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# MAHAWELI ENTERPRISE DEVELOPMENT

## MED/EIED PROJECT

(USAID/Sri Lanka Project No. 383 - 0090)  
(Contract No. C-00-0031-00)

### PRE-INVESTMENT PROGRAMS

Background papers  
by  
Robert E. Lee

November, 1990

Report 2/1990



INTERNATIONAL SCIENCE AND TECHNOLOGY INSTITUTE, INC.

WITH :

ERNST & YOUNG CONSULTANTS (Sri Lanka)  
DEVELOPMENT ALTERNATIVES, INC.  
HIGH VALUE HORTICULTURE, PLC.  
SPARKS COMMODITIES, INC.  
AGROSKILLS, LTD

CONSULTANTS TO THE MAHAWELI AUTHORITY OF SRI LANKA

## **The Mahaweli Enterprise Development Project**

The Government of Sri Lanka as well as the international donor community has given high priority over the last several decades to the development of the resources of the Mahaweli river basin. The Accelerated Mahaweli Development Program was launched in 1978. The first phase of this program, the construction of major capital infrastructure, is complete. The second phase, developing the land for settlement and forming an agricultural production base, is well under way. The third phase, just beginning, seeks to build on the agricultural base to create a diverse and dynamic regional economy, improving employment and income prospects for settlers and their families. It is in this phase that the private sector has to play a leading role in enterprise development.

The Mahaweli Enterprise Development Project (MED) is a five year USAID-supported initiative of the Mahaweli Authority of Sri Lanka (MASL) to foster private enterprise development in the Mahaweli areas. MED assists small, medium and large-scale investors to develop new ventures in the Mahaweli and expand existing ones. This is to be accomplished by a three-pronged approach: 1) investment promotion, technical assistance and marketing support to medium and large-scale investors; 2) advisory services, training and improved access to credit for small-scale enterprises; 3) policy assistance to improve access to resources, such as land and water, and the legal and institutional framework for enterprise development in the Mahaweli settlement areas.

The Employment, Investment and Enterprise Development Division of the MASL is the MED implementing agency. The main technical consultancy is provided by a consortium led by the International Science and Technology Institute (ISTI), a private consulting firm based in Washington DC. Other firms in the consortium are Development Alternatives, Sparks Commodities, High Value Horticulture and two Sri Lankan firms, Agroskills and Ernst and Young. This significant array of organizations and expertise is ready to assist private sector firms in the Mahaweli areas.

# **PRE-INVESTMENT PROGRAMS**

**Background papers by Robert E. Lee**

**November, 1990**

**on behalf of the  
INTERNATIONAL SCIENCE AND TECHNOLOGY INSTITUTE, INC.**

**for the  
EMPLOYMENT, INVESTMENT AND  
ENTERPRISE DEVELOPMENT DIVISION OF THE  
MAHAWELI AUTHORITY OF SRI LANKA**

Dr. Robert Lee carried out two short term assignments for MED in September/October and November, 1990. He assisted in the development of the Project's Pre-investment Program. The papers collated in this report were prepared by Dr. Lee during the course of his assignments.

**Memorandum Report**  
**Definition, Criteria and Procedures for Pre-Investment Programs (PIP's)**

**I. INTRODUCTION**

This memorandum report results from assistance I (Robert Lee (Phd)) provided to the MED team in Sri Lanka during the period September 16, 1990 to October 5, 1990. The purpose of this memorandum report is to outline the procedures for implementation of the Pre-Investment Program fund activity under the MED project.

The assignment focused on the clarification of Pre-Investment Program (PIP) definition, as well as development of criteria and, procedures for PIP selection and implementation. Also, discussion with candidate firms was initiated to identify medium and large (MLE) enterprise technical assistance and/or training needs; and begin to develop three (3) pre-investment program ideas that could be met under the Mahaweli Enterprise Development (MED) project during the period January- June 1991.

To accomplish this assignment I met with eleven private sector firms and selected appropriate institutions to gain an understanding of the barriers to private sector development and the needs of pioneer private sector investors interested in the Mahaweli. A list of the contacts made are set out in Appendix C. These barriers and needs form the basis for the kind of interventions (PIP's) required to assist private sector investment and development.

I started the process of selecting three (3) PIP's. Next steps to complete the work involves making additional contacts with investors (by correspondence and directly), selecting from a long list of PIP ideas three (3) good PIP ideas to detail operationally and financially. To culminate this work in a timely way for inclusion of the PIP's in the January- June 1991 program this next step should be completed by the end of November.

The attached memorandum report reviews background, defines PIP's, sets forth conditions for investor eligibility, indicates eligible expenditures, details criteria against which PIP ideas should be judged, delineates a procedure to follow in finalizing PIP selection, and lists several potential PIP ideas. Also, in three appendix, comments on PIP definitions, barriers to investment and development as perceived by investors, and a list of contacts is provided

In carrying out this assignment I want to thank the MED team and EIED for their support, particularly Mr. Indra Philips, Dr. James Finucane and Mr. Steve Morgan.

## II. BACKGROUND

A key component of the medium and large enterprise (MLE) activity of the MED project is the identification and sponsoring of Pre-Investment Programs (PIP's). Potential MLE entrepreneurial activity that could be assisted with MED resources through PIP's includes commercial scale agricultural production (including nucleus/outgrower schemes), post-harvest processing, storage, packaging, transport and marketing as well as off-farm activities in the industrial, commercial and service sectors.

The most promising early opportunities for MLE's is expected to lie in the commercial production of high-value crops. These crops will likely be sold after only primary processing and mainly in export markets. Therefore, MLE's in fresh fruit and vegetable export industries is to be targeted for initial MED support through PIP interventions. These investments are risky and require carefully thought out development if the potential profitability of the sector is to be realized. Properly defined and implemented PIP's can assist.

### **III. DEFINITION OF PIP's**

#### **A. General Overview**

Pre-Investment Programs (PIP's) aim to assist groups of pioneer investors initiate operations in the Mahaweli by sharing the unusual risks and extraordinary costs which pioneers face. This is done to help pioneers reap the positive benefits that can be derived from the introduction of new and viable business ventures in the Mahaweli. PIP's will be one-time interventions to break through business barriers faced by pioneers. It is intended that PIP's will give pioneer (MLE's) direct exposure to markets and direct access to the expertise in production, management and, marketing techniques which investors themselves define as needed. The interventions can include such things as:

- developing market information.
- establishing brokering links with buyers in key markets.
- providing technical expertise in production, post harvest handling and processing.
- training and information on crop-specific technologies.
- training on-the-job, as enterprises actually get underway, rather than in a formal classroom environment.
- assistance in arranging for transport, and storage (dry and cold).
- analyzing price issues.
- establishing potential profitability of an enterprise.

#### **B. Investor Eligibility**

Investors to be eligible for PIP consideration should meet the following minimum conditions:

- be a pioneer investor.
- be prepared to share what is learned with other pioneer investors.
- be carrying out the project investment in Mahaweli systems B,C,G and/or H.

- be pursuing a project investment that is export or import substitution oriented.
- be willing to share the cost of the PIP assistance.
- be a Firm with financial capacity to undertake the project being invested in.
- be able to present a sound business plan.
- indicate his previous familiarity with the business venture proposed.
- be proposing a project investment in one of the following business areas:
  - commercial scale agricultural production (including nucleus/outgrower schemes) with priority on fruits and vegetables.
  - post-harvest packing, processing, or storage of commercial agricultural crops being produced.
  - packaging, transport, and marketing activities that integrate to support the commercial agricultural ventures in the region.
  - off-farm activities in the industrial and, commercial and service sectors that integrate to support the commercial agricultural ventures in the region.

**C. Eligible Expenditures**

Expenditures eligible for PIP consideration will include:

- Costs to bring specialists to Sri Lanka to provide technical or business assistance to the pioneer investor.
- Travel for Sri Lankan employees of pioneer investor firms to other countries to gain training and make market contacts.
- Costs to support training programs in or outside Sri Lanka.
- Purchase of capital items that are approved as justified by EIED and USAID.

#### D. Essential Definitions

Pioneer investor, pre-investment, and cost sharing are three terms used which must be clarified. A definition of each is provided below.

*Pioneer investor* during the life of the MED project is considered to be most if not all medium and large investors participating in the targeted agriculturally-based industries due to the novelty of the industries to Sri Lanka and the frontier nature of the Mahaweli.

*Pre-investment* generally refers to the costs incurred by an investor prior to making an investment in a new venture or new capital purchase. However, for this program a pre-investment is to be considered as any investment required by a pioneer investor to remove a barrier to the effective initiation of an investment and/or the effective implementation of an ongoing approved investment.

*Cost sharing* means that the pioneer investor will share in the cost of a PIP intervention. In cases where the investor is already committing a major investment of time and money this commitment will likely be considered his share of the cost to support the PIP intervention. In cases where no investment has yet been made the pioneer investor would be expected to put up a share of the cost in the PIP intervention. For example, if the investor is just initiating a project and it is agreed that he should visit some operations similar to the one he plans to initiate MED would provide tickets for transport and the investor would provide lodging and the time of the most appropriate executive. The pioneer investors share can be cash, executive time, or capital inputs already made.

#### IV. CRITERIA

In an effort to assure proper selection each PIP will be judged against criteria felt to be most important. The criteria include:

- Does it lower risk or reduce extraordinary costs for a *group* of pioneer investors or a single investor where lessons learned can be shared with other pioneer investors?
- Does it *stimulate* a potentially profitable industry?
- Does it help eliminate a *key* barrier in the producer to consumer agribusiness system preventing new or expanded pioneer investment?
- Does it provide *opportunity* through outgrower schemes for Mahaweli settlers?
- Does it support Mahaweli *development* objectives of expanding employment and income through backward and forward linkages?
- Does it have an identified *shared* cost component for pioneer investors?
- Does it support pioneer investors that have *financial capacity* to implement an investment?
- Does it introduce a *new technology* that can be *widely* disseminated and used throughout the Mahaweli?
- Does it satisfy *USAID requirements* of Gray, Bumpers, etc. amendments?
- Does it include anything *not permitted* under the MED project?

After each PIP suggestion has been evaluated against this set of criteria it is felt that the highest priority activities will have been chosen.

## V. PROCEDURES

To select PIP's several steps are necessary and include:

- Step 1. Identification of practical PIP ideas.
- Step 2. Screen PIP ideas against above criteria.
- Step 3. Detail PIP's and establish final budgets.
- Step 4. Establish cost sharing agreements with Pioneer investor groups.
- Step 5. Gain final steering committee and USAID approval.
- Step 6. Implement the PIP.
- Step 7. Monitor the progress and success of PIP program.

*Step 1-identification of practical PIP ideas* are developed through interviews and interactions with the pioneer investor community in Sri Lanka. Many ideas have been developed during preparation of this document based on interviews with pioneer investors. It is essential to get pioneer investor buy-in to the program therefore, it is recommended that the PIP ideas presented in this document be sent to a targeted list of potential pioneer investors (local and foreign). The pioneer investors will be asked to review and react to the PIP ideas presented. Also, they will be asked to elaborate on the ideas and/or to add their own new ideas. At the completion of this step it is anticipated that we will have a long list of ideas for PIP's that pioneer investors are interested in. The process will move to step 2, screening.

*Step 2-Screening PIP ideas* will be done as a three stage process. First, a project team committee will be selected to assess each PIP idea on the long list against the set of criteria set out above. The project team committee should consist of members that have business and technical background in the field so that the team is very familiar with the issues that mean success or failure in the business. The intent of this screening is to bring the long list down to a short list of 10 PIP ideas at most. The primary reason for shortening the list is to make it manageable to develop technical and cost information required for the final candidate PIP's.

Second, the short listed PIP's will be conceptualized in greater detail and gross technical and budget factors developed. With this information each PIP idea will be analyzed against the set of criteria and ranked with a score. Each criteria will be scored from 1 to 10 where 10 is highest. The PIP ideas that score the highest will top the list for final selection. The objective is to select 3 PIP's for implementation

in 1991 therefore, this second screening stage will bring the short list down to no more than 5 PIP ideas. It is possible that 3 PIP's will stand out as clearly the best at this stage. If this is the case the PIP selection process will move to the next step. If this is not the case the five remaining short listed PIP's will move to a third screening stage.

The third screening stage will consist of a further analysis, technically and budgetarily, of each idea to shorten the list to 3. Critical at this stage will be the potential willingness of pioneer investors to cost share in the PIP. It is essential that the pioneers be willing to cost share therefore, this criteria could be the determining factor in final selection among top PIP ideas. In any event at this stage final selection of 3 PIP's will be made and the process will move to the third step of the process.

*Step 3-Detailing PIP's and establishing final budgets* will build from the work done during screening but, it will prepare the final specifics of what will be done as a part of the PIP. It will estimate the final budgets and determine the specifics of the cost share components. It will result in a brief document that will move to the next step, discussion with pioneer investors.

*Step 4-establishing cost sharing agreements with Pioneer investor groups* will involve meeting with the pioneer investors to go over the final PIP and the envisioned cost sharing arrangements. Suggestions of the pioneer investors will be incorporated into the PIP and *acceptance in principal* letters will be signed by the pioneers. The process will move to step 5.

*Step 5-Gaining final steering committee and USAID approval* will involve taking the PIP documentation completed in step 4 with the *acceptance in principal* letters to the steering committee and USAID for approval. The MED MLE advisor and chief of party of ISTI will present the PIP's.

*Step 6-implementation* will begin as soon as approvals have been given.

*Step 7-monitoring the progress and success* of the PIP will be a normal part of the MED project overall monitoring procedures. However, the MLE advisor will be in day-to-day contact with the activities of each PIP. He will work to flag problems as they arise and correct them in an effort to keep things moving smoothly.

## VI. PIP SUGGESTIONS

In section II the definition of a PIP is spelled out and further comment concerning PIP definition is set out in appendix A. In appendix B several general, production, processing, and market constraints confronting the development of the high value fruit and vegetable industry are indicated. The constraints represent barriers to pioneer investors. Removing these constraints helps to reduce the risks and/or extraordinary costs for pioneers and encourages investment and development expansion. PIP's represent the mechanism for removing the constraints. Several ideas have been identified by the MED team and some are suggested as potential PIP's and are set out below.

- Before major investment development is encouraged in each Mahaweli system it is mandatory to establish solid base line information. Presently the Mahaweli is limited by certain resource constraints such as water, land area, and soil characteristics. Therefore, to use the overall resource base most effectively it is necessary to establish the best alternative cropping mix for the region for the future.

To conduct the needed analysis a comprehensive review of all systems by a team of specialists including irrigation engineer, agronomist, horticulturalist, soils analyst and agricultural systems analyst is required. The team will prepare the crop input requirements and market price information for a linear programming allocation model. The model when properly defined will select the proper cropping mix which will result in guidance for more efficient, productive, and profitable development in the Mahaweli.

- Establish research observation plots at each of the Mahaweli systems for the target crops to be promoted. The purpose would be to test seed varieties and practical production practices. Also, it would provide a place where farmers could begin to be trained in proper production techniques.
- Establish controlled environment screening facilities in the Mahaweli where seed can be tested prior to being released to farmers. The facilities would test germination viability and varietal performance to ensure positive productivity of seed sources before seed is utilized by farmers.
- Supplement the food technology lab at Girandurukotte in system C so that field analysis, post harvest, product packing and handling ideas can be developed and results shared with industry firms and farmers.

