

This report reflects project status at the time of the precipitious fall of the GVN in April 1975.

AID 1020-25 (10-70)

REPORT U-446

PAGE 1 TERMINAL PROJECT APPRAISAL REPORT (PAR) *file* 12p

1. PROJECT NO. 730-11-140-291	2. PAR FOR PERIOD: TO 4/27/75	3. COUNTRY Vietnam	4. PAR SERIAL NO. 730-75-TP-9
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5. PROJECT TITLE
AGRICULTURAL CREDIT 9300291(3)
PB-AAF-353-C1

6. PROJECT DURATION: Began FY 65 Ends FY 77	7. DATE LATEST PROP 12/18/74	8. DATE LATEST RIP	9. DATE PRIOR PAR
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10. U.S. FUNDING	a. Cumulative Obligation Thru Prior FY: \$6,960,000	b. Current FY Estimated Budget: \$518,000	c. Estimated Budget to completion After Current FY: \$ N/A
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11. KEY ACTION AGENTS (Contractor, Participating Agency, or Voluntary Agency)	
a. NAME U.S. Department of Agriculture, Economic Research Services - Foreign Development Division	b. CONTRACT, PASA, OR VOL. AG. NO. PASA

~~1. NEW ACTIONS PROPOSED AND REQUESTED AS A RESULT OF THIS EVALUATION~~

A. ACTION (X)			B. LIST OF ACTIONS	C. PROPOSED ACTION COMPLETION DATE
MISSION	A.I.D./W	HOST		
			<ol style="list-style-type: none"> Private enterprise demonstrated its interest in participation in the financing of agricultural development thru the profit motivated PRB system which had resulted in the operation of 87 PRBs. PRBs were demonstrating initiative in obtaining deposits and in making credit services available to small farmers at the village level. The ADBV demonstrated its ability to extend large numbers of small loans, but it became obvious that the heavy work load in the branch offices would be difficult to sustain without improvements in the handling of paper flows and accounting. The attached March 12, 1975 "Agricultural Credit Project and Review Paper" and April 7, 1975 "Agricultural Credit in Vietnam General Information Concerning the Agricultural Development Bank and Private Rural Banks" contain pertinent information relating to these institutions and the project shortly before the military collapse. 	

CLEARANCES: *lms*
EA/TD: GDRohlf's
EA/TD: WSLeffers

D. RE PLANNING REQUIRES	<input type="checkbox"/> REVISED OR NEW <input type="checkbox"/> PROP <input type="checkbox"/> PIP <input type="checkbox"/> PROAG <input type="checkbox"/> PIO/T <input type="checkbox"/> PIO/C <input type="checkbox"/> PIO/P	E. DATE OF MISSION REVIEW 9/4/75
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PROJECT MANAGER: TYPED NAME, SIGNED INITIALS, AND DATE Lewis Clark <i>Lewis Clark</i>	DIRECTOR: TYPED NAME, SIGNED INITIALS, AND DATE A-D EA/VN: ANWirtz <i>ANW</i> 9/4/75
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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			OUTSTANDING		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.

The USDA PASA provided six agricultural credit advisors experienced in FIA and production credit operations. These technicians supplied organizational and operational skills essential to establishing early concepts of the credit program.

4. PARTICIPANT TRAINING	1	2	3	4	5	6	7	1	2	3	4	5
							X					X

Comment on key factors determining rating.

The management of the Agricultural Development Bank of Vietnam was keenly interested in the quality of its staff. The ADBV conducted a strong in-service training program and took full advantage of all participant training opportunities. It nominated qualified candidates for training opportunities and placed returned participants in key positions when they returned.

5. COMMODITIES	1	2	3	4	5	6	7	1	2	3	4	5
							X					X

Comment on key factors determining rating.

During previous years, USAID had furnished the ADBV with limited numbers of surplus vehicles, office furnishings and office equipment. These items were being utilized effectively in the conduct of ADBV's lending and banking operations.

6. COOPERATING COUNTRY	a. PERSONNEL	1	2	3	4	5	6	7	1	2	3	4	5
	b. OTHER							X					X

Comment on key factors determining rating.

