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PROJECT VIET NAM 5322

(WIS No. SRV 532200)

Smallholder forestry development in five provinces of northeast Viet Nam

Duration of project	Four years
Total cost to WFP	15 865 483 dollars
Total cost to Government	3 451 000 dollars

All monetary values are expressed in United States dollars, unless otherwise stated. In January 1996, the exchange rate was one dollar to 11,000 dong.

For relevant statistical data, please consult the WFP country profile for Viet Nam, which is available on request.

ABSTRACT

The project aims at improving the food security of smallholder households located in remote areas through activities which will ensure sustainability of income and food supplies. Special attention is paid to participatory approaches, strengthening of village extension systems and availability of credit for smallholders. Some 62,000 poor families will receive WFP food aid, which will enable them to devote time to the development of allocated, currently barren forest land. Part of the food will be monetized, with the proceeds used to establish village revolving credit funds that will finance production inputs and income-generating activities. The Programme is planning to phase out of Viet Nam by the end of the year 2000. SRV 5322 will, therefore, be the last major WFP project in the country.

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NOTE TO THE EXECUTIVE BOARD

1. This document contains recommendations for review and approval by the Executive Board.
2. Pursuant to the decisions taken by the Committee on Food Aid Policies and Programmes (CFA) at its Fortieth Session on the methods of work of the Executive Board, which were reaffirmed by the Executive Board at its First Regular Session, the documentation prepared by the Secretariat for the Board has been kept brief and decision-oriented. The CFA also agreed that the meetings of the Executive Board should be conducted in a more business-like manner, with increased dialogue and exchanges between delegations and the Secretariat. Efforts to promote these guiding principles will continue to be pursued by the Secretariat.
3. The Secretariat therefore invites members of the Board who may have questions of a technical nature with regard to this document, to contact the WFP staff member(s) listed below, preferably well in advance of the Board's meeting. This procedure is designed to facilitate the Board's consideration of the document in the plenary.
4. The WFP staff dealing with this document are:

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5. Should you have any questions regarding matters of dispatch of documentation for the Executive Board, please contact the Documents Clerk (tel.: 5228-2641).

INTRODUCTORY NOTE BY THE EXECUTIVE DIRECTOR

1. The Government of Viet Nam has accepted a plan for gradual phase-out of WFP assistance. During the Executive Director's visit in August 1995, it was agreed that the WFP programme should be planned and managed so that assistance could be terminated by the end of the year 2000. The Executive Director also agreed that, subject to availability of resources, all operational projects would be concluded as planned. As levels of poverty and food insecurity are expected to remain very high among specific population groups for a few more years, the Executive Director would approve or recommend approval of new projects at a total cost to WFP of approximately 20 million dollars.
2. It was agreed that the bulk of this assistance would be in the forestry sector, where a project for smallholder forestry development was at an advanced stage of preparation. This project, at a cost to WFP of 15.9 million dollars, is now before the Board for consideration. In addition, small WFP contributions may be requested for two inter-agency projects. One is an IFAD-funded integrated rural development project, for which WFP would support various food-for-work activities at a cost of about two million dollars. The other project is in support of crop substitution as part of the United Nations International Drug Control Programme. The WFP contribution is expected to be about one million dollars. Both of these projects are in support of very poor population groups in central Viet Nam, in particular ethnic minorities.
3. The decision to phase out from Viet Nam has been taken after extensive analysis. The impressive economic progress which has been evident in Viet Nam in recent years (average GDP growth of about eight percent annually between 1991 and 1995, projected to reach nine to 10 percent from 1996 to 2000) started from an extremely low base. With a per caput GDP of 220 dollars, Viet Nam remains firmly in the category of low-income countries and is thus eligible for grant ODA. The Consultative Group Meeting 1995 confirmed pledges of 2.3 billion dollars, most of which in the form of loans. However, grants still constitute a substantial part (23 percent) of total pledges.
4. Continued assistance from WFP would be well inside the mainstream ODA for Viet Nam. Economic growth has thus far not eliminated widespread poverty and food insecurity at the household level: a daily energy intake of less than 2,100 calories is still the reality for 51 percent of the population. Moreover, 90 percent of these people live in the rural areas, with prevalence among the poor ethnic minorities in the central and northern regions. Low agricultural production coupled with high population growth explains this extreme level of poverty.
5. WFP assistance that provides rural household food security, and also contributes to sustained increases in agricultural production, can be highly appropriate, as recognized by the 1994 Tripartite Evaluation. That evaluation, however, also argued that with continuing economic growth and the development of a market economy, the objectives of WFP assistance would be achieved more effectively with financial resources than with food. This argument has since become stronger. Viet Nam has risen to the status of one of the world's major exporters of rice. While exports were



