

CLASSIFICATION
PROJECT EVALUATION SUMMARY (PES) - PART I

Report Symbol U-447

1. PROJECT TITLE PADDY STORAGE AND PROCESSING			2. PROJECT NUMBER 383- X -0041	3. MISSION/AID/W OFFICE USAID/Colombo
6. KEY PROJECT IMPLEMENTATION DATES			4. EVALUATION NUMBER (Enter the number maintained by the reporting unit e.g. Country or AID/W Administrative Code, Fiscal Year, Serial No. beginning with No. 1 each FY) End-of-Project Evaluation <input type="checkbox"/> REGULAR EVALUATION <input type="checkbox"/> SPECIAL EVALUATION	
A. First PRO-AG or Equivalent FY FEB. 1978	B. Final Obligation Expected FY JUNE 1984	C. Final Input Delivery FY JUNE 1984	7. PERIOD COVERED BY EVALUATION From (month/yr.) FEBRUARY 1978 To (month/yr.) JUNE 1984 Date of Evaluation Review JUNE 20, 1984	
6. ESTIMATED PROJECT FUNDING			7. PERIOD COVERED BY EVALUATION	
A. Total \$ 15,803			From (month/yr.) FEBRUARY 1978	
B. U.S. \$ 4,775			To (month/yr.) JUNE 1984	

8. ACTION DECISIONS APPROVED BY MISSION OR AID/W OFFICE DIRECTOR

A. List decisions and/or unresolved issues; cite those items needing further study. (NOTE: Mission decisions which anticipate AID/W or regional office action should specify type of document, e.g., airgram, SPAR, PIO, which will present detailed request.)	B. NAME OF OFFICER RESPONSIBLE FOR ACTION	C. DATE ACTION TO BE COMPLETED
1. A report will be prepared identifying PMB requirements of moisture meters and the number available for disposal.	PMB	Sept. 15, 1984
2. Develop a plan which identifies and transfers equipment of the 7th rice milling complex to the Mahaweli Authority.	MADR	Sept. 30, 1984
3. A report will be prepared detailing technical assistance and training requirements for PMB.	PMB	Oct. 31, 1984
4. A report will be made making detailed recommendations to rectify the operational defects in the project-funded rice milling complexes.	PMB	Oct. 31, 1984
5. Submit to the National Planning Division of the Ministry of Finance and Planning for inclusion in the National Agricultural Strategy exercise, the preparation of concept papers for production, price stabilization and buffer stock management.	MADR	Nov. 15, 1984
6. Report on the performance of the Rice Processing Research & Development Center in order to help determine its institutional alignment.	MADR. USAID & PMB	Dec. 31, 1984
7. Prepare a report assessing the technical assistance needed to set up a Food Technology Research Unit.	MADR	Feb. 01, 1985
8. Complete special study in rice product development and technology.	MADR	Feb. 15, 1985

9. INVENTORY OF DOCUMENTS TO BE REVISED PER ABOVE DECISIONS

<input type="checkbox"/> Project Paper	<input type="checkbox"/> Implementation Plan e.g., CPI Network	<input type="checkbox"/> Other (Specify) _____
<input type="checkbox"/> Financial Plan	<input type="checkbox"/> PIO/T	<input type="checkbox"/> Other (Specify) _____
<input type="checkbox"/> Logical Framework	<input type="checkbox"/> PIO/C	
<input type="checkbox"/> Project Agreement	<input type="checkbox"/> PIO/P	

10. ALTERNATIVE DECISIONS ON FUTURE OF PROJECT

A. Continue Project Without Change

B. Change Project Design and/or
 Change Implementation Plan

C. Discontinue Project

11. PROJECT OFFICER AND HOST COUNTRY OR OTHER RANKING PARTICIPANTS AS APPROPRIATE (Names and Titles)

Mr. N.V.K.K. Weragoda - Secretary, Ministry of Ag. Dev. & Research
Mr. Dixon Nilaweera - Addl. Secretary, Ministry of Ag. Dev. & Research
Mr. D.M.B. Marapone - Chairman, Paddy Marketing Board
Mr. Mike Korin - Chief, ARD/USAID
Mr. Tissa de Soysa - Project Officer USAID

12. Mission/AID/W Office Director Approval

Signature *F. Correl*

Typed Name Frank D. Correl

Date Aug. 26, 1984

SUMMARY

The Project Loan Agreement for the Paddy Storage & Processing Project was signed on February 2, 1978, between the Government of Sri Lanka (GSL) and the U.S. Agency for International Development (AID). This agreement provided a total loan of \$5.4 million, subsequently revised down to \$4,775,000 by Implementation Letter No.12. The Project Activity Completion Date (PACD) is June 30, 1984. As of April 30, 1984, a total of \$4.7 million was expended under the project.

