

CRUMB RUBBER FACTORIES, INDONESIA

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The Project

In 1968/69 Britain and France helped establish ten rubber plants in the Indonesian private sector to produce the more modern "crumb" rubber instead of traditional sheet rubber. A second phase, to establish 7 crumb rubber plants in the public sector, was approved in 1970 with help from ODA of some £400,000.

The Evaluation

The evaluation was done by Mr G Flynn of the Tropical Products Institute and was designed to determine the success of the project and the factors affecting success.

The Main Findings

- The main findings were that in the short term the project had not been an economic or financial success. The recession in trade and reduced demand for all rubber was compounded by the failure of demand for crumb rubber as against that for sheet to grow as anticipated. At the time of evaluation sheet rubber had a slight price advantage over crumb and the new plants were working at only 45% of capacity.
- When the Projects Committee of ODA considered this evaluation in 1977 it was pointed out that in the long run the project could be successful if crumb rubber prices moved above those for conventional rubber in the longer term. It is interesting that latest (1982) market information is that crumb rubber commands a slight price premium over sheet rubber of the same quality and this premium is expected to increase.
- The evaluation highlighted the need to have the best evidence available on price trends - in such a project the price of the product is all-important for profit or loss - but it must be accepted that price projections, however well based, are notoriously unreliable.
- A second general lesson is that there is danger in employing consultants in the preparation of a project who are too closely involved in developing innovative technology. Over time their enthusiasm for new products may well be justified but the market may take a long time to catch on.
- Thirdly, the project was carried out in two phases and evaluation of Phase 2 showed that it would have benefited from a more careful examination of the

lessons to be learned from Phase 1 and similar experience elsewhere, e.g. in Malaysia.

- Other important points concerned inadequate association of training with capital investment, failure to order sufficient spare parts, inadequate attention to marketing and particularly packaging costs and the valuable contribution which a better industrial extension service could have made to developing industrial skills in rural areas.

The Projects Committee of ODA considered all these points to have great potential relevance to similar projects and agreed in particular that appraisal must involve detailed studies of many aspects and visits to sites where local factors have great influence.