

Socialist Republic of Viet Nam

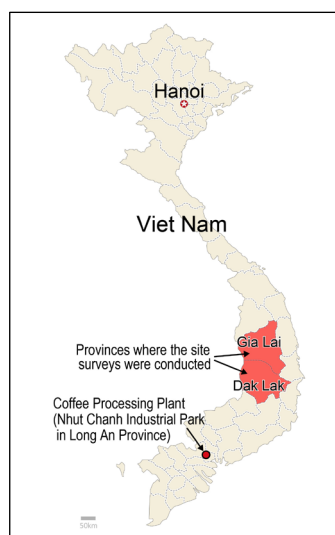
FY2020 Ex-Post Evaluation Report of Private Sector Investment Finance

“Viet Nam Coffee Value Chain Project”

External Evaluator: Tomoo Mochida, OPMAC Corporation

Hideyuki Takagi, Ernst & Young ShinNihon LLC

1. Project Description



Project Locations



The third line of the coffee processing plant, which was expanded with JICA financing

1.1 Project Outline

This project was implemented within the single framework of a coffee processing plant expansion midstream on the one hand, and a smallholder farming program upstream on the other, in order to achieve effective development results by means of strengthening the coffee value chain in Viet Nam. The expansion of the coffee processing plant was to be carried out by Café Outspan Vietnam Limited (hereinafter referred to as “COVL”), while the smallholder farming program was to be implemented by Olam Vietnam Limited (hereinafter refer to as “Olam Vietnam”), a wholly owned subsidiary of Olam International Limited (OIL¹), as part of its procurement activities. Both COVL and Olam Vietnam are wholly owned subsidiaries of OIL, and the two companies work closely together to develop business within the group, including the procurement of raw material coffee beans and sales of products.

The project was implemented within the framework of cooperation with the Asian Development Bank (ADB) as the managing bank. In addition to the co-financing with JICA for expansion of the COVL coffee processing plant, it was planned that ADB would support the implementation

¹ A general agricultural trading company listed on the Singapore Stock Exchange.

of a smallholder farming program for OIL as part of OIL's procurement activities, in which ADB would provide a long-term working capital loan and technical assistance to the operations of Olam Vietnam. ADB's support is built upon by leveraging the operations under the Olam Livelihood Charter (OLC),² which has been promoted by the Olam Group (OIL and its subsidiaries), aiming to increase the direct benefits to smallholder farmers.

2. Outline of the Evaluation Study

2.1 External Evaluator

Tomoo Mochida, OPMAC Corporation

Hideyuki Takagi, Ernst & Young ShinNihon LLC

2.2 Duration of the Evaluation Study

This ex-post evaluation study was conducted with the following schedule.

Duration of the Study: January 2021 - February 2022

Duration of the Field Study: The site survey was not conducted by the external evaluators, but it was conducted by the local field survey assistant.

2.3 Constraints during the Evaluation Study

In the ex-post evaluation, the field survey originally planned by the external evaluators could not be conducted due to the global outbreak of the COVID-19 pandemic (COVID-19). As a result, the external evaluators were not able to directly visit the project sites and conduct interviews with smallholder farmers and people involved in the coffee supply chain. Instead, the field survey assistant conducted the site survey and the external evaluators conducted evaluation based on the data obtained.

As for the implementation of the project, due to external factors such as the spread of COVID-19, the technical assistance portion of ADB's project for smallholder farmers was not implemented yet. On the other hand, Olam Vietnam, a local subsidiary of OIL, which was expected to implement the smallholder farming program in Viet Nam, implemented the program with support from other donors, etc., under the framework of a project and also monitored the program. From the monitoring results, it is possible to grasp quantitatively the results of the project. Therefore, the project assisted by other donors was analysed within the framework of the ex-post evaluation of the project as an output of a project by OIL, and evaluation was made for the expansion of the

² The program has been implemented since 2010. Agricultural experts provide free-of-charge sustainable agricultural guidance and community development services to rural and farming households, focusing on increasing yields and improving quality, in order to enhance and stabilize the income of smallholder farmers. According to JICA, OLC is not only a social contribution activity, but also a way to build a procurement network with farmers in order to ensure the stable procurement of agricultural products, which is directly related to the company's business competitiveness.

coffee processing plant, which was the part of the project financed by JICA, and the program assisted by other donors.

3. Conclusion

The project aimed to enhance the coffee value chain by supporting the expansion of an existing coffee processing plant in Long An Province, South Viet Nam, providing a capacity-building program for smallholder farmers in the country, and thereby contributing to the promotion of sustainable agriculture development in the country.

The results of the ex-post evaluation were summarized below.

Relevance: At the time of both the appraisal and the ex-post evaluation, the Vietnamese government considered it important to strengthen the value chain for industrialization through agro-processing, to improve the sustainability of the coffee industry, and support smallholder farmers in expanding and stabilizing their production in a sustainable manner. This was consistent with the policy direction and development needs. The project was also in line with Japan's aid policy, i.e., “Promotion of Economic Growth and Strengthening of International Competitiveness” under one of the areas being specifically emphasized. Therefore, the relevance of the project is high.

Efficiency: The expansion of the coffee processing plant achieved the project outputs as originally planned. However, although the project cost was as planned, the project period was slightly longer than planned, and the efficiency of the project is fair.

Effectiveness: The production of COVL coffee processing plant slightly exceeded the initial plan. The target production for 2020 was at 17,250 tons/year, of which 5,250 tons/year for Plant 2, which was financed by JICA. The actual production volume exceeded these targets. The Return on Invested Capital (ROIC) almost met the target. Although the number of farmers participating in the farming program has not reached the target, it can be said that the program has accomplished a certain level of achievement. The major stakeholders of the project include the participating farmers. Recognised effects of the project include improvement of farming practices, diversification of products (cash income from diversified products), improvement in the quality of coffee beans (due to grafting techniques applied to coffee trees) and so on.

Impacts: Although it cannot be concluded that the project made specific contributions to the promotion of rural gender development, the income stabilization and enhancement of the target farmers, and acceleration of sustainable agricultural development are being promoted and their effects are recognized. The site survey revealed: improvements in coffee bean quality due to

grafting, pruning, use of organic fertilizers and bio-pesticides; reduction in production costs; decrease in labour and other costs due to an appropriate amount of irrigation; increased opportunities to earn cash income through the production of other commodity crops (durian, pepper, avocado, etc.). With respect to sustainable agricultural development, the following points were also revealed through the site survey: improved soil quality, improved air quality, increased use of organic fertilizers, decreased use of chemical fertilizers and pesticides, and decreased odor through the reduction in use, or frequency of use, of chemical fertilizers, herbicides and pesticides and so on.

Sustainability: Since the completion of the project, the operation and maintenance of COVL has been handled in the course of COVL's daily operations. The number of personnel increased in line with the expansion of the business. No major problems affecting the effectiveness of the project have been observed in terms of the institutional aspect of organization and management. Training on technical aspects such as operation-related areas, food hygiene management, and occupational safety is conducted regularly for the relevant staff. Management indicators such as the average utilization ratio have remained at a high level. International standards and certifications in such fields as food safety and environmental management systems have been obtained and maintained. In terms of finances, both COVL and its parent company, OIL, which fully guarantees the debt, have maintained their profits and been performing well, so there are no problems. It is evaluated that there has been no damage of particular concern to the production facilities of COVL and that it is in a position to operate its plant smoothly. The site survey also confirmed the 24-hour operation status, and no particular problems were pointed out by the personnel concerned with plant operations.

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