The project is designed to increase the efficiency of paddy procurement, storage and processing and to increase the capacity for paddy storage and processing. In order to achieve the above objectives five input programs were devised as follows: (1) the paddy procurement program, which is to upgrade procurement techniques and provide 3,000 moisture meters; (2) the milling and storage program which, while increasing GSL's storage and milling capacities, is also to demonstrate the efficiency of modernization and bulk handling through the construction of seven two-ton storage and milling complexes; (3) the training and research program which is to upgrade the institutional capability by training 3 persons for MS degrees and about 60 persons in short-term courses; (4) the private sector programs, which will provide 10 one-ton-per-hour mills and relevant training to private sector millers; and (5) the technical assistance program (TA) consisting of 70 PMs of assistance to provide technical guidance and new skills to implement the project successfully.

The status of these inputs are as follows: (1) Approximately 1,000 moisture meters have been sold with a balance 2,000 remaining in the godowns. (2) Civil construction work in six of the complexes have been completed. Two complexes have been commissioned while two other complexes are scheduled for commissioning in late 1984. (3) The training plan has been completed satisfactorily, with 57 participants receiving short-term training and 2 participants receiving long-term training. (4) Of the ten one-ton-per-hour rice mills provided, seven have been sold to the private sector while three mills were reallocated for the Paddy Marketing Board use, two of which have already been installed. (5) The technical assistance was provided through a contract with Louisiana State University, which was completed in December 1981. Subsequently, the services of an Indian consultant were obtained on a short-term consultancy assignment in order to train the operators of the new PMB milling complexes.

All project inputs were not achieved as scheduled due to changing economic conditions within the country which have stimulated the establishment of private mills and private trade, resulting in inadequate budget support from the GSL and slow turnover of moisture meters. The impact of these conditions has been to cause the PMB to react slowly to marketing trends (support/purchase prices) and delay construction of the facilities required for the 7 two-ton mills.

14. Evaluation Methodology

In view of the post 1978 policy changes and the mandate given to the PMB on the post harvest development of rice and other subsidiary crops, the evaluation was aimed at: (1) providing recommendations and an action plan for the expeditious conclusion of ongoing project activities and disposition of commodities not yet utilized; (2) reviewing the status of project implementation and ascertaining the optimal use of the resources developed through the Paddy Storage & Processing Project, in the grain sector; and (3) providing recommendations for further GSL institutional and private sector development in grain marketing, specifically in the areas of post harvest practices, product development and coordination among involved public sector institutions and the private sector.

The methodology included a review of all major project documents, project reports, personal interviews and site visitations. The evaluation was conducted by two groups. The first group consisted of in-country personnel and the team headed by an Additional Secretary to the Ministry of Agricultural Development and Research, while the second consisted of two expatriate consultants who, while critiquing the in-country team's report, provided recommendations for the development of the post harvest activities of the grain sector.

15. External Factors

When the project design was first proposed in 1976, the situation in Sri Lanka was far different from the current economic and political environment. At that time a rice rationing system dating from World War II provided the total population with a minimum supply of rice. This rice was distributed through a large network of cooperative societies, and was provided free-of-charge or at a subsidized price. The responsibility for administering this program lay with the Food Commissioner (FC) of the Ministry of Food and Cooperatives. In order to supply rice to the rice rationing system, the government purchased domestically-produced rice directly from growers. This developed into a major commercial activity, and as a result the PMB was created in 1971 for the purpose of purchasing paddy, ensuring its proper storage, handling its conversion to polished rice, and finally delivering the rice to the FC for inclusion in the rice rationing system. The private sector had not been actively encouraged to become a dominant force in rice marketing.

A series of rapid adjustments since 1977 have changed the complexion of the paddy/rice industry in Sri Lanka. These changes were unprecedented because of their magnitude and rapid succession within a period of less than three years. Two major policy actions by the new administration of 1977 may have produced some effect on the Paddy Storage and Processing Project. The first was the liberalization of the economy by reducing the restriction on internal and external trade. This encouraged the private sector to increase its participation in the purchasing and processing of paddy, as well as the marketing of rice. The second was the replacement of the subsidized rice ration system by a food stamp system in the latter part of 1979.

Because of the second policy action, a large number of consumers began purchasing their rice in the open market. Deliveries of rice by the FC to cooperative societies declined substantially. As a result, the FC's requirements

for purchasing rice from the PMB were drastically reduced. The increased demand for rice in the open market created marketing activity in the private sector. This increased demand also forced up the price of rice which resulted in an increase in the open market farm gate price of paddy. Since 1980 the open market farm gate price of paddy has remained above the GPS price, although the GPS price has been increased from 40 Rupees per bushel in 1980 to the current level of 62.50 Rupees per bushel.