originally necessitated by the country's critical shortage of foreign exchange, predictions are that the export surplus will continue for at least another decade, despite a more comfortable balance of payments and a rising domestic demand. On the national level, food security will thus be assured, and Viet Nam is unlikely to again be included in WFP's priority category of food deficit countries. However, for a number of years the low purchasing power of large groups of the population will reduce their access to food to a level that would justify assistance. In this period of transition, WFP could continue to make an important contribution to poor households' food security if it could continue to provide wheat and/or wheat flour for exchange against local rice, or—better—provide cash for the purchase and distribution of local rice. By concentrating its assistance over the next few years on those population groups, who have largely been left out of the overall economic progress, WFP will also give the Government time to develop a strategy for satisfying the income and social security requirements of these people. The Executive Director, therefore, believes that under these circumstances, a WFP phase-out by the year 2000 constitutes a reasonable, indeed a forward-looking, compromise.



PROBLEM ANALYSIS

1. In spite of recent favourable economic developments, Viet Nam remains one of the poorest countries in the world, with a per capita GNP of 220 dollars. The incidence of poverty has decreased substantially over the last ten years but is still over 50 percent according to World Bank criteria. Regional differences are substantial, with rural poverty most prevalent in the North Central (74 percent of the population) and Northern Upland (63 percent) regions.
2. The North Central region already receives assistance through WFP forestry project No. 4304. The Northern Upland region, in which project No. 5322 will be operating, has 16 percent of the country's population but accounts for about one-fifth of those below the poverty line. The five provinces to be covered by the project, Quang Ninh, Lang Son, Cao Bang, Bac Thai and Ha Bac, have a high share of poor people, particularly among the ethnic minorities, who rely heavily on forest areas for their food and income requirements.
3. Rice is the dominant food staple. With natural conditions in the north often marginal for growing rice or other crops, food shortages regularly affect large population groups. (Annual production in the five provinces included in the project is 238 kilograms of paddy equivalent per capita as compared to the national average of 330 kilograms. In the midlands and highlands it is only 160 kilograms). Among the project's target population, food insecurity is prevalent and typically evidenced by annual rice shortage periods of three to six months. With little or no opportunity for wage labour, many rely on forest resources to meet requirements. Most people in the project area collect and sell firewood to raise cash for food purchases. When this is not sufficient, farmers are forced to borrow against repayment when the next crop is harvested, often getting caught in a cycle of debt.
4. Food insecurity is mainly due to small land holdings (0.07 hectare per capita) with low yields. The inability to produce enough food even for subsistence results in indebtedness and a lack of capital for investment in land improvement.
5. The 1992/93 *Viet Nam Living Standards Survey* (VLSS) identified ethnic minorities as particularly vulnerable, with average household consumption only three-fifths of that of the *Kinh* majority.
6. Although the VLSS did not find that female-headed households were worse off than those headed by men, it is generally agreed that women have a relatively disadvantaged position with respect to job opportunities. A 1995 WFP gender study also confirmed that women were much less involved in decision-making, had limited access to training and were under-represented in project management.
7. The majority of the poor farmers in the highlands traditionally collect firewood and other products from the diminishing natural forests in order to raise the cash needed to supplement their inadequate food production. This is becoming more and more time-consuming because of rapid deforestation and forest degradation. It has been estimated that forests now cover about 9.6 million hectares, or 29 percent of



Viet Nam's total land area, as compared to 69 percent in 1943. For the northern uplands, corresponding figures are even more alarming, indicating a decline in forest cover during the same period from 81 to 21 percent of the land area (World Bank 1994).

