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Investir dans les populations rurales

République socialiste démocratique de Sri Lanka  
Évaluation de la stratégie et du programme de  
pays

Note à l'intention des membres du Comité de l'évaluation

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Pour: Examen

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## Remerciements

La présente évaluation de la stratégie et du programme de pays a été menée sous la direction de Fumiko Nakai, fonctionnaire principale chargée de l'évaluation au Bureau indépendant de l'évaluation du FIDA (IOE) et a bénéficié des contributions de Nihal Fernando (consultant – irrigation et gestion de l'eau, adaptation aux changements climatiques); Jegatheeswary Gunasingam (consultant – gestion des ressources côtières et développement des communautés côtières); Nanda Karunagoda (consultant – micro-financement/finance rurale); Susil Liyanarachchi (consultant – agriculture paysanne, moyens d'existence ruraux et égalité des sexes); Shijie Yang (analyste de recherche en évaluation, IOE – données d'impact sur la pauvreté rurale et efficacité); et David Young (consultant principal – évaluation de la performance du portefeuille). Shijie Yang, analyste de recherche en évaluation, IOE, a dirigé, avant la mission principale d'évaluation, une étude sur un certain nombre de filières, à laquelle ont contribué Manoj Thibbotuwawa et Samantha Bandara (consultants). Antonella Piccolella et Sanuri Ratnayake (consultants) ont apporté un soutien à la recherche. Emanuela Bacchetta, Maria Cristina Spagnolo et Laure Vidaud, assistantes à l'évaluation, ont fourni un appui administratif. L'évaluation a bénéficié d'un examen interne par les pairs conduit au sein d'IOE.

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## Résumé

### A. Contexte

1. Conformément à la décision prise par le Conseil d'administration en décembre 2017, le Bureau indépendant de l'évaluation du FIDA (IOE) a procédé, en 2018, à une évaluation de la stratégie et du programme de pays (ESPP) de la République socialiste démocratique de Sri Lanka.
2. Objectifs. Cette ESPP avait pour objectifs principaux: i) d'évaluer les résultats et la performance du programme de pays financé par le FIDA; ii) d'établir des conclusions et de formuler des recommandations pour orienter les futurs partenariats entre le FIDA et le Gouvernement de Sri Lanka en vue du renforcement des activités de développement et d'éradication de la pauvreté rurale. On prévoit que ces conclusions, enseignements et recommandations apporteront des éclairages utiles pour la préparation d'une nouvelle stratégie de pays.
3. Portée. L'ESPP a porté sur la période 2004-2017, et trois dimensions clés de la stratégie et du programme de pays ont été évaluées: i) performance du portefeuille de projets; ii) activités hors prêts (gestion des savoirs, établissement de partenariats et participation à l'élaboration des politiques au niveau national); et iii) performance du FIDA et du Gouvernement. En faisant fond sur l'analyse de ces trois dimensions, l'évaluation mesure la pertinence et l'efficacité de la stratégie et du programme de pays.
4. Processus. La première phase de l'évaluation a comporté une mission préparatoire en mars 2018, une étude sur dossier, et la préparation du document d'orientation. Avant la mission principale, conduite en juin 2018, l'équipe chargée de l'ESPP a recueilli des données quantitatives et qualitatives sur un certain nombre de filières appuyées par l'un des projets. La mission principale a compris des réunions avec diverses parties prenantes et des visites sur le terrain dans neuf des 25 districts de Sri Lanka. Le projet de rapport a été communiqué au FIDA et au Gouvernement en novembre 2018, et leurs observations ont été prises en compte dans le rapport final.
5. Le FIDA à Sri Lanka. Sri Lanka est devenu membre du FIDA en 1977 et en a été le tout premier emprunteur en 1978. Depuis lors, le FIDA a apporté son appui à 18 projets d'investissement. Le coût total des huit projets financés par des prêts du FIDA analysés par l'ESPP est de 347 millions d'USD, dont 192 millions d'USD financés par le FIDA. Durant la période couverte par l'évaluation, les investissements du FIDA ont concerné divers domaines sectoriels et thématiques, et notamment l'agriculture de zone aride, les cultures de plantation (thé et hévéa), l'appui aux moyens d'existence, le microfinancement/la finance rurale et le développement de microentreprises, la gestion des ressources côtières, le développement des pêches, la reconstruction et le logement après le tsunami, et l'appui à l'infrastructure sociale. Au cours des dernières années, l'évolution a été marquée par une focalisation accrue sur la commercialisation de l'agriculture, l'appui portant principalement sur deux domaines: les partenariats avec le secteur privé et l'accès à la finance.
6. De 2007 à 2016, le FIDA a été présent dans le pays, par l'intermédiaire d'un fonctionnaire national, mais il n'y a pas eu, pendant la plus grande partie de la période couverte par l'ESPP, de bureau de pays à proprement parler. La proposition initiale d'établissement d'un bureau de pays à Colombo a été abandonnée, à la suite de la reconfiguration du processus de décentralisation du FIDA. Le programme de Sri Lanka est maintenant géré à partir du pôle sous-régional de New Delhi.

7. Contexte du pays. Depuis le début des années 2000, Sri Lanka a connu une croissance économique régulière, sortant du statut de pays à faible revenu et se rapprochant de celui de pays à revenu intermédiaire de la tranche supérieure. Le taux de pauvreté a chuté, passant de 23% en 2002 à 4% en 2016. Ce progrès a été réalisé malgré les 26 années d'une guerre civile qui s'est finalement achevée en 2009, et malgré le tsunami de 2004 qui a dévasté près des deux tiers du littoral. La période couverte par l'ESPP a également été affectée par plusieurs phénomènes climatiques extrêmes, et notamment des sécheresses et des inondations.
- B. Performance du portefeuille de projets**
8. Dans le cadre de l'ESPP, neuf projets ont été examinés: huit projets financés par des prêts et un projet financé par le Fonds pour l'environnement mondial (FEM). Cinq de ces projets relèvent du programme de base et les quatre autres correspondent à des initiatives post-tsunami et sont examinés séparément parce qu'ils sont la conséquence d'un événement catastrophique, imprévu et sans précédent.
  9. Pertinence. Les objectifs et l'axe thématique des projets du programme de base ont été globalement pertinents par rapport aux besoins des ruraux pauvres, et conformes à l'évolution des politiques du secteur agricole, dont l'accent porte moins sur la production que sur la commercialisation agricole et la participation du secteur privé. Dans le même temps, les priorités émergentes – dans le pays et au FIDA – n'ont pas toujours été intégrées en temps opportun. L'importance du renforcement de la résilience face au climat n'a pas été correctement prise en compte, sauf dans les projets les plus récents. La sécurité alimentaire et nutritionnelle a été citée parmi les questions importantes dans la quasi-totalité des projets mais, du point de vue nutritionnel, la pertinence de la conception des projets a été mitigée. Quant à l'intégration de l'appui à la jeunesse, les conceptions des projets antérieurs y ont fait parfois référence, alors que les conceptions récentes comportent des mesures spécifiques.
  10. De manière générale, la conception des projets du programme de base comprenait un mélange de composantes et d'activités complémentaires. Toutefois, la faisabilité des interventions proposées n'avait pas toujours été examinée attentivement durant le processus de conception, et les approches du ciblage présentaient quelques faiblesses. Les théories du changement n'étaient pas toujours clairement énoncées, et les indicateurs de suivi-évaluation pas bien définis.
  11. Les projets post-tsunami, désormais tous achevés, portaient principalement sur le rétablissement de l'infrastructure, des moyens d'existence et des écosystèmes dans les zones affectées. Ces interventions n'étaient pas toutes cohérentes avec le programme d'options stratégiques pour le pays (COSOP) en vigueur, et comprenaient de nombreuses activités ne relevant pas du domaine normal de compétence du FIDA. Bien que la souplesse permettant d'aller au-delà du mandat normal du FIDA ne soit pas totalement négative, la justification de l'appui du FIDA à ces activités parmi d'importants secours d'urgence était discutable.
  12. Quelques lacunes ont aussi été relevées quant à la pertinence du ciblage et de la focalisation sur la pauvreté. Les projets s'appuyaient principalement sur le ciblage géographique, et les mécanismes de ciblage ne permettaient pas des distinctions suffisantes. D'autre part, certaines activités des projets apportaient de bonnes réponses aux besoins des pauvres, et ont été utilisées pour faciliter l'autociblage, y compris pour l'épargne et le crédit, les microentreprises et les activités génératrices de revenus. Ces activités prévoyaient habituellement une forte participation des femmes.
  13. Efficacité. Les relevés des projets ont montré que les quatre projets du programme de base achevés avaient atteint près de 200 000 ménages, alors que la cible était de 153 600 ménages, encore que ces chiffres doivent être pris avec prudence. D'autre part, les pauvres ou quasi pauvres des zones rurales n'ont pas

été atteints de manière totalement efficace. La principale insuffisance, en matière de ciblage de la pauvreté, a été due à un manque de clarté dans la définition du groupe cible et à la faiblesse des mesures de ciblage au-delà du ciblage géographique. L'un des projets n'a appliqué aucun critère de ciblage dans les zones choisies pour le projet, et l'on a relevé des exemples d'accaparement par les élites. Les interventions comportant des dons, un appui matériel et des infrastructures (par exemple, installations de débarquement des poissons, logement) étaient généralement plus exposées à des erreurs de ciblage dues aux influences politiques et aux relations de pouvoir. La focalisation sur la pauvreté était aussi insuffisante dans le cadre des partenariats dans le domaine de l'entrepreneuriat agricole.

