

Document:	<u>EB 2006/89/R.25/Rev.1</u>
Agenda:	<u>13(c)(iv)</u>
Date:	<u>14 December 2006</u>
Distribution:	<u>Public</u>
Original:	<u>English</u>

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Enabling the rural poor  
to overcome poverty

## **President's report**

### **Proposed loan to the Democratic Socialist Republic of Sri Lanka for the**

### **Smallholder Plantations Entrepreneurship Development Programme**

Executive Board — Eighty-ninth Session  
Rome, 12-14 December 2006

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For: **Approval**

## **Note to Executive Board Directors**

This document is submitted for approval by the Executive Board.

To make the best use of time available at Executive Board sessions, Directors are invited to contact the following focal point with any technical questions about this document before the session:

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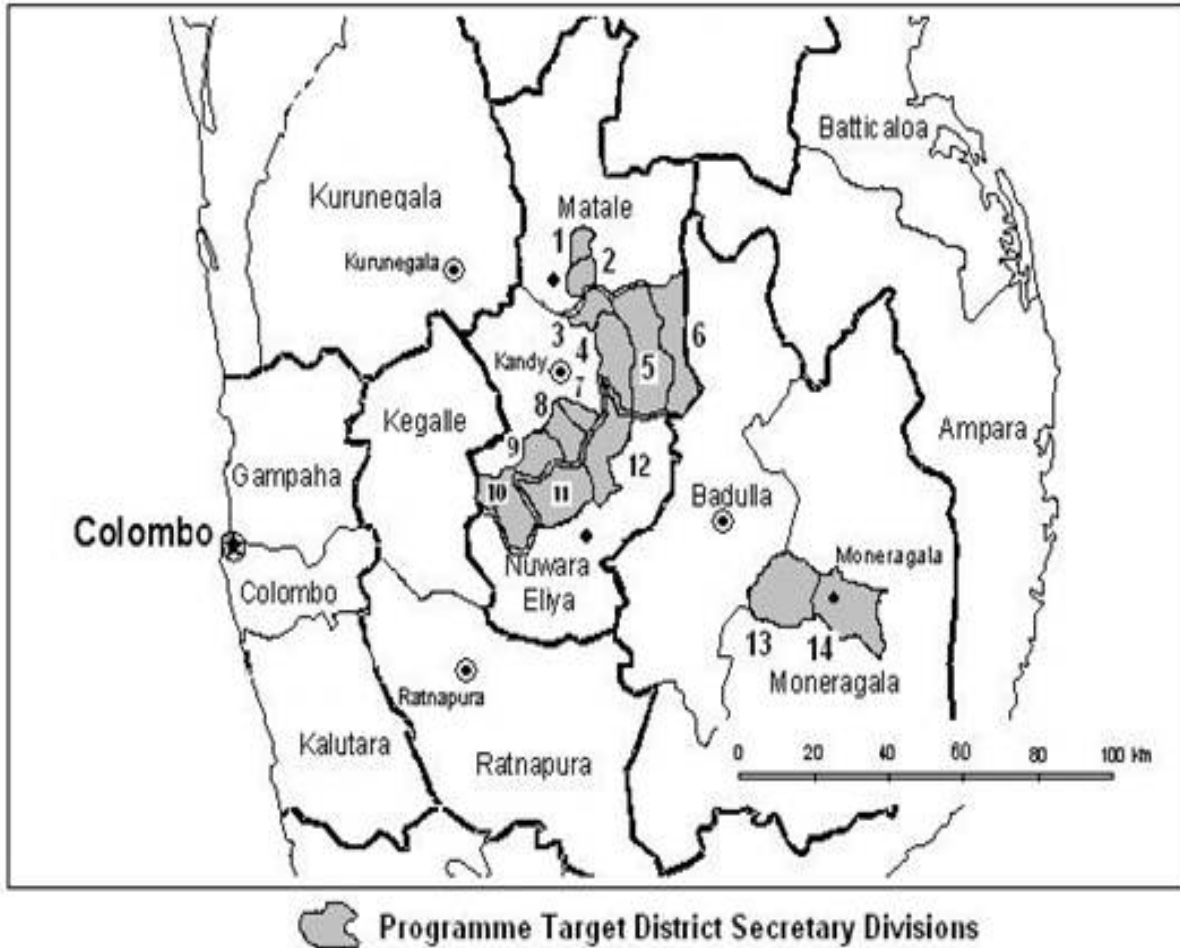
## **Recommendation for approval**

The Executive Board is invited to approve the recommendation for the proposed loan to the Democratic Socialist Republic of Sri Lanka for the Smallholder Plantations Entrepreneurship Development Programme, as contained in paragraph 35.

