan recovery.

2. Evidence to date of progress toward these conditions.

Progress to Date

3. Savings and deposits increased from VN\$ 580 million, on December 1970 to VN\$ 1.6 billion on October 1, 1971. Interest rates increased from range 3-4% range 10-20% on Oct. 1, 1970. Interest rates increased minimum rate to 12% on August 1, 1971.
4. 2.4% of loanable funds for medium and long term credit in 1970 - increased to 4% in 1971 and projected at 10% in 1972.
5. 1971 Programs
- | | | | |
|------------------------|------|--------|---------|
| Agric. business | VN\$ | 4,200 | million |
| Supervised credit | | 350 | " |
| Rice | | 800 | " |
| Pacification | | 700 | " |
| Land Reform | | 400 | " |
| Sorghum/bananas | | 750 | " |
| Fishing | | 700 | " |
| Rice Marketing | | 1,000 | " |
| Swine & Poultry | | 600 | " |
| Fishing | | 400 | " |
| Total | VN\$ | 9,900 | million |
| 1971 requirements est. | | 20,000 | " |
6. ADB Loans Est.Amt. Required % ADB
- | | | | |
|------|--------------|-------------|------|
| 1968 | 4.6 billion | | |
| 1969 | 4.6 billion | | |
| 1970 | 6.7 billion | 65 billion | 4 % |
| 1971 | 10.0 billion | 80 billion | 8 % |
| 1974 | 45.0 billion | 120 billion | 37 % |

7. Loan recovery achieved to date:

Total Amt.		%
<u>Loans</u>	<u>Collections</u>	<u>Collected</u>
VN\$ 6.7 billion	VN\$ 5.0 billion	74 %