8. Barren land is being allocated to individuals on long-term leases. To date, about seven million smallholders have received allotments. Many, being poor and food insecure, have to use all of their spare time to earn cash for subsistence. They cannot set aside the labour and time required to develop the new land. The provision of WFP food will allow them to work on their allotments. Capital, needed for production inputs and income-generating activities, will be available from village-based revolving credit funds established through the monetization of a part of the WFP contribution.

Previous WFP assistance

9. WFP assistance to Viet Nam includes nine forestry projects, eight completed and one operational (SRV 4304). These projects have in general achieved their objectives. However, the approach has evolved from being primarily concerned with the physical achievements, i.e. area planted, towards a focus on the impact of the project activities on the food security situation of the concerned population. Possibilities of reaching women more effectively have also been given special attention, with specific targets for the participation of women—as workers and on management committees at different levels—being specified in the two latest projects. Emphasis has also shifted towards improving the technical quality of forestry works and ensuring that smallholders receive larger benefits.

PROJECT OBJECTIVES AND OUTPUTS

Long-term objective

10. The long-term objective of the project is to improve the living standards of ethnic minorities and other poor groups in selected areas of five northern provinces by assisting in the implementation of sustainable forest-based land development which would contribute to village socio-economic development, increase family food production, and improve short-and long-term incomes.

Immediate objectives

11. The immediate objectives are to:
 - a) Increase village-level incomes and household food security through:
 - i) planting of 51,000 hectares of barren land with forest, fruit and cash tree species by 51,000 smallholder households;



- ii) establishment of 940 village tree nurseries, each managed by an average of 10 households;
 - iii) establishment of 940 village-based revolving funds for provision of credit for production inputs and income-generating activities.
- b) Improve access to isolated villages through construction of 150 kilometres of roads.
 - c) Protect established plantations through the establishment of 100 kilometres of firebreaks.
 - d) Strengthen extension systems through:
 - i) support of 2,040 village-level extension farmers, targeting 50 percent women workers;
 - ii) development of mechanisms which will help ensure that extension is available after the WFP project ends.
 - e) Strengthen the capacity of the district Forest Departments and other organizations with the aim of encouraging participatory community organization and development, and improved forest management practices through:
 - i) training of 65 Forest Department and extension staff and 177 extension agents;
 - ii) training and support of 940 demonstration farmers, with priority given to the poorest and to women.

Outputs

12. The major outputs will be:

- a) A total of about 51,000 hectares will be afforested by smallholder households, each planting an average of one hectare using a combination of forest, fruit and cash species and in planting arrangements agreed to in the individual/village microplans.
- b) In each of the 940 villages expected to participate in the project, a nursery will be established and managed by about 10 households. As feasible, improved planting material for nursery establishment for eucalyptus, acacia, gliricidia, leucaena, etc. will be introduced. It is expected that about 63 million seedlings would have to be produced for the project in district Forest Department nurseries to supplement village-level production of around 94 million and to raise or hold special varieties of fruit trees.



- c) A demonstration plot of about one hectare will be set up in each of the 940 villages. It will be used to provide an example and show potentials of different species and planting arrangements.
- d) Some 2,040 village extension farmers, targeted at 50 percent women, will be trained and supported by the project. They will in their turn train other smallholders in tree-planting techniques.
- e) Some 10 percent of the WFP food commitment will be monetized, with the proceeds used to establish revolving credit funds in each of the 940 villages. The programme will provide credit for production inputs and for the development of income-generating activities. Special attention will be given to the poorest and to women.
- f) The project will construct 150 kilometres of 3.5-metre wide, forest-standard access roads to reach isolated villages.
- g) Firebreaks are needed in pine and cunninghamia plantations, appropriate only where smallholders have planted these species adjacently to form large blocks. It is estimated that 100 kilometres of firebreaks will be established.