## Map of the programme area

### Map 1: Programme area priority District Secretary Divisions

(regional plantation company areas plus the non-viable estates currently run by state corporations, namely Elkaduwa Plantations Limited, Janatha Estates Development Board and Sri Lanka State Plantation Corporation, are not included)



**Map 2: Sri Lanka provinces and districts**



**Source:** IFAD

*The designations employed and the presentation of the material in these maps do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.*

## Democratic Socialist Republic of Sri Lanka

### Smallholder Plantations Entrepreneurship Development Programme

#### Loan summary

<b>Initiating institution:</b>	IFAD
<b>Borrower:</b>	Democratic Socialist Republic of Sri Lanka
<b>Executing agency:</b>	Ministry of Plantation Industries
<b>Total programme cost:</b>	US\$39.9 million
<b>Amount of IFAD loan:</b>	SDR 15.25 million (equivalent to approximately US\$22.5 million)
<b>Terms of IFAD loan:</b>	40 years, including a grace period of 10 years, with a service charge of 0.75 per cent per annum
<b>Cofinancier(s):</b>	United States Agency for International Development (USAID) Wellassa Rubber Company (WRC) Participating financial institutions (PFIs)
<b>Amount of cofinancing:</b>	USAID: US\$5.5 million WRC: US\$5.2 million PFIs: US\$1.9 million
<b>Terms of cofinancing:</b>	USAID: grant WRC: grant PFIs: loan
<b>Contribution of borrower:</b>	US\$3.8 million
<b>Contribution of beneficiaries:</b>	US\$1.0 million
<b>Appraising institution:</b>	IFAD
<b>Cooperating institution:</b>	Directly supervised by IFAD





# **Proposed loan to the Democratic Socialist Republic of Sri Lanka for the Smallholder Plantations Entrepreneurship Development Programme**

## **I. The programme**

### **A. Main development opportunity addressed by the programme**

1. Settlers in the non-viable tea estates under the resettlement schemes of the former National Agricultural Diversification and Settlement Authority (or the Hadabima Authority) and the Mahaweli Authority of Sri Lanka, as well as the landless in surrounding villages and smallholders in Moneragala district, are among the poorest households in the country. The programme addresses the needs of these poor groups through (i) support to the Government's policy of improving the productivity of the old tea plantation lands through the improvement of access rights to the lands by the poor using longer-term leases under outgrower schemes, coupled with crop diversification and increased access to tea markets and services; and (ii) support to new and diversified rubber-based cultivation by smallholders on an outgrower basis with full participation and cofinancing of the private sector. The programme consists of two subprogrammes, namely the mid-country tea outgrowers subprogramme and the Moneragala rubber smallholders subprogramme.

### **B. Proposed financing**

#### **Terms and conditions**

2. It is proposed that IFAD provide a loan in the amount of SDR 15.25 million (equivalent to approximately US\$22.5 million) to the Democratic Socialist Republic of Sri Lanka on highly concessional terms to help finance the Smallholder Plantations Entrepreneurship Development Programme. The loan will have a term of 40 years including a grace period of 10 years, with a service charge of 0.75 per cent per annum. It will be disbursed over 10 years and repaid in 60 equal biannual instalments on each 1 March and 1 September, commencing on 1 March 2017 and ending on 1 September 2046.

#### **Relationship to the IFAD performance-based allocation system (PBAS)**

3. The annual allocation defined for Sri Lanka under the PBAS is US\$3.96 million. However, pursuant to a reallocation within the region, Sri Lanka's allocation has been increased to US\$22.5 million.