14. Les quatre projets du programme de base achevés ont tous obtenu des succès convenables en termes d'amélioration de la production agricole, grâce aux fermes-écoles, au développement de l'irrigation, aux plantations de thé et d'hévéas, à la diversification des cultures, à l'accès à des technologies améliorées et à des partenariats avec le secteur privé. Toutefois, les efforts visant à régulariser le régime foncier n'ont obtenu qu'un succès limité, et plusieurs facteurs ont compromis le potentiel des périmètres d'irrigation, en particulier la budgétisation insuffisante des travaux de construction ou de remise en état.
15. Plusieurs initiatives sont efficacement parvenues à améliorer l'accès aux marchés; on peut citer, entre autres, le cofinancement des centres de collecte ou de transformation (par exemple pour le lait, les fruits et les légumes) avec des sociétés du secteur de l'entrepreneuriat agricole, l'appui aux arrangements d'agriculture sous contrat, et la construction ou la remise en état de routes rurales. Le Programme national de développement des entreprises agroalimentaires, récemment achevé, a activement encouragé ce que l'on appelle désormais les 4P, acronyme désignant les "partenariats public-privé-producteur". Le programme a appuyé 16 partenariats autour de l'agriculture sous contrat pour divers produits tels que le lait, les cornichons, le miel et la canne à sucre. On observe toutefois une importance variable de la valeur ajoutée par le programme, étant donné que les bénéficiaires étaient, dans nombre de cas, ceux qui avaient déjà des relations avec les sociétés (agriculteurs sous contrat, sociétés fournissant des intrants à crédit).
16. Le portefeuille a permis à environ 35 000 bénéficiaires d'avoir accès au crédit à des taux favorables, et les taux de remboursement ont été généralement satisfaisants. Plusieurs projets ont introduit de nouveaux clients, en particulier des jeunes, auprès des banques avec l'appui d'agents de mobilisation sociale, en association avec une formation financière et technique. Dans le même temps, les projets ont conservé fondamentalement la même approche consistant à injecter des fonds pour des lignes de crédit: peu d'efforts ont été faits pour stimuler un changement systémique dans la prestation de services financiers, en encourageant par exemple des produits financiers innovants. En outre, l'intention consistant à réutiliser les lignes de crédit par le biais d'un fonds renouvelable a mis du temps à se concrétiser. Tous les projets du programme de base ont appuyé la diversification des moyens d'existence ruraux grâce au développement d'entreprises, principalement par le biais de dons de contrepartie et/ou de prêts provenant des lignes de crédit financées par les projets. Les dons de contrepartie ont généralement obtenu des taux de succès élevés, mais leur portée a été relativement limitée, avec des problèmes au niveau du ciblage.
17. La performance des interventions post-tsunami a été plutôt satisfaisante pour ce qui concerne le rétablissement de l'infrastructure sociale et des actifs pour les ménages affectés, alors que les résultats des investissements dans l'infrastructure de la pêche ont été mitigés. L'appui à la génération de revenus et au rétablissement des moyens d'existence a également produit des résultats variables. Les efforts consacrés à la restauration des écosystèmes et à la gestion des ressources naturelles n'ont été que partiellement efficaces, en raison de retards dans l'exécution et de la définition de cibles trop ambitieuses. Le projet du FEM a

toutefois obtenu quelques résultats positifs pour les institutions et en termes de politiques relatives à la gestion des ressources côtières.

18. **Efficiencia.** Le calendrier moyen d'exécution du portefeuille correspond essentiellement à la moyenne régionale. Le démarrage des projets a fréquemment connu des retards, ce dont témoigne le délai écoulé entre l'approbation du Conseil d'administration et le premier décaissement, en particulier pour les projets post-tsunami. La plupart des projets ont également souffert de retards dans les dépenses, bien que les décaissements aient généralement repris après l'examen à mi-parcours. Bien qu'avec des retards et de multiples prolongations dans certains projets, les objectifs de décaissement ont finalement été largement atteints.
19. Pour ce qui concerne le coût de la gestion des projets en pourcentage du coût total, la comparaison est favorable par rapport à la norme du FIDA. Le budget moyen alloué à la gestion et à la coordination a représenté 8% du total, ce qui est inférieur à la normale, mais des niveaux les plus élevés ont été observés dans les projets dans lesquels les populations cibles sont très dispersées. D'autre part, l'efficacité a été affectée par des problèmes de gestion financière et fiduciaire, notamment: i) le manque de personnel qualifié et le roulement élevé du personnel; ii) l'absence de systèmes de gestion financière et de comptabilité adéquats; et iii) une mauvaise planification de la passation des marchés et de la gestion des contrats.
20. L'efficacité économique a été jugée essentiellement positive, encore que pas dans la mesure indiquée dans les rapports d'achèvement des projets, en raison de l'ajustement des hypothèses utilisées dans les analyses économiques et financières.
21. **Impact sur la pauvreté rurale.** De manière générale, les projets du programme de base ont contribué à l'accroissement de la productivité agricole et à la diversification des cultures, grâce à des mesures telles que le transfert de technologie, l'amélioration du matériel de plantation et des systèmes d'irrigation; dans certains cas, toutefois, les impacts ont été atténués par des phénomènes climatiques extrêmes tels que les sécheresses. Le portefeuille n'a eu que peu d'impact sur l'amélioration de la sécurité alimentaire et nutritionnelle, à part l'augmentation de la consommation de produits laitiers. Aucun projet n'incluait explicitement d'activités, d'objectifs et de produits dans le domaine de la nutrition.
22. Le revenu des ménages a augmenté dans l'ensemble des projets, par le biais de différentes trajectoires d'impact, mais avec des résultats concrets mitigés dans plusieurs cas. L'impact sur les revenus des ménages a été principalement obtenu par l'augmentation de la production agricole et de la productivité – par exemple, grâce à l'amélioration de la production de thé et de caoutchouc et à l'accès à l'irrigation. Selon les rapports communiqués par les projets, les bénéficiaires des 4P ont obtenu des prix et des revenus plus élevés, mais une enquête réalisée durant l'ESPP a montré que les preuves à l'appui de cette affirmation étaient peu convaincantes. Les dons de contrepartie et les prêts bonifiés ont amélioré les possibilités de revenus et la diversification, mais ils n'ont pas été particulièrement efficaces en tant qu'instruments de lutte contre la pauvreté rurale en raison de la couverture limitée et des erreurs de ciblage. Les projets post-tsunami ont eu un impact tangible sur l'amélioration des actifs des ménages.
23. Les données factuelles concernant le capital humain et social et l'autonomisation sont également mitigées. Dans l'ensemble, la formation (par exemple, sur les technologies agricoles améliorées) a eu un impact positif sur le capital humain, mais on a également relevé des cas dans lesquels la formation n'était pas adaptée aux besoins des paysans. De nombreux groupes ont été formés dans le cadre de différents projets, mais ils ont principalement été utilisés comme mécanismes pour l'acheminement du soutien aux projets, avec peu d'éléments concrets démontrant un impact sur l'autonomisation et la cohésion.