ROLE AND MODALITIES OF FOOD AID

Functions

- 13. Smallholders in the project area do not produce enough food to cover their total requirements. They are, therefore, obliged to engage in cash-earning works, mostly firewood collection, during periods of low agricultural activity. This is an immediate concern which obviously is given a higher priority than any activity with deferred returns, such as tree planting. The provision of food rations will increase the food supplies of the smallholders and allow them to devote time to developing their allocated land using appropriate land development models incorporating forest, fruit and cash tree species in order to provide short- and long-term incomes as well as food products.
- 14. The food aid will have the following functions:
 - a) it provides an income substitute for smallholders, enabling them to take part in longer-term productive activities, such as developing their new land;
 - b) it compensates for work and time contributed to the plantation programme by: villagers who established local nurseries; extension farmers; and, owners of selected demonstration farms;
 - c) it provides an incentive for participating in forest road construction and firebreak establishment; and



- d) it strengthens community-based economic activity through the establishment of village revolving funds to provide credit for purchase of production inputs and start-up capital for income-generating activities.

Food inputs and commodity justification

15. The implementation of project activities will require about 14.9 million workdays. With a family ration of 2.5 kilograms of rice per day of work, the total quantity required is 37,363 tons. In addition, 4,250 tons of wheat flour will be shipped and sold, with the proceeds used to support the establishment of village revolving credit funds.
16. Rice is the staple food of all Vietnamese. This commodity will be provided to the beneficiaries of project No. 5322. As the country now produces a surplus, it is proposed either that rice be purchased locally or that wheat flour be supplied and exchanged for local rice. The rate of exchange of wheat flour for rice will be negotiated by the Government and WFP and based on WFP's guidelines for commodity exchanges. In calculating the cost of the project, the exchange rate used in 1994/95, one ton of wheat flour to one ton of local good quality rice, has been assumed. However, should WFP's resource position so require, and provided sufficient milling capacity has been installed in Viet Nam, whole wheat may be supplied at an exchange rate to be agreed to between the Government and WFP.
17. The Ministry of Agriculture and Rural Development (MARD) will supervise the project. The provincial Forest Departments will be responsible for project implementation. Project management committees will be established at the national (1), provincial (5) and district (22) levels. The district management committees will sign contracts with the villages, specifying activities to be supported and quantities of rice to be provided.
18. Only the poorest villages and households will be targeted, predominantly from ethnic minority groups who rely on forest areas to meet food needs. Special attention will be given to improving the situation of households headed by women. Activities included in the project will help these people break the cycle of recurrent indebtedness by establishing a source of future incomes and thus improving their food security situation.
19. Village Management Committees (VMC) will be established in each of the 940 villages expected to be included in the project. These committees will be involved in selection of beneficiaries, planning of activities and management of the revolving credit funds. They will act as the contact point between the villages and provincial/district authorities in matters concerning the project. The exact composition of the VMCs will be decided by the communities themselves, but they would be expected to comprise the village chief, village extension farmers and members of the Women's Union or Farmers' Association. At least 30 percent of the VMC members will be women.
20. Extension services will be provided by agents from MARD but also by village extension farmers. These extension farmers, receiving food rations from the project, will work directly with a group of smallholders in their villages. They will also be



members of the Village Management Committees. The project will aim at 50 percent women as extension farmers.