#### **Country debt burden and absorptive capacity of the State**

4. Although Sri Lanka's 2003 external debt of US\$10.6 billion represented 58 per cent of GNP, its high concessional content led to a modest service charge of 11.6 per cent of export revenues. The country services its debts well and has a good absorptive capacity. Sri Lanka was the first country to benefit from an IFAD loan in April 1978. By July 2006 the Fund's total commitments to the country were US\$151.1 million in highly concessionary loans for 13 interventions, 9 of which have closed. The disbursement performance of Sri Lanka is relatively slow compared with the IFAD average. Repayment performance is excellent.

#### **Flow of funds**

5. The IFAD loan will be channelled through a special account run by the programme coordination unit from which disbursements will be made into the accounts of programme units and implementing agencies. Direct payment from IFAD to contractors and service providers is also foreseen when the amounts concerned are large enough to merit it.

**Supervision arrangements**

6. The programme will be directly supervised by IFAD. In keeping with the innovative character of the programme, joint IFAD-Government implementation reviews will be undertaken in programme years 3 and 7.

**Exceptions to IFAD General Conditions for Agricultural Development Financing and operational policies**

7. No exceptions are foreseen.

**Governance**

8. The following planned measures are intended to enhance the governance aspects of the IFAD loan: (i) programme accounts will be audited annually by Sri Lanka's Auditor General in accordance with IFAD's Project Audit Guidelines; (ii) the Auditor General will prepare a management letter after each audit, and supervision missions will report on the follow-up to the letter's recommendations; and (iii) procurement will be in accordance with the new IFAD guidelines.

**C. Target group and participation****Target group**

9. The programme will target approximately 8,700 households or 39,250 persons. They include tea estate settlers and marginalized smallholder tea producers in the mid-country region, plus poor upland foodcrop farmers in the intermediate zone of Moneragala district wishing to take up rubber cultivation.

**Targeting approach**

10. The target group was selected based on their level of poverty and vulnerability to poverty-inducing structural factors. The programme also emphasizes gender equity and empowerment, especially in land distribution and decision-making at all levels.

**Participation**

11. The programme will provide necessary institutional systems to sustain programme efforts/activities in the long term. It will strengthen the grass-roots institutions of the poor to increase their bargaining power and allow them to participate actively in decision-making at all levels. Small self-help groups, consisting of 10-30 people will be formed. They will be federated, on demand, at estate, divisional and district levels to increase their bargaining power. The groups will mobilize self-help, accumulate and manage savings, mobilize credit and other services, and take investment and other collective decisions at the community level. They will function as private companies that will develop assets and investments for profit making. They will deal with banks and other financial organizations, research centres and extension services, input suppliers, and marketing agencies to get services they need for their members. Individual families will become landowners and decide crop diversification matters with some assistance from the programme.

**D. Development objectives****Key programme objectives**

12. The goal of the programme is the sustainable improvement of livelihoods and social conditions of smallholder estate crop producers. Its key objectives are that (i) intended beneficiaries strengthen their capacity and skills, and build sustainable outgrower schemes with downstream processing enterprises; (ii) smallholder tea and rubber growers improve their land tenure and develop profitable and sustainable outgrower farming systems; (iii) producers obtain increased profits through improved post-harvest handling and marketing, as well as through mutually beneficial public-private partnerships; and (iv) rural financial services are developed and expanded.

### **Policy and institutional objectives**

13. The programme aims to introduce a new outgrower model based on improved access to land and markets, which if successful will lay the foundation for a broader restructuring of the whole sector, including the non-viable government-owned tea estates in the mid-country region. The improved access to estate lands by the smallholders and settlers will empower them and eventually improve their economic situation, as well as that of the estates. The Moneragala rubber smallholders subprogramme is effectively a value-chain development venture between the public and private sectors that will ensure smallholder rubber producers get secure markets with the private company partners, and vice versa.