24. De manière générale, le portefeuille a peu mis l'accent sur les institutions et les politiques, mais le projet du FEM a constitué un progrès important du point de vue du cadre institutionnel et des politiques en matière de gestion des ressources côtières.
25. Durabilité des avantages. Sur les plans de la production et de la productivité agricoles, les résultats seront probablement durables dans l'ensemble. Dans le même temps, les changements climatiques et la dégradation des sols constituent à cet égard des menaces qui n'ont pas encore été prises en compte de manière adéquate.
26. Les perspectives de durabilité concernant les avantages apportés par les infrastructures sociales, communautaires et productives (irrigation) à petite échelle sont mitigées: généralement encourageantes lorsqu'il y a appropriation et que les travaux sont de bonne qualité (par exemple, routes d'accès), elles suscitent des préoccupations pour les petits périmètres d'irrigation remis en état et pour les investissements importants dans les infrastructures (ports de pêche, grands périmètres d'irrigation, par exemple) où l'entretien est à la charge d'organismes publics.
27. L'amélioration de l'accès aux marchés par l'intermédiaire du secteur privé offre de bonnes perspectives de durabilité en raison des incitations commerciales. La durabilité des microentreprises et des activités génératrices de revenus est contrastée: les entreprises existantes qui ont été développées ont généralement obtenu de meilleurs résultats que les jeunes entreprises.
28. Dans l'ensemble, les groupes constitués en vue de l'exécution des projets ont lutté pour survivre après leur achèvement. La durabilité a été meilleure lorsque les projets ont collaboré avec des groupes ou des organisations existants plutôt qu'avec ceux créés pour la prestation de services de projets.
29. Innovation. À quelques exceptions près, l'innovation n'a pas constitué une caractéristique importante du programme de pays. Bien que conçu dans le contexte post-catastrophe, le projet du FEM a été axé sur les innovations et a produit quelques résultats. Hormis l'intervention agricole en zone aride, les projets du programme de base n'ont pas obtenu beaucoup de résultats en termes d'innovation. Certaines innovations avaient bien été proposées dans les conceptions, mais nombre d'entre elles n'étaient ni pertinentes ni particulièrement novatrices. En ce qui concerne l'accès au financement, la même approche du crédit subventionné a été utilisée de manière répétée, sans trop réfléchir aux autres possibilités d'approches innovantes.
30. Sur un plan positif, certains projets sont intervenus dans des "créneaux" parmi les initiatives appuyées par les donateurs, mettant notamment l'accent sur les systèmes de micro-irrigation (par opposition aux systèmes d'irrigation à moyenne ou grande échelle) et le développement de petites plantations de thé et d'hévéas. Ces activités pourraient être considérées comme innovantes.
31. Reproduction à plus grande échelle. La reproduction à plus grande échelle n'a pas été une caractéristique marquante du portefeuille. Dans plusieurs cas, les exemples de réussite dans un projet ont été reproduits dans des projets ultérieurs, notamment les projets en cours visant à soutenir les partenariats dans le domaine de l'entrepreneuriat agricole et les petits producteurs de thé et de caoutchouc. Toutefois, la simple reproduction ou extension sous la forme d'un projet ultérieur ou dérivé ne correspond pas nécessairement à la définition donnée par le FIDA de la "reproduction à plus grande échelle des résultats", qui consiste à tirer parti des changements de politiques, des ressources supplémentaires et de l'apprentissage pour accroître l'échelle des résultats plutôt qu'à transformer les petits projets du FIDA en projets de plus grande taille.



32. Égalité des sexes et autonomisation des femmes. La participation des femmes aux activités des projets a généralement été élevée, notamment en matière d'épargne et de crédit et d'activités génératrices de revenus. Certaines activités de production appuyées par les projets étaient généralement dominées par les hommes (comme la pêche ou la gestion des ressources côtières), mais dans l'ensemble, les activités génératrices de revenus et les autres activités où les femmes jouent généralement un rôle dominant ont établi un équilibre en facilitant l'accès direct, pour les hommes et les femmes, aux opportunités économiques. La participation et le rôle dirigeant des femmes au sein des institutions communautaires ont aussi été relativement élevés, à quelques exceptions près (l'écotourisme lagunaire, par exemple). Un projet a tenté d'aborder directement la question de l'accès des femmes à la terre, mais avec peu de résultats. En dépit du niveau élevé de participation des femmes, l'attention systématique et les efforts conscients pour promouvoir l'égalité des sexes et l'autonomisation des femmes ont été plutôt faibles, et des occasions ont été manquées d'intégrer davantage d'initiatives visant à transformer les rapports entre les sexes.
33. Gestion de l'environnement et des ressources naturelles. Le portefeuille a produit quelques résultats dans ce domaine. Le développement de l'irrigation a eu des effets positifs sur l'environnement, et l'appui à la production agricole s'est généralement accompagné de la promotion de bonnes pratiques agricoles. On aurait toutefois pu faire davantage pour une plus grande efficacité de l'utilisation de l'eau. Certaines interventions post-tsunami ont eu des effets positifs sur l'environnement, notamment l'élimination des débris présents dans les lagunes à la suite du tsunami, la remise en état des dunes de sable, les projets de ceinture verte, la protection des récifs coralliens, la biodiversité et l'écotourisme, ainsi que l'amélioration de l'approvisionnement en eau et de l'assainissement. Malgré ses réalisations, le projet du FEM n'a pas atteint tout son potentiel, notamment parce que son approche n'a pas tenu pleinement compte du fait que les lagunes, les dunes de sable et les mangroves font partie d'écosystèmes intégrés. Peu de cas d'impacts environnementaux négatifs ont été signalés, mais il existait des possibilités de mieux intégrer les bonnes pratiques de résilience environnementale et climatique dans la conception des projets pour aller au-delà de l'approche correspondant au principe de précaution.
34. Adaptation aux changements climatiques. De nombreux projets avaient été conçus avant que les changements climatiques ne deviennent une question prioritaire pour le FIDA, et ne prévoyaient par conséquent pas de mesures destinées à prendre en compte les risques liés aux changements climatiques. Les projets post-tsunami n'ont pas fait référence aux changements climatiques en raison du calendrier de la conception et de la reconstruction, mais les évaluations des projets ont estimé que l'on avait raté l'occasion d'aborder des problèmes tels que l'élévation du niveau de la mer et de la température de l'eau de mer. Dans les projets comportant des composantes agricoles, l'irrégularité des précipitations et la dégradation des conditions d'humidité du sol ont affecté les petits exploitants et, dans certains cas, compromis les avantages des projets. La menace que constituent les changements climatiques n'a été que récemment reconnue dans le portefeuille de projets. Les récentes sécheresses et inondations ont accru la sensibilisation aux questions climatiques. Dans les deux projets en cours, on pourrait faire davantage pour améliorer la résilience face aux changements climatiques et éventuellement mobiliser un financement climat supplémentaire en faveur de mesures spécifiques d'adaptation.
35. D'autre part, certaines interventions, même si elles n'étaient pas qualifiées de mesures d'adaptation aux changements climatiques, visaient à faire face aux risques liés à ces changements. On peut citer, parmi les exemples positifs: les économies d'eau réalisées grâce à des mesures physiques comme la remise en état de périmètres d'irrigation, l'irrigation au goutte à goutte ou les puits agricoles;

l'amélioration des variétés végétales; l'amélioration des pratiques agricoles et la diversification des cultures. Dans un cas, également, l'assurance récolte a été introduite pour aider les producteurs à gérer les dommages causés par les phénomènes climatiques.

### C. Performance des activités hors prêts

36. Il convient de noter que la portée de l'engagement du FIDA dans les activités hors prêts a été restreinte par: i) la présence limitée dans le pays; ii) les exigences de l'appui post-tsunami; iii) le grand nombre d'organismes d'exécution et leurs fréquents changements; iv) l'absence d'une solide plateforme pour la coordination des partenaires du développement et v) le déclin du financement du développement par les donateurs traditionnels.
37. Gestion des savoirs. Durant la période couverte par l'évaluation, l'attention portée à la gestion des savoirs s'est accrue et a évolué, passant d'une gestion tournée vers l'intérieur (produisant et utilisant le savoir pour éclairer et améliorer les opérations du FIDA) à une gestion tournée vers l'extérieur (c'est-à-dire au-delà du FIDA). La conférence internationale sur les 4P qui s'est tenue en 2018 en a constitué un bon exemple, contribuant au débat et à l'échange de savoirs au-delà du programme de pays. De manière générale, toutefois, les activités et les produits en matière de gestion des savoirs ont eu pour origine, et pour limites, les projets. Les projets ont élaboré des produits du savoir et de la communication mais, à quelques exceptions près, on ne relève que peu de données factuelles d'une gestion des savoirs ou d'un apprentissage dans un contexte plus général et allant au-delà du cadre des projets eux-mêmes. Par rapport à quelques autres pays de la région, on ne voit guère de signes évidents de partage des savoirs et d'apprentissage mutuel.
38. Établissement de partenariats. Le FIDA a maintenu de bonnes relations de travail avec les autorités centrales et avec les multiples organismes d'exécution des projets. Le Gouvernement et, spécialement, les organismes autres que ceux chargés de l'exécution, qui constituent le principal point de coordination pour les partenaires de développement, comprennent bien le portefeuille du FIDA et en apprécient l'appui apporté au cours des trente dernières années. D'autre part, les relations maintenues avec les autres organismes publics n'ont pas dépassé le cadre des projets. Le FIDA entretient aussi, et depuis longtemps, une bonne relation de travail avec la Banque centrale de Sri Lanka par le biais des projets disposant de lignes de crédit.
39. La collaboration et les partenariats avec d'autres organismes de développement ont été limités. Le cofinancement a été considérablement réduit par rapport à la période 1978-2002. Le financement du FEM a été le seul cofinancement durant la période couverte par l'évaluation; aucun autre cofinancement international ne s'est concrétisé. Les contacts entre l'équipe chargée de l'ESPP et les représentants des partenaires de développement ont montré un manque de visibilité du FIDA dans le pays et dans les enceintes de coordination des donateurs.
40. Un petit nombre d'organisations non gouvernementales ont participé à l'exécution des projets, principalement à titre de prestataires de services, mais les partenariats allant au-delà des obligations contractuelles ont été rares. Les partenariats avec les organisations paysannes ont également été limités. Il a été noté que, dans le passé, les relations difficiles entre le Gouvernement et la société civile ont sans doute rendu problématique, pour le FIDA ou les projets, l'encouragement à de tels partenariats. Sur le plan positif, les partenariats avec le secteur privé sont devenus, au cours des dernières années, une caractéristique importante du programme de pays.
41. Participation interne à l'élaboration des politiques du pays. Sur le plan de la participation à l'élaboration des politiques, les résultats ont été négligeables. Les COSOP ont énuméré un certain nombre de domaines dans lesquels une

participation à l'élaboration des politiques serait possible. Lorsque des activités ont été entreprises dans ces domaines, elles ont été largement limitées au niveau opérationnel/du projet, et n'offraient pas de fondement à une participation à l'élaboration des politiques. Une étude sur la politique en matière de régime foncier, conduite au cours d'un projet antérieur, n'a pas fait l'objet d'un suivi. Le nombre limité de partenariats a aussi restreint la possibilité, pour le FIDA, de participer à une concertation sur les politiques. Bien que les projets récents (dans le domaine de la microfinance, par exemple) aient porté une attention accrue aux questions relatives aux grandes orientations, la performance d'ensemble en matière de participation à l'élaboration des politiques au niveau du pays a été minime.