Although the ADBV was reasonably successful in obtaining qualified candidates having the capability of being trained to fill key staff positions, the low-levels of pay and fringe benefits resulted in severe financial hardships for employees. There was a great need to develop an equitable salary and fringe benefit plans which would provide adequate employee incentives and promote integrity.

7. OTHER DONORS	1	2	3	4	5	6	7	1	2	3	4	5
					X					X		

(See next page for comments on Other Donors.)

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

The ADBV was actively engaged in seeking financial assistance from other potential donors. The Asian Development Bank and West Germany (KfW) had previously extended credit, and in December 1974, a second Asian Development Bank fisheries loan was negotiated. West Germany (KfW) was considering loans for grain storage and farm mechanization. Potential donors were reticent to become involved in view of the deteriorating military situation.

III. KEY OUTPUT INDICATORS AND TARGETS

A. QUANTITATIVE INDICATORS FOR MAJOR OUTPUTS		1973 TARGETS (Percentages/Rate/Amount)					END OF PROJECT 1977
		CUMULATIVE PRIOR FY	CURRENT FY		FY 75	FY 76	
			TO DATE	TO END			
ADBV borrowers (No. Annually)	PLANNED		290,000	580,000	640,000	650,000	650,000
	ACTUAL PERFORMANCE	328,961	251,110				
	REPLANNED						
ADBV loans processed (VN\$ billion)	PLANNED		32.5	65.0	102.0	120.0	130.0
	ACTUAL PERFORMANCE	33.1	31.4				
	REPLANNED						
PRB borrowers (No. Annually)	PLANNED		37,500	75,000	120,000	175,000	240,000
	ACTUAL PERFORMANCE	50,981	47,849				
	REPLANNED						
PRB loans processed (VN\$ billion)	PLANNED		6.0	12.0	20.0	29.0	40.0
	ACTUAL PERFORMANCE	7.4	7.1				
	REPLANNED						
B. QUALITATIVE INDICATORS FOR MAJOR OUTPUTS		COMMENT: The ADBV installed a rented computer and began processing its own central office financial records. Plans were underway to mechanize accounting in branch banks and thought was being given to the inclusion of private rural bank accounting.					
1. Mechanize accounting & financial record system of the ADBV, its branches & private rural banks		COMMENT: The ADBV management was acutely aware of the need to increase the number and quality of middle level management personnel. During the first half of FY 74, the ADBV recruited & provided formal & on-the-job training for a group of 28 candidates and was making plans to recruit a second group.					
2. Improve capability of middle management through training and expanded delegations of authority.		COMMENT: With encouragement from ADBV management, the Rural Banking Director was initiating procedure for the establishment of lines-of-credit to enable selected rural banks to substantially increase their lending.					
3. Establish lines-of-credit and a workable loan guarantee system to private rural banks to extend increased numbers of operating loans.							

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PAGE 4 PAR	730-11-140-291	TO 4/27/75	Vietnam	TP-9

IV. PROJECT PURPOSE

A. 1. Statement of purpose as currently envisaged.

2. Same as in PROP? YES

Develop a capability in Vietnam to provide agricultural credit expeditiously, on reasonable terms and in sufficient amounts, to assist the development and expansion of agricultural production including forestry and fisheries activities.

<p>1. Conditions which will exist when above purpose is achieved.</p>	<p>2. Evidence to date of progress toward these conditions.</p>
<p>The Agricultural Development Bank of Vietnam (ADBV) functioning as the primary agricultural credit institution in Vietnam, accepting deposits and making direct loans and supporting a variety of secondary credit institutions including but not limited to rural banks and village credit committees by providing direct funding, line-of-credit, discounting, training and supervisory services.</p>	<p>The ADBV thru its promotion and supervisory efforts brought about the opening of 84 private rural banks between 1969 and the end of CY 74. The Rural Banking Directorate liberalized its discounting service and was moving ahead rapidly to establish special lines-of-credit which would enable rural banks to provide credit services to an increasing proportion of small farmers. Action was well underway for the opening of an additional 25 rural banks in 1975. During 1974 24 PBS were opened; the number of loans closed increased from 50,981 a year earlier to 90,041 collections amounted to 96% of maturities, and deposits increased by VN\$1.2 billion.</p> <p>A Pilot Village Credit program was initiated in 260 villages to test out the use of Village Credit Committees as a means of facilitating credit service to large numbers of small farmers who otherwise would have been unable to obtain credit. The ADBV established a development credit dept in order to facilitate expansion of medium and longer term lending.</p>