### **IFAD policy and strategy alignment**

14. The overall goals of IFAD's country programme are rural poverty reduction and improving rural household food security. IFAD's country strategy for 2002-2007 identifies three niche sectors for support: (i) the dry zone, where the majority of the "structurally poor" are concentrated; (ii) the estate sector, where pockets of extreme and chronic poverty persist; and (iii) the coastal areas, where poor fishers work at subsistence level. The 2004 tsunami upset these priorities and led IFAD to support two interventions for rehabilitation and asset recovery. The present programme corresponds to the second sector. It reflects all three strategic objectives of the Strategic Framework for IFAD 2002-2006.

## **E. Harmonization and alignment**

### **Alignment with national priorities**

15. The programme supports the Government's recent policy statement that improvements in the performance of state plantation enterprises will be achieved through management reforms and improved efficiency in resource use, rather than through privatization. Financial and fiscal support is another policy instrument to achieve higher efficiency.

### **Harmonization with development partners**

16. The programme constitutes an initiative supported by several partners, including the United States Agency for International Development (USAID), the private sector, and local banks. It is in line with ongoing Asian Development Bank projects in the tea sector, but is the only external support proposed to face the challenges of the non-viable tea plantations and promote rubber cultivation.

## **F. Components and expenditure categories**

### **Main components**

17. The programme consists of the mid-country tea outgrowers subprogramme and the Moneragala rubber smallholders subprogramme. Each subprogramme includes components for: (i) community development and institution-building; (ii) outgrower and diversification development; (iii) processing and marketing; (iv) rural finance and credit; and (v) subprogramme management. The programme improves access to marginal estate lands by settlers and smallholders in adjacent villages, and supports diversification and the development of outgrower systems for tea and rubber. Farmer and community groups will be formed to organize input supply, extension, processing and marketing, savings and credit development, income-generating activities and social development. Tea and rubber factory management will be improved or developed through private management contracts and selected renovation of factories. Farmers' organizations and village groups will be linked to financial institutions to ensure sustainable access to the required financial resources. Each subprogramme will be managed by a programme management unit, while overall coordination will be ensured by the Ministry of Plantation Industries.

### **Expenditure categories**

18. The main expenditure items are civil works (8 per cent of the total cost); vehicles (2 per cent); equipment and goods (7 per cent); service contracts, technical

assistance, training and workshops (14 per cent); inputs and matching grants (37 per cent); credit (20 per cent); salaries and allowances (8 per cent); and operation and maintenance (4 per cent).

## **G. Management, implementation responsibilities and partnerships**

### **Key implementing partners**

19. Implementation will be coordinated by the Ministry of Plantation Industries. Implementing partners in the tea subprogramme will include the Tea Research Institute, the Department of Agriculture, the Department of Export Agriculture, the land commissioner, the Hadabima and Mahaweli Authorities, the Tea Small Holdings Development Authority, the Regional Development Department of the Central Bank, and province and district authorities. Partners in the rubber subprogramme will include the Rubber Development Department, the Rubber Research Institute, the land commissioner, the Central Bank of Sri Lanka's Regional Development Department, the Wellassa Rubber Company, the Agriculture, Export Agriculture, and Forestry Departments, and province and district authorities.

### **Implementation responsibilities**

20. Coordination and management will be the responsibility of the Ministry of Plantation Industries as the lead programme agency. Grass-roots institutions will be established by the respective NGOs; agricultural activities will be implemented and supported by the estate management, the technical departments and research institutions. The rural financial activities will be managed by the Regional Development Department of the Central Bank, and the Wellassa Rubber Company will establish a nursery and training farm, and provide funding for rural infrastructure and local processing and marketing activities.

### **Role of technical assistance**

21. Implementation support will be provided by reputable, qualified national consultants and institutions. In exceptional cases, external expertise will be mobilized. A large proportion of the USAID funding will be committed to technical assistance.

### **Status of key implementation agreements**

22. Memorandums of understanding will be drawn up with implementing agencies, as and when their services will be required. In addition, during the first year of the programme, a subsidiary loan agreement will be executed by the Ministry of Finance and Planning and the Central Bank for the implementation of the rural financial activities.