#### D. Performance des partenaires

42. FIDA. La performance du FIDA n'a pas été optimale, mais elle s'est nettement améliorée depuis 2015 à la suite du nouveau COSOP, de l'achèvement des projets post-tsunami et de la consolidation du programme de pays en deux projets relevant du programme de base. L'orientation générale des opérations a parfois manqué de clarté ou de cohérence pendant la majeure partie de la période couverte par l'évaluation: elle a été influencée à la fois par des événements externes (comme le tsunami) et par le manque de clarté des orientations stratégiques (pas d'actualisation du COSOP entre 2003 et 2015).
43. Certaines faiblesses dans la conception des projets auraient pu être mieux corrigées. Des missions de supervision et d'appui à l'exécution ont été organisées périodiquement (à quelques exceptions près) mais n'ont pas toujours été efficaces pour traiter en temps opportun les problèmes de stratégie et de conception, ou les importants problèmes d'exécution. Plusieurs exemples d'échecs ou de retards ont été relevés en ce qui concerne la correction des faiblesses de conception ou la recherche de solutions aux causes de performances médiocres.
44. En matière d'encouragement aux partenariats, la performance du FIDA a été médiocre, sauf pour les organismes publics. La contribution attendue d'une présence dans le pays entre 2007 et 2016 n'a pas été pleinement réalisée, mais il est vrai que cette présence était réduite à une seule personne, qui n'était pas basée dans la capitale pendant la majeure partie de cette période, et qui devait également couvrir les Maldives. Le rôle principal du Chargé d'appui au programme de pays était considéré comme lié au portefeuille, et ne comportait qu'une attention limitée aux projets ou aux niveaux des stratégies/des politiques.
45. Gouvernement. Dans plusieurs cas, l'instabilité gouvernementale a constitué un facteur négatif, mais l'exécution a été plutôt satisfaisante dans l'ensemble. L'un des aspects positifs de la performance du Gouvernement a été sa capacité de transférer les responsabilités d'exécution du projet à divers organismes partenaires et institutions publiques décentralisées. Toutefois, des problèmes incessants ont été rencontrés aux niveaux de la gestion financière, du suivi-évaluation et de la dotation en personnel des projets. Le financement de contrepartie a été légèrement inférieur au montant initialement engagé en cette période de difficultés budgétaires liées à la crise financière mondiale, à la guerre civile et aux efforts de reconstruction de l'après-guerre.

#### E. Performance de la stratégie du programme de pays

46. Pertinence. La focalisation sur le développement rural et agricole, ainsi que l'accent croissant placé sur les liaisons avec le marché et la commercialisation, étaient alignés sur l'évolution des stratégies gouvernementales et la nécessité de réduire la pauvreté rurale. On peut discuter de la mesure dans laquelle les COSOP ont orienté le programme de pays, en partie parce que les situations émergentes (par exemple, une sensibilité politique autour de l'intervention proposée dans le secteur immobilier et des événements clés tels que le tsunami et la fin de la guerre) ont réduit la pertinence du COSOP de 2003. Faute d'un COSOP actualisé au

milieu de la période couverte par l'ESPP, les orientations stratégiques ont manqué de clarté. Le COSOP 2015 est pertinent pour la définition des grands domaines d'intervention (productivité et accès aux marchés), mais manque de réflexion critique sur les synergies entre les différents éléments et instruments et la disponibilité des ressources (personnel/ressources humaines et financières).

47. Efficacité. Compte tenu de la faible performance des activités hors prêts, du décalage par rapport au COSOP de 2003 en raison de facteurs externes et du manque de synergie entre différents éléments du programme de pays, l'évaluation de l'efficacité de la stratégie de pays repose principalement sur l'efficacité du portefeuille. En ce sens, l'ampleur des réalisations par rapport aux objectifs principaux (explicites, implicites ou initialement imprévus) est modérée. En ce qui concerne le COSOP de 2003, il a obtenu de bons résultats sur le plan de l'amélioration des moyens d'existence en milieu rural, notamment en termes de production et de productivité agricoles.
48. Pour ce qui concerne les objectifs stratégiques du COSOP 2015 (amélioration durable de la productivité dans un système de moyens d'existence plus résilient et liaison avec les marchés), quelques résultats et progrès ont été obtenus par les projets achevés, et sont en cours de réalisation dans les projets en cours. On pourrait toutefois accorder une attention accrue à la durabilité de l'amélioration de la productivité, à la résilience face au climat, à l'appui aux 4P pour faciliter l'accès des ruraux pauvres aux marchés, et aux activités hors prêts. À mi-parcours du COSOP en vigueur, le portefeuille a été réduit à deux projets relevant du programme de base (qui en comptait jusqu'à cinq durant la période précédente), ce qui offre des possibilités d'une focalisation et d'une consolidation accrues des résultats.

## F. Conclusions

49. Un certain nombre de facteurs contextuels ont affecté la cohérence du programme de pays, rendant difficile la réalisation d'un impact et d'une influence. En réponse aux besoins post-tsunami et post-conflit, la partie centrale de la période couverte par l'ESPP a été marquée par une prolifération de projets et par l'absence d'une orientation stratégique. Cette situation a été rendue évidente par la multiplication des organismes d'exécution, la diversité des engagements sectoriels et de la couverture géographique, et les difficultés liées au suivi et à la génération de savoirs. L'absence d'un COSOP en vigueur pendant une partie significative de la période couverte par l'ESPP apparaît comme un symptôme plutôt que comme une cause de la faiblesse de l'orientation stratégique. Il en a résulté un programme de pays dépourvu d'une orientation cohérente vers des zones géographiques, des groupes cibles ou des sous-secteurs spécifiques. Au cours des dernières années, toutefois, le programme a consolidé son orientation stratégique et est désormais bien placé pour contribuer à la transformation agricole et à la réduction de la pauvreté rurale.
50. Nonobstant la diversité des interventions et la faiblesse de la cohérence, le portefeuille a obtenu des résultats concrets en matière de production et de productivité agricoles et, dans une moindre mesure, d'amélioration de l'accès aux marchés et de diversification des revenus. La production et la productivité agricoles ont constitué la plus importante des trajectoires vers l'augmentation des revenus et des actifs; elles ont été obtenues grâce au développement de l'irrigation, à l'établissement des plantations et aux transferts techniques, parfois combinés à un appui matériel et financier. Les projets ont réussi, modérément, à toucher le nombre prévu de bénéficiaires et à atteindre leurs objectifs généraux. Les projets post-tsunami ont eu aussi un certain impact à long terme, comme sur les actifs des ménages, quoiqu'en dehors du mandat normal du FIDA.

51. Quelques résultats et enseignements positifs n'ont pas toujours fait l'objet d'un suivi approprié dans l'optique d'une reproduction à plus grande échelle ou d'un d'impact durable. Les thèmes du développement des plantations des petits exploitants et des partenariats dans le domaine de l'entrepreneuriat agricole ont été repris dans le portefeuille en cours. Toutefois, certaines interventions et innovations réussies (par exemple en matière de gestion des ressources côtières) se sont tout simplement interrompues au terme de leurs projets respectifs.
52. Le ciblage s'est avéré difficile dans un pays à revenu intermédiaire où les pauvres sont minoritaires. Cet aspect constitue une préoccupation particulière dans les interventions où l'orientation commerciale est plus marquée. Les stratégies de ciblage n'ont toutefois pas été assez solides pour aller au-delà du ciblage géographique, pour minimiser ou prévenir l'accapement par les élites.
53. L'appui aux 4P et l'accès au financement ont touché un nombre satisfaisant de personnes, mais il aurait été possible d'examiner plus attentivement les moyens de générer des avantages durables. Bien qu'un certain nombre de 4P aient été créés et que les paysans aient été généralement satisfaits des résultats, on a peu réfléchi aux possibilités de donner aux bénéficiaires les moyens d'accroître les revenus tirés des liaisons avec les marchés. Le portefeuille aurait pu explorer de manière plus proactive les possibilités d'introduire des technologies améliorées et innovantes, d'utiliser l'eau et d'autres intrants agricoles de manière plus efficace et d'améliorer la gestion ainsi que la qualité après récolte. Un nombre significatif de bénéficiaires ont profité de prêts bonifiés par l'intermédiaire de plusieurs lignes de crédit, mais il a manqué au portefeuille une réflexion critique sur la manière d'aller au-delà de la fourniture de prêts bonifiés.
54. Le caractère additionnel de l'appui des projets aux 4P et l'accès au financement demeurent des questions en suspens. L'additionnalité était évidente dans certains cas, en facilitant par exemple des liens plus structurés entre un acheteur et un nouveau groupe de paysans, en combinaison avec un don et un appui technique. L'additionnalité n'était toutefois pas claire dans tous les cas, par exemple lorsque les paysans inclus dans les partenariats entretenaient déjà des relations régulières avec la société.
55. Le FIDA n'a pas été particulièrement actif dans l'établissement de partenariats, et sa visibilité d'ensemble dans le pays est faible. Le FIDA n'a pas tiré pleinement parti de la présence dans le pays, entre 2007 et 2016, pour accroître les activités hors prêts. Les relations avec les organismes publics ont été principalement axées sur les projets, et ne se sont généralement pas étendues dans le sens d'une plus large concertation sur les politiques.
56. Le reclassement de Sri Lanka en pays à revenu intermédiaire exercera une influence sur la nature du partenariat du pays avec le FIDA. Les prêts du FIDA sont désormais octroyés à des conditions ordinaires. Il est important que les projets agissent comme catalyseurs, en mobilisant des investissements additionnels, et que les activités hors prêts jouent un rôle plus important dans le programme de pays.