- Establish an assembly shed center where product can be gathered and protected from the elements. For example, in the case of gherkins, firms have experienced product break down resulting from exposure to the hot sun. The sheds would facilitate the improvement of product quality and demonstrate the importance of product protection to industry firms and farmers.
- At a later stage after assembly sheds have been established equipment could be introduced to convert them to full scale packing and grading facilities so that proper product standards are met.
- A third stage would be establishment of a cold storage facility to extend the shelf life and quality of the products and to hold product to build loads for shipment to port or airport.
- Establish a team to develop a grades and standards program for and accepted by the industry. Required information will need to include agreement for internal industry standards, foreign company standards and foreign government standards. An association of firms in the business could represent the focal point for the undertaking. Along with this effort a mechanism for standards enforcement should be decided.
- Assist pioneer investors improve their ability to bring perishable crops to market by helping to provide mobile refrigeration for high value temperature sensitive commodities. For example, this could involve the shared purchase of some refrigerated trucks or the purchase of refrigeration equipment that could be adapted to existing trucks.
- To make best use of limited water supplies, particularly on tree or vine crops such as mangos, passion fruit, and quava, drip irrigation equipment should be provided. As a PIP, purchase and demonstration of such equipment should be considered. This idea will not only help the growers but it could form the initiation of a firm to manufacture the components for drip systems in the Mahaweli.
- Dried fruits is of interest to several groups. To be of help to these pioneer investors establishment of a dried fruit product development and control unit would promote the development of products that the group should seek to produce. Also, it would provide a way to help them test whether the product they are producing is up to standard for exportation.

- At this stage of development many firms interested in the fruit and vegetable business are unfamiliar with the business and the importance of many numerous technology inputs that determine the success of the production, post harvest packing and processing and, marketing of perishable products. By taking a group of these interested investors to a place like the San Joaquin valley in California, and/or Hawaii to tour production, packing and processing operations and talk with managers in the business it could help to give them a much better appreciation for what they have to do to build their industry in the Mahaweli.
- Several new product developments are possible in the Mahaweli but, for many the concept for how to become established is unclear. Help in clearing up project concepts can be provided by preparing project concept and pre-feasibility papers. Some products in addition to baby corn, silver onions, okra, and gherkins that could be targeted include pigeon peas, chillies, garlic, drip irrigation manufacture, dried fruit processing, cold storage facility management and others. High priority items could be selected and concept papers done to provide investors with proper insight on the ventures.
- At this stage of development many firms interested in the fruit and vegetable business are unfamiliar with the business and the complexities of the market. By taking a group of these interested investors to a major annual trade fair such as, the Agricultural and Industry trade fair in Taipei, and the annual Food Processing Industry Congress sponsored by the National Canners Association and the Canners League of California. By talking with key marketers and managers in the business Sri Lankan pioneer investors could gain a much better appreciation for what they need to do to build their market for Sri Lankan production.
- Conduct a quality review of the fresh fruit and vegetable products presently being exported to determine how well it is being done and identify suggestions for improvement. This review would be conducted from point of export through to point of sale in the import country. It would involve meeting the buyers in the importing country to find out how well they like the product and ask what can be done to increase the market. Also, it will provide an opportunity to see where Sri Lankan product fits in terms of competition and price.

- **Establish a service that can work with pioneer investors to develop necessary soil information and composition on lands they are allocated and on outgrower lands that are a part of the project. This will help ensure that proper planting, fertilization, watering, and disease control practices are being followed. Soils vary from one area to another therefore, it is essential, particularly for high value sensitive crops, to know what soil conditions are on each specific plot being used. Equipment and training of a technician can be provided as a PIP.**
- **Presently paddy growers are harvesting paddy manually and this requires a great deal of time and labor. To give the farmer more time to produce his high value crops a system for helping to mechanize paddy harvesting should be investigated. It could involve the purchase of small hand operated mechanical gleaning machines which harvest farmers fields on a contract or shared basis.**

## **APPENDIX A COMMENTS ON PIP DEFINITION**

In the project paper for the MED project and in the ISTI proposal various comments are made regarding definition and aspirations for PIP's. This appendix is a compilation of those comments as they form the basis for a working definition that can be used with investors. Quoted comments follow:

- **"ISTI will give greater emphasis in the early stages of the project to companies and individuals with the current knowledge of and business involvement in the Mahaweli regions, and will apply the concepts of Pre-investment Programs and Special Projects heavily towards this group."**
- **"The project will conduct Pre-Investment Programs (PIP's) to assist groups of pioneers to initiate operations (PIP's will not directly finance the costs of specific business ventures of individual entrepreneurs). In essence, this will consist of sharing the unusual risk costs which pioneers face in order to reap the positive externalities that will derive from the introduction of new and viable industries to the Mahaweli. Cost-sharing as opposed to full subsidies, encourages sound business judgment."**
- **"The specific nature of MED Pre-Investment assistance will vary with the product, its technical requirements and market characteristics, and will be planned in cooperation with the pioneer investors involved."**
- **"Pre-Investment will include USAID financial support for technical assistance in any relevant field and funds for travel to study production methods elsewhere, to investigate overseas markets or to establish overseas contacts. The quid pro quo from the participating investors will be their assumption of all operational costs, a share of Pre-Investment travel expenses, and their commitment of top management time to the exercise."**
- **"Unlike Pre-Investment Programs described above- essentially a one-time intervention to break through pioneer barriers."**
- **"Expertise: EIED will assist investors who seek specialized expertise (but do not qualify for subsidized Pre-Investment assistance) to locate/access domestic or overseas sources of expertise in selected fields."**

- "MED interventions to promote MLE development are targeted on the areas of greatest risk and uncertainty. Pre-Investment Programs will reduce the risks and extraordinary costs of pioneer enterprises in industries which have a long term comparative and/or competitive advantage. PIP's will give MLE's direct exposure to markets and direct access to the expertise in production , management and marketing techniques which investors themselves define as needed."
- "Pre-Investment Programs will generate an estimated 9,200 permanent jobs through the projected \$14.2 million in private sector investments which PIP's are expected to leverage."
- "MED will, moreover, assist producers to address each of the major areas of risk either through technical consultancies under Pre-Investment Programs, or through Special Studies."
- "Graduates of Pre-Investment Programs and/or identifiable beneficiaries of other MED MLE development interventions will be flagged in order to determine their progress relative to that of other MLE's in the Mahaweli and to distinguish the effectiveness of various MED interventions."
- "The MLE component will, in the meantime, attempt to relieve the principal remaining constraints: the risks and costs of pioneer enterprises and inadequate information. The "pre-investment" mechanism will assist investors over the initial hurdles posed by their unfamiliarity with the market, lack of knowledge of field and post harvest techniques, the complexities of drip irrigation, packaging requirements and so forth. Training on-the-job, as enterprises actually get underway, rather than in a formal classroom environment will be stressed"
- "Pre-Investment Programs will increase investment, employment and incomes by reducing uncertainty for investors prepared to initiate new ventures. A discrete and limited number of firms will participate in these programs."
- "It is assumed that there will be 10 pre-investment programs with four firms participating in each. Out of the 40 firms, 50%- 20 firms- initiate ventures that are profitable and survive over time. 10 of these are assumed to be self-contained farms. The remaining 10 are assumed to be outgrower operations."

The impact of the 10 self-contained farms can be measured by the investment made and the jobs created. Although the fresh fruit and vegetable projects which will be the initial focus of PIP's require, on average, a higher

investment and generate more jobs per acre than MLE projects now underway or proposed in the Mahaweli, data on the latter are used to project the impact of these 10 new enterprises."

- \* "MARD's "Market Action Operations" component bears a striking resemblance to MED's "Pre-Investment Programs." The former will work with "farmer groups and entrepreneurs...to identify potentially profitable crops, establishing marketing links/channels with entrepreneurs in the markets selected, working with farmers on post-harvest techniques and transport." The latter will be directed at pioneering medium and large enterprises, but will include provision of technical expertise, training and information on crop-specific technologies; brokering links with buyers in key markets; and assistance in arranging for transport, analyzing price issues and potential profitability, etc."

**APPENDIX B**  
**CONSTRAINTS TO PIONEER INVESTMENT IN MAHAWELI**

**I. INTRODUCTION**

In an effort to identify appropriate PIP's a review of the agribusiness system from producer to consumer was made to determine the barriers that are preventing pioneer investments in the Mahaweli. In addition to barriers within the system there may be barriers of a political and institutional nature that hinder investment and development. Since PIP's aim to remove these barriers for pioneer investors it is necessary to understand the nature and importance of each. It is against this set of constraints that priority PIP's are identified.

**II. POLITICAL OR INSTITUTIONAL**

Some constraints of a political and/or institutional nature have been cited and include:

- Absence of a well defined policy framework for agro-processing industries has been a major impediment to attracting investment to the sector.
- Financing is cited as being high cost and unavailable in sufficient quantity, particularly for working capital requirements. Also, domestic banks are inexperienced with financing perishable exports as these crops require more financing than traditional crops and collateral is limited.
- Unnecessarily arduous and uncertain procedures for obtaining GSL and Mahaweli approval to proceed.
- Reported shortfall of skilled labor in the region and it is difficult to attract staff from outside the region to work in isolated places.
- Price support schemes for agriculture should be considered so as to put a safety net under the farmer should unforeseen market forces drive prices down.
- Institutional support in providing new technology to farmers is required and needs to be strengthened.

- Insufficient information about opportunities, facilities and resources of the Mahaweli are available to investors.
- Infrastructure to support expanded commercial development is inadequate.
- Restricted regulatory access to air freight space.
- Mahaweli policy that does not provide MLE investors continuous access to irrigation water is a problem. Present policy accords water to rice and settlers in priority to others.
- Mahaweli does not provide sufficient protection against encroachments by squatters.
- Land leasing and /or ownership arrangements are not attractive to MLE investors. They want long term agreements or preferably be allowed to achieve ownership after some period of time if they perform to a preestablished set of conditions.
- GSL and Mahaweli policies are continually shifting and this prevents making long term investment commitments.
- Security in the region is uncertain and until this situation is resolved investors are going to be reluctant to commit long term investments.

### III. PRODUCTION

To develop a sustainable integrated high value fruit and/or vegetable industry it requires that product of proper quality be available in sufficient quantity on a continuous basis. Without it major investment commitments will not be made in post harvest facilities. Several barriers to achieving these production goals have been cited. Some are mentioned above and not repeated again here. Others include:

- Production practices not sufficiently developed for many targeted crops; therefore, it is difficult to train farmers in the proper production technology.
- Difficulty in obtaining reliable farmer controlled irrigation on a year round basis (365 days of irrigation water per year).

- Soils may be acceptable but, information on a more micro level is required to assure proper production techniques for the various high value crops under consideration.
- Prior to issuing seed to farmers, testing should be done to ensure viability, and varietal performance will be as expected.
- For the targeted high value crops a need exists to establish, in all systems where the crop is to be grown, practical observation trials that can be used to show farmers the production practices to follow.
- The general uncertainty of entering high value production ventures entirely new to Sri Lanka.
- Inability of pioneer MLE's to obtain large enough tracks of land around which to build commercially viable and internationally competitive ventures.
- Establishment by MLE's with outgrowers the autonomy required to effectively manage the relationship. This occurs because Mahaweli wants to be involved in these outgrower relationships.
- Imported plant materials required are often held up due to a lack of quarantine screening facilities.
- Plant protection costs are reported to be extremely high when compared to the competition. Budgeting information on targeted crops should be disseminated.
- Difficulty exists in training Mahaweli small farmers in the delicate handling required to produce high value crops.

#### **IV. POST HARVEST AND PROCESSING**

To develop a sustainable integrated high value fruit and/or vegetable industry post harvest facilities and processing is required to help the producer obtain maximum value for his product. However, it requires that product of proper quality be available in sufficient quantity on a continuous basis to justify establishing post harvest and processing facilities of sufficient scale to be economic. Several barriers to achieving these production goals have been cited above. Barriers to investment in post harvest and processing facilities are cited below:

- Lack of a continuous organized sufficient supply of the right varieties of quality fruit and vegetables.
- Lack of experience in proper crop scheduling.
- Lack of information and proper experience in grading and/or product standards for serving sophisticated international markets.
- Questionable supplies of proper packaging materials, particularly glass, tins, plastic containers, and boxes.
- Unfamiliar with the scale and scope of operations required to be competitive in sophisticated international markets.
- Freezing, drying, brining, and canning technologies not well understood for the targeted high value crops. Knowledge about where to get information and help is limited.
- Uncertain supplies of high quality process water.
- Difficulty in training Mahaweli farmers in delicate post-harvest technology requirements.
- Paddy growers could use mechanical gleaning equipment to improve harvesting efficiency and free time for the targeted higher value crops.

## V. **MARKETS AND MARKETING**

Ultimately the product produced and packaged must be marketed or neither the farmer or processor will be paid. To ensure that the product has full opportunity to be marketed several cited constraints must be addressed. The constraints are summarized below.

- Grading and/or product standards for serving sophisticated international markets need to be established by the industry.
- Hauling distances over crowded narrow roads to market centers reduce product quality and augment unnecessarily post harvest product losses. Equipment to keep product cool while in transit is not sufficiently available.

- Post harvest cooling facilities for targeted perishable products are unavailable in close proximity to the growing regions.
- Assembly centers and packing sheds for targeted perishable products are not available in the growing regions.
- Market information is not available on a timely basis.
- Improved practices for ensuring compliance to agreed standards and certification of food products being exported is required.
- Marketing and distribution channels need to be upgraded.
- Development of relationships with international buyers and marketing groups is required.