### **Key financing partners and amounts committed**

23. The total estimated programme costs are US\$39.9 million over the ten-year implementation period. The cost of the mid-country tea subprogramme is US\$9.9 million, and the Moneragala rubber subprogramme costs US\$28.7 million, with national coordination costing US\$1.3 million. Programme costs will be cofinanced by (i) an IFAD loan of US\$22.5 million (56 per cent of total costs); (ii) a USAID grant of up to US\$5.5 million (14 per cent); (iii) a Wellassa Rubber Company grant of US\$5.2 million (13 per cent); (iv) participating financial institutions with an amount of US\$1.9 million (5 per cent); (v) a beneficiary contribution of US\$1.0 million (3 per cent); and (vi) a Government contribution, in duties and taxes, of US\$3.8 million (9 per cent). All financing has been committed in principle.

## **H. Benefits and economic and financial justification**

### **Main categories of benefits generated**

24. The programme will benefit 8,700 households (39,250 beneficiaries) by increasing their agricultural production over 3,000 hectares under tea-based integrated farming systems and 3,800 hectares under rubber-based integrated farming systems. Its main quantifiable benefits include (i) increased production and quality of food crops, tea and rubber; (ii) increased income through value-adding

processing facilities for latex and other products; (iii) empowerment of the poor and their participatory social and economic development; and (iv) development of long-term profitable market linkages between producers and processors or buyers.

### **Economic and financial viability**

25. The overall economic internal rate of return of the programme is estimated at 16.5 per cent over a period of 25 years. The analysis indicates that the incremental fiscal burden is marginal in comparison with the benefits.

## **I. Knowledge management, innovation and scaling up**

### **Knowledge management arrangements**

26. Because of the innovative and policy-oriented character of the programme, provisions have been made to establish an effective monitoring and evaluation, and management information system, including Results and Impact Management System indicators. Annual participatory stakeholder planning and budgeting workshops will exchange information and review adjustments. Policy workshops on a series of issues will also be undertaken.

### **Development innovations that the programme will promote**

27. The programme introduces the outgrower model through the allocation of estate land to settlers and villagers, assists them to become smallholders and to become organized into grass-roots institutions for effective delivery of inputs, marketing and other essential services. It also builds social harmony between settlers and villagers. Some of these concepts have successfully been piloted on a small scale. The programme will upscale them. In the rubber sector, the programme will support the participation of the private sector in the development of smallholder production systems and in linking them with markets. It also promotes fair trade, organic certification and forward contracting with processing factories and buyers in order to access premium niche markets.

### **Scaling-up approach**

28. The programme is a self-contained set of activities, restructuring the tea estates currently used by settlers and smallholders. Successful results will influence government policy to extend the approach to larger areas, including the non-viable government-owned tea sector. Its long implementation period reflects the gestation period of plantation crops. Scaling up, therefore, may occur during programme implementation rather than at or after completion.

## **J. Main risks**

### **Main risks and mitigation measures**

29. The programme faces several risks. First, complicated procedures, coupled with institutional weaknesses and political interference, may hamper implementation of the terms and conditions of the lease agreements for the poor. To minimize this, the programme will prepare a model lease agreement acceptable to IFAD, the adoption of which will be in a form acceptable to IFAD. Second, disputes over land allocations between villagers in the mid-country are an underlying threat. To mitigate this, the programme design incorporates efforts to promote social harmonization. Third, former estate workers and settlers may avoid crop diversification and return to tea, because it provides a more secure source of income. To minimize this risk the programme will strengthen the diversification effort. Fourth, with successive changes in government, there are risks of policy shifts and reversals during the 10-year implementation period. Programme design allows for necessary adjustments to accommodate these possible changes.

**Environmental classification**

30. Pursuant to IFAD's environmental assessment procedures, the programme has been classified as a Category B operation in that it is not likely to have any significant negative environmental impact. The interventions proposed will be localized, labour-intensive, and largely of a soil rehabilitation and improvement nature. Furthermore, they will be based on careful land-use planning. The adoption of diversified crop models should slow down land degradation and improve biodiversity.