21. Either rice will be purchased in Viet Nam or WFP-supplied wheat flour will be exchanged for rice locally. In the case of shipments, wheat flour will be received at the port of Ho Chi Minh City by the project authorities and AIDRECEP, the agency responsible for the coordination of foreign aid. The Central Management Committee will be responsible for selling the wheat flour and distributing sales proceeds to the Provincial Management Committees for the procurement of local rice. The central Government will ensure that the quantity of local rice supplied to the project reflects the exchange rate at which WFP supplies wheat flour. It will be responsible to WFP for supervising all arrangements for the receipt, handling, storage and transportation of wheat flour/rice and for ensuring that the beneficiaries are provided with good quality rice. In the case of local purchases, the possibilities of buying rice in, or adjacent to, the provinces in the project area will be explored in order to minimize transport costs.
22. Rice will be distributed in the villages or at the district stores closest to the sites according to the signed agreements. For plantations, part of the rice due will be withheld and distributed only after the confirmation of survival rates being at least 85 percent three months after planting.
23. Lack of credit is very often referred to by smallholders as a constraint to the development of their allotments. The very poor targeted by the project have limited possibilities to obtain commercial credits on acceptable terms. Therefore, 4,250 tons of wheat flour will be monetized with funds used to set up a village-based credit programme. This will be designed to help the poorest smallholders and women acquire productive inputs and durable assets, thus enhancing economic activity at the village level.
24. Proceeds from the monetization of the wheat flour will be deposited in an interest bearing account until distribution to the district management committees. Local organizations experienced with credit schemes, such as the Women's Union, could be involved, where appropriate, in administering the fund at the district level. Households may also contribute to the revolving fund, with the village deciding on the level of contributions.
25. The village revolving credit funds will be used to assist smallholders improve their low incomes and food security by increasing the productivity of forest and agricultural resources and through the adoption of specific income-generating schemes, particularly for women. Viable activities include but are not restricted to:
 - a) production inputs such as fertilizers, insecticides, improved seed, buffalo, tools, etc.;
 - b) plantations of oil- and spice-producing species, silk production, bamboo production and product manufacturing, processing of essential oils, fibre production, bee raising for honey and wax production, tree seed collection and sale, seedling raising, fuelwood production and medicinal plantations;



- c) income-generating activities for women: a range of activities could be introduced that would enable women to earn income. Activities which reduce women's drudgery and time constraints should also be given special consideration. Examples of activities: bee keeping, fruit tree planting, herbal and medicinal species, mushroom cultivation, poultry, animal and fish raising, fruit processing and sericulture.
26. The exact modalities of the credit funds will be finalized by the VMCs in connection with household and village microplanning. Certain minimum parameters will be considered: priority groups having access to the funds; activities to be supported; interest rates; repayment periods; situations allowing repayment deferment on debt cancellation.

BENEFICIARIES AND BENEFITS

27. Ethnic minorities and other poor groups living in remote upland forest areas will be the major participants and beneficiaries of the project. It is estimated that the project will assist 51,000 of the poorest households in tree-planting activities, and employ and train about 2,000 extension farmers and 9,000 village-level nursery workers; about 50 percent of the latter will be women.
28. Emphasis will be placed on those groups who face the greatest constraints in developing their allocated lands, namely smallholders with no cash to invest in land development, and female-headed households. Attempts will be made to select the more remote areas, where people have less access to services, where land holdings are small, and where people face real food shortages. Credit funds will help to achieve a broader distribution of benefits given their focus on the poorest and women, as well as the fact that those who have not been allocated land or received WFP assistance may benefit from access to credit.
29. Food provided as an income substitution for plantation activities will help address smallholders' short-term food shortages while motivating them to invest in long-term land development activities. For extension and nursery workers, the most significant benefit will be employment and the income transfer associated with the food ration.
30. The project will increase the production of fuelwood, poles, small timber, fruit, and commercial and food crops through increased plantings. It will thus provide a long-term source of cash, food, fuel and building material.
31. The project will assist in strengthening village-level institutions. This will sustainably benefit entire communities in which the project is operating. The adopted approach involves a combination of interrelated activities, and the effects demonstrated are expected to help in the design of other governmental poverty alleviation programmes.
32. Project activities will also help to strengthen the capacity of the Forest Department in planning, monitoring and management, which could have a long-term positive effect for local forest development.



Anticipated effects of the project on women

33. The Dutch Embassy in Viet Nam has recently financed a study assessing gender issues in ongoing WFP forestry and water resource development projects in the country. It concluded that women in general were quite passive beneficiaries with limited involvement in decision-making. More specifically, few women benefitted from training, they were under-represented in project management and they were not adequately informed of project objectives, targets, worknorms, etc. The findings of this study and a subsequent workshop will be incorporated in the plan of operations of project No. 5322.
34. The project should have an impact on strengthening the economic and social position of women, as emphasis will be placed on ensuring that equal attention is given to employing and training women as nursery and extension workers, that female-headed households obtain priority for receiving an incentive for land development activities, and that women and female-headed households receive priority for obtaining credit from the village revolving funds.
35. Action will be taken to ensure enhanced participation and decision-making roles for women. At least 30 percent of the members of project management committees at all levels will be women. Forest Department staff will be trained in gender issues to help increase their understanding of project goals and to facilitate the participation of women in various project activities.