## G. Recommandations

57. Recommandation 1: Affiner l'orientation stratégique et la cohérence du programme de pays en vue d'un impact plus fort et plus durable. Le prochain COSOP devrait fournir davantage d'indications quant aux axes que le programme de pays entend privilégier en termes de domaines sectoriels et thématiques, de zones géographiques, de groupes cibles et de types d'investissements. La focalisation géographique ne doit pas nécessairement être rigide et exclusive. Il convient toutefois de réfléchir davantage aux réponses à apporter aux disparités géographiques et aux "poches de pauvreté", ainsi qu'à l'amélioration de la synergie et l'impact démontrable du programme de pays. Ce faisant, la stratégie et le programme de pays devraient mieux prendre en

compte et intégrer les principales priorités dans le contexte sri-lankais, à savoir la résilience face aux changements climatiques, la nutrition et la jeunesse. Le FIDA et le Gouvernement pourraient en particulier envisager, afin de soutenir une agriculture intelligente face au climat, d'investir dans des infrastructures résilientes face au climat et des technologies améliorées/innovantes.

58. Recommandation 2: Renforcer l'orientation vers la réduction de la pauvreté et élaborer une stratégie de ciblage inclusive, mais suffisamment discriminante. Les conceptions du COSOP et des projets devraient fournir une définition claire du groupe cible et une stratégie de ciblage concernant la focalisation stratégique et géographique du programme de pays. Le taux de pauvreté à Sri Lanka étant faible et en diminution, le groupe cible devra inévitablement inclure les ménages ruraux se situant marginalement au-dessus du seuil national de pauvreté mais vulnérables aux catastrophes naturelles et à d'autres chocs. Afin de garantir que les bénéficiaires prévus soient atteints, et qu'ils soient protégés contre l'accapement par les élites, la stratégie devrait avoir pour complément des mécanismes de filtrage plausibles pour la sélection du plafond de l'appui apporté aux différents ménages. La stratégie devrait reposer sur une évaluation adéquate de la réalité de la pauvreté et des contraintes auxquelles sont confrontés les ruraux pauvres et quasi pauvres, ainsi que sur des mesures spécifiques pour faciliter leur participation. La performance du ciblage devra faire l'objet d'un suivi durant l'exécution.
59. Recommandation 3: Mettre l'accent sur le pilotage de la stratégie et du programme de pays en vue d'un rôle plus catalytique dans la transformation du monde rural avec un renforcement des partenariats. Compte tenu de l'enveloppe de ressources relativement réduite dont dispose le FIDA, les opérations qu'il appuie devraient avoir pour but une utilisation optimale des ressources, fondée sur un programme mieux ciblé et une claire trajectoire de reproduction à plus grande échelle. À cette fin, le FIDA devrait investir davantage dans le travail d'analyse, de gestion des savoirs et de participation à l'élaboration des politiques au niveau du programme de pays, au-delà du niveau du projet. Cette approche pourrait être appuyée par le biais des projets d'investissement, par une utilisation plus efficace des dons et/ou par une coopération avec d'autres partenaires partageant les mêmes idées. En outre, le FIDA devrait être plus dynamique dans sa recherche de cofinancements à des conditions favorables ou sous la forme de dons, afin d'offrir au Gouvernement des montages de financement à des prix compétitifs. Non seulement sur le plan financier, mais aussi sur celui de la collaboration stratégique et technique, le FIDA devrait chercher davantage à prendre contact avec d'autres partenaires de développement, à accroître sa visibilité et sa présence dans le pays, et à apporter des contributions aux enceintes et groupes de travail des partenaires de développement.
60. Recommandation 4: Renforcer la stratégie et les cadres opérationnels pour améliorer et garantir l'additionnalité des partenariats avec le secteur privé. Le FIDA et le Gouvernement devraient explorer les possibilités d'appui public et du projet pour le partage du risque et des coûts afin de tirer parti de l'investissement du secteur privé et des innovations moins susceptibles de se concrétiser sans l'investissement public. Un mécanisme plus rigoureux et transparent est nécessaire pour évaluer l'additionnalité, avant et après l'investissement.
61. Recommandation 5: Repenser l'approche de l'appui à la finance rurale, affiner l'orientation et explorer les possibilités d'innovation. Le FIDA devrait, en collaboration avec le Gouvernement, la Banque centrale de Sri Lanka et d'autres partenaires de développement, conduire une analyse et une réflexion critiques sur les goulots d'étranglement que rencontre le groupe cible dans le secteur de la finance rurale, et sur les possibilités d'appui et d'investissement du FIDA pour stimuler plus d'amélioration systémique. Cela pourrait inclure, par

exemple, la meilleure manière de faciliter le développement de nouveaux produits financiers (ne se limitant pas au crédit) répondant aux besoins du groupe cible, la manière de régler la question des garants des prêts en souffrance, ou la manière de renforcer l'éducation en matière de finances des emprunteurs et leur permettre de mieux gérer les finances de leur ménage.

## Agreement at Completion Point

### A. Introduction

1. The Independent Office of Evaluation (IOE) of IFAD undertook the second country strategy and programme evaluation (CSPE) in Sri Lanka in 2018. The main objectives of the CSPE were to: (i) assess the results and performance of the IFAD country programme; and (ii) generate findings and recommendations to steer the future partnership between IFAD and the Government for enhanced development effectiveness and rural poverty eradication.
2. The CSPE covers the period 2004-2017. Three key dimensions of the country strategy and programme were assessed in the CSPE: (i) project portfolio performance; (ii) non-lending activities, namely, knowledge management, partnership building and country-level policy engagement; and (iii) performance of IFAD and the Government. Building on the analysis on these three dimensions, the CSPE assesses the relevance and effectiveness at the country strategy and programme level.
3. This agreement at completion point (ACP) contains recommendations based on the evaluation findings and conclusions presented in the CSPE report, as well as proposed follow-up actions as agreed by IFAD and the Government. The signed ACP is an integral part of the CSPE report in which the evaluation findings are presented in detail, and will be submitted to the IFAD Executive Board as an annex to the new country strategic opportunities programme for Sri Lanka. The implementation of the recommendations agreed upon will be tracked through the President's Report on the Implementation Status of Evaluation Recommendations and Management Actions, which is presented to the IFAD Executive Board on an annual basis by the Fund's Management.

### B. Recommendations and proposed follow-up actions

4. **Recommendation 1: Sharpen the strategic focus and coherence of the country programme for stronger and more sustainable impact.** The next COSOP should provide more guidance on what the country programme intends to focus in terms of sectoral and thematic areas, geographical areas, targeting group and types of investments. Geographical focus may not need to be rigid and exclusive. But more reflection is needed to address the geographical disparities and "poverty pockets" as well as to improve the synergy and demonstrable impact of the country programme. In so doing, the country strategy and programme should better address and mainstream key priorities in the Sri Lankan context, i.e. climate resilience, nutrition and youth. In particular, in order to support climate smart agriculture, IFAD and the Government may consider investing in climate resilient infrastructure and improved/ innovative technologies.