## APPENDIX C

### LIST OF CONTACTS

#### A. COMPANIES:

Mr. S.B.Rajakaruna, Agro Development Manager  
Ceylon Tobacco Company Ltd.(CTC)  
P.O.Box 62, 126,Paranagantota Road  
Mawilmada, Kandy, Sri Lanka  
Phone: 08 23671 Telex: 21316 Tobacco CE  
Also visited their farm in the Mahaweli and talked to:  
Mr. Mohan Weenasekera  
Mr. Peiyanthe Bandara Ekanayke

Mr.Rohan Karunaratne, Chief Executive  
CTC Foliage Limited, CTC Services Limited,  
CTC Trading Limited, CTC Exports Limited,  
P.O. Box 18  
108, George R. de Silva Mawatha  
Colombo 7, Sri Lanka  
FAX: 541255 Phone: (94-1) 434231  
Also met H.I. Musheen, Finance Manager

⊗ Mr. S. Rabindranath  
Forbes Agricultural Services (Pvt) Ltd.  
46/38, NAWAM MAWATHA, COLOMBO 2, SRI LANKA  
P.O.BOX 60, COLOMBO, SRI LANKA  
FAX: 437149 Phone: 27961-7, 431272  
Also visited with Mr Nimal Wijesekera, field manager at their farm in Mahaweli

Mr. M.S.D. Carwallio (Director)  
ANDRIESZ & Co., LTD.  
34, Nuge Road, Pellyagoda, Sri Lanka  
FAX: 94-1-530915 Phone: 530021-4

⊗ Mr. M.L. Mack (Director)  
Aitken Spence & Co., Ltd;  
Mr. Philip Jayawardena (General Manager)  
Aitken Spence Agricultural Developments Ltd.(ASPD).  
13, Sir Baron Jayathilaka Mawatha  
Colombo 1, Sri Lanka  
Fax: 547240, Phone: 27861-8, 434843

**Mr. P.B. Rasmussen, Managing Director**  
**Mr. A.S. Wijesuriya, Finance Director**  
**Ceylon Trading Co.,Ltd.**  
**(subsidiary of AAHRUS OLIEFABRIK A/S DENMARK)**  
**264 Grandpass Road,**  
**Colombo 14, Sri Lanka**  
**FAX: 449586, Phone: 27336, 449585**

**Mr. G.E.S. Dirckze, Chairman**  
**George Steuart & Co.,Ltd.**  
**45, Janadhipathi Mawatha**  
**P.O. Box 151, Colombo 1, Sri Lanka**

*Nihal*  **Mrs. Dawn S. Austin, Director**  
**NIDRO**  
**129, Reid Avenue,**  
**Colombo-4, Sri Lanka**  
**Also head of Fruit and Vegetable Association**

**Dr. I.A. Ismail, Vice Chairman**  
**Lever Brothers (CEYLON) Ltd.**  
**258, Grandpass Road,**  
**Colombo 14, Sri Lanka**  
**Phone: 24281/8**

**Mr Sarath Tennekoon, Field Officer**  
**Wanathavillu Vineyard**  
**Girandurukotte, Sri Lanka**

**Mr. Percy Lionel Wickranaratne, Farm Manager**  
**Informaticas Agrotech**  
**System C, Mahaweli**

**Mr. Leslie Dharmaratne, CEO**  
**Mr. Leslie Goonetilleke**  
**Upali Agri-products**  
**Upali Group**  
**Bloemendhal Road**  
**Colombo, Sri Lanka**  
**Phone: 24001-4**

**B. INSTITUTIONS**

**Mr. I.C.J. Philips, Manager**  
Investor Services  
EIED of MASL  
8th Floor UNITY PLAZA  
Colombo 4, Sri Lanka

**Mr. Gary Alex (USAID)**  
Mahaweli Agricultural & Rural Development (MARL) project  
USAID, COLOMBO, Sri Lanka  
Phone: 421271-8

**Mr. Glenn Anders (USAID)**  
USAID, COLOMBO, Sri Lanka  
Phone: 421271-8

**Mr. Steve Hadley (USAID)**  
USAID, COLOMBO, Sri Lanka  
Phone: 421271-8

**Mr. Talbot Penner (USAID)**  
USAID, COLOMBO, Sri Lanka  
Phone: 421271-8

**Mr. L.P. Yapa, Manager**  
Small Enterprise Development Facility  
Mahaweli Authority  
Girandurukotte, Sri Lanka

**Col. Pathirana (RPM System C)**  
Mahaweli Authority

**Dr. Samra Tunge**  
Deputy Director of Horticulture  
Peradeniya, University  
Kandy, Sri Lanka

**Dr. G. Fernando**  
Deputy Director of Agricultural Research  
Peradeniya, University  
Kandy, Sri Lanka

**Dr. Sinurajapathi**  
**Director of Research**  
**Department of Agriculture**  
**Ministry of Agriculture**  
**Kandy, Sri Lanka**

**Mr. Sugathadasa Kulatunga**  
**Senior Export Trade Promotion Adviser**  
**International Trade Centre, UNCTAD/GATT**  
**UNDP**  
**Phone: 714583**

**M E M O R A N D U M**

**TO:** Jim Finucane  
Steve Morgan  
Ladra Phillips

**FROM:** Robert E. Lee  
Sparks Commodities, Inc.

**DATE:** December 5, 1990

**RE:** Letter and attachments for survey to potential PIP candidate investors.

Attached is a suggested draft for a letter that can be sent to potential PIP candidates. The purpose is to gain reaction from the investment community to ideas we have for PIP's and to seek their PIP suggestions.

October 5, 1991

(Investor Address)

Dear Mr. Pioneer Investor:

Mahaweli Enterprise Development (MED) Project is established within the EIED/MASL of the Mahaweli Authority. The objective of MED is to promote small, medium and large scale enterprise development in systems B,C,G,and H of the Mahaweli. The most promising early opportunities focus on commercial production of high-value crops.

To help promote medium and large scale enterprise development MED can provide two forms of assistance [Pre-Investment Programs (PIP's)and Technical Assistance (TA)] direct to groups and/or single pioneer investors interested in the Mahaweli. During January- June 1991 MED plans to carry out three PIP's on behalf of interested pioneer investors. Appendix A to this letter defines the intent of a PIP and how pioneer investors can participate to benefit.

In deciding on the most appropriate PIP's to implement we seek PIP ideas from investors that can benefit (that's you). Therefore, this letter is written to request your firm to indicate actions that can be taken that will help your firm with investments underway in the Mahaweli or cause your firm to seriously consider expanded or new investments in Mahaweli. The ideas you suggest should be ideas that not only would help you but others in the same industry. To help you think of ideas we have attached a list (appendix B) of potential interventions that could be PIP's. We seek your ranking on the suggested ideas as well as new ideas. For each of the suggested ideas please rank them from 1 to 10. A ranking of 10 will indicate strong support for the idea.

After you have received this letter and had time to review it our people will be in touch with you to answer any questions you may have. To help facilitate timely implementation of the program and possible inclusion of your firm in it we look forward to your timely response.

Sincerely,

XXXXXXXXXXXX

## **APPENDIX A DEFINITION OF PIP's**

### **A. GENERAL OVERVIEW**

Pre-Investment Programs (PIP's) aim to assist groups of pioneer investors initiate operations in the Mahaweli by sharing the unusual risks and extraordinary costs which pioneers face. This is done to help pioneers reap the positive benefits that can be derived from the introduction of new and viable business ventures in the Mahaweli. PIP's will be one-time interventions to break through business barriers faced by pioneers. It is intended that PIP's will give pioneer medium and large enterprises (MLE's) direct exposure to markets and direct access to the expertise in production, management and, marketing techniques which investors themselves define as needed. The interventions can include such things as:

- developing market information.
- establishing brokering links with buyers in key markets.
- providing technical expertise in production, post harvest handling and processing.
- training and information on crop-specific technologies.
- training on-the-job, as enterprises actually get underway, rather than in a formal classroom environment.
- assistance in arranging for transport, and storage (dry and cold).
- analyzing price issues.
- establishing potential profitability of an enterprise.

### **B. INVESTOR ELIGIBILITY**

Investors to be eligible for PIP consideration should meet the following minimum conditions:

- be a pioneer investor.
- be prepared to share what is learned with other pioneer investors.

- be carrying out or planning to carry out the project investment in Mahaweli systems B,C,G and/or H.
- be pursuing a project investment that is export or import substitution oriented.
- be willing to share the cost of the PIP assistance.
- be a firm with financial capacity to undertake the project being invested in.
- be able to present a sound business plan.
- indicate his previous familiarity with the business venture proposed.
- be proposing a project investment in one of the following business areas:
  - commercial scale agricultural production (including nucleus/outgrower schemes) with priority on fruits and vegetables.
  - post-harvest packing, processing, or storage of commercial agricultural crops being produced.
  - packaging, transport, and marketing activities that integrate to support the commercial agricultural ventures in the region.
  - off-farm activities in the industrial and, commercial and service sectors that integrate to support the commercial agricultural ventures in the region.

**C. ELIGIBLE EXPENDITURES**

Expenditures eligible for PIP consideration will include:

- Costs to bring specialists to Sri Lanka to provide technical or business assistance to the pioneer investor.
- Travel for Sri Lankan employees of pioneer investor firms to other countries to gain training and make market contacts.

- Costs to support training programs in or outside Sri Lanka.
- Purchase of capital items that are approved as justified by EIED and USAID.

#### D. ESSENTIAL DEFINITIONS

Pioneer investor, pre-investment, and cost sharing are three terms used which must be clarified. A definition of each is provided below.

*Pioneer investor* during the life of the MED project is considered to be most if not all medium and large investors participating in the targeted agriculturally-based industries due to the novelty of the industries to Sri Lanka and the frontier nature of the Mahaweli.

*Pre-investment* generally refers to the costs incurred by an investor prior to making an investment in a new venture or new capital purchase. However, for this program a pre-investment is to be considered as any investment required by a pioneer investor to remove a barrier to the effective initiation of an investment and/or the effective implementation of an ongoing approved investment.

*Cost sharing* means that the pioneer investor will share in the cost of a PIP intervention. In cases where the investor is already committing a major investment of time and money this commitment will likely be considered his share of the cost to support the PIP intervention. In cases where no investment has yet been made the pioneer investor would be expected to put up a share of the cost in the PIP intervention. For example, if the investor is just initiating a project and it is agreed that he should visit some operations similar to the one he plans to initiate MED would provide tickets for transport and the investor would provide lodging and the time of the most appropriate executive. The pioneer investors share can be cash, executive time, or capital inputs already made.

#### E. PROCEDURES

Procedures to apply for PIP assistance are as follows:

- Application is made to MED and EIED attention:  
Mr I.C.J. Phillips, Manager  
Investor Services  
EIED of MASL  
8th Floor UNITY PLAZA  
Colombo 4, Sri Lanka

- **ISTL, the MED USAID contractor, proposes PIP's to the MED project steering committee and USAID.**
- **The PIP proposed is approved by the MED project steering committee and USAID.**
- **Once approved the MED team MLE advisor will monitor the implementation of the PIP.**

## STATUS OF MEDIUM AND LARGE FIRM CONTACTS REGARDING "PIP'S"

COMPANY/ ADDRESS	CONTACT(S)	INTERVIEWER(S)	DATE(S)
1. Upali Agroproducts Ltd. P. O. Box 133, Colombo 223, Bloemendhal Road Colombo 13, Sri Lanka	Mr. Leslie Dharmaratne (CEO) Mr. Lessie Goonetilleke (GM) Mr. Lessie Goonetilleke (GM) Mr. Lessie Goonetilleke (GM) Mr. Lessie Goonetilleke (GM)	R. E. Lee & Steve Morgan Steve Morgan Steve Morgan Steve Morgan Letter Received	10/04/90 10/10/90 10/11/90 10/18/90 10/22/90
2. Aitken Spence & Co., Ltd. Office: 13, Sir Baron Jayatilake Mawatha Colombo 1, Sri Lanka	Mr. M. L. Mack (Director) Mr. Philip Jayawardena (GM) Farm at Uda Waleywo Mr. M. L. Mack (Director) Mr. M. L. Mack (Director) Mr. M. L. Mack (Director)	R. E. Lee & S. Morgan  R. E. Lee & S. Daines, Sunil R. E. Lee & S. Daines R. E. Lee & S. Daines R. E. Lee, G. Peters, S. Daines	09/19/90  11/13/90 11/14/90 11/16/90 11/21/90
3. Ceylon Tobacco Co., Ltd. P. O. Box 18 108 George R. De Silva Mawatha Colombo 7, Sri Lanka	Mr. S. B. Rajakaruna (Agro. Dev. Manager) Mr. M. Weenasekera Mr. Rohan Kanunaratne & Mr. H. I. Musheen Mr. C. Jayaratne, Director	R. E. Lee & S. Morgan  R. E. Lee & S. Morgan R. E. Lee, S. Morgan, J. Finucane & J. Jayawardena S. Morgan	09/26/90  09/24/90 (Farm) 10/04/90 10/31/90

STATUS OF MEDIUM AND LARGE FIRM CONTACTS REGARDING "PIP'S"

INTEREST IN MAHAWELI		DESCRIPTION OF PROJECT OR PROPOSED PROJECT	ISSUES OF CONCERN RELATED TO PROJECT
PRESENTLY ACTIVE	CONSIDERING PROJECT		
		Undertook 10 acre asparagus production program. To date it has been unsuccessful and looking to locate project on land outside Mahaweli.	<ul style="list-style-type: none"> <li>. Soils were not suitable.</li> <li>. Water logging occurred.</li> <li>. Insurgencies prevent access to area now.</li> <li>. Project feasibility not demonstrated.</li> </ul>
Yes, but 10/22/90 letter indicates project at system B is at a standstill.			
Yes, have a Gherkins project in Uda Walawe and silk worm project.	Projects of the right type could be of interest.	Have project in Uda Walawe some how hands-length connected to Mahaweli. Have been producing and exporting Gherkins. Some land under influence of Mahaweli but not formalized.	<ul style="list-style-type: none"> <li>. Willing to work in Uda Walawe with MEA if they will permit them to run operation on auto-nomius basis.</li> <li>. Apparently price for Gherkins has been set by MEA. This is unacceptable for private sector firm.</li> </ul>
Yes, have a fruit project in System C.		Have a fruit project in system C (mango, passion fruit, lime, guava). Have 50 acres now and plan to add another 100. They hope to build to 300 acres by working with outgrowers. Original project was for 1000 acres.	<ul style="list-style-type: none"> <li>. Risk due to high cyclicity of market.</li> <li>. Instability in the region due insugencies.</li> <li>. Needed to reduce exposure, 1000 acres was to large exposure.</li> <li>. Soils were boarderline and irrigation was drip type plus rain fed.</li> </ul>

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**STATUS OF MEDIUM AND LARGE FIRM CONTACTS REGARDING "PIP'S"**

ASSISTANCE SOUGHT FROM MED/EIED	ASSISTANCE REQUEST ACCEPTABLE	NEXT STEPS
<p>1. On 10/18/90 a request for help in planning the production of 375 Ac. of asparagus at Puttlam was made. 100 Ac. controlled and 275 Ac. without growers.</p>	<ul style="list-style-type: none"> <li>. No (in Puttlam area).</li> <li>. Maybe, if we can define what's needed at the Mahaweli site they can reactivate activities.</li> </ul>	<ul style="list-style-type: none"> <li>. Conduct meeting to determine any further action in Mahaweli at this time. Keep in touch as their activities develop.</li> </ul>
<p>Are interested in dried fruits and/or other high value crops. In Mahaweli if they can maintain full autonomy over operations and outgrowers. They are talking with us about help for "SRD cold chain project" in Uda Walawe.</p>	<ul style="list-style-type: none"> <li>. They will start market tests with SRD. If all goes well MED preparing "Cold Chain" project as a PIP with Aitken Spence &amp; Forbes &amp; Walker.</li> </ul>	<ul style="list-style-type: none"> <li>. As of 11/23/90 we had 4 meetings with this group and SRD was working out details on a mkt. test project with them. MED has had discussions regarding "Cold Chain Project" and is preparing a PIP assistance program for the project. MED team to work with them on PIP.</li> </ul>
<p>Based on the three interviews with this group the activities where help may be offered are:</p> <ul style="list-style-type: none"> <li>. Preparation of project concept/viability document for the System C venture.</li> <li>. May be interested in extending floriculture venture.</li> <li>. Program of TA to help introduce drip irrigation technology, particularly on tree crops to growers of the region.</li> <li>. Help in post harvest technology.</li> <li>. Also interested in fruit drying technology and market contacts.</li> </ul>	<ul style="list-style-type: none"> <li>. A specific request hasn't yet been agreed to. However, we expect a working relationship could be established.</li> </ul>	<ul style="list-style-type: none"> <li>. Need to meet again to try and detail a working relationship.</li> </ul>

