

## Ex-Ante Evaluation

### 1. Name of the Project

Country: Socialist Republic of Viet Nam

Project: Viet Nam Coffee Value Chain Project

Loan Agreement: March 28, 2018

Borrower: Café Outspan Viet Nam Limited (COVL)

### 2. Background and Necessity of the Project

#### (1) Overview and challenges of agriculture sector in Viet Nam

Agriculture, forestry and fisheries sector is the main industry in Viet Nam, which employs 44% of the total labor force. In particular, Agricultural products such as coffee, rice, gum and cashew nuts are positioned as main export products. Coffee production in Viet Nam has increased with approximately 7% annual growth rate in the last two decades and it reached to 1.53 million tons in 2016, which has brought Viet Nam to the second world's largest coffee producer (17% global market share) after Brazil. Especially, Viet Nam is the world's largest producer of Robusta coffee (well-suited for soluble coffee), and coffee products (including raw beans and processed products) constitutes approximately 2% of the country's total export value. "Coffee Industry Master Plan (2015-2030)" (May, 2015) developed by Ministry of Agricultural and Rural Development identifies capacity building of small holder farmers and strengthening the processing industry as the key factors for sustainable development of the industry and enhancement of the coffee value-chain.

In addition, the Vietnamese government's "Ten-year Socio-economic Development Strategy (2011-2020)" (July, 2013) which pursues the goal of industrialization by 2020 positions agricultural product processing (agro-processing) as one of the six strategic industries, and aims industrial development through agro-processing, as well as productivity enhancement of agriculture sector.

As discussed above, this Project is in line with the development policies of the Vietnamese government.

#### (2) Japan's and JICA's assistance policy to agricultural sector in Viet Nam

Japan's Country Assistance Policy for Socialist Republic of Viet Nam (December, 2012) sets assistance towards the achievement of industrialization in 2020 as a basic policy, and it emphasizes assistance to industrial development for "Promotion of Economic Growth and Strengthening International Competitiveness", and assistance to rural development for "Response to Fragility". In addition, Japan-Viet Nam Agricultural Cooperation Dialogue (August, 2015) developed the "Medium to Long Term Vision" which identifies establishing of food value chain as a key issue.

Based on JICA's Country Analysis Paper for Socialist Republic of Viet Nam (March,

2014), JICA supports the country's industrialization including agriculture through utilizing private sector's ability and income increase of rural people through private sector's technology and investment. Therefore, this Project is in line with the assistance policies of Japan and JICA.

As this project supports industrial development and sustainable agriculture, it contributes to SDGs Goal 2 (sustainable agriculture) and Goal 9 (inclusive and sustainable industrialization).

### 3. Project Description

#### (1) Project Objective

The objective of this Project is to enhance the coffee value chain in Viet Nam by expanding the COVL's coffee processing plant and providing the capacity-building program to the smallholder farmers in the country, thereby contributing to the promotion of sustainable agriculture development in the country.

#### (2) Project Site/Target Area

Long-An Province (expanding the COVL's coffee processing plant) and various places around Viet Nam (providing capacity-building program to the smallholder farmers).

#### (3) Project Component (s)

This Project consists of expanding the coffee processing plant and providing capacity-building program to the smallholder farmers in the country.

#### (4) Schedule

Loan Agreement has been signed in March 2018, and the expanded processing plant will be in operation in 2018 (scheduled).

#### (5) Environmental and Social Consideration / Poverty Reduction / Social Development

##### 1) Environmental and Social Consideration

###### a) Category: B

b) Reason for Categorization: This Project is not located in a sensitive area, nor has sensitive characteristics, nor falls into sensitive sectors under the JICA Guidelines for Environmental and Social Considerations (April, 2010), and among the project, the potential adverse impacts on the environment of its capacity building program are not likely to be significant as it will not make tangible investment.

2) Promotion of Poverty Reduction: This Project contributes to poverty reduction in rural areas through empowerment of small holder farmers.

3) Promotion of Social Development: This Project contributes to social development in rural area through promoting integration of smallholder farmers (i.e. establishing agricultural association) by providing the capacity-building program.

4) Promotion of Gender Equality: This Project contributes to rural development in consideration of gender equality by providing the capacity-building program

which includes education of gender inclusion.

(6) Collaboration with other donors: Co-finance with ADB

(7) Other Important Issues: None

#### 4. Targeted Outcomes

(1) Quantitative effects:

- 1) Annual production of the coffee processing plant: 17,250 ton/year
- 2) Number of participants in the capacity-building program to the smallholder farmers: 2,000 in total

(2) Qualitative effects:

Income stabilization and enhancement of the targeted farmers, promotion of gender development in rural areas and acceleration of sustainable agricultural development

#### 5. External Factors and Risk Control

None

#### 6. Lessons Learned from Past Projects

(1) Lessons Learned from Past Projects

The ex-post evaluation of “Sugar Factory Construction Project” in Myanmar demonstrates that the supply shortage of sugar cane due to farmer’s crop conversion led to low operation rate of the factory. Therefore, the lesson learned is that for bringing the project’s sustainable impact, it is important to grasp the projection of agricultural product price, site location of the Project, and farmer’s production trend.

(2) Application on Lessons Learned to the Project

The Borrower, COVL, has established a stable relationship with coffee farmers through providing capacity-building program. In addition, its parent company, Olam International Limited, has global procurement network. Therefore, this Project does not have a significant concern for raw material procurement.

#### 7. Plan for Future Evaluation

(1) Indicators to be used: See 4.

(2) Timing: Year 2020

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