V. PROGRAMMING GOAL

<p>A. Statement of Programming Goal</p> <p>The basic intent of the ag credit project is to support sound & rapid expansion of farm, fishery, and forestry income & production in VN through the provision of essential credit.</p>	<p>The ADBV nearly doubled its lending activity during 1974 in terms of the number of loans closed (580,127 vs 328,961) and volume of lend (VN\$63.2 billion vs VN\$33.1 billion).</p>
<p>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.</p> <p>The achievement of a strong ag credit system which provides essential credit for farmers, fishermen, and foresters will result in increased production. The financing of inputs for TN rice production is a prime example.</p>	<p>The ADBV recruited and provided training for 2 middle level management employees needed to strengthen its staff capability.</p> <p>ADBV management initiated the establishment of Combined Inspection Committee to inspect ADBV branches and private rural banks for the purpose of improving audit, inspection & control techniques. The ADBV installed a rented IBM System computer and was in the process of strengthening accounting procedures in its branches.</p>

AGRICULTURAL DEVELOPMENT BANK OF VIETNAM
BORROWERS CLASSIFIED BY SIZE OF LOAN-1974

Size of Loan \$VN	No. of Loans Made	Amount Loaned \$VN	Av. Size of Loan \$VN	%Loans
Up to 100,000	487,777	31,850,209,644	65,000	84.1
100,001 to 200,000	70,788	9,644,411,498	136,000	12.2
200,001 to 500,000	16,583	5,471,660,270	330,000	2.3
500,001 to 1,000,000	3,873	3,291,094,754	850,000	0.6
7,000,000 & Up	1,156	12,946,072,920	11,200,000	0.2
SUMMARY	880,000	63,204,366,401	12,580,000	100.0

AGRICULTURAL DEVELOPMENT BANK OF VIETNAM
ENDING OUTSTANDING LOAN BALANCE

AND

ANALYSIS OF PAST DUE ACCOUNTS

1971-1974

(VNH\$ Million)

	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>
<u>Analysis of loans outstanding</u>				
Loans not yet due	6,416	11,335	21,393	47,158
Loan past due	1,695	2,598	4,767	6,957
Total outstanding loans	8,111	13,933	26,160	54,125
<u>Analysis of past due loans</u>				
Up to three months	-	-	-	-
Over three months	1,502	2,097	3,969	5,583
In litigation	101	108	165	260
To be written-off	92	393	632	1,124
Total loans in arrears	1,695	2,598	4,767	6,957

* Based on unaudited balance sheet data.

10/14/75

	<u>1965</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>
January	33,095	7,967	4,204	15,612	14,394
February	889	1,833	7,541	3,444	6,257
March	2,114	6,498	12,687	10,792	22,054
3 Months Total	<u>6,098</u>	<u>16,298</u>	<u>24,432</u>	<u>29,848</u>	<u>42,705</u>
April	7,595	11,863	18,745	18,595	30,632
May	9,893	18,812	29,053	26,059	47,975
June	11,097	22,780	13,206	14,807	50,373
6 Months Total	<u>34,683</u>	<u>69,755</u>	<u>85,436</u>	<u>89,309</u>	<u>171,685</u>
July	12,886	13,045	16,708	19,150	49,487
August	5,741	9,870	16,746	23,957	23,693
September	8,635	6,840	16,306	21,290	18,076
9 Months Total	<u>61,945</u>	<u>99,508</u>	<u>135,196</u>	<u>153,196</u>	<u>263,941</u>
October	7,612	5,131	12,013	15,504	25,337
November	8,042	3,982	6,467	20,308	
December	11,806	3,042	16,935	13,196	
12 Months Total	<u>89,405</u>	<u>116,663</u>	<u>170,611</u>	<u>202,714</u>	

