Third Party Evaluator's Opinion on
Plantation Reform Project – Part A

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Relevance

The performance of Sri Lankan plantation sector is quite vulnerable to the price fluctuations in the international commodity markets, where the domestic industry has no influence. Therefore, the industry, quite often, finds it difficult to generate adequate surpluses to pay for regular investment needs. Postponement of essential investment leads to deterioration of the health of plantations, often demonstrated by more than optimum share of old trees, obsolete equipment and reducing yields. Under these circumstances, the project's targeted areas of attention, namely the plantation development, modernisation of processing facilities and procurement of machinery, can be considered very relevant. The project has spent 81 million US Dollars for this purpose and the fact that there has been a significant demand for secondary loans extended to plantation companies by participating financial institutions indicates the relevance of this project from the angle of the beneficiary plantations.

The project has explicitly excluded the non-privatised plantations, though the needs for financial assistance provided through the project were equally relevant to those non-privatised plantations. This choice has been in conformity with the stated objectives of the project, namely "supporting plantation reforms". However, it also indicates that the underlying policy of "supporting privatisation" has been considered in this project "more relevant" than the "circumstances faced by the beneficiary plantations".

Effectiveness

The effectiveness of this project in view of achieving its stated objectives can be viewed from two different angles, namely (a) the effectiveness in achieving the set physical targets, and (b) the comparative effectiveness vis-à-vis achievements recorded by non-beneficiary entities. The post evaluation report has brought evidence in support of the project's effectiveness in achieving its set targets[1] . In the area of re-planting and new-planting, for example, the achievement has been considerable, and the project's "effectiveness" in this area could be judged significant particularly if no such re-planting and new-planting investment could be made by the privatised plantation companies without this project.

However, the report does not appear to have sufficiently focused on the project's comparative effectiveness. It would have been much more enlightening in relation to "effectiveness of the project" had the report gone into comparative analysis of replanting and new-planting effort, growth in extent and economics, and productivity indices of beneficiaries of the project as against that of the non-beneficiary plantations. Information that could be found in secondary sources could have enabled such an exercise. As per our estimations, the non-beneficiary plantations have faired better in certain domains[2], while the beneficiaries of the project have performed better in some others domains[3]. However, the "causality" of such performance needs to be identified in order to judge the "effectiveness" of the project, which calls for a deeper comparative analysis of performance of the beneficiary and the non-beneficiary plantations, before and after the project.

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[1] Exceeding the physical targets could indicate the project's "effectiveness" in producing outputs

[2] Loss of extent of Tea (1996-2002) : 8% (privatised); 7% (non-privatised)
Average Cost of Production of Tea (2002) : 137 Rs/Kg (privatised); 121 Rs/Kg (non-privatised)
Labour intensity in Tea (2002): 1.11 labourers/ha (privatised); 0.72 labourers/ha (non-privatised)
[Source: Statistical Pocket Book-2003, Ministry of Plantation Industries, Colombo, Sri Lanka]

[3] The privatised plantations have recorded greater financial margins and yields per hectare compared to non-privatised plantations by 2002. However, the privatised plantations had greater margins and yields per hectare than non-privatised plantations even before 1996, i.e. even before the project.

Efficiency
The “efficiency” of a project in achieving its set objectives can be evaluated only if detailed information pertaining to the inputs spent and the outputs generated by the project are made available. For example, had the investment break down on re-planting 4834 hectares of Tea and 9992 hectares of Rubber been provided in the evaluation report, the average amount spent to replant a hectare of each crop could have been estimated, which could have been used as a parameter in judging the “efficiency” of the project in generating outputs. Achieving more in terms of physical output than what was planned at the development phase of the project would not necessarily mean that the project has been “efficient” in this regard.

Report on Part-B of this project is not evaluated as it did not contain even the basic information pertaining to capital inputs.