ENVIRONMENT

36. Increased planting combined with better utilization and management of the resources should relieve pressure on existing forests. The re-greening of barren lands is expected to reduce loss of topsoil, replenish soil nutrients and productivity and protect the agricultural land below. As these factors directly affect the well-being and household food security of the smallholders, the long-term environmental benefits are likely to be sustainable.

PROJECT SUPPORT

37. MARD will have overall responsibility for project implementation and will be the main channel of communication on policy matters. The Ministry will constitute a Central Management Committee headed by the Vice Minister of Forestry. Various MARD departments, other concerned ministries, AIDRECEP and the project's senior management will be represented on the committee. The Ministry will also be responsible for the overall coordination of activities, in close consultation and collaboration with the WFP country office.
38. Some 145 professional forestry staff will be directly involved in project implementation, including five at central level, 30 at provincial and 110 at district



levels. In addition, 23 accountants and 192 storekeepers and guards will be supporting the project.

39. The project will rely primarily on village-level extension delivery. In addition to 177 agricultural and forestry extension agents provided by MARD, about 2,040 extension farmers will be selected. They will generally work part time and be paid in food by the project. Village-level extension farmers will be given adequate training to enable them to supervise the village nursery, participate in microplanning and assist the smallholders in preparing household microplans as well as a village plan. Extension farmers will assist in plantation establishment and maintenance, provide marketing information, support the establishment of the village revolving credit fund and act as the main link between smallholders and commune extension agents and Forest Department officials.
40. Other projects, funded by the Swedish International Development Authority (SIDA) and CARE, among others, have built up solid experience in microplanning methodology, strengthening extension systems and testing appropriate upland farming/tree systems. The knowledge needed for implementing project No. 5322 is thus available in MARD. However, the project could be expected to become fully operational more quickly, if technical assistance (TA) were provided. A TA project would help in bringing together available experience, tailor it to the existing conditions and transfer the technology to field staff and smallholders. An outline for a TA project was prepared during appraisal and submitted to the Government for its consideration.

Non-food items

41. The Government will provide essential project inputs, mainly staff and training. However, some additional equipment and material, in particular imported seeds, are essential for the implementation of the project. The cost of items requested as non-food assistance has been included in the project's direct support cost.

Monitoring and evaluation

42. Standard reporting formats used in Viet Nam need to be adapted to provide more detailed information about the households participating in the various activities, in addition to physical achievements and food distributions. Mechanisms will have to be introduced for on-going evaluation of project effects, including equity in benefit distribution and the impact of the interventions on household food security.
43. Since the project focuses on improving living standards through income and food security increases, both socio-economic and biophysical indicators need to be used. A number of monitoring indicators related to the project's objectives and outputs were identified by the appraisal mission. The costs for a consultancy to finalize the monitoring and evaluation plan are included in the project's direct support costs.
44. Contracting experienced NGOs, such as CARE, for the development of specific methodologies and to carry out impact monitoring will be considered.



PROJECT FEASIBILITY AND SUSTAINABILITY

Technical feasibility

45. WFP's 18 years of experience assisting forestry projects in Viet Nam, combined with FAO technical support, has generated valuable technical experience. This knowledge, and feasibility studies undertaken before project appraisal that identified technical, social, and marketing problems, have been integrated into the design of project No. 5322. The project pays particular attention to site/species matching, seed sources, farmers' needs, and planting models which maximise returns to smallholders. Ongoing training, especially in Participatory Rural Appraisal (PRA) by FAO and the German Gesellschaft für Technische Zusammenarbeit (GTZ), will steadily strengthen Forest Department capacity. The new extension structure, combining agriculture and forestry, substantially increases technical assistance delivery, especially for fruit tree and intercropping plantings. Excellent organizational arrangements and supervisory staff are in place. WFP Viet Nam recognizes the importance of ongoing technical support and will assist in acquiring assistance as needed.