ADE LOAN ACTIVITY
1969, 1970, 1971, 1972, 1973

Table II - Amounts Loaned (VN\$)

	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>
January	348,485,453	533,317,519	434,901,024	1,530,904,066	2,197,055,762
February	84,205,268	211,309,050	347,440,984	883,325,091	1,218,390,762
March	138,728,928	472,761,212	694,470,858	1,356,081,516	2,927,189,034
3 Mos. Total	<u>571,419,649</u>	<u>1,217,387,781</u>	<u>1,476,812,866</u>	<u>3,770,310,673</u>	<u>6,342,635,578</u>
April	501,601,415	706,277,966	920,829,693	1,688,778,799	3,127,656,797
May	444,085,918	819,229,768	1,125,715,356	1,473,802,140	3,971,652,580
June	426,518,799	867,016,036	836,207,178	1,134,385,072	4,016,707,383
6 Mos. Total	<u>1,943,625,776</u>	<u>3,609,911,581</u>	<u>4,359,565,093</u>	<u>8,066,876,664</u>	<u>17,458,652,338</u>
July	621,180,669	774,754,031	933,574,397	1,358,656,172	3,649,657,191
August	412,827,816	674,731,884	808,438,120	1,803,936,298	2,208,506,885
September	495,636,316	475,343,396	988,994,942	1,885,237,181	1,939,849,318
9 Mos. Total	<u>3,473,270,577</u>	<u>5,534,740,892</u>	<u>7,090,572,552</u>	<u>13,114,706,315</u>	<u>25,256,665,732</u>
October	398,402,889	402,440,318	772,260,530	1,973,516,657	2,939,680,394
November	237,004,043	348,055,198	794,612,357	1,778,790,979	
December	505,311,257	429,892,372	1,409,622,900	2,057,462,320	
12 Mos. Total	<u>4,618,988,766</u>	<u>6,715,128,780</u>	<u>10,067,068,339</u>	<u>18,924,476,271</u>	

PROJECTED FUNDING AND LENDING ACTIVITIES
OF THE
AGRICULTURAL DEVELOPMENT BANK
CY 73-77

<u>INDICATORS</u>	<u>CY 73</u>	<u>CY 74</u>	<u>CY 75</u>	<u>CY 76</u>	<u>CY 77</u>
1. Projected Funding (VN\$ Billion)	<u>11.6</u>	<u>36.0</u>	<u>41.3</u>	<u>38.4</u>	<u>31.6</u>
<u>Source</u>					
a. GVN and counterpart	11.6	36.0	38.0	35.0	30.0
b. Other foreign lenders	0	0	3.3	3.4	1.6
2. Loan Activity					
a. Loans processed (VN\$ Billion)	<u>33.0</u>	<u>65.0</u>	<u>102.0</u>	<u>120.0</u>	<u>130.0</u>
- Short-term production	31.5	62.0	85.0	95.0	100.0
- Medium & Long Term	1.5	3.0	17.0	25.0	30.0
b. Number of borrowers (000)	<u>329.1</u>	<u>580.0</u>	<u>640.0</u>	<u>650.0</u>	<u>650.0</u>
- Short-term (total)	329.0	570.0	600.0	600.0	600.0
- New accounts	(164)	(220)	(250)	(250)	(250)
- Medium & Long Term (total)	0.1	10.0	40.0	50.0	50.0
- New accounts	(0.1)	(10.0)	(35.0)	(40.0)	(40.0)
c. Loans collected (VN\$ Billion)	<u>21.0</u>	<u>35.0</u>	<u>69.0</u>	<u>86.0</u>	<u>98.0</u>
- Short-term	21.0	33.0	66.0	80.0	90.0
- Medium & Long Term	0	2.0	3.0	6.0	8.0
3. Loanable deposits <u>1/</u> (VN\$ Billion)	<u>5.4</u>	<u>8.5</u>	<u>10.3</u>	<u>12.2</u>	<u>13.9</u>
a. Demand	0.7	0.7	0.7	0.7	0.7
b. Savings	1.1	1.8	2.3	2.5	2.7
c. Time	3.6	6.0	7.3	9.0	10.5