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## STATUS OF MEDIUM AND LARGE FIRM CONTACTS REGARDING "PIP'S"

	COMPANY / ADDRESS	CONTACT(S)	INTERVIEWER(S)	DATE(S)
4.	Forbes & Walker Forbes Agricultural Services 46/38, Nowam Mawatha P. O. Box 60 Colombo 2, Sri Lanka	Mr. S. Rabindranath & Mr. Nimal Wijesekera Mr. Nimal Wijesekera & Mr. S. Rabindranath Mr. Ravi Kumaratne Mr. Marcel Peries Mr. Luinda Deiwita S. Rabindranath, Marcel Peries & Ravi Kuraratne	R. E. Lee R. E. Lee & S. Morgan R. E. Lee, S. R. Daines, Sunil EIED, & Steve Morgan  R. E. Lee, G. Peters, & S. Daines	09/21/90 09/24/90 (FARM) 11/14/90 11/15/90  11/21/90
5.	Ceylon Trading Co., Ltd. P. O. Box 161 No. 2 Inner Bagatalle Rd. Colombo 3, Sri Lanka	Mr. P. B. Rasmussen (MD) Mr. A. G. Wijesuriya (FD)	R. E. Lee	09/28/90
6.	George Stewart & Co., Ltd. 45, Janadhipathi Mawatha P. O. Box 151 Colombo 1, Sri Lanka	Mr. G. E. S. Dirckze, Chairman Mr. G. E. S. Dirckze, Chairman Mr. G. E. S. Dirckze, Chairman	R. E. Lee & S. Morgan R. E. Lee & S. Morgan Sent letter to Jim	09/27/90 10/02/90 10/25/90
7.	NIDRO 129, Reid Avenue Colombo 4, Sri Lanka	Ms. Dawn Austin, Director Ms. Dawn Austin, Director	R. E. Lee & S. Morgan R. E. Lee, S. Morgan, S. Daines, & Sunil	09/27/90 11/13/90

## STATUS OF M... AND LARGE FIRM CONTACTS REGARDING "PIP'S"

PRESENTLY ACTIVE	INTEREST IN MAHAWELI		DESCRIPTION OF PROJECT OR PROPOSED PROJECT	ISSUES OF CONCERN RELATED TO PROJECT
	CONSIDERING PROJECT	NO INTEREST		
Yes.	Interested in new projects for region. Interested in the "Cold Chain" idea for Uda Walawe.		<ul style="list-style-type: none"> <li>. Have a gherkins project in System C. Are working with outgrowers to produce gherkins. They bulk brine them for export.</li> <li>. SRD/MED explained the "Cold Chain Project" to them and they are interested in it. We intend to work out a PIP assistance package with them.</li> </ul>	<ul style="list-style-type: none"> <li>. Brining practices are weak.</li> <li>. Need shelter for the brined product.</li> <li>. Fermentation, pickling and quality control help required.</li> <li>. Communications is poor.</li> <li>. Poor seed performance.</li> </ul>
No.	Started trials for trees that would allow production of coconut butter.		Their interest would be coco, sugar, rubber, etc. Not likely fruits and vegetables. The coconut butter trials proved to be non-viable.	<ul style="list-style-type: none"> <li>. Must create infrastructure that will attract management and technical people.</li> <li>. Need better communications.</li> </ul>
No.	Hasn't a specific project but is willing to entertain ideas.		<p>He has no firm project in mind but project should:</p> <ul style="list-style-type: none"> <li>. Have adequate land track and water.</li> <li>. Be able to tie into a JV from outside.</li> <li>. Start on modest scale.</li> <li>. Have autonomy to work.</li> </ul>	<ul style="list-style-type: none"> <li>. See description as he has nothing yet.</li> </ul>
Not directly.			<p>Has interest in associating as an exporter with others that are interested in producing the commodities. Looking at baby corn. Has interest in producing tomato products. Is thinking of being in production but, hasn't really entered yet.</p>	<ul style="list-style-type: none"> <li>. Transportation costs are high.</li> <li>. Freight handling is poor and needs improvement.</li> <li>. Product prices have jumped significantly.</li> <li>. Supplies are coming under pressure.</li> </ul>

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STATUS OF MEDIUM AND LARGE FIRM CONTACTS REGARDING "PIP'S"

ASSISTANCE SOUGHT FROM MED/IED	ASSISTANCE REQUEST ACCEPTABLE	NEXT STEPS
<p>Areas where help is most needed include:</p> <ul style="list-style-type: none"> <li>. TA on brining and fermentation to improve product quality.</li> <li>. Facilities to protect product from heat.</li> <li>. Market outlets.</li> <li>. Help in improving production operations and management.</li> <li>. Travel to see how it is done in other countries.</li> <li>. Help in putting together "cold chain" PIP project in Udu Walawo.</li> </ul>	<ul style="list-style-type: none"> <li>. A specific request for TA on fermentation, pickling is to come. We can help on this.</li> <li>. Also, they want help in putting together PIP for "Cold Chain" project.</li> </ul>	<ul style="list-style-type: none"> <li>. Meet again to try and detail a working relationship. We did this and are putting together TA package for fermentation and pickling. Also, will start PIP package for "Cold Chain" assistance.</li> </ul>
<p>None.</p>	<ul style="list-style-type: none"> <li>. N/A.</li> </ul>	<ul style="list-style-type: none"> <li>. Want to keep abreast of whats going on but, not a real good near term prospect.</li> </ul>
<ul style="list-style-type: none"> <li>. Help in defining a project that they could get into. Would need to start with a project viability study.</li> </ul>	<ul style="list-style-type: none"> <li>. Maybe we can define something that would be acceptable.</li> </ul>	<ul style="list-style-type: none"> <li>. Need to talk further to try and develop a specific project interest.</li> </ul>
<ul style="list-style-type: none"> <li>. No specific request as yet but they are interested in the right project, particularly tomato related. May also be interested in "Cold Chain" Daine project.</li> </ul>	<ul style="list-style-type: none"> <li>. Maybe we can define something that would be acceptable related to tomato production in Mahaweli.</li> </ul>	<ul style="list-style-type: none"> <li>. Need to talk further to try and develop a specific project interest.</li> </ul>

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**STATUS OF MEDIUM AND LARGE FIRM CONTACTS REGARDING "PIP'S"**

	COMPANY / ADDRESS	CONTACT(S)	INTERVIEWER(S)	DATE(S)
8.	Lever Brothers (Ceylon), Ltd.	Mr. I.A. Ismail, Vice Chairman	R. E. Lee & S. Morgan	9/28/90
9.	Vanathawilluwa Vineyard Office 441/1A Razendalo Gardens Colombo 4, Sri Lanka	Mr. Sarath Tennekoon, Field Officer Mr. Nimal Viswakula	R. E. Lee & S. Morgan R. E. Lee & S. Morgan	09/24/90 11/07/90
10.	Andriesz & Co., Ltd. 34, Nuge Road Peliyagoda, Sri Lanka	Mr. Andriesz Mr. M.S.D. Carwallio, Director Mr. John Lionel Jeyanathan Mr. M. M. Seneviratne	S. Morgan R. E. Lee & S. Morgan S. Morgan & H. Harmon	09/03/90 09/20/90 10/09/90
11.	Lanka Commercial Products (PIT), Ltd.	Mr. J. Thomas, Chairman Mr. J. Thomas, Chairman	S. Morgan S. Morgan	10/24/90 10/29/90 (Factory)
12.	LDAC. Lanka Dutch Agro-Dev. Co.	Mr. J. Bastiaan Mohrmann Mr. J. Bastiaan Mohrmann	S. Morgan Letter was sent.	08/15/90 10/12/90

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## STATUS OF MEDIUM AND LARGE FIRM CONTACTS REGARDING "PIP'S"

PRESENTLY ACTIVE	INTEREST IN MAHAWELI		DESCRIPTION OF PROJECT OR PROPOSED PROJECT	ISSUES OF CONCERN RELATED TO PROJECT
	CONSIDERING PROJECT	NO INTEREST		
No.	Have considered projects that would allow them to join Ag. Sector in the country. As yet nothing has jelled.		If they enter a project it would need to be based on oilseed crops to substitute vegetable oil imports. It would require large land tracts (3000 hectares) and stable water supplies.	<ul style="list-style-type: none"> <li>. Lack of land and water.</li> <li>. Conflict between development and social problems of resettlement in Mahaweli.</li> <li>. Must be allowed proper scale of operation.</li> </ul>
Yes.	Want to expand to silver onions or tomato.		Active in the processing of Gherkins and working with outgrowers to produce gherkins. Want to introduce silver onions with same growers. Also, tomatos.	<ul style="list-style-type: none"> <li>. Setting up brine testing equip. and training people.</li> <li>. Need shelter for brining vats.</li> <li>. Need quality control help and offshore product standards.</li> <li>. Need production help on silver onions.</li> </ul>
Not directly.	Have been working to develop a freezing market with MARD.		Would like to expand into the freezing of vegetables if they can get a consistent supply and quality of material. Buyers interested internationally.	<ul style="list-style-type: none"> <li>. Need to establish a more assured supply of vegetables.</li> <li>. Need to improve the facilities they have for freezing.</li> </ul>
No.	Yes, possibly for Mahaweli.		Are considering fruit drying but still need help to define the project. They didn't want to grow fruit.	<ul style="list-style-type: none"> <li>. Need to conceptualize and define the project they are interested in. Product is pineapple and papaya.</li> </ul>
Yes.			Gherkin processing and working with outgrowers in System G.	<ul style="list-style-type: none"> <li>. Brining procedures and vinegar standards.</li> </ul>

STATUS OF MEDIUM AND LARGE FIRM CONTACTS REGARDING "PIP'S"

ASSISTANCE SOUGHT FROM MED/IED	ASSISTANCE REQUEST ACCEPTABLE	NEXT STEPS
<ul style="list-style-type: none"> <li>No specific request but if land and water could be provided they would take serious look.</li> </ul>	<ul style="list-style-type: none"> <li>None to evaluate.</li> </ul>	<ul style="list-style-type: none"> <li>MEA to consider providing adequate land and water.</li> </ul>
<ul style="list-style-type: none"> <li>Help with brine testing and fermentation testing equipment and training.</li> <li>Help in getting silver onion production going.</li> </ul>	<ul style="list-style-type: none"> <li>Could be acceptable.</li> </ul>	<ul style="list-style-type: none"> <li>Need to work to define a more specific way to work together if we want to assist this group.</li> </ul>
<ul style="list-style-type: none"> <li>MARD is working with them; and MED, I, through S. Morgans help, conducted trial freezing experiment.</li> </ul>	<ul style="list-style-type: none"> <li>To date it has been but, since no direct investment in MEA they may not qualify for help.</li> </ul>	<ul style="list-style-type: none"> <li>Visit with them to see what else we can do to help move the effort forward.</li> </ul>
<ul style="list-style-type: none"> <li>Asked that S. Morgan look at their drier to see if it might be adapted. Need to conduct a prefeasibility study. They want to use drier outside Mahaweli will they qualify?</li> </ul>	<ul style="list-style-type: none"> <li>Steve did this first step. Further help will depend on MEA policy regarding being outside Mahaweli.</li> </ul>	<ul style="list-style-type: none"> <li>Visit with them to define the help we could provide in developing the project.</li> </ul>
<ul style="list-style-type: none"> <li>He wanted to discuss the types of vinegars to be used in Gherkin pickling.</li> </ul>	<ul style="list-style-type: none"> <li>Yes.</li> </ul>	<ul style="list-style-type: none"> <li>Further discussion to define a relationship. They may have an interest in the help Forbes and Walker is seeking on fermentation and pickling.</li> </ul>

STATUS OF MEDIUM AND LARGE FIRM CONTACTS REGARDING "PIP'S"

COMPANY	ADDRESS	CONTACT(S)	INTERVIEWER(S)	DATE(S)
13.	CEYEXXE, Ltd.	Mr. Prema J. Fernando (MD) Mr. H. Wijeratne (Chairman) Mr. Prema J. Fernando (MD)	S. Morgan, Indra Phillips  Letter came in.	08/31/90  10/22/90
14.	Consolidated Business Systems, Ltd. 318, High Level Rd. Colombo 6, Sri Lanka	Mr. Lasantha Wickremesooriya Mr. Lasantha Wickremesooriya	Letter was sent. S. Morgan & R. E. Lee	10/12/90 11/07/90
15.	Agro Tropi Crops	Mr. Gamini de Silva	Letter was sent.	10/12/90
16.	EDNA Group	Mr. Lalith Devasiri	Letter was sent.	10/12/90
17.	Kelani Valley Canals	Mrs. I. R. Senewiratne Mr. James Perera	Letter was sent. S. Morgan contacted.	10/12/90 10/31/90
18.	Lanka Cannery			
19.	Volanka/Hayleys P. O. Box 70 400, Deans Rd. Colombo 10, Sri Lanka	Mr. S. Mendis & Mr. Wickrematunga Mr. S. Mendis & 3 Field Managers	Letter was sent S. Morgan, R. E. Lee & J. Tessera S. Morgan, R. E. Lee & G. Peters	10/13/90 11/07/90  11/19/90

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STATUS OF MEDIUM AND LARGE FIRM CONTACTS REGARDING "PIP'S"

PRESENTLY ACTIVE	INTEREST IN MAHAWELI		DESCRIPTION OF PROJECT OR PROPOSED PROJECT	ISSUES OF CONCERN RELATED TO PROJECT
	CONSIDERING PROJECT	NO INTEREST		
No.	Yes.		Production and drying of sesame seed. They have an export market that is guaranteed (5000 to 10,000 tons) at \$850 per ton. They would provide drier.	<ul style="list-style-type: none"> <li>Does not appear to yield high enough income to warrant shifting growers from paddy.</li> </ul>
No.	Yes.		They are very keen to set up a papaya and/or pineapple plantation as they want to develop a supply that will allow them to start dried fruits.	<ul style="list-style-type: none"> <li>Needs production of crop assistance.</li> <li>Needs land for project.</li> <li>Eventually needs help on drying operation.</li> </ul>
No.	Not yet.		The group has an interest in further tomato products and fruit drying.	<ul style="list-style-type: none"> <li>Do not have financial resources to expand to Mahaweli.</li> </ul>
Yes.			They are active in three areas of the Mahaweli (System C, B & Uda Walawe). They have been successful with Gherkins. They now want to go into silver onions for next season.	<ul style="list-style-type: none"> <li>Need production person to advise on how to grow onions and get trials started. 3-6 months of help.</li> </ul>

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## STATUS OF MEDIUM AND LARGE FIRM CONTACTS REGARDING "PIP'S"