**Proposed Follow-up:** *IFAD and the Government agree to this recommendation and will make every effort to conduct comprehensive and in-depth research on geographical disparities, in line with IFAD's thematic areas.*

- *The planned completion review of the COSOP (Country Strategy) in November 2019 is an excellent opportunity to examine the validity of the strategic objectives and the degree of achievement of these objectives.*
- *External groups (universities, research institutes, development partners, NGOs) will be involved and will work closely with Government agencies specially with the NPD in the identification and prioritization of geographic areas vulnerable to climate, gender, youth and nutrition-sensitive issues.*
- *The planned new investment using the IFAD allocation approved by the IFAD Executive Board in December 2018 and soon to be designed, is another*



*opportunity to address climate and conflict resilience and the commercialization of small farms.*

- *The Government and IFAD will strengthen partnerships with each other and build relations with development partners to mobilize harmonized resources for complementary investments.*
- *IFAD will bring to Sri Lanka portfolio targeting expertise that will closely liaise with Government agencies for area specific knowledge, for the design of new investment to ensure that vulnerable groups within smallholder farmers will effectively reap the benefits of IFAD initiatives.*
- *The South Asian Association for Regional Cooperation (SAARC) regional grant on strengthening climate smart agriculture that includes Sri Lanka among other countries of Southeast Asia provides an excellent opportunity for the Government to better target and introduce climate smart climate practices and technological solutions (implementation will start by mid-2019).*

*Responsible partners: all projects/programmes, Ministry of Finance (MoF), Department of External Resources (ERD), Department of National Planning (NPD), other relevant line ministries/departments/agencies and IFAD*

*Timeline: 2019 onward. COSOP will be reviewed, updated and extended taking on board the CSPE recommendations, in the interim, in order to align the updated COSOP with the Government's strategies. Budget allocation and regional grant will be utilized to support the follow-up actions.*

5. **Recommendation 2: Strengthen the poverty orientation and develop a strategy for inclusive –but sufficiently discriminating –targeting.** The COSOP and project designs should provide a clear target group definition and targeting strategy relative to the strategic and geographic focus of the country programme. Given the low and decreasing poverty rate in Sri Lanka, the target group should inevitably be inclusive of those rural households marginally above the national poverty line but vulnerable to natural disaster and other shocks. But to ensure outreach to the intended beneficiaries and to safeguard against elite capture, the strategy should be accompanied by plausible screening mechanism for selection that cap the support provided to individual households. The strategy should be based on adequate assessment of the poverty reality and the constraints that the rural poor and near poor face, and specific targeting measures to facilitate their participation. Targeting performance should be monitored during implementation.

**Proposed Follow-up:** *IFAD and the Government are in agreement with this recommendation. Although poverty in Sri Lanka is decreasing, income inequality has been a significant issue for the last few decades. The richest 20 per cent enjoy more than half the total household income of the country, whereas the poorest 20 per cent get only 5 per cent. The situation of the poorest 10 per cent is worse, with the share of household income being 1.8 percent or less<sup>1</sup>.*

- *Based on this, IFAD and Government agencies will enlist the assistance of social research experts to identify the distribution of poorest smallholder farmers and those most vulnerable to climatic events and incorporate the findings in the updated COSOP and new project designs.*
- *The Government line agencies for ongoing programmes will enlist the assistance of other ministries/departments in identifying areas prone to natural disasters and the effects of climate change, gender issues, nutrition deficiencies and youth involvement in agriculture.*

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<sup>1</sup> [www.newsfirst.lk/2018/12/31/a-balancing-act-can-sri-lanka-overcome-regional-income-inequalities/](http://www.newsfirst.lk/2018/12/31/a-balancing-act-can-sri-lanka-overcome-regional-income-inequalities/)

- *IFAD recognises that identifying these target groups is essential to achieving its strategic objectives and will partner with national and local reputable organisations and individual experts to develop a strategy to prevent elite capture and monitor targeting performance.*

*Responsible partners: all projects/programmes, Ministry of Finance, Department of External Resources (ERD), Department of National Planning (NPD), relevant line ministries/departments/agencies, and IFAD*

*Timeline: Begin research in 2019 to incorporate findings in the updated COSOP, new project, and re-evaluate ongoing programmes to specify target beneficiaries.*

6. **Recommendation 3: Focus on steering the country strategy and programme to play a more catalytic role for rural transformation with enhanced partnerships.** Given the IFAD's relatively small resource envelope, the IFAD-supported operations should aim at better "value for money" based on a more focused programme and a clear scaling-up pathway. For this, IFAD should invest more in analytical work, knowledge management and policy engagement at the country programme level and beyond the project-level, which may be supported through the investment projects, by more effective use of grants and/or working with other like-minded partners.
7. Furthermore, IFAD should be more aggressive in pursuit of concessional or grant co-financing in order to offer competitively priced financing packages to the Government. Not only in financial terms but also for strategic and technical collaboration, IFAD should do more to reach out to other development partners, increase in-country visibility and presence and inputs in development partners' forum and its working groups.

***Proposed Follow-up:*** *IFAD and the Government acknowledge the importance of building programmes on sound analytical work that have a clear scaling up strategy. IFAD will ensure a clear and coherent pathway in the upcoming project design and the updated COSOP so to enable the development of effective partnerships and the progression from achieving just project/programme objectives to informing national policy.*

- *Past and ongoing IFAD-supported projects offer enormous potential for scaling up IFAD's strategic work and future investments such as community mobilization, value chain development, the Private, Public, Producer Partnership (4P) model, the commercialization of agriculture and microcredits.*
- *IFAD will be dynamic yet stringent in selecting and developing trustworthy, effective partnerships, not only within the project scope but on a broader scale.*
- *Efforts will be undertaken by Government agencies to evaluate areas where policy may affect or hinder rural transformation and work with IFAD towards new policy formation.*
- *The SAPP and STaRR programmes will strive to develop knowledge management products to increase the visibility of IFAD cooperation with Sri Lanka.*
- *The ERD and IFAD will reach out to other development partners with a history of operating in Sri Lanka for strategic and technical collaboration.*
- *The Government will identify areas for collaboration with other ongoing projects by development organisations, national entities and the private sector.*

*Responsible Partners: all projects/programmes,*

*Ministry of Finance, Department of External Resources (ERD), Department of National Planning (NPD), relevant line ministries/departments/agencies, and IFAD*

*Timeline: Begin in 2019, to inform new or extended COSOP development in November 2019 and new investments.*

8. **Recommendation 4: Strengthen the strategy and operational frameworks to enhance and ensure additionality of partnerships with the private sector.** IFAD and the Government should explore opportunities for public/project support for risk-sharing and cost-sharing to leverage private-sector investment and innovations which are less likely to occur without public investment. More rigorous and transparent mechanism to assess additionality –before and after the investment –is necessary.

**Proposed Follow-up:** *IFAD and the Government agree with this recommendation. While significant steps have been taken in ongoing initiatives to leverage private sector investment and this has noticeably improved market linkages, further opportunities will be pursued to build on the 4P model to increase risk and cost sharing thereby reducing the burden on smallholder farmers.*

- *Government agencies will make every effort to increase transparency, identify areas for private sector involvement, and readily share information to achieve national objectives of rural poverty alleviation.*
- *IFAD continuously assesses the additionality of SAPP partnerships and cooperates with the project to reinforce this aspect. During the mid-term review of the SAPP program (June 2020), IFAD will evaluate the methodology for evaluating additionality and work with experts to develop transparent and more structured evaluation mechanisms. New project concept and design will build on and fine-tune existing private-public partnerships where applicable to ensure successful achievement of objectives.*
- *IFAD will mobilise development partners and regional grants (such as SAARC grant) to implement innovative climate smart agriculture.*

*Responsible partners: all projects/programmes,*

Ministry of Finance, Department of External Resources (ERD), Department of National Planning (NPD), relevant line ministries/departments/agencies, and IFAD

*Timeline: Begin in 2019 with the new project design and COSOP update.*

9. **Recommendation 5: Revisit the approach to rural finance support, sharpen the focus and explore opportunities to innovate.** IFAD should, in collaboration with the Government, Central Bank of Sri Lanka (CBSL) and other development partners, critically analyse and reflect on the bottlenecks for the target group in the rural finance sector and opportunities for its support and investment to leverage more systemic improvement. This may include, for example, how best to facilitate the development of new financial products (not limited to credits) that meet the needs of the target group, how to address the issue of guarantors of defaulted loans, or how to strengthen financial literacy of the borrowers and enable them to manage their household finance better.

