Sri Lanka

35 Plantation Reform Project

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The project's objective was to provide long-term loans via financial institutions to privatized regional plantation companies (RPCs) that had difficulty raising investment funds in order to improve productivity and management of RPCs, and thereby contribute to the promotion of the plantation privatization policy of Sri Lanka.

Loan Amount/Disbursed Amount: 4,076 million yen/4,076 million yen
Loan Agreement: October 1996
Terms and Conditions: Interest rate, 2.3%; Repayment period, 30 years (grace period, 10 years); General untied
Final Disbursement Date: November 2000
External Evaluator: Keishi Miyazaki (OPMAC, Ltd.)
Field Survey: July-August 2003

Evaluation Result

Through the project, development of plantations and modernization of processing facilities were carried out at 20 regional plantation companies (RPCs) almost as planned. The project period and the project cost were also almost as planned. As a result of the support for the improvement of productivity and profitability whereby processing facilities were modernized and agricultural machines were installed, productivity (production per ha) of tea increased by 13% in 6 years, and tea production reached 121,000 tons in 2002, up 6% from 1996 (tea production in Japan in 2001 was 89,800 tons). On the other hand, profitability has not been improved due to fluctuation in international prices and an increase in wages of plantation workers. Also under the project, crop diversification was promoted including the switch to value-added crops such as oil palms, strawberries, organic tea, and cinnamon. The privatization of RPCs contributed to the improvement of the national finances by bringing a profit of over Rs. 7.2 billion (12.6 billion yen) from the sale of shares to the Sri Lankan government. The added value generated by tea and rubber plantations in 2001 accounted for 2.7% of GDP, and these products bring in a great deal of foreign currency through export (710 million dollars, or 78 billion yen). Moreover, the effect of privatization to improve plantation workers'* working environment was confirmed in the beneficiary survey. In addition to RPCs' own efforts to improve business management by reinforcing marketing activities including establishing direct sales channels, Ministry of Plantation Industries has been assisting RPCs through various measures. Repayment to financial institutions has not been delayed, and there is no problem with sustainability of the project.

*The number of plantation workers (including family members) in Sri Lanka is about 800,000 (the population of Shimane Prefecture, Japan, is about 750,000).

Third-Party Evaluator's Opinion

Relevance of the project contributing to improvement of productivity and modernization in plantation sector vulnerable to fluctuation of international price is high. And it is recommendable to conduct comparative analysis with RPCs which were not subject to the project.

Third-Party Evaluator: Mr. T. L. Gunarunwan

Obtained a doctorate in economics from University of Paris Pantheon-Sorbonne. Presently holds the post of Senior Lecturer, Department of Economics, University of Colombo. Specializes in infrastructure development, project evaluation, railways, transport, energy, etc.

What is a Two Steps Loan?

A Two Steps Loan is a form of loan in which funds are provided to development financial institutions in developing countries, directly or via the government as the first step, and then loaned by the development financial institutions to medium and small enterprises or the agricultural sector in developing countries as the second step (source: Lexicon of International Cooperation published by International Cooperation Journal).

System of Two Steps Loans

Plantation workers are putting freshly picked tea leaves on the dryer.

Dried and blackened tea leaves are coming out of the machine.