ASSISTANCE SOUGHT FROM MEDFIED	ASSISTANCE REQUEST ACCEPTABLE	NEXT STEPS
<ul style="list-style-type: none"> <li>. Would like help from MEA in getting this going with MEA growers.</li> </ul>	<ul style="list-style-type: none"> <li>. Not if returns are lower than paddy.</li> </ul>	<ul style="list-style-type: none"> <li>. Our earlier review showed that the sesame did not result in high enough returns.</li> </ul>
<ul style="list-style-type: none"> <li>. Help to obtain an appropriate track of land.</li> <li>. Help, once they have land, with production advise for establishing a plantation.</li> </ul>	<ul style="list-style-type: none"> <li>. Yes, but ground work on land needs to be complete before a PIP assistance package can be put in place.</li> </ul>	<ul style="list-style-type: none"> <li>. Help get land request moving.</li> <li>. Monitor the process and keep them involved in fruit drying and pulping activities.</li> </ul>
<ul style="list-style-type: none"> <li>. Help to learn more about tomato and dried fruit project development. Seminar participation, travel to visit processors and prepare a prefeasibility document.</li> </ul>	<ul style="list-style-type: none"> <li>. Not unless financials will permit them to go into Mahaweli.</li> </ul>	<ul style="list-style-type: none"> <li>. Call and find out status.</li> <li>. Call and find out status.</li> <li>. Monitor position from time to time.</li> </ul>
<ul style="list-style-type: none"> <li>. Bring a production advisor to Sri Lanka to help get the silver onion production started.</li> </ul>	<ul style="list-style-type: none"> <li>. Can be a good PIP idea as it can help many in the industry.</li> </ul>	<ul style="list-style-type: none"> <li>. Begin to develop their idea as a targeted PIP. This is underway and about to be agreed to.</li> </ul>

STATUS OF MEDIUM AND LARGE FIRM CONTACTS REGARDING "PIP'S"

ASSISTANCE SOUGHT FROM MED/IED	ASSISTANCE REQUEST ACCEPTABLE	NEXT STEPS
<ul style="list-style-type: none"> <li>Would like help from MEA in getting this going with MEA growers.</li> </ul>	<ul style="list-style-type: none"> <li>Not if returns are lower than paddy.</li> </ul>	<ul style="list-style-type: none"> <li>Our earlier review showed that the sesame did not result in high enough returns.</li> </ul>
<ul style="list-style-type: none"> <li>Help to obtain an appropriate track of land.</li> <li>Help, once they have land, with production advise for establishing a plantation.</li> </ul>	<ul style="list-style-type: none"> <li>Yes, but ground work on land needs to be complete before a PIP assistance package can be put in place.</li> </ul>	<ul style="list-style-type: none"> <li>Help get land request moving.</li> <li>Monitor the process and keep them involved in fruit drying and pulping activities.</li> </ul>
<ul style="list-style-type: none"> <li>Help to learn more about tomato and dried fruit project development. Seminar participation, travel to visit processors and prepare a prefeasibility document.</li> </ul>	<ul style="list-style-type: none"> <li>Not unless financials will permit them to go into Mahaweli.</li> </ul>	<ul style="list-style-type: none"> <li>Call and find out status.</li> <li>Call and find out status.</li> <li>Monitor position from time to time.</li> </ul>
<ul style="list-style-type: none"> <li>Bring a production advisor to Sri Lanka to help get the silver onion production started.</li> </ul>	<ul style="list-style-type: none"> <li>Can be a good PIP idea as it can help many in the industry.</li> </ul>	<ul style="list-style-type: none"> <li>Begin to develop their idea as a targeted PIP. This is underway and about to be agreed to.</li> </ul>

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## Schedule 1 (Continued)

## STATUS OF MEDIUM AND LARGE FIRM CONTACTS REGARDING "PIP'S"

	COMPANY ADDRESS	CONTACT(S)	INTERVIEWER(S)	DATE(S)
20.	Ashford International	Mrs. R. Annerasinghe	Letter was sent.	10/13/90
21.	Expolanka	Mr. K. M. Munavver	Letter was sent.	10/13/90
22.	Keells Agroproducts P. O. Box 76 130, Glenzie Street Colombo 2, Sri Lanka	Mr. Sumithra Gunasekera Mr. Sumithra Gunasekera Mr. Jagath Fernando & Mr. Ranel T. Wijesinha Mr. Ranel T. Wijesinha Mr. Ranel T. Wijesinha	Letter was sent S. Morgan Mr. Morgan, R. Lee & Indra R. Lee, EIED Staff R. Lee, G. Peters, S. Morgan	10/13/90 10/30/90 11/05/90 11/08/90 11/19/90
23.	Union Commodities	Mr. Chanaka de Silva	Letter was sent. Letter was received.	10/13/90 10/22/90
24.	Lankem Ceylon Ltd.	Mr. A. C. Gunasinghe	Letter was sent.	10/13/90
25.	Kapila Group of Companies 250-2/3, Liberty Plaza, Duplication Rd. Colombo 3, Sri Lanka	Mr. H.A.K. Soysa, MD & Mr. Devapriya Hettiarachchi Mr. Devapriya Hettiarachchi & Mr. H.A.K. Soysa, MD &	Letter was sent. S. Morgan S. Morgan & R. E. Lee	10/13/90 10/25/90 11/08/90

24.

STATUS OF MEDIUM AND LARGE FIRM CONTACTS REGARDING "PIP'S"

PRESENT STATUS	INTEREST IN MAHAWEELI		DESCRIPTION OF PROJECT OR PROPOSED PROJECT	ISSUES OF CONCERN RELATED TO PROJECT
	CONSIDERING PROJECT	NO INTEREST		
No.	<ul style="list-style-type: none"> <li>First meetings indicated willingness to consider a project.</li> <li>11/8/90 meeting narrowed ideas down to fruit for pulping or drying.</li> </ul>		<p>Have interest, but no specific project has been defined. Focus is on System C. Are interested in a number of ideas mentioned cattle, fruit, tomatos, but most concrete idea ended up being fruit pulping and drying.</p>	<ul style="list-style-type: none"> <li>They do not want to depend on outgrowers as they will sell you out if open market price is higher.</li> <li>Concerned that they can not obtain sufficient land. Even 100 acres is very difficult to get.</li> <li>Want to review a number of alternatives before selecting.</li> </ul>
No.	No.			
No.	<p>Yes, as they have recently been granted land in System B.</p>		<p>Have 20 acres next to System B and have an approval for 20 ha in System B. Planted to onions. Wants to set up a processing operation. Would like 100 acres under control plus 125 acres with outgrowers eventually.</p>	<ul style="list-style-type: none"> <li>Bulb onion production practices need improvement and he would like help.</li> <li>Land proposed to them is inappropriate so need different track.</li> </ul>

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STATUS OF MEDIUM AND LARGE FIRM CONTACTS REGARDING "PIP'S"

ASSISTANCE SOUGHT FROM MED/BED	ASSISTANCE REQUEST ACCEPTABLE	NEXT STEPS
<ul style="list-style-type: none"> <li>. Look for on-site technical help.</li> <li>. Will desire offshore training for staff.</li> <li>. Participate in tomato product seminar.</li> <li>. Possible interest in seeing operations outside Sri Lanka.</li> <li>. Can we sit down and help decide most likely project and then go ahead on a pre-feasibility study. We agreed on fruit pulping and drying.</li> </ul>	<ul style="list-style-type: none"> <li>. It may be but, we must have a second meeting with Ranel (Bus. Dev. Manager) to decide.</li> <li>. After the 11/8/90 meeting assistance was agreed to and a PIP was initiated.</li> </ul>	<ul style="list-style-type: none"> <li>. Call to confirm status.</li> <li>. Call to confirm status.</li> <li>. Need a followup session.</li> <li>. Held followup session 11/8/90 and again 11/19/90 and pretty much agreed on PIP.</li> </ul>
<ul style="list-style-type: none"> <li>. Claims the land track given them is not good so needs to work out a new track.</li> <li>. Wants a production advisor on bulb onions to help them through a growing season. Planting to harvest and storage.</li> <li>. Eventually interested in onion drying but that is down the road.</li> </ul>	<ul style="list-style-type: none"> <li>. It looks as if it could be. In fact, if we get an onion person in for Hayleys this same chap might help to orient the Kapila Group.</li> </ul>	<ul style="list-style-type: none"> <li>. Wait to hear from them.</li> <li>. Call to learn status.</li> <li>. Visit to detail a specific plan for PIP assistance. Needs to be soon if we are to help in next growing season.</li> </ul>

**STATUS OF MEDIUM AND LARGE FIRM CONTACTS REGARDING "PIP'S"**

NO.	FIRM ADDRESS	CONTACT(S)	INTERVIEWER(S)	DATE(S)
26.	Informatics, Ltd.	Mr. Percy	R. E. Lee & S. Morgan	09/24/90
27.	Pure Beverages Co., Ltd. 74 Union Place Colombo 2, Sri Lanka	Mr. Mahee Wickremaratne	R. E. Lee & S. Morgan S. Morgan	09/18/90 11/12/90
28.	Samuel, Sons & Co., Ltd. No. 45, Mahswatte Rd. Colombo 14, Sri Lanka	Major Douglas L. Wijesinha, SLE (MD) P. W. Gnanaselvam, (D.MD) Mr. Nissanka Serasinghe (M, WIS)	R. E. Lee, S. Daines, & S. Morgan & Sunil (EIED)	11/13/90
29.	Adassa Timber Works Embilipitiya, Uda Walawe	Mr. Dharma - Dasa	S. Daines, R. E. Lee, Sunil (EIED)	11/12/90

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STATUS OF MEDIUM AND LARGE FIRM CONTACTS REGARDING "PIP'S"

PRESENTLY ACTIVE	INTEREST IN MAHAWELI		DESCRIPTION OF PROJECT OR PROPOSED PROJECT	ISSUES OF CONCERN RELATED TO PROJECT
	CONSIDERING PROJECT	NO INTEREST		
Yes.			Cashew plantation. Started in 1987 and expect to have about 500 hec. planted by end 1990. Block of 1000 hectares was identified and hope to do cashew processing.	
No.			Processing fruit juices and concentrates. Intends to produce 100 acres and work with outgrowers. They are thinking of 3rd bottling plant at dambula next to System H.	<ul style="list-style-type: none"> <li>. Have license to property.</li> <li>. Be across the river from project area.</li> </ul>
No.		If it makes financial and economic sense they would consider it.	We discussed production of equipment for "Cold Chain project". Idea is to get them to set up production in Uda Walawe. Also, this group does have interests in some agribusiness opportunities of the right type.	<ul style="list-style-type: none"> <li>. Will the market be sufficient to set-up activity in Uda Walawe?</li> <li>. First "Cold Chain projects" could help support the developments.</li> </ul>
Yes.			Adassa operates a sawmill and small furniture factory in Embilipitiya Uda Walawe. Sam Daines (SRD), Sunil (EIED) and R. E. Lee (MED) visited with Adassa regarding the construction of a box making operation for fruit packing boxes.	<ul style="list-style-type: none"> <li>. Will the wood supply of the right type be enough.</li> <li>. Will market for boxes be large enough to support the factory start-up.</li> </ul> <p>If the "Cold Chain projects" go ahead yes.</p>

SP

**STATUS OF MEDIUM AND LARGE FIRM CONTACTS REGARDING "PIP'S"**

SUSPECTS OF INTEREST (MED/EIED FIRM)	ASSISTANCE REQUEST ACCEPTABLE	NEXT STEPS
<ul style="list-style-type: none"> <li>. No specific request.</li> </ul>		<ul style="list-style-type: none"> <li>. Need to contact top management in Colombo.</li> </ul>
<ul style="list-style-type: none"> <li>. No specific request, but wanted to talk about the new plant at Dambula. Also get their plantations started.</li> </ul>	<ul style="list-style-type: none"> <li>. It may be a workable project potential.</li> </ul>	<ul style="list-style-type: none"> <li>. Company reviewing internal direction and will get back to us in next month. If we don't here someone should call back.</li> </ul>
<ul style="list-style-type: none"> <li>. If MED/EIED is seriously interested in promoting this non-ag business opportunity Samules will require help via a PIP.</li> </ul>	<ul style="list-style-type: none"> <li>. Could be if it becomes a request.</li> </ul>	<ul style="list-style-type: none"> <li>. Stay in touch with Samules as the "Cold Chain" project develops and share prospective projects with them.</li> </ul>
<ul style="list-style-type: none"> <li>. Help with TA to provide designs, equipment layout, and start-up operations.</li> </ul>	<ul style="list-style-type: none"> <li>. Yes it is acceptable if the "cold chain projects" go ahead.</li> </ul>	<ul style="list-style-type: none"> <li>. PIP document has been prepared and now needs to be discussed with Adassa management. Geoff to visit with them.</li> </ul>

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## STATUS OF MEDIUM AND LARGE FIRM CONTACTS REGARDING "PIP'S"

COMPANY / ADDRESS	CONTACT(S)	INTERVIEWER(S)	DATE(S)
30. ITALANKA Foliage (PVT) Ltd. Growers & Exporters of Foliage 19A, U.D.A. Tower Bldg. 25, Station Road Colombo 4, Sri Lanka	Air Vice Marshal, P.H. Mendis, Staff Director	R. E. Lee & S. Daines	11/13/90
31. Gordon Frazer & Co., Ltd. 148, Vauxhall Street Colombo 2, Sri Lanka	Mr. L. R. Goonetilleke	R. E. Lee & S. Morgan	11/05/90
32. Richard Pieris Ag. Enterprises, Ltd. 69 Hyde Park Corner P. O. Box 144 Colombo 2, Sri Lanka	Mr. P.S. Cumaranatunga, Director	Steve Morgan (Letter sent) Steve Morgan (Letter received)	10/23/90 11/13/90

**STATUS OF MEDIUM AND LARGE FIRM CONTACTS REGARDING "PIP'S"**

	INTEREST IN MAHAWELE		DESCRIPTION OF PROJECT OR PROPOSED PROJECT	ISSUES OF CONCERN RELATED TO PROJECT
	CONSIDERING PROJECT	NO INTEREST		
No.	Has applied for land in Mahaweli in Uda Walawe region. Does have a plan to develop it.		His plan is to develop a fruit production plantation but, to get started he wants to plant some annual crops, that will generate a cashflow in the early years.	<ul style="list-style-type: none"> <li>. Has a good team of people assembled. But, the agricultural area is new for him.</li> <li>. He was interested in the "Cold Chain" project idea.</li> <li>. Needs to get land track approved.</li> <li>. Needs to be sure of his project concept.</li> </ul>
No.	Studying possibilities.		Has interests in fruits and vegetables but really doesn't know what to do.	<ul style="list-style-type: none"> <li>. Needs help in orienting them to a project idea that could make best sense.</li> </ul>
Yes.			Pierres, processes paddy from systems H & C and has office and warehouses in system C.	<ul style="list-style-type: none"> <li>. Mechanized drying for rice.</li> <li>. Need post harvest silos.</li> <li>. Look for export crops.</li> </ul>

STATUS OF MEDIUM AND LARGE FIRM CONTACTS REGARDING "PIP'S"

ASSISTANCE REQUESTED FROM US	ASSISTANCE REQUEST ACCEPTABLE	NEXT STEPS
. He seeks a track of land in Uda Walawe first. He is in process of making application.	. Seems to be OK.	. Write followup note to our visit and develop relationship to keep in touch.
. Has made no formal request as yet.	. No request yet.	. Mr. L. R. Goonetilleke is to be back in touch with us.
. No specific request has yet been made.	. No request yet.	. Contact Mr. P. S. Cumararatunga to discuss how we might be of specific help.