1/ Percent of deposits loanable:

a. Demand 65%

b. Savings 85%

c. Time 85%

PROJECTED FUNDING AND LENDING ACTIVITIES
OF THE
PRIVATE RURAL BANKS IN VIETNAM
CY 73-77

	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>
1. Number of Banks (cumulative)	60	90	115	140	165
2. Funding total (VN\$ Million)	<u>4465</u>	<u>8893</u>	<u>14743</u>	<u>21693</u>	<u>29543</u>
(a) Cost Matching Capital Stock ^{1/}	1163	1843	2593	3468	4468
(b) Discounting	550	2750	5750	9000	12500
(c) Private Capital Stock ^{2/}	1252	2000	2800	3725	4775
(d) Deposits (Loanable) ^{3/}	1500	2300	3600	5500	7800
3. Loan Activity (VN\$ Million) ^{4/}	<u>7400</u>	<u>12000</u>	<u>20000</u>	<u>29000</u>	<u>40000</u>
A. Loans Processed					
(a) Agricultural (70%)	5180	8400	14000	20300	28000
(b) Commercial (20%)	1480	2400	4000	5800	8000
(c) Industrial (7%)	518	840	1400	2030	2800
(d) Other (3%)	222	360	600	870	1200
B. Number of Borrowers (000)					
(a) Short Term	51	75	120	175	240
New Accounts	(15)	(30)	(50)	(70)	(90)
C. Loan Collected (VN\$ Million)					
(a) Agricultural (70%)	3780	5600	9800	17150	24150
(b) Commercial (20%)	1080	1600	2800	4900	6900
(c) Industrial (7%)	378	560	980	1715	2415
(d) Other (3%)	162	240	420	735	1035

Footnotes:

Project Capitalization Stock, Shares/Bank

<u>1/ Preferred (VN\$ Mil)</u>	<u>2/ Common (VN\$ Mil)</u>	<u>4/ Annual VN\$ Lending = 135% of available loan capital</u>
1974 25	27	
1975 30	32	
1976 35	37	
1977 40	42	

<u>3/ Projected Loanable Deposits as a Percent of VN\$ Stock, Shares</u>			
1973 57%	1976 77%		
1974 60%	1977 85%		
1975 68%			

11

AGRICULTURAL DEVELOPMENT BANK OF VIETNAM
 ENDING OUTSTANDING LOAN BALANCE
 AND
 ANALYSIS OF PAST DUE ACCOUNTS *
 1971-1974
 (VN\$ Million)

	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>
<u>Analysis of loans outstanding</u>				
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* Based on unaudited ADBU statistics.

10/10/75

PROJECTED ORGANIZATION, FUNDING AND LENDING ACTIVITIES
OF
VILLAGE CREDIT COMMITTEES
1973-1977

	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>
1. Number of Committees:					
a. Pilot Committees	0	260	260	260	0
b. Other	1681	1540	1540	1540	1800
2. Source of Funds (VN\$ Million)	<u>1378</u>	<u>2080</u>	<u>4520</u>	<u>6000</u>	<u>8000</u>
a. GVN/ADB	1308	720	1140	1600	8000
b. Counterpart	0	1000	-	-	-
c. Local budget for loans	70	360	380	400	-
d. Capital Assistance Grant	-	-	3000	4000	-
3. Loan Activity ^{1/}					
a. Loans processed (VN\$ Million)	998	2200	4000	6000	8000
b. Number of Borrowers (total)	35265	49000	60000	70000	80000
c. New accounts	(9000)	(20000)	(30000)	(35000)	(40000)
d. Loans collected (VN\$ Million)	1068	1780	2500	4800	6800

^{1/} Loans volume included in ADBV loan activity and is "non-add" total lending.