Thus, firstly PMB experienced a sharp decline in its paddy purchases and rice sales during the past few years. Where it had purchased approximately 30 percent of paddy production in the past, the percentage declined to 9.9, 5.7, 2.9, and 12.3 percent respectively for 1980, 1981, 1982 and 1983. As a result, there exists an anxiety as to the availability of paddy for the full utilization of the complexes and secondly, with the emergence of the private sector which does not use moisture meters in procurement, the demand for moisture meters has declined leaving a backlog of about 2,000 meters undisposed in the PMB's godowns.

16. Inputs

The project inputs consist of the following: (1) 3,000 moisture meters to be distributed to the purchasing agents; (2) construction of seven 2 tons-per-hour milling and storage complexes; (3) 10 one-ton-per-hour rice milling machinery to be used for the development of the private sector; (4) technical assistance; and (5) training of 60 persons on short-term and 3 persons for long-term M.S. degree. All commodities were in-country on schedule and no serious breakdown in delivery were experienced.

17. Outputs

The outputs of the project could be categorized into (a) physical outputs and (b) efficiency outputs. The status of the outputs are as follows:

<u>Physical Indicators of Project Achievements</u>	<u>Expected Outputs</u>	<u>Actual Outputs</u>
PMB bulk storage increase (units)	7	6
PMB storage capacity increase (MT)	35,000	30,000
PMB milling capacity increase (Tons/yr)	67,200	72,000
PMB parboiling capacity increase (Tons/yr)	67,200	57,600
Moisture Meters in use:		
- purchase centers	3,180	250
- PMB warehouses	321	590
PMB personnel trained:		
- out-country	69	60
- in-country	1,021	366
Private Sector		
- milling capacity increase (Tons/yr)	33,600	33,600
- millers trained	218	108

The physical indicators show that for most part expected outputs have been realized while there is no operational history to identify the efficiency indicators. Nevertheless, due to the absence of (a) a grain accounting system; (b) a cost accounting system; and (c) a repair and maintenance program, it is expected that any efficiency achieved will be much below expectations.

18. Purpose

The Paddy Storage and Processing Project was designed to achieve the following purpose: (a) to increase the efficiency of current paddy procurement, storage and processing in Sri Lanka; and (b) to increase storage and milling capacity in Sri Lanka.

The specific objectives necessary for achieving the project purposes were: (1) upgrade paddy procurement procedures; (2) upgrade storage procedures; (3) increase the PMB storage and milling capacities and efficiencies; (4) upgrade the PMB instituted capacities; and (5) provide private sector development.

While not all specific project objectives were attained, the goal of increasing storage and milling capacity in Sri Lanka has been well supported by the project. However, the other goal of increasing the efficiency of paddy procurement, storage, and processing in Sri Lanka needs further study. The study team believes that GSL policy changes influenced the role of the PMB in the rice sector and, consequently, affected the original plan for utilizing such equipment such as moisture meters, the one-ton-per-hour mills, and the seventh milling complex. However, policy changes alone are not totally responsible for either the failure to alter plans or the other deficiencies (lack of maintenance programs, lack of maintenance training, no grain accounting systems, no cost accounting, and needed improvement in procurement and storage practices) which will prevent the project from achieving its second goal. In essence, the project at this point is one which has transferred technology, but not the technological base.

19. Goal/Sub-Goal

The broad objective to which this project contributes is towards "self-sufficiency in food production." As all the project components are not yet operational, a determination of project's contribution towards this goal is difficult to totally assess.

20. Beneficiaries

The project will impact primarily on private milling, consumers of the rice rations, paddy farmers and the general economy. The gestation period is too short to make any meaningful appraisal, nevertheless, it could be said that with the achievement of self-sufficiency and likely rice surplus, rice quality, lower unit costs in operations and the need for buffer stocking for price stabilization and food security will be of paramount importance and interest in the near future. The project components of training and commodities are eminently placed to facilitate movement towards these considerations.

21. Unplanned Effects

Not pertinent at this time.

22. Lessons Learned

- (a) The most important lesson learned is the oft repeated axiom that technology should not be transferred without an appropriate technological base. The Paddy Storage & Processing Project at this stage is one which has transferred technology but not the technological base.
- (b) Increased frequency of project evaluations is beneficial.
- (c) At the PP stage more attention is necessary in identifying constraints and the scheduling of inputs.
- (d) More attention is required in monitoring project's construction program.
- (e) Greater attention is required in matching project needs and appropriate TA.
- (f) The timing of TA is crucial to attain a project's objectives.

23. Special Comments/Remarks

Attached is the Evaluation Report prepared by Dr. Roe Borsdorf and Mr. Donald Anderson.

Encl:

AID:ARD:TdeSoyza:dj
August 17, 1984