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COMPANY INTEREST BY COMMODITY AREA

COMPANY	INTEREST	CROPS / COMMODITY						
		FRESH FRUIT & VEG.	PROCESSED PRODUCTS	GHERKINS	SESAME	PALM OIL	TOMATOS F/P	OPEN TO IDEAS
1. Upali Agroproducts		X Asparagus						
2. Aitken Spence & Co.	X	X Asparagus, Banana, Mango, Melon		X				X
3. Ceylon Tobacco Co.		X Mango, Passion Fruit, Papaya, Quava	X Fruits					
4. Forbes & Walker		X Specialty Banana, Mango, Melon		X Fermentation & Pickling				X
5. Ceylon Trading Co.								X
6. Geo. Stewart & co.								X
7. NIDRO		X Commercialization					X	
8. Lever Brothers, Ltd.						X		
9. Vanathawilluwa Vineyard				X				
10. Andriesz & Co., Ltd.			X Frozen, Veg.					Prawns
11. Lanka Commer-Products	X							
12. LDAC				X				
13. Ceyexxe, Ltd.					X			
14. Consolidated Bus. Systems	X							

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**COMPANY INTEREST BY COMMODITY AREA**

COMPANY	CROPS / COMMODITY							
	DRIED FRUIT	FRESH FRUIT & VEG	PROCESSED PRODUCTS	GHERKINS	SESAME	PALM OIL	TOMATOS	OTHER
15. Agro Tropi Crops		X Baby Corn, Bamboo Shoots						
16. EDNA Chocolate Group	X (Interest)							
17. Kelani Valley Cannery	X						X	
18. Lanka Cannery (see 17)								Extension of Processed Item.
19. Volanka/Hayleys		X Silver Skinned Onions		X				
20. Ashford International								
21. Expolanka		X Mango, Pineapple Baby Corn, Okra		X				
22. Keells Agroproducts			X Fruit Processing					X
23. Union Commodities				X Pickling Plant				
24. Lankem Ceylon, Ltd.								
25. Kapila Group of Co's.	X Onions, Chiles	X Bulb Onions	X Dehy Onion					
26. Informatics Ltd.	X Cashews							
27. Pure Beverages Co., Ltd.	X	X	X Juice					
28. Samuel, Sons & Co., Ltd.								X Equipment Manufacture

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**COMPANY INTEREST BY COMMODITY AREA**

COMPANY	CROPS / COMMODITY							OPEN TO IDEAS
	EDIBLE FRUIT	FRESH FRUIT & VEG.	PROCESSED PRODUCTS	GHERKINS	SESAME	TALM OIL	TOMATOS F/P	
29. Adassa Timber works								X Bcx Making
30. INTALANKA		X Fruit Production & Marketing						
31. Gordon Frazer & Co., Ltd.		X Was Interested Needs Guidance						
32. Richard Pieris Ag. Ent.				X				X

**MAHAWELI ENTERPRISE DEVELOPMENT PROJECT**

**PRE-INVESTMENT PROGRAM DOCUMENT**

**INTEGRATED FRUIT**

NOVEMBER 21, 1990

**Proposed Pre-investment Program**

1. **Objectives & Concept:**

The objective is to provide assistance to help develop information on an integrated fruit drying and pulping project for establishment in the Mahaweli. This would involve examining the cultivation of mango, banana, pineapple, and other similar crops that can be dried or pulped to ensure a raw material supply. Market information for bulk packed products to be produced, would be developed. Different types of process technology and related costs for the drying and pulping operations will be analyzed and the most suitable alternatives recommended. As a part of the study experiences with outgrowers will be examined and market contacts identified that might become equity participants. Finally the financial viability of the venture will be prepared to result in a completed pre-feasibility document. The document will be used to ensure Keells board of project viability, and for interesting other investors and/or bankers in the project if desired.

To help provide the necessary assistance MED plans to work with a private sector firm that can utilize what is learned as a basis for making an investment decision in the Mahaweli. The firm of choice is John Keells Holding. This firm is chosen because they are a successful Sri Lankan firm that would provide valuable help in developing the Mahaweli. At present Keells has no activity in the Mahaweli and is unsure of their opportunities in the region. However, they have operations in the agribusiness sector and have decided after interactive discussions with the MED team that the investigation of an integrated fruit drying and pulping venture would be of interest. This work is required before Keells will go ahead with an investment in the Mahaweli as they need to know the project makes technical and financial sense. Certainly, if the project can be structured properly and is viable, Keells is capable of making the investment. Further, this project study will be useful in MED dealings with other investor groups that have similar interests.

MED proposes to assist by providing two advisors that are familiar with the production of tropical fruits and their processing. One of the advisors should be a fruit processing technologist with project design and analysis experience and the other should be a fruit production agronomist with project analysis experience. The advisors will work with Keells staff on an integral basis to ensure Keells staff is fully informed on the project and its concept. The advisors will conduct a seminar on completion of the project to share information with others that may be interested in fruit drying and pulping.

## 2. **Rationale:**

The principal rationale supporting this project include:

- The market for tropical fruit pulp internationally is a deep and rapidly growing market in the USA, ECC, Japan and other temperate zone countries. Also, the market for dried fruit has been steadily increasing for the past 8 to 10 years. It is now approximately serving a 250 thousand ton market in the U.S. alone.
- Sri Lanka can produce mango, guava, pineapple, passion fruit, papaya and other tropical fruits as the climatic conditions and production cost structure favor it.
- Mahaweli lands that remain available for transfer to investors are primarily lands that are off the main canal systems and non-irrigated. Tropical fruit tree crops can be grown on these lands using drip irrigation systems; therefore, success of this kind of project will help increase utilization of these Mahaweli land resources.
- The expected arrangement for management of this project is as an integrated operation where Keells will manage a nucleus estate and involve upwards of 200 outgrowers on a contract or participatory basis. Development of this project will provide additional alternative cropping options for outgrowers and opportunity for Mahaweli to transfer non-irrigated areas to outgrowers. The details of the arrangements with outgrowers will be determined as a part of this study. Also, it will provide MED with information that can be useful to other investors and outgrowers that may want to enter this business in the Mahaweli.
- This project, when implemented, will introduce improved fruit production, marketing, harvesting and processing technology to Sri Lanka.
- Keells, if the project is technically and financially viable, has the capacity to implement the project successfully. Keells is one of the largest Sri Lankan firms with operations in many activity areas including agribusiness. Keells have a record of doing a good job of what they undertake and their agribusiness activities in Sri Lanka have been successful.

- It will provide the Mahaweli with an analysis of an integrated fruit production, drying and pulping project that will detail the profitability of the venture and serve as the basis for attracting new investment to the region in addition to Keells.

3. **Incomes and Employment:**

The assistance provided will help to support Mahaweli development objectives of expanding employment and income. Fruit production, harvesting, drying and pulping are a labor intensive crop on a seasonal basis and as such it will provide employment for surplus farm labor. It is not likely to add new workers to the roles of each farm but it will make fuller use of existing farm family labor. During the harvest season when labor requirements are highest off-farm labor may be used. If the venture is successful upwards of 1,000 to 2,000 jobs could be created seasonally.

It is a high value crop and as such will help to increase farmer incomes. A properly produced crop can result in gross returns of over Rs.75,000 per acre. This is about 14 to 15 times the return from paddy which is Rs 5,000 per acre. This increased income at the farm level will give farmers more disposable income and its multiplier can be 3 to 4 times in the non-farm economy.

The details of the employment and income impacts will be developed as a part of this project.

4. **Gray, Bumpers and Lautenberg amendments:**

It meets USAID requirements as regards the Gray, Bumpers and Lautenberg amendments.

5. **Pre-Investment Program Implementation and Cost Sharing Arrangements:**

a) ***Implementation:***

MED will work together with Keells to carry out this project. The tasks to be conducted are set out on schedule "A". A brief discussion of how each is to be accomplished is set out below.

- Submit PIP document to EIED, USAID and Keells for approval.
- The terms of reference and description of the persons sought is attached to this PIP description document.

- The ISTI MED team will conduct the search for the advisor, submit names to Keells and USAID for approval and confirm arrangements with the advisors once nominated.
- During the development stages and execution of the study MED's MLE advisor will keep in contact with Keells.
- Keells is uncertain about arranging accommodation and food for the advisors in Colombo and in the field while they are conducting their work and clarification needs to be reached.
- Keells will provide transport and office logistics to the advisors during their stay in Sri Lanka.
- To carry out the assignment historical data and previous studies relating to fruit production, harvesting, marketing, and processing in Sri Lanka should be identified and assembled by the Keells counterparts before the advisors arrive in Sri Lanka.
- The joint team of advisors and Keells counterparts will prepare a pre-feasibility document that will detail the viability of the project under study.
- To share information learned Keells will assign a counterpart to work with each advisor. Also, before the advisors depart, MED together with Keells will arrange for a seminar at which the advisors will share insights on the fruit industry world wide and in Sri Lanka. In this way the lessons learned will be shared.

MARD is currently conducting papaya trials in system B. While these trials have been limited, both positive and negative findings will be of valuable benefit to the Keells advisors. The advisors to be placed with Keells will be developing information on the commercial production of mango, papaya, guava, and pineapple, therefore, any lessons learned by the MARD team on these crops should be shared and benefitted from.

The SRD MED marketing team will be conducting work on the markets for dried fruits and fruit pulp. The findings of this work will be valuable to preparation of the pre-feasibility study; therefore, the Keells advisors should coordinate the market work and contacting they do with that of SRD.

b) **Shared Cost Component:**

The project has a shared cost component. MED can assist by identifying the two advisors in fruit industry production and processing, and paying both their salaries and costs to bring them to Sri Lanka. It is proposed that the pioneer investor pay for accommodation and logistical support for the persons while in the country. Also, they will make counterparts available to work with the expatriate advisors on the pre-feasibility study team. This is important as the local staff will gain on-the-job training from the advisors, will be fully involved in the project and, understand it's concept. This will be important for Keells as they enter the implementation phase. The details of the proposed cost sharing is set out below as a part of the estimated budget for the project.

6. **Budget:**

An estimated budget for this PIP is set out below:

- **Staffing: Expatriate**
    - Fruit Processing Technologist and Industry Specialist (two months).
    - Fruit Production Agronomist and Procurement Specialist (two months).
  - **Staffing: Local**
    - Two local counterparts would be selected by Keells to work with the team. Also Keells business development department will be responsible for managing the team and the final report.
    - Local secretarial support.
  - **Cost:**
    - . Technical assistance support and travel costs \$ 52,000 (ISTI contract).
    - . Contingency (15% of MED participation) \$ 7,800
- Total MED Share \$ 59,800**

. Local Keells participation as follows:	
. Accommodation and food while in Sri Lanka	\$ 10,000
. Local office and transport logistical support	\$ 5,000
. Staff and labor input	\$ 2,500
. Documentation preparation support (Keells)	\$ <u>500</u>
Total Keells Share (estimate)	\$ 18,000
Total Cost (MED plus Keells Estimated Share)	\$ 77,800

**7. Investor Group:**

**Name:** John Keells Holdings

**Address:** P. O. Box 76  
130 Glennie Street, Colombo 2, Sri Lanka.

**Contact:** Mr. Jagath Fernando, Director  
Mr. Ranel T. Wijesinha, Director Business Development

## APPENDIX A: CRITERIA

In an effort to assure proper selection each PIP will be judged against criteria felt to be most important. The criteria include:

- Does it lower risk or reduce extraordinary costs for *pioneer investors* where lessons learned can be shared with other pioneer investors?
- Does it *stimulate* a potentially profitable industry?
- Does it help eliminate a *key* barrier in the producer to consumer agribusiness system preventing new or expanded pioneer investment?
- Does it provide *opportunity* through outgrower schemes for Mahaweli settlers?
- Does it support Mahaweli *development* objectives of expanding employment and income through backward and forward linkages?
- Does it have an identified *shared* cost component for pioneer investors?
- Does it support pioneer investors that have *financial capacity* to implement an investment?
- Does it introduce a *new technology* that can be *widely* disseminated and used throughout the Mahaweli?
- Does it satisfy *USAID requirements* of Gray, Bumpers, etc. amendments?
- Does it include anything *not permitted* under the MED project?

After each PIP suggestion has been evaluated against this set of criteria it is felt that the highest priority activities will have been chosen.

## APPENDIX B

### TERMS OF REFERENCE

FOR:	Fruit Processing Technologist and Industry Specialist
DURATION OF SERVICES:	2.0 months
COUNTERPARTS:	Keells Business Development Department
RESPONSIBILITIES:	The advisor shall have overall knowledge of the fruit processing business from production of raw materials through to marketing of product. This advisor will help conceptualize the projects design as well as conduct market and technology activities associated with the project.

#### Specific responsibilities will include:

- Reviewing the existing activities of fruit processing companies presently operating in Sri Lanka, particularly the Mahaweli to determine capacity, technology employed, product types produced, constraints, market focus and general competitive position in the Sri Lankan industry;
- Conceptualizing and designing the project parameters around which the project financial analysis will be based;
- Detailing the appropriate technologies to use for drying and pulping operations, developing facility and equipment requirements and their costs;
- Preparing market information in coordination with that developed by SRD as a part of their MED marketing contract and helping to identify companies that could be buyers and possibly equity partners;
- Assisting with the financial analysis;
- Other duties as mutually agreed.

## QUALIFICATIONS:

The Fruit Technology advisor will ideally have a post-graduate degree in food technology and/or food engineering. He (she) will have had between five and ten years of direct experience with: (i) hands on experience working a fruit processing production line; (ii) experience in planning and managing project feasibility studies; (iii) broad based knowledge of the key fruit industry companies internationally and how they conduct business; (iv) experience in project conceptualization, analysis and design; (v) working familiarity with facility layout and costing; (vi) knowledge of equipment requirements and costs; (vii) and familiar with spreadsheet programs and project writing.

## APPENDIX C

### TERMS OF REFERENCE

FOR:	Fruit Production Agronomist and Procurement Specialist
DURATION OF SERVICES:	2.0 months
COUNTERPARTS:	Keells Business Development Department
RESPONSIBILITIES:	The advisor shall have overall knowledge of analyzing raw material procurement and production to serve fruit drying and/or pulping processing operations. This advisor will review the existing raw material situation as well as production potential in the Mahaweli and develop schemes that will assure supply to a proposed processing facility. He (she) would work closely with the fruit processing advisor and other team members.

Specific responsibilities will include:

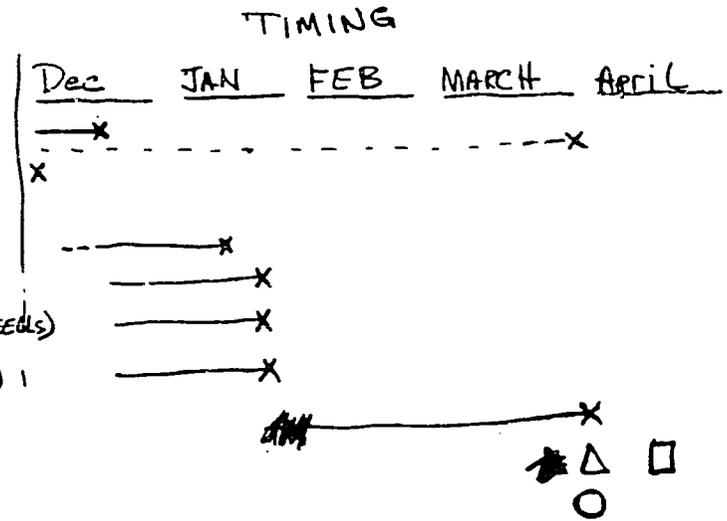
- Being an integral and active member of the team conducting the pre-feasibility study and working closely with the Keells counterpart;
- Reviewing existing data on the historical production of mango, banana, guava, papaya and other possible fruits for processing as well as production practices presently and those recommended by local groups that have had experience in Sri Lanka;
- Determining and detailing raw material procurement strategy including whether raw materials are available in sufficient supply to support a processing facility or whether plantations will need to be developed;
- Preparing design and cost details for the establishment of fruit tree plantations if necessary to supply a processing facility;
- Assisting with the financial analysis;
- Other duties as mutually agreed.

