

Third Party Evaluator's Opinion on Agriculture Sector Loan

Narong Pomlaktong
Senior Research Specialist
Thailand Development Research Institute
Thailand

Relevance: A depreciation of the Thai bath triggered by the currency crisis in 1997 has benefited Thai farmers in general. Countering the benefits of agricultural price increases is the poor who are faced with sharply risen food prices. However, the evidence in Thailand indicates that for rural households (about 75% of the poor lived in rural areas) a greater share of income is derived from farming than from wage labor. Therefore, the policy objectives of the project to strengthening the agricultural production capacity, improving agricultural products and the management process of the sector are relevance to the country's needs.

Efficiency: The process of loan disbursement in this project was conditional upon the co-financing agency (ADB) approval after assessing the fulfillment of the policy actions of the Thai Government. This process reflects the JBIC effort to ensure that the enabling environment for the successful implementation of the project was created. However, the project was faced with delay stemming from policy reversal to truncate the size of this project to about half of its original plan. As a consequence, the outputs on the Irrigation Improvement Project, particularly, those relating to pipe irrigation facilities, land liquidation and organizing cooperatives were far from plan. This is also true for a number of outputs from rubber collection center, rubber sheet smoking facility, and animal feed facility under the Project to improve the quality of agricultural products. The total time spent of the Project was 12 months exceeding the 52-month period as originally planned with its cost (on JBIC loan) reduced by half. In terms of outputs compared to inputs, the project can be deemed as efficient. But it is not if "timely" is taken into the efficiency equation. The fact that dispute over expropriation of land was a crucial factor causing project delay should justify JBIC to consider land acquisition aspect as part of the conditions for loan disbursement for commencing any project involving land expropriation. Thus, **lesson learned** from this particular issue is that efficient project design should begin with the preparation of operationally oriented elements carried out well before program initiation. These may include: a need to ensure that the loan recipient understands what is expected of it and that it possesses the means to execute its undertaking, and a need to secure up-front delivery of the critical conditions required to ensure the success of the project.

Effectiveness and Impacts: Without a sound database regarding both production and marketing, implementing rural development measures can be less effective. This project succeeded in educating and stimulating Thai farmers to take water management responsibility into their own hands, rather than relying on the government. At the meetings of water users' associations, farmers started to collect information necessary for improving agricultural earnings. The project, however, has not yet encouraged Thai farmers to secure their revenue by making use of Thailand's Agriculture Futures Exchange. The use of futures market will make Thai farmers to depend less on government subsidy and more on market mechanism. Moreover, information on quality of agricultural produce and standardization, price as well as quantities demanded will also available from the futures market. This kind of information could help farmers to reduce their risks and help in crop planning and hence more effective usage of irrigation water. As for impact assessment, the project should have specified at the outset that the executing agency obliged to collect data vital to evaluate either partially or fully the impacts of the project according to a set of KPIs (key performance indicators) agreed upon.

Sustainability: At present, the fact that both the Irrigation Department and the Cooperative Promotion Department coordinate their activities closely with their regional chapters is a promising indication for the project sustainability. However, the fact that the coverage area of this project is countrywide, disparities in technical capacity among localities may be an issue. To ensure sustainability, resources for capacity building or consultative services should be set and allocated based on a case-by-case (rather than across the board) assessment of training needs.