**K. Sustainability**

31. The proposed tea-based and rubber-based cropping systems are financially viable and ecologically sustainable. Grass-roots institution-building will ensure that the poor have platforms to continue effective people-centred development after completion. Marketing arrangements will provide sustainable market access for the poor, while linkages with the financial sector will ensure continued access to financial resources.

**II. Legal instruments and authority**

32. A loan agreement between the Democratic Socialist Republic of Sri Lanka and IFAD will constitute the legal instrument for extending the proposed loan to the borrower. A summary of the important supplementary assurances included in the negotiated agreement is attached as an annex.
33. The Democratic Socialist Republic of Sri Lanka is empowered under its laws to borrow from IFAD.
34. I am satisfied that the proposed loan will comply with the Agreement Establishing IFAD.

**III. Recommendation**

35. I recommend that the Executive Board approve the proposed loan in terms of the following resolution:

RESOLVED: that the Fund shall make a loan to the Democratic Socialist Republic of Sri Lanka in various currencies in an amount equivalent to fifteen million two hundred and fifty thousand special drawing rights (SDR 15,250,000) to mature on or prior to 1 September 2046 and to bear a service charge of three fourths of one per cent (0.75 per cent) per annum, and to be upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Lennart Båge  
President

## **Summary of important supplementary assurances included in the negotiated loan agreement**

(Negotiations concluded on 16 November 2006)

### **Subsidiary loan agreement**

1. The Government will enter into a subsidiary loan agreement (SLA) with the Regional Development Department (RDD) of the Central Bank for the implementation of the rural financing and credit component for both subprogrammes. The lead programme agency will submit a draft of the SLA to IFAD for approval before its signature. The SLA will provide, among other things, that:
  - (a) The Government will transfer available funds to RDD as a loan in accordance with the annual workplans and budgets and the Government's standard arrangements for development assistance.
  - (b) RDD will declare its commitment to the goals and purposes of the programme and, in furtherance of such goals and purposes, it will undertake to carry out the rural financing and credit activities in accordance with the loan agreement and the credit by-laws, which will be annexed to the SLA.

### **Revolving fund**

2. The RDD will establish and maintain a revolving fund into which all net revenues from credits extended directly or indirectly by the loan will be deposited. The revolving fund will be used to fund credits to participating financial institutions (PFIs) to be selected by RDD, until such date as will be specified in the relevant PFI subsidiary agreement or, if no date is so specified, until all loan service payments have been made in full. Each such selection will be subject to prior review and approval by IFAD. On-lending to eligible sub-borrowers, including grass-roots institutions, will be arranged by the PFIs, in accordance with the terms of relevant PFI subsidiary agreements.

### **PFI subsidiary agreements**

3. The terms and conditions of on-lending from RDD will be based upon the terms of PFI subsidiary loan agreements with the selected PFIs, and lending thereunder will be based on credit by-laws that will specify, among other things, the eligibility criteria of subloans and relending rates. The credit by-laws, substantially in the form approved by IFAD, will be applied to all credits extended to programme beneficiaries that are financed (directly or indirectly) by the loan.

### **Insurance of programme personnel**

4. Insurance of programme personnel against health and accident risks will follow the Government's customary practice in respect of its national public service.

### **Gender focus – Implementation**

5. The Government will ensure that implementation modalities will be gender-sensitive and that the programme parties will apply this principle in their activities. The Government will ensure that women beneficiaries are fully represented in all programme activities and that they receive appropriate benefit from the programme outputs.

### **Gender focus – Programme staffing and management**

6. The participation of women on an equal basis will be sought in the programme coordinating unit (PCU), subprogramme management units, and the subprogramme coordination committees. The selection and appointment of key programme staff (programme coordinator and subprogramme managers) will be conducted in a gender-sensitive manner. In the recruitment process, all things being equal, preference will be given to female candidates.

**Pest management practices**

7. As part of maintaining sound environmental practices, the programme parties will maintain appropriate pest management practices under the programme and, to that end, the Government will ensure that pesticides procured under the programme do not include any pesticide either proscribed by the International Code of Conduct on the Distribution and Use of Pesticides of the Food and Agriculture Organization of the United Nations, as amended from time to time, or listed in tables 1 (extremely hazardous) and 2 (highly hazardous) of the World Health Organization's Recommended Classification of Pesticides by Hazard and Classification 1996-1997, as amended from time to time.