**QUALIFICATIONS:** The Fruit Production and Procurement advisor will ideally have a university degree in pomology, horticulture or agronomy. He (she) will have had between five and ten years of direct experience with: (i) procuring raw materials for a food processing firm; (ii) experience in planning and managing fruit plantations in tropical countries; (iii) experience in project analysis work would be helpful but not essential; (iv) demonstrated ability to work with others; (v) and ability to prepare documents required to complete a pre-feasibility report.

~~LEADS/ALWAYS~~ WP - (LANDSCAPE PRINT)  
 Schedule A - Project Implementation Schedule - Keells

Key Tasks:

- Gain PIP Approval
- On going interaction with pioneer investors
- Prepare Terms of Reference for Advisors (MED)
- ~~Identify~~ Search for and Find Advisors (MED)
- ENSURE Advisors Living Arrangements in SRI LANKA (KEELLS)
- ENSURE Transportation and office Logistics are arranged (KEELLS)
- Gather existing local agricultural, market, etc. Information (KEELLS)
- Advisors conduct work in SRI LANKA
- PREPARE PRE-FEASIBILITY REPORT (Draft Δ, Final □)
- ARRANGE FOR PRESENTATION ON PROJECT FINDINGS ○



- Key:
- Δ TARGET FOR DRAFT Report
  - TARGET FOR Final Report
  - Presentation
  - X Completion
  - Intermittent
  - Execution

**MAHAWELI ENTERPRISE DEVELOPMENT PROJECT**

**PRE-INVESTMENT PROGRAM DOCUMENT**

**SILVER SKIN ONIONS**

NOVEMBER 21, 1990

**Proposed Pre-investment Program**

**1. Objectives and Concept:**

The objective is to provide assistance to help obtain seed, develop proper production (seed bed preparation, direct seeding practices, correct soil moisture management), harvesting, post harvest handling and preparation for processing technology to enable commercialization of silver skin cocktail type onions on outgrower schemes in the Mahaweli. Silver skin onions is the product of choice as some Sri Lankan gherkin producers have buyers that are ready to purchase silver onions if they can be supplied by Sri Lankan producers.

To help provide the necessary assistance MED plans to work with a targeted private sector firm that can utilize what is learned and spread the help to their outgrowers and other gherkin firms. The targeted firm of choice is Volanka /Hayleys. This firm is chosen because they are a successful leader in the gherkin industry and the most immediate need they have is to learn how to produce silver onions on a commercial scale. Also by growing silver onions it will permit them to build on process technology they use to process gherkins and expand their support of outgrowers.

This assistance will help them and their 700 to 800 outgrowers by providing a crop other than gherkins to grow. It will help remove risks for them and their outgrowers by reducing dependency on a single crop.

The help MED proposes to provide is a commercial onion production advisor to work with Volanka for a growing season. This advisor will work with Volanka staff (65 extension agronomists will learn) to develop commercial production practices that can be duplicated on their and outgrower lands. The advisor will work at selected trial scale plots in system C, Uda Walawe and system B where Volanka has lands in the Mahaweli.

**2. Rationale:**

The principal rationale supporting this project include:

- The market for silver skin cocktail type onions is available to Volanka via their present buyers in the United States and Europe. It is a high value market similar to gherkins but, because fewer competitors are active in the market it is more stable than the gherkin market. In addition to Volanka other Sri Lankan gherkin processing firms can participate in this market if competitive.

- Volanka is actively seeking ways to diversify gherkin production operations in order to spread the marketing risk associated with being a one crop producer.

They view the successful development of this project as a means to diversify into an alternative cropping option that will help stabilize theirs and outgrower incomes. Also, this project can assist the other 4 to 5 gherkin firms that are looking for similar diversification opportunities.

- This project will introduce improved silver skin onion production, harvesting and post harvest technology to Sri Lanka.
- The expected arrangement for management of silver skin onions is as an integrated operation where Volanka will manage a nucleus estate and involve upwards of 400 to 600 outgrowers on a contract or participatory basis. The details of the arrangements will be similar to those used by Volanka with gherkin outgrowers. Also, it will provide MED with information that can be useful to other investors and outgrowers that may want to enter the Mahaweli.
- Volanka, if the project is technically and financially viable, has the capacity to implement the project successfully. Volanka has several other agribusiness activities in Sri Lanka and is one of the most successful gherkin producing companies. Volanka has worked very successfully with gherkin outgrowers in the Mahaweli and has a committed interest in building even stronger relationships with outgrowers.
- Profitability of silver skin onions can be four (4) times those of regular bulb onions. Estimates set out in appendix A suggest the grower can realize gross earnings of 110,000 Rp's per acre in a good season. This is much more than the Rs 5,000 per acre he can realize on paddy. It can be a good business for the small farmers of the Mahaweli.

In fact, if production of silver skin onions can be mastered it can become more important as an earner than gherkins- to both outgrowers and, to the country as a foreign exchange earner. It can yield revenues that are 60-65% higher than those of gherkins.

While the production of silver skin onions can be profitable if produced properly they can also be unprofitable if proper practices are not followed. Therefore, we caution against thinking that this activity is easy. It is not and great skill is required.

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**3. Incomes and Employment:**

The assistance provided will help to support Mahaweli development objectives of expanding employment and income. Silver skin onions are a labor intensive crop on a seasonal basis and as such it will provide employment for surplus farm labor. It is not likely to add new workers to the roles of each farm but it will make fuller use of existing farm family labor. During the harvest season when labor requirements are highest off-farm labor may be used. If the venture is successful upwards of 5000 to 6000 jobs could be created seasonally.

It is a high value crop and as such will help to increase farmer incomes. As mentioned above a properly produced crop can result in gross returns of 110,000 Rp's per acre. This is about 20 to 22 times the return from paddy which is Rs 5,000 net per acre. This increased income at the farm level will give farmers more disposable income and its multiplier can be 3 to 4 times in the non-farm economy.

**4. Gray, Bumpers and Lautenberg amendments:**

It meets USAID requirements as regards the Gray, Bumpers and Lautenberg amendments.

**5. Pre-Investment Program Implementation and Cost Sharing Arrangements:**

a) *Implementation:*

MED will work together with Volanka to implement this project. The implementation tasks are set out on schedule A. A brief discussion of how each is to be accomplished is set out below.

- Submit PIP document to EIED, USAID and Volanka for approval.
- The terms of reference and description of the person sought is attached to this PIP description document.
- The ISTI MED team will conduct the search for the advisor, submit names to Volanka and USAID for approval and confirm with advisor once nominated.

- For the trials several seed varieties will be tested. Once the advisor has been selected he or she will identify the most appropriate varieties and arrange for their purchase and have them sent to Sri Lanka before his departure to Sri Lanka.
- Once the advisor is found ISTI MED will tell the advisor what conditions presently prevail on the farm tacks where he will work.

Based on this information ISTI MED will ask he or she to provide a list of the equipment necessary to carry out the work before departing to Sri Lanka. Volanka has indicated that they have tractors, plows, harrows, sprayers, trailers, hand tools and most of the equipment required. Once the list is obtained ISTI MED will work with Volanka to ensure additional equipment requirements are made available.

- Volanka indicates that they will work together with the Mahaweli authority to arrange for accommodations as they do not have surplus housing of their own. As they are headquartered in system B it might be possible to work out an arrangement with MARD. In any event Volanka will work this out. Volanka will provide food for the advisor.
- Volanka will provide transport and office logistics to the advisor during his stay in Sri Lanka.
- To share information learned Volanka will assign a counterpart at each site to work with the advisor. And the advisor will give training sessions to the 65 Volanka extension people as well as others that may be interested. The advisor will keep records of the practices employed and prepare a description of the most appropriate practices to follow on completion of the assignment. In this way the lessons learned will be shared.

**MARD is currently conducting silver onion seed farm trials and research trials in system B. While these trials have been limited, both positive and negative findings will be of valuable benefit to the Volanka advisor. The advisor to be placed with Volanka will be developing commercial practices that can be extended to outgrowers and he can build from lessons learned by MARD experience. When the advisor arrives he should plan to interact with the MARD research horticulturalist to be sure he has benefit of whatever experience they can provide.**

b) *Shared Cost Component:*

The project has a shared cost component. MED can assist by identifying the production advisor, paying his salary, and cost to bring he or she to Sri Lanka. In addition MED should provide the seed materials required by the advisor.

The pioneer investor will arrange local living costs, and pay for logistical support of the person while in Sri Lanka. Also, the pioneer investor will provide the land, equipment, counterparts, labor and the inputs used to produce the crop trials.

They will make staff people available to work with the advisor to gain on-the-job training. Their share in the project will be significant as they have already made major investments in developing their land and staff. The details of the cost sharing are set out below as a part of the estimated budget for the project.

6. **Budget:**

An estimated budget for this PIP is set out below:

•	Technical assistance support and travel costs (ISTC contract).	\$48,000	(ISTC)
•	Local Volanka participation as follows:		
•	Accommodation and food while in Sri Lanka say	\$ 2,000	
•	Local office and transport logistical support	\$ 4,500	
•	Staff and labor input	\$10,000	
•	Production inputs (fertilizer, herbicides, pesticides, machinery, equipment time, etc.)	\$ 6,000	
•	Documentation preparation	\$ 500	
	Contingency (15% of MED participation)	<u>\$ 7,200</u>	
	Total Cost	<u>\$78,200</u>	

MED Share	\$55,200
Volanka Share (estimated)	\$23,000 =====

**7. Investor Group:**

**Name:** Volanka/Hayleys

**Address:** Hayleys Limited  
P.O. Box 70  
400, Deans Road  
Colombo 10, Sri Lanka

**Contact:** Mr. S. Mendis, Group Executive Director  
Mr. Anil C. Wikramanayake, Director/General Manager of  
SUNFROST Limited.

## APPENDIX A

### ESTIMATED COSTS AND RETURNS OF SILVER ONION PRODUCTION

<u>INCOME:</u>	<u>\$</u>
Average yield per acre (8000 kg) x Estimated farm price(20Rp's)	160,000
 <u>OPERATING COSTS:</u>	
Land and Bed Preparation	2,600
Seed Material	29,500
Seeding	2,500
Fertilizer	2,800
Weed Control	4,250
Pest/Disease Control	1,250
Water Management	1,300
Protection against Birds	1,500
Harvesting	1,300
Post harvest handling	<u>3,000</u>
 <b>TOTAL COST</b>	 50,000
 <b><u>GROSS MARGIN BEFORE INTEREST AND TAXES</u></b>	 110,000

Source: MED Team Estimate

## APPENDIX B: CRITERIA

In an effort to assure proper selection each PIP will be judged against criteria felt to be most important. The criteria include:

- Does it lower risk or reduce extraordinary costs for *pioneer investors* where lessons learned can be shared with other pioneer investors?
- Does it *stimulate* a potentially profitable industry?
- Does it help eliminate a *key* barrier in the producer to consumer agribusiness system preventing new or expanded pioneer investment?
- Does it provide *opportunity* through outgrower schemes for Mahaweli settlers?
- Does it support Mahaweli *development* objectives of expanding employment and income through backward and forward linkages?
- Does it have an identified *shared* cost component for pioneer investors?
- Does it support pioneer investors that have *financial capacity* to implement an investment?
- Does it introduce a *new technology* that can be *widely* disseminated and used throughout the Mahaweli?
- Does it satisfy *USAID requirements* of Gray, Bumpers, etc. amendments?
- Does it include anything *not permitted* under the MED project?

After each PIP suggestion has been evaluated against this set of criteria it is felt that the highest priority activities will have been chosen.

## APPENDIX C

### TERMS OF REFERENCE

FOR:	Technical Assistance Advisor on silver skin onions.
DURATION OF SERVICES:	4 - 5 months
COUNTERPARTS:	Volanka field managers
RESPONSIBILITIES:	The advisor shall have overall knowledge and experience required for the production, harvesting, post harvest handling and preparation for processing of silver skin onions.

Specific responsibilities will include:

- the procurement of several seed varieties that can be successfully grown in dry tropical conditions;
- the development of proper silver skin onion production including seed bed preparation, direct seeding practices, and correct soil moisture management;
- the harvesting of silver skin onions including the proper practices for the removal from beds and selection of desired sized onions for the market;
- the post harvest handling and preparation for processing technology (peeling, brining and processing) to enable commercialization of silver skin onions on outgrower schemes in the Mahaweli regions; and
- the participation in any other activities as mutually agreed.

## QUALIFICATIONS:

The silver skin onion advisor will ideally have a Bachelor of Science degree in Agronomy or Horticulture. He (she) will have had between five and ten years of broad and direct experience with: (i) hands on experience producing silver skin onions under sub-tropical and or tropical conditions; (ii) plant bed design and seeding; (iii) experience in seeding for proper plant population; (iv) irrigation techniques required for successful production of silver skin onions; (v) knowledge of suitable silver skin onion varieties and pre-knowledge of varietal behavior; (vi) access to commercial seed sources; (vii) a good knowledge of harvesting and post harvest product handling; and (viii) hands on experience in utilizing farm equipment and the mechanical aspects of plant bed shaping and culture including knowledge of spraying for disease and pests.

# SubA - Project Implementation Schedule - Volanka

Tasks:

Final PIP Approval  
 Prepare Terms of Reference (MED)

Search for and find Advisor (MED)

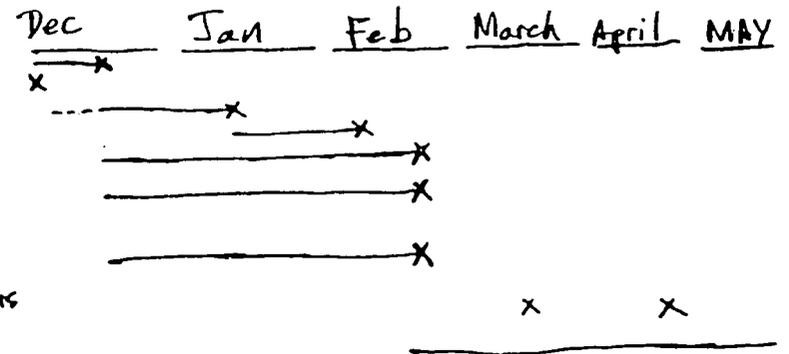
Arrange for several varieties of feed  
 Ensure equipment required is available (VOLANKA)

Ensure advisors living arrangements in Sri Lanka (VOLANKA)

Ensure transportation and office logistics are arranged (VOLANKA)

Establish means for sharing information learned (MED/VOLANKA) seminars

ADVISORS PERIOD OF SERVICE IN SRI LANKA



Key: x Completion  
 --- Intermittent  
 — Execution

JUNE JULY

x x x

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**MAHAWELI ENTERPRISE DEVELOPMENT PROJECT**

**PRE-INVESTMENT PROGRAM DOCUMENT**

**FRUIT PACKING BOXES**

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NOVEMBER 21, 1990

**Proposed Pre-Investment Program**

1. **Objectives & Concept:**

The objective is to provide assistance to help develop a non agricultural business in Uda Walawe with capability to produce wooden fruit boxes for support of an integrated fresh fruit production, harvesting, packing, and export operation in the region. It aims to remove a serious market barrier to exporting fresh fruit to Europe by providing an essential upgrade packing material. With the wood box a differentiated positive high quality market image for Sri Lankan fruit products is sought. It is felt a wooden box will improve on the low quality cardboard box presently used. Several start-up risks exist for the box plant that MED can help share. The principal risks are, assurance of a market, guidance in how to set up the plant, design for the boxes, ability of the plant to meet production requirements during the first season, and having a long term supply of the necessary raw materials required to build the boxes. This project will aim to help a local sawmiller in Uda Walawe put in place the capacity to produce these wooden boxes.