**Proposed Follow-up:** *IFAD and the Government acknowledge the importance of improving the rural finance approach. IFAD recently conducted an implementation support mission (January 2019) for rural finance initiatives for the two PMUs (SAPP and STaRR). The mission included meetings with commercial banks, microfinance association, private business partners, cooperatives and other civil society organisations and concluded with several recommendations for the short and medium term for the PMUs and relevant Government agency support. The final Aide Memoire was agreed upon by all parties (IFAD, and GoSL) and the steps toward action have already begun. Specifically:*

- *The capacity of ongoing projects at the central and district levels to facilitate the establishment of a rural finance component will be critically appraised during STaRR MTR and SAPP supervision mission planned 2019.*
- *The initial concept of securing funds via or outside the national banking sector should always be pursued; DFCC's Ran Dalu and Sanasa Development Bank are examples of specific microfinance products available to small-scale tea producers. National co-financing should then be guaranteed at interest rates that follow a formula that avoids a fixed and predetermined rate that may discourage potential participating banks.*
- *The 4P tripartite agreement should be simplified. The CBSL guidelines covering the direct line of credit and those regulating access to the Revolving Fund will be reviewed in a working group to reflect the financing of a wide variety of different value chains and production systems together with youth involvement in the loan contract components such as grace periods, loan tenor, etc.*
- *For the Youths lending programme, in addition to the current process with PFIs, IFAD will consider a comprehensive request for proposals outside of the current PFIs and to a civil society organization or NGO with a financial subsidiary to carry out a "credit plus" package with training, start-up support and other accompanying measures to a selected group of youths with the capacity to start their own businesses; allocating portion of funds available under Revolving Funds and such subsidiary FIs will be considered as PFIs by CBSL subject to the necessary approvals obtained. The Youth loan is established at CBSL under IFAD direct credit line. Youth loan will be incorporated into the Revolving Fund at CBSL. Further upper age limit of youth will be changed from 35 to 40 years.*

*Responsible Partners: all projects/programmes,*

Ministry of Finance, Department of External Resources (ERD), Department of National Planning (NPD), relevant line ministries/departments/agencies

*Timeline: Rural finance mission conducted in January 2019 and steps to improve activities are ongoing from the mission conclusion time onward.*

**Signed by:**



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Mr Ajith Abeysekara  
Director General  
Department of External Resources

Date: 13/03/2019



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Mr Donal Brown  
Associate Vice-President, Programme Management Department  
International Fund for Agricultural Development

Date: 13/3/19.

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## Currency equivalent

### Currency equivalent

US\$1 = LKR 170 (October 2018)  
 LKR 152 (January 2018)  
 LKR 132 (2015)

## Weights and measures

1 ton = 1 000 kilograms (kg)  
 1 hectare (ha) = 2.47 acres

## Abbreviations and acronyms

4P	Public-private-producer partnership
ADB	Asian Development Bank
AFA	Asian Farmers' Association for Sustainable Rural Development
APR	Asia and the Pacific Region Division
BCR	Benefit-cost ratio
CBSL	Central Bank of Sri Lanka
CGIAR	Consultative Group on International Agricultural Research
CIDA	Canadian International Development Agency
CIP	International Potato Center
COSOP	Country strategic opportunities programme
CPE	Country programme evaluation
CSPE	Country strategy and programme evaluation
DAC	Development Assistance Committee
DFID	Department for International Development (of the United Kingdom)
DZ-LiSPP	Dry Zone Livelihood Support and Partnership Programme
EFA	Economic and financial analysis
EIRR	Economic internal rate of return
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
GDP	Gross domestic product
GEF	Global Environment Facility
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GNDs	<i>Grama Niladhari</i> divisions
GNI	Gross national income
HARTI	Hector Kobbekaduwa Agrarian Research and Training Institute
HDI	Human development index
HIES	Household income and expenditure survey
HNB	Hatton National Bank
IDA	International Development Association
IFAD	International Fund for Agricultural Development
IFPRI	International Food Policy Research Institute
IIDP	Iranamadu Irrigation Development Project
ILO	International Labour Organization
IOE	Independent Office of Evaluation of IFAD



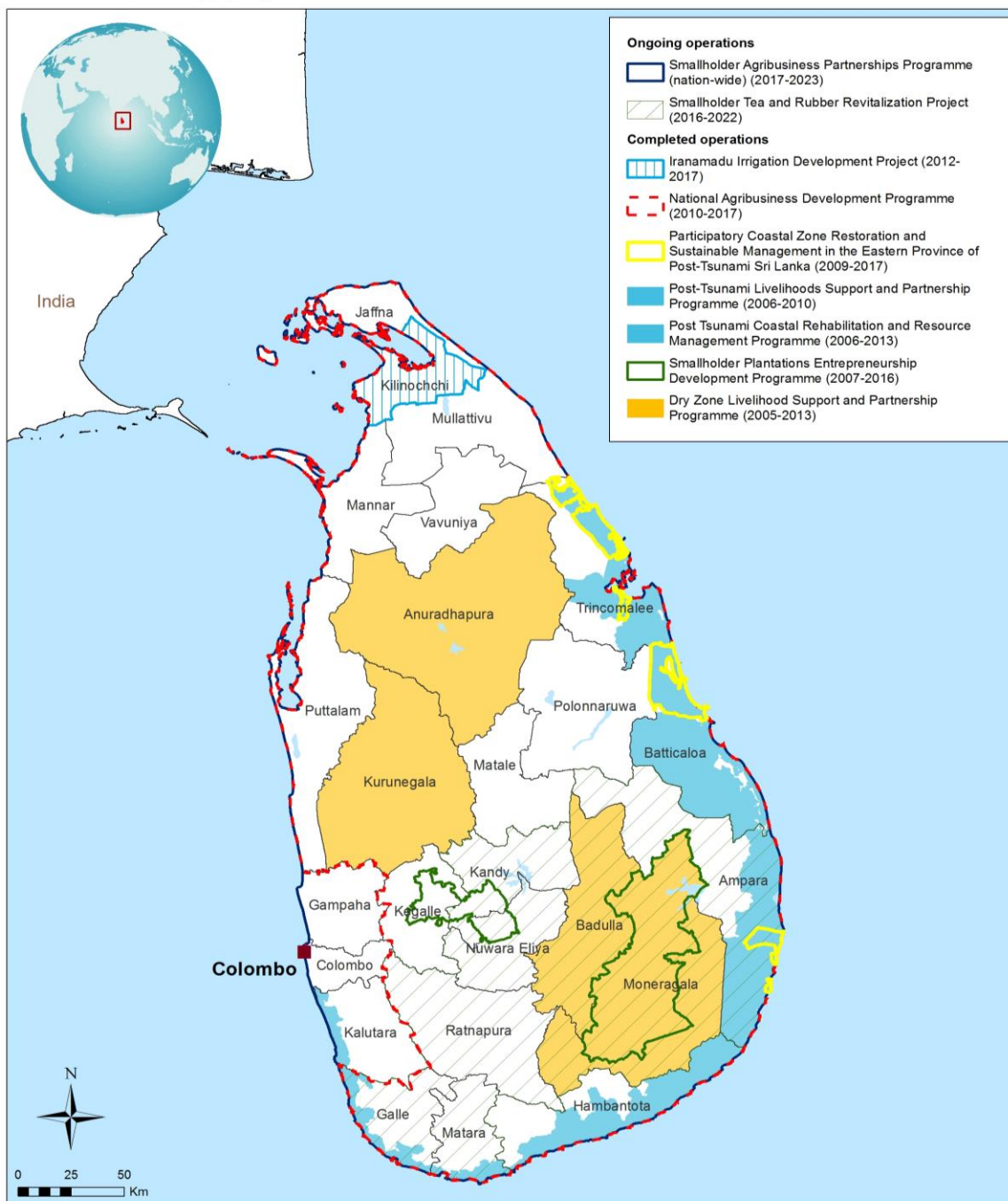
IPS	Institute of Policy Studies
IWMI	International Water Management Institute
JICA	Japan International Cooperation Agency
KfW	Kreditanstalt für Wiederaufbau
M&E	Monitoring and evaluation
MNPEA	Ministry of National Policies and Economic Affairs
MONLAR	Movement for Land and Agricultural Reform
MSME	Micro, small and medium enterprise
MTCP	Medium-Term Cooperation Programme
MTR	Mid-term review
NADeP	National Agribusiness Development Programme
NGO	Non-governmental organization
NPV	Net present value
ODA	Official development assistance
OECD	Organisation for Economic Co-operation and Development
PCR	Project completion report
PCRV	Project completion report validation
PDO	Programme development objectives
PMU	Project management unit
PPE	Project performance evaluation
PT-CRRReMP	Post-Tsunami Coastal Rehabilitation and Resource Management Programme
PT-LiSPP	Post-Tsunami Livelihoods Support and Partnership Programme
RBA	Rome-Based Agencies
SAP or SAPP	Smallholder Agribusiness Partnerships Programme
SAWTEE	South Asia Watch on Trade, Economics and Environment
SEWA	Self-Employed Women's Association
SPEndP	Smallholder Plantations Entrepreneurship Development Programme
STaRR	Smallholder Tea and Rubber Revitalization Project
UNCCD	United Nations Convention to Combat Desertification
UNDAF	United Nations Development Assistance Framework
UNDP	United Nations Development Programme
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
UNOPS	United Nations Office for Project Services
USAID	United States Agency for International Development
WFFP	World Forum of Fishers People
WFP	World Food Programme
WOCAN	Women Organizing for Change in Agriculture and Natural Resource Management
WTO	World Trade Organization

# IFAD-supported investment projects covered in the CSPE portfolio assessment

## Sri Lanka

### IFAD-funded operations

#### Country strategy programme evaluation



The designations employed and the presentation of the material in this map 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.

Map compiled by IFAD | 24-10-2018

Note: For PT-LiSPP and PT CRRMP, the map shows the tsunami-affected areas and not the whole districts which were to be covered by project interventions. For the GEF project, the map shows the areas of coastal ecosystems where project activities took place.