**Monitoring**

8. The Government will ensure that the monitoring and evaluation systems for the programme integrate, inter alia, the framework indicators under IFAD's Results and Impact Management System (RIMS), which IFAD will communicate to the Government.

**Progress reports**

9.
  - (a) **Six-monthly progress reports.** In the preparation and submission of the six-monthly and consolidated annual progress reports (physical and financial), each subprogramme manager and other programme party will submit six-monthly progress reports – addressing technical and physical progress made during the six-month period and containing financial statements relating to said six-month period's expenditures – to the relevant subprogramme management unit. Each subprogramme management unit will prepare six-monthly subprogramme progress reports for programme activities with respect to its programme area for that semester, and will submit the subprogramme progress report to the PCU for overall consolidation into the programme's overall six-monthly progress report.
  - (b) **Annual progress reports.** The six-monthly progress reports prepared by each subprogramme management unit and each other programme party will be the basis for the preparation of their respective annual progress report of the subprogramme, which will be prepared, processed and submitted in the same manner as the six-monthly progress reports and consolidated by the PCU.

**Tax exemption**

10. The Government will exempt from taxes the importation, procurement and supply of the goods, civil works and services financed by the loan. To this end, the Government will ensure that whatever notice, tax exemption certificate or other form of communication as may be required to effect such exemptions is issued by it in timely manner. The value of such exemptions will be credited against the obligation of the Government to provide counterpart funds for the programme.

**Land allocation**

11. The Government will ensure that land allocation arrangements have been finalized on terms and conditions acceptable to IFAD and that the terms and conditions of lease agreements and/or other legal instruments necessary to secure the lawful tenure by the target group of any land will be acceptable to IFAD and adopted by the relevant authorities substantially in the form so acceptable to IFAD.



**Additional events of suspension**

12. (a) IFAD may suspend, in whole or in part, the right of the Government to request withdrawals from the loan account upon the occurrence of any of the following events:
- (i) The credit by-laws, or any provision thereof, has been waived, suspended, terminated, amended or otherwise modified without the prior consent of IFAD, and IFAD has determined that such waiver, suspension, termination, amendment or modification has had, or is likely to have, a material adverse effect on the rural financing and credit activities.
  - (ii) The SLA, or any provision thereof, has been waived, suspended, terminated, amended or otherwise modified without the prior consent of IFAD, and IFAD has determined that such waiver, suspension, termination, amendment or modification has had, or is likely to have, a material adverse effect on the programme.
  - (iii) IFAD has determined that the material benefits of the programme are not reaching the target group, or are benefiting persons outside the target group.
  - (iv) IFAD has given notice to the Government that credible allegations of corrupt or fraudulent practices in connection with the programme have come to the attention of IFAD and the Government has failed to investigate the matter fully and promptly to the satisfaction of IFAD; or thereafter, based on the conclusion of the aforesaid investigation and any other information available to it, IFAD, in consultation with the Government, determines that such practices have occurred, and the Government has failed to take timely and appropriate action to remedy the matter to the satisfaction of IFAD.
- (b) IFAD will suspend, in whole or in part, the right of the Government to request withdrawals from the loan account if the audit report required by the loan agreement has not been satisfactorily completed within 12 months after the financial reporting period set forth therein.

**Conditions precedent to withdrawal**

13. The conditions precedent to withdrawal are as follows:

No withdrawals will be made in respect of the rural financing and credit activities until the SLA, on terms and conditions approved by IFAD, has been entered into by the Government and RDD and a certified true copy of the signed SLA has been delivered to IFAD, with the credit by-laws attached thereto and forming an integral part thereof.