To help provide the necessary assistance MED plans to work with a private sector firm that can utilize what is learned and begin to operate the box business in the Mahaweli. The firm identified and with whom SRD (MED Marketing contractor) will initiate test product in early 1991 is Adassa Timber Works. This firm is chosen because it is a Mahaweli firm located in Uda Walawe at Embilipitya near where the fruit packing and exporting activity is to take place in early 1991. Adassa is a modest sawmilling and furniture making operation. It's manager is interested in the box project, has the land to put the box plant on, feels confident that he can obtain the wood required, and has the people with skill that can be trained to build boxes. Also, he indicated that he would have funds required to participate on a shared cost basis. Finally, helping an established business in the Mahaweli further develop it's activities is a basic objective of our project.

The help MED proposes to provide includes provision of appropriate technical assistance to orient box design put in place by SRD during their test, guidance in purchase of equipment, most efficient layout of the plant, setting up the equipment and training labor in how to build the boxes. In addition the boxes will be test marketed with fruit to Europe to be sure the product arrives properly and the package is acceptable.

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2. **Rationale:**

This principal rationale supporting this project include:

- The market for the boxes will be initially assured by the fruit producer/export company(s) to be assisted under another "cold chain" PIP being planned for the Uda Walawe region. In the first year of operation it is intended that up to ten containers of bananas, and ten containers of melons will be shipped by the two companies considering the producer/export opportunity for fruit. These projects are estimated to require 40,000 boxes in the first season (40 containers/season x 1,000 boxes/container)

Therefore, the combined requirements of the two producer/exporters in the first year will provide a market for the plant. Also, if the box plant gets started they will most likely be able to sell to other exporters in Sri Lanka. An export business for disassembled boxes may also be developed in selected specialty markets. The market for this venture seems assured as an integral part of the "cold chain" PIP.

- Successful development of this project will provide an integral link in building a sound integrated fresh fruit producer/export business. It will help ensure a high value market for the fruit products of the producer/exporters and outgrowers associated with the project in Uda Walawe.
- Mahaweli lands that remain available for transfer to investors are primarily lands that are off the main canal systems and non-irrigated. Tropical fruit tree crops can be grown on these lands using drip irrigation systems; therefore, success of a supported producer/ exporter fruit business will help increase utilization of the Mahaweli land resources and permit the transfer of non-irrigated areas to outgrowers.
- The expected management of this project is to come from Adassa Timber Works. Adassa will manage the project but, because it is a new business for them MED, via this PIP, plans to support the management team in the early start-up period with technical assistance. Similar small scale plants started by SRD in other countries suggests that a firm like Adassa can handle this operation without difficulty. Adassa has successfully operated it's existing saw mill business.

- The box plant is expected to be a profitable venture (Appendix A). As shown the project on the downside will result in a gross margin before interest and taxes of \$27,200. This is nearly sufficient to pay for all the first year facilities and equipment investment. This project is dependent on the execution of the two fruit "cold chain PIP" projects and as such the minimum box purchase, on which profitability is based, is assured. Every effort to protect this medium sized company from a failed investment should be made; therefore, it's development should be coordinated with the related "cold chain" PIP projects.

### **3. Incomes and Employment:**

The assistance provided will help to support Mahaweli development objectives of expanding employment and income. The proposed box plant, a non-agricultural business, is expected to employ 15 to 25 people off-farm. In addition the box operation as a direct support activity to fruit production, harvesting, packing and export will indirectly provide employment for labor associated with producing and harvesting 40 to 60 hectares of bananas and their transport. It is not likely to add new workers to the roles of each farm but it will make fuller use of existing farm family labor. During the harvest season when labor requirements are highest off-farm labor may be used.

This project will help to stabilize outgrower incomes as it will provide, through its indirect support, to banana, melons, mango, and other fresh fruits for export alternative cropping options to outgrowers in the Uda Walawe region. These crops are high value and as such will help to increase outgrower incomes. A properly produced crop can result in gross returns of over Rs.150,000 to 175,000 per acre. This is about 30 to 35 times the return from paddy. This increased income at the farm level will give farmers more disposable income and its multiplier can be 3 to 4 times in the non-farm economy.

### **5. Pre-Investment Program Implementation and Cost Sharing Arrangements:**

MED will work together with Adassa Timber to carry out this project. The tasks to be conducted are set out on schedule "A". A brief discussion of how activities are to be implemented and what cost sharing items the respective parties will provide is set out below.

- Submit PIP document to EIED, USAID and Adassa for approval.

- The terms of reference and description of the persons sought is attached to this PIP description document.
- The MED team will conduct the search for the advisor, submit names to Adassa and USAID for approval and confirm arrangements with the advisors once nominated.
- During the development stages and execution of the study the MED's MLE advisor and EIED staff will keep in contact with Adassa.

MED will provide technical assistance, training materials and market testing as follows:

- international travel for the technicians.
- accommodation for the advisors in Colombo and in the field while they are conducting their work as well as food and other personal needs for the advisors while in Sri Lanka.
- local transport and office logistics to the advisors during their stay in Sri Lanka.
- both domestic and international transport to test products, materials and equipment.

Adassa will provide the following:

- construction of factory building and storage facility for inventory.
- connection of electricity.
- production equipment, jigs, saws etc.,
- box assembly tools, tables etc.,
- miscellaneous items and contingencies.
- staff to work with the advisors/ technicians to gain on-the-job training. Adassa will allow other interested box producers to visit their factory for a half day on a weekly basis to participate in hands on training. In this way the lessons learned will be shared.

The details of the cost sharing are set out below as a part of the estimated budget for the project.

6. **Budget:**

An estimated budget for this PIP is set out in Appendix A.

7. **Investor Group:**

Name: Adassa Timber Works  
Address: Embilipitiya, Uda Walawe  
Contact: Mr Dharma Dasa

## APPENDIX B: CRITERIA

In an effort to assure proper selection each PIP will be judged against criteria felt to be most important. The criteria include:

- Does it lower risk or reduce in extraordinary costs for *pioneer investors* where lessons learned can be shared with other pioneer investors?
- Does it *stimulate* a potentially profitable industry?
- Does it help eliminate a *key* barrier in the producer to consumer agribusiness system preventing new or expanded pioneer investment?
- Does it provide *opportunity* through outgrower schemes for Mahaweli settlers?
- Does it support Mahaweli *development* objectives of expanding employment and income through backward and forward linkages?
- Does it have an identified *shared* cost component for pioneer investors?
- Does it support pioneer investors that have *financial capacity* to implement an investment?
- Does it introduce a *new technology* that can be *widely* disseminated and used throughout the Mahaweli?
- Does it satisfy *USAID requirements* of Gray, Bumpers, and Lautenberg amendments?
- Does it include anything *not permitted* under the MED project?

After each PIP suggestion has been evaluated against this set of criteria it is felt that the highest priority activities will have been chosen.

## **APPENDIX: C**

### **TERMS OF REFERENCE**

<b>FOR:</b>	<b>Box Production and Equipment Technician</b>
<b>DURATION OF SERVICES:</b>	<b>3 months</b>
<b>COUNTERPARTS:</b>	<b>Adassa Timber Mill Workers</b>
<b>RESPONSIBILITIES:</b>	<b>The technician shall have overall knowledge of the woodworking and wood business including: timber drying processes, the flexibilities and tensities of selected box wood varieties and understand the characteristics of the wood he (she) is working with. The technician will also have a firm knowledge of timber mill equipment layout, assembly tools and equipment required in box making.</b>

#### **Specific responsibilities will include:**

- \* determining and developing equipment and facility requirements and their subsequent servicing;**
- \* directing equipment procurement;**
- \* laying out of the equipment in the mill;**
- \* detailing the appropriate technologies for using woodworking equipment;**
- \* initiating test runs with on the job training;**
- \* supervising and assist the mill workers in box production;**
- \* Other duties as mutually agreed.**

## QUALIFICATIONS:

The box production and equipment technician will have had between five and ten years of direct experience with: (i) practical experience in wood-working equipment and production lines; (ii) working familiarity with equipment and facility layout and servicing; (iii) managing woodmill staff; (iv) varied experience in wood-working design and production; and (v) knowledge of equipment requirements and costs.

## **APPENDIX D**

### **TERMS OF REFERENCE**

<b>FOR:</b>	<b>Forester/Wood Procurement Expert</b>
<b>DURATION OF SERVICES:</b>	<b>2 months</b>
<b>COUNTERPARTS:</b>	<b>Adassa wood procurement manager</b>
<b>RESPONSIBILITIES:</b>	<b>The advisor shall have overall knowledge of forest resource management, silvicultural practice, and have an ability to prepare an assessment of the wood supply available within a 30 to 50 mile radius of Embilipitya.</b>

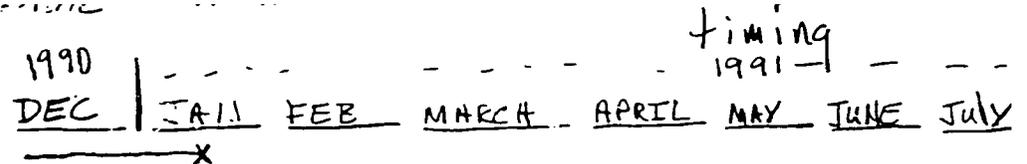
**Specific responsibilities will include:**

- **Conducting an inventory of the forest resources in the Embilipitya region using available aerial photographs, and documentation prepared by local and international forest resource organizations;**
- **Conducting inspection surveys in the region and interviewing with the logging people in the area to obtain a practical view of wood supply opportunities and issues;**
- **Evaluate the possibility of establishing a suitable plantation on Mahaweli land that could supply the needs of the box plant proposed;**
- **Conceptualizing and designing the project parameters around which the project report will be prepared;**
- **Reporting findings to MED EIED;**
- **Other duties as mutually agreed.**

**QUALIFICATIONS:** The Forester will ideally have a post-graduate degree in forest mensuration and silviculture. He (she) will have had between five and ten years of direct experience with: (i) hands on experience in conducting forest resource evaluations; (ii) practical wood procurement experience; (iii) broad based knowledge of the forest sector in Sri Lanka; (iv) and tropical forest plantation implementation experience; (v) and familiar with project report writing.

PROJECT IMPLEMENTATION SCHEDULE

TASKS:

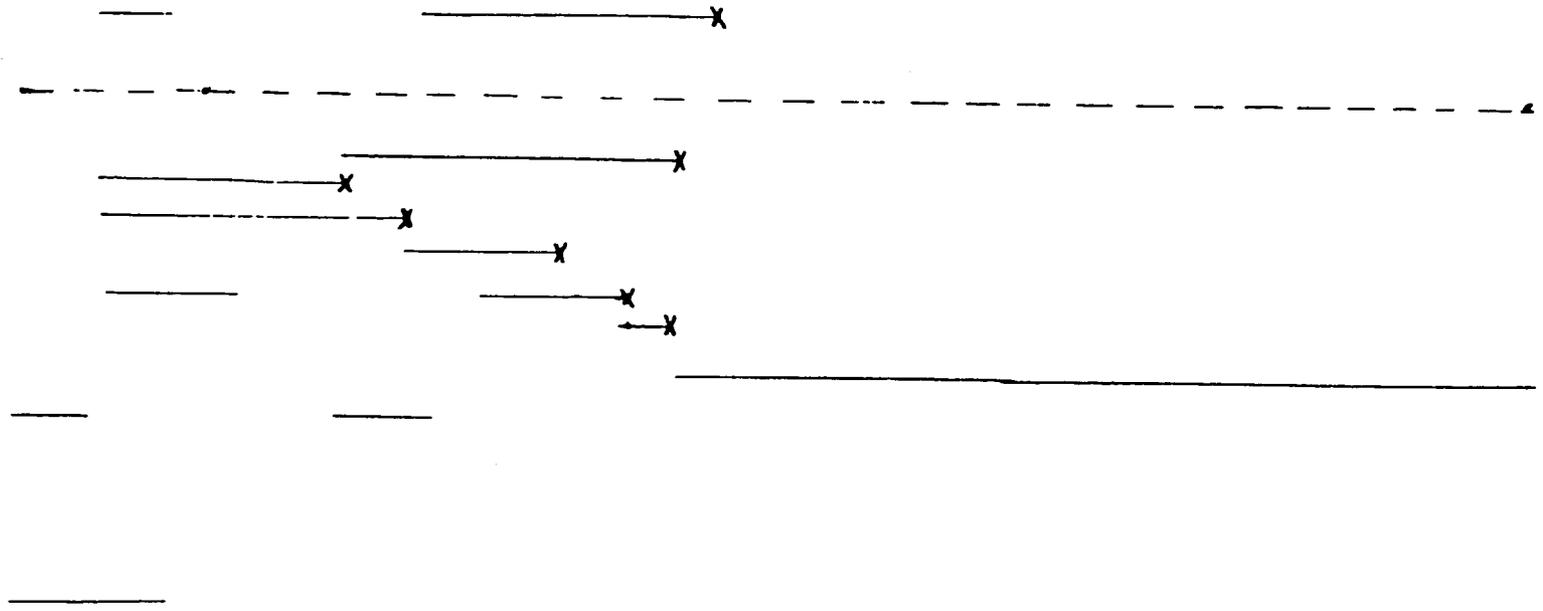


- G.I.I.I. VIP APPROVAL
- PREPARE TERMS OF REFERENCES FOR ADVISORS:
  - Technician for Box design (SRD/FIRST PHASE) — X
  - Examine sustainability of wood supply (LOCALITY) — X
  - <sup>Box Production</sup> Facilities and Equipment Technician
- IDENTIFY ADVISORS
- Continuing Interaction with pioneer investor
- Factory, Equipment & Facilities CONFIRMED:
  - Site obtained and prepared
  - Electricity service & other utilities connected
  - Building space constructed
  - Equipment, Assembly tools & Fixtures
  - Production Test runs/Training
- Commercial Production
- Arrange Accommodations/Logistics
- Sharing Lessons Learned
- Market Testing the Boxes (SRD/First Phase)
- Obtain Land and Approval To Plant Trees

Key: Δ Targeted date for First commercial melon shipments  
 X Completion ~~date~~  
 --- Intermittent ~~activity~~  
 ——— ~~Task to be carried out~~ Executive

6/8

----- 1992 -----  
Aug Sept Oct Nov Dec | Jan Feb March April May June |



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94'