



1. Project Data :
OEDID: C1909
Project ID: P010308
Project Name: Second Smallholder Rubber Rehabilitation Project
Country: Sri Lanka
Sector: Perennial Crops
L/C Number: Cr. 1909
Partners involved : None
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2. Project Objectives, Financing, Costs and Components :

The overall objectives of the project were to increase smallholder incomes and national foreign exchange earnings.

The specific objective was to increase the quantity and quality of smallholder rubber production by :

- * replanting 35,500 ha of over-age rubber on smallholdings and new planting of 3,200 ha by smallholders;
- * assisting the development of private nurseries;
- * measures to control leaf spot disease by removing infected trees and compensating owners;
- * establishing 20 new Latex Collecting and Processing Centers and upgrading 80 existing Group Processing Centers;
- * enhancing the efficiency of support available to smallholders, principally by establishing the Rubber Development Department to bring together relevant staff from disparate entities .

Estimated project cost was US\$73.1 million. This was to be financed by IDA (US\$23.5 million - 32%), the Rubber Replanting Fund (38%), smallholders (23%) and Government (7%).

The project was approved in FY88 and closed in FY97. A total of US\$5.4 million was canceled in 1996 and a further US\$5.4 million was canceled at closing. The principal reason for the cancellations was the depreciation of the local currency vis-a-vis the dollar.

3. Achievement of Relevant Objectives :

At completion the project had supported the replanting of 21,500 ha and new planting of 7,800 ha. Overall, about 77% of the original combined target was achieved, which was creditable given that project areas were disrupted by the ongoing civil war.

Some progress was made on increasing the role of private nurseries, although problems remain on the quality of seedlings.

Some 2,750 ha were treated by removal of trees infected with leaf-spot and the disease is reported to be under control.

Little progress was made in the processing component and only 8 LCPCs were constructed.

Some progress was made in institutional support. The RDD was established. However, the covenant requiring the cess on rubber exports to be extended to cover rubber used domestically so as to ensure the viability of the RRF was not complied with.

The ICR estimates the ERR to be 16.2% compared to the SAR estimate of 18.2%, based on expected production from the planted area. However, the ICR does not indicate the recent production trend and whether the project had any influence on this.

4. Significant Achievements :

The most significant achievements were (a) the level of new and replanting achieved, especially given that project areas were subject to disturbance in the early years, and (b) the establishment of RDD.

5. Significant Shortcomings :

The principal shortcomings were the continued uncertainty due to the unwillingness of Government to address the issue of the funding needed to ensure the viability of RRF, and the limited achievement in the development of group processing centers. The latter appears to have been a result of the misdiagnosis at appraisal of the interest in such organizations on the part of the smallholders.

6. Ratings :	ICR	OED Review	Reason for Disagreement /Comments
Outcome :	Satisfactory	Satisfactory	
Institutional Dev .:	Partial	Modest	
Sustainability :	Likely	Uncertain	The ICR notes that the Government did not comply with the covenant requiring it to extend the export cess to also cover rubber used domestically, and did not take any other steps to ensure the continued viability of the Replanting Fund. If the sustainability of the RRF is uncertain, this must call into question the sustainability of the replanting program.
Bank Performance :	Satisfactory	Satisfactory	
Borrower Perf .:	Satisfactory	Satisfactory	
Quality of ICR :		Satisfactory	

7. Lessons of Broad Applicability :

Assumptions at appraisal on the interest of producers in forming groups for production or marketing purposes should be more closely scrutinized. It may be desirable for some more direct test of interest (e.g. shown by a more formal survey) to be required.

8. Audit Recommended? Yes No

Why? To follow-up on the reasons for the limited producer response to efforts to promote group processing and on the financial viability of the RRF

9. Comments on Quality of ICR :

The ICR is satisfactory