**Conditions of effectiveness**

14. The following are specified as conditions precedent to the effectiveness of the loan agreement:
- (a) the Government has duly established the PSC, the PCU, the Mid-Country subprogramme management unit and the Moneragala subprogramme management unit;
  - (b) the programme coordinator, the chief accountant (PCU), the Mid-Country subprogramme manager and the Moneragala subprogramme manager have been duly appointed by the Government and approved by IFAD;

- (c) the special account and programme accounts have been duly opened and any necessary authorities and powers to operate the special account and the programme accounts have been duly given;
- (d) the Government has made the necessary budgetary provision for the first programme year;
- (e) the loan agreement has been duly signed, and the signature and performance thereof by the Government have been duly authorized and ratified by all necessary administrative and governmental action; and
- (f) a favourable legal opinion, issued by the Attorney General or other legal counsel of the Government acceptable to IFAD in form and substance acceptable to IFAD, has been delivered by the Government to IFAD.

## **Key reference documents**

### **Country reference documents**

Poverty reduction strategy paper

### **IFAD reference documents**

Project design document (PDD) and key files  
Sri Lanka COSOP

Learning Note on Rural Finance

Learning Note on Sustainability

Policy on Rural Finance

Administrative Procedures on Environmental Assessment

Prerequisites of Gender Sensitive Design

Private-Sector Partnership and Development Strategy

## Logical framework

Strategic Goal	Key performance indicators (gender disaggregated)	Means of Verifications	Critical Assumptions / Risks
Livelihoods of 8 700 settler and smallholder households are improved	-Number of households with improved assets -%age increase in households above poverty line -%age decrease in child malnutrition	-Sample household surveys; -Government statistics -Participatory impact monitoring -Progress & supervision reports	
<b>Purpose</b> Put in place sustainable outgrower and smallholder production systems for estate settlers and smallholders	<b>Indicators (gender disaggregated)</b> -Number of settlers & smallholders in outgrower schemes -Area cropped under tea-based and rubber-based systems -%age increased in crop yields and productivity -%age increase in non-traditional products (fruit, milk, etc) -% increase in youth employment	<b>Means of Verifications</b> -Estate surveys -Sub-sector studies -Beneficiary self-assessments -Impact assessment & surveys -Final Programme Evaluation	<b>Critical Assumptions / Risks</b> -No major market disruption in estate and crops -Macro-economic and political stability -Favourable policy framework
<b>Outputs (Components)</b> 1. Community development and institutions building	<b>Indicators (gender disaggregated)</b> -No. of community organizations established & functioning -No. of poor in groups reaches 60-70 per cent of beneficiaries -% women in leadership positions in groups -No. of land allocation disputes resolved through dialogue	<b>Means of Verifications</b> -Statistics of the Tea Smallholder Development Authority and others -Field and household surveys -Estate statistics	<b>Critical Assumptions / Risks</b> -Little interference by politicians and unions -Considerable devolution of decision making target group level accepted
2. Improved land use and outgrower models adopted on 6 800 ha	-% area under improved land use and diversification plans -Yield of tea has increased by 10 per cent -Crop diversification adopted by 30-40 per cent of farmers -Number of long-term secure leases given to outgrowers	-Estate statistics -Statistics of nucleus enterprises -Survey reports -Final evaluation	-Policy for plantation sector and subleasing regulations remain favourable -No political interference in land alienation implementation level
3. Processing, value addition and marketing of commodities produced by outgrowers	-Number of non-tea processing facilities running efficiently -Number of public-private marketing contracts functioning -% increase in the average sales prices for commodities, & %age share of higher grades	-Estate statistics -Beneficiary assessments -Progress & supervision reports	-International market conditions & climate for private sector investment remain favourable -estate produce
4. Rural Financial services and credit facilities for outgrowers and factory owners	-Number of farmers' and small credit groups functioning -Number, type, and volume of loans given out to outgrowers -Portfolio at risk percentage not higher than 10 per cent -Loan recovery rates higher than 90 per cent	-Progress reports -Surveys and studies -Impact assessment -Reports by financing institutions	-Line ministries and rural financing institutions address institutional weakness and support borrowers
5. Policy dialogue on estate sector reforms	-New legislation on land redistribution of estate lands -Number of dialogue on public-private partnership issues -New regulations on timber use and environmental regulations in Knuckles Conservation area	-Gazette notifications -Programme Reports -Minutes of Steering Committee meetings	Plantation policy remains favourable for private sector participation