Economic feasibility

46. Financial analysis using accepted investment criteria and smallholder field data indicates that tree growing makes sense from a smallholder's point of view when technically sound mixed planting models are adopted. Where technically appropriate, the project will give priority to fruit trees, commercial crop species, agricultural crops, or a mix of fast-growing species that maximize benefits over a staggered period of time. These types of mixed plantings are less risky and less sensitive to economic and environmental parameter fluctuations. Mixed plantings provide smallholders with a means to diversify crops, needed income, and food and wood materials for household use, all of which improve household food security.
47. The various components of project No. 5322 form a package intended to give the smallholders possibilities to develop their land and thereby ensure future household security. The provision of credit strengthens the economic viability of tree planting as it allows farmers to purchase inputs needed to increase the rate of return from tree planting. In addition, food rations allow farmers to substitute their labour from less productive activities to project activities which will yield higher returns in the long term.
48. The long-term viability of tree planting depends on the Forest Department's commitment to promote planting models which produce a variety of staggered products demanded by smallholders. The Forest Department has indicated its commitment to the project approach and to planting schemes which maximise returns to smallholders.



Social viability

49. The project approach aims at ensuring the social feasibility of supported activities by strengthening village-level institutions and involving smallholders in project planning, implementation, and decision-making processes. Careful beneficiary selection following the criteria established during project appraisal is key to ensuring social viability (focusing on households facing real food shortages with per capita food production not exceeding 150 kilograms paddy equivalent per year; predominantly ethnic minority groups living in remote upland areas and depending on forests to supplement family food needs; special attention paid to the situation of women within these groups). Village-level management committees will be an important catalyst for proper targeting. They will also establish links with commune and district-level authorities who provide important higher administrative support for project activities. These committees will be comprised of women, men and village extension farmers and take the lead in involving the village in microplanning and needs assessment exercises.

DISINCENTIVES, DISPLACEMENT AND DEPENDENCY

50. The quantity of rice to be distributed annually under the project, about 9,300 tons, represents 0.04 percent of annual average domestic production in 1990–1994. When rice for this project is combined with deliveries for other operational projects, average annual WFP supplies over the four years will amount to about 0.2 percent of local production. Therefore, the impact of WFP demand on domestic rice availability and trade will be negligible. Should the entire commitment be delivered as wheat flour to be exchanged locally for rice, WFP inputs for project No. 5322 would represent about 3.5 percent of average annual commercial imports. With the addition of wheat/wheat flour supplies for other operational projects, the share rises to some 17 percent of imports. As there is now a surplus of rice in Viet Nam, every effort will be made to purchase this commodity locally, should funds be available.
51. Each household will receive an average of 140 kilograms of rice per year. With a family size of five this corresponds to 28 kilograms per capita or about 19 percent of their annual rice consumption. By the end of the project period, incomes from fruit trees will become available, compensating for the loss of the WFP rations. No dependency is, therefore, expected to be created by the food assistance. As shown in the previous paragraph, WFP food aid will constitute but a fraction of domestic production. Furthermore, the project is targeted to beneficiaries with very low incomes, who live in chronically food-deficit areas. The assistance will thus have no disincentive effect on food production and prices.

PROJECT COSTS

52. The cost breakdown for the project is as follows:



PROJECT COST BREAKDOWN

	Quantity (tons)	Average cost per ton	Value (dollars)
WFP COSTS			
A. Direct operational costs			
Commodity ¹			
– Wheat flour	41 613	220	9 154 860
Subtotal commodities	41 613		9 154 860
Ocean transport			2 101 457
Subtotal direct operational costs			11 256 317
B. Direct support costs			
– Non-food items			2 300 000
– Technical services			60 000
– Audit and evaluation			75 000
– Staffing—monitoring, etc.			40 000
– Training programmes			125 000
Subtotal direct support costs			2 600 000
Total direct costs			13 856 317
C. Indirect support costs (14.5 percent of total direct costs)			2 009 166
TOTAL WFP COSTS			15 865 483
GOVERNMENT COSTS			
– Staff costs			1 051 000
– Extension agents: salary and training			500 000
– Discharge and clearance of WFP commodity			100 000
– Internal handling and transport			500 000
– Storage, etc.			300 000
– Equipment, material, contingencies			1 000 000
TOTAL GOVERNMENT COSTS			3 451 000
TOTAL PROJECT COSTS (WFP and Government)			19 316 483
WFP costs as a percentage of total project costs: 82 percent			

¹ This is a notional food basket used for budgeting and approval purposes. The precise mix and actual quantities of commodities to be supplied to the project, as in all WFP-assisted projects, may vary over time depending on the availability of commodities to WFP and domestically within the recipient country.

53. These costs assume that wheat flour will be provided in kind and exchanged for local rice. To the extent that rice is purchased locally, the external transport cost will be correspondingly lower.



COORDINATION AND CONSULTATION

54. A WFP appraisal mission, with the participation of FAO, visited Viet Nam in November/December 1995 and consulted experts from the forestry and agricultural departments of MARD in all five provinces of the project. Discussions were also held with representatives of bilateral programmes (SIDA/Interforest, Kreditanstalt für Wiederaufbau), NGOs (CARE) and United Nations agencies (UNDP, FAO). The project documentation has been sent for technical review to FAO and ILO. Comments received will be reflected in the project's plan of operations. Clearance from the CSD has been sought, based on providing wheat flour.

RECOMMENDATION OF THE EXECUTIVE DIRECTOR

55. The project is recommended for approval by the Executive Board.



Total workdays equivalent 16 645 296 wd
 Total food cost
 Monetization 10.21% of total food
 Wheat requirements 41.613 tons (at 1 ton wheat flour to 1 ton rice)

BASIC DATA
 Project duration (years) = 4 Rice = VND/kg 3 000 Seedlings per family = 3 000 Phasing in: 10%-25%-50%-75%

INPUTS (FOOD REQUIREMENTS BY PROVINCE) (tons)

Items	Units	Remarks	Total	Provinces				
				Cao Bang	Lang Son	Quang Ninh	Ha Bac	Bac Thai
Households (hh)	#		51 000	13 000	9 500	8 000	10 000	10 500
Hectares	ha	1 ha/hh	51 000	13 000	9 500	8 000	10 000	10 500
Villages	#		940	270	165	150	150	205
Communes	#		177	47	56	32	16	26
Districts	#		22	6	5	4	4	3
Extension agents	#		2 040	520	380	320	400	420

VILLAGE LEVEL - FOOD INCENTIVE

Plantation establishment

- planting	500 kg/hh		25 500	6 500	4 750	4 000	5 000	5 250
- smallholder nurseries	5 000 kg/100.000	940 nurseries - 100,000 seedlings/yr 94 million seedlings produced in village nurseries Total project requirement: 3000 forest trees + 20 fruit trees per family = 154.02	4 700	1 350	825	750	750	1 025

INPUTS (FOOD REQUIREMENTS BY PROVINCE) (tons)

Items	Units	Remarks	Total	Provinces				
				Cao Bang	Lang Son	Quang Ninh	Ha Bac	Bac Thai
- demonstration farmers	800 kg/d.f.	1 demonstration farmer/village (3,5M VND establishment cost; 65% labour)	752	216	132	120	120	164
Establishment of village credit funds								
- credit component	83.33 kg/hh equiv.	0.25 M VND/hh	4 250	1 083	792	667	833	875
- extension component	340 kg/ext.w./yr	25 hh/ext. 85 000 VND/month - partime	2 081	530	388	326	408	428
DISTRICT LEVEL - FOOD SUPPORT								
- nurseries	5 000 kg/100.000	62.86 million seedlings (Fruit seedlings [20 trees/hh] and supplementing village forest species production)	3 143	857	714	571	571	429
- roads	2 500 wd/km	150 km	938	313	188	125	125	188
- fire breaks	1 000 wd/km	100 km	250	125	75	50	0	0
Total food requirement (in tons of rice)			41 613	10 974	8 017	6 610	7 808	8 358