## Sri Lanka timeline: country events and IFAD activities

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022		
<b>National plans</b>	RSL	SL-NDS	THDF (2006-2010)				THDF -> Mahinda Chintana				V2025 --->>>											
<b>Government</b>	Kumarasinghe			Mahinda Rajapaksa government (two terms)								Maithripala Sirisena government										
<b>Events</b>		Tsunami					War end							Severe drought & flood								
<b>IFAD COSOPs</b>	COSOP 2003-2008				Plan for new COSOP formulation not materialized....				COSOP 2015-2020													
<b>IFAD PBAS cycles</b>								IFAD8 \$20.2m	IFAD9 \$26m	IFAD10 \$51.1m	IFAD11 \$39.8m											
	Shift to direct supervision			IFAD national staff in place																		
<b>IFAD loan-financed projects</b>		15.6mth	DZ-LiSPP (\$30m)																			
		15.6mth	PT-LiSPP (\$4.7m)																			
		18.2mth	PT-CRRReMP (\$33m)																			
		10.9mth	SPEnDP (\$25m)																			
			NADeP (\$33m)																			
			IIDP (\$29m)																			
			StaRR (\$65m)																			
			SAP (\$111m) --->2023																			
	<b>Grant-funded project</b>					20.8mth	GEF (\$7.4m)															
RSL	Regaining Sri Lanka				DZ-LiSPP	Dry-Zone Livelihoods Support and Partnership Programme																
SL-NDS	Sri Lanka National Development Strategy				PT-LiSPP	Post-Tsunami Livelihoods Support and Partnership Programme																
THDF	Ten-Year Horizon Development Framework				PT-CRRReMP	Post-Tsunami Coastal Resource Management Programme																
GEF	Global Environment Facility funded project (Participatory Coastal Zone Retoration and Sustainable Management in the Eastern Province of Post-Tsunami Sri Lanka)				SPEnDP	Smallholder Plantation Entrepreneursip Development Programme																
					NADeP	National Agribusiness Development Programme																
					IIDP	Iranamadu Irrigation Development Project																
					STaRR	Smallholder Tea and Rubber Revitalization Programme																
					SAP	Smallholder Agribusiness Partnerships Programme																

# Democratic Socialist Republic of Sri Lanka Country Strategy and Programme Evaluation

## I. Background

### A. Introduction

1. In line with the International Fund for Agriculture Development (IFAD) Evaluation Policy<sup>2</sup> and as approved at the 122<sup>nd</sup> session of the IFAD Executive Board in December 2017, the Independent Office of Evaluation (IOE) undertook a country strategy and programme evaluation (CSPE) in the Democratic Socialist Republic of Sri Lanka. This CSPE was the second country-level evaluation for Sri Lanka, following the first country programme evaluation undertaken in 2001.
2. Sri Lanka became a member of IFAD in 1977 and was the very first borrower of an IFAD loan in 1978.<sup>3</sup> Since then, as of August 2018, IFAD has supported 18 investment projects for a total estimated project cost of US\$576 million, with financing of US\$302 million. Most loans were on highly concessional terms, but reflecting the economic status of the country, the financing terms shifted to "blend" and then currently "ordinary". The accumulated number of beneficiaries *estimated at design* in these projects is about 2.9 million people (614,000 households).<sup>4</sup>

Table 1

**Snapshot of IFAD operations from 1978 to 2017 and from 2004 to 2017**

	1978-2017	2004 – 2017 (CSPE period)
Investment projects approved	18	8 (2 ongoing)
Total project costs (estimated at approval)	US\$576.1 million	US\$347.4 million
IFAD financing	US\$302.6 million	US\$192.3 million
Counterpart funding (Government and beneficiaries)	US\$172.8 million	US\$124.4 million
Country strategies	Prior to 2003, only 1993 strategy report	Country strategic opportunities paper/programme: 2003 & 2015
Main focus of operations by subcomponent type as defined in the IFAD database)	Marketing, rural enterprise, rural financial services, development funds, <sup>a</sup> irrigation infrastructure, fisheries infrastructure	
Lending terms	Ordinary (2018- ); blend (2013-2017); ordinary (2012); highly concessional (1978-2011)	
IFAD country presence	None	National staff in place 2007-2016. Country office initially planned but no longer.
Country programme managers		Tarek Kotb (2018- present); Hubert Boirard (11/2015-); Ya Tian (02/2011-10/2015); Sana Jatta (03/2002-02/2011)

a Matching grants under Smallholder Agribusiness Partnerships Programme (SAP).

Paragraph 2 and table 1 do not include the additional financing for the latest project in the amount of US\$14.5 million on ordinary terms approved in December 2018.

### B. Objectives, methodology and processes

3. **Objectives.** The main objectives of the CSPE were to: (i) assess the results and performance of the IFAD-financed strategy and programme in Sri Lanka; and (ii) generate findings and recommendations for the future partnership between IFAD and the Government of Sri Lanka for enhanced development effectiveness and rural poverty eradication. The findings, lessons and recommendations from this CSPE are expected to inform the preparation of the new IFAD country strategy.
4. The broad evaluation questions for the CSPE were as follows: (i) to what extent has the country strategy and programme achieved intended results and impact,

<sup>2</sup> IFAD (2011) Evaluation Policy.

<sup>3</sup> Kirindi Oya Irrigation and Settlement Project.

<sup>4</sup> Based on the IFAD database (Oracle Business Intelligence).

and what are the explaining factors for performance, satisfactory or not satisfactory?; (ii) to what extent have the strategies, approaches and interventions deployed been appropriate to pursue rural poverty reduction and to achieve the desired results?; and (iii) what lessons and issues have been identified for future direction for the IFAD country strategy and programme for Sri Lanka?

5. **Scope.** This CSPE assessment covers the partnership between IFAD and the Government of Sri Lanka between 2004 and 2017. The loan portfolio covered by this CSPE included eight projects (see table 2), with the oldest loan approved in 2004. These projects can be grouped into four: (i) three completed projects that have been subjected to a project-specific evaluation by IOE (DZ-LiSPP, PT-CRRReMP, SPEnDP); (ii) one post-tsunami project (PT-LiSPP), which was exceptionally short in duration and small in size (2.4 per cent of the IFAD financing covered in CSPE); (iii) two loan-financed projects that have been closed recently (IIDP and NADeP); and (iv) two ongoing projects (STaRR and SAP).

Table 2

**Evaluability of projects covered by Sri Lanka CSPE in 2018**

<i>Project Name</i>	<i>Lending terms</i>	<i>Board Approval</i>	<i>Entry into force</i>	<i>Completion</i>	<i>Disbursement % (status)<sup>a</sup></i>	<i>Evaluation criteria<sup>b</sup></i>
<b><i>A. Completed</i></b>						
<b><i>IFAD loan-financed</i></b>						
Dry Zone Livelihood Support and Partnership Programme (DZ-LiSPP) <sup>c</sup>	HC	09/09/2004	22/12/2005	31/03/2013	99 (closed)	All criteria
Smallholder Plantations Entrepreneurship Development Programme (SPEnDP) <sup>c</sup>	HC	14/12/2006	06/11/2007	31/12/2016	91.2 (closed)	All criteria
Post Tsunami Coastal Rehabilitation and Resource Management Programme (PT-CRRReMP) <sup>c</sup>	HC	19/04/2005 20/04/2006	16/10/2006 18/09/2008 <sup>d</sup>	30/09/2013	98.8 (closed)	All criteria
Post-Tsunami Livelihoods Support and Partnership Programme (PT-LiSPP)	HC	19/04/2005 20/04/2006	09/03/2006 18/09/2008 <sup>d</sup>	31/03/2010	98.5 (closed)	All criteria
National Agribusiness Development Programme (NADeP)	HC	17/12/2009	23/02/2010	31/12/2017 (extended from 31/03/2015)	91.9 (completed)	All criteria
Iranamadu Irrigation Development Project (IIDP)	HC	13/12/2011	30/01/2012	31/03/2017	100 (completed)	All criteria
<b><i>Global Environment Facility (GEF)-funded</i></b>						
Participatory Coastal Zone Restoration and Sustainable Management in the Eastern Province of Post-Tsunami Sri Lanka Project (referred to as "GEF project")	GEF Grant	Approved by GEF Council: Dec 2007	10/09/2009	31/05/2017 (extended)	90.9 (completed)	All criteria
<b><i>B. Ongoing</i></b>						
Smallholder Tea and Rubber Revitalization Project (STaRR)	Blend	17/12/2015	26/04/2016	30/06/2022	13.2 (ongoing)	Relevance
Smallholder Agribusiness Partnerships Programme (SAP)	Blend	10/04/2017	26/06/2017	30/06/2023	9.5 (ongoing)	Relevance

Lending terms: HC – highly concessional

<sup>a</sup> Disbursement rate for ongoing projects as of June 2018

<sup>b</sup> See Chapter 3 of the Evaluation Manual (second edition, IFAD 2015) and annex I to this report for more information on the definition of the evaluation criteria

<sup>c</sup> Subjected to project-level evaluation by IOE

<sup>d</sup> Financing agreements for two supplementary loans for two post-tsunami projects were signed on 18/04/2008, two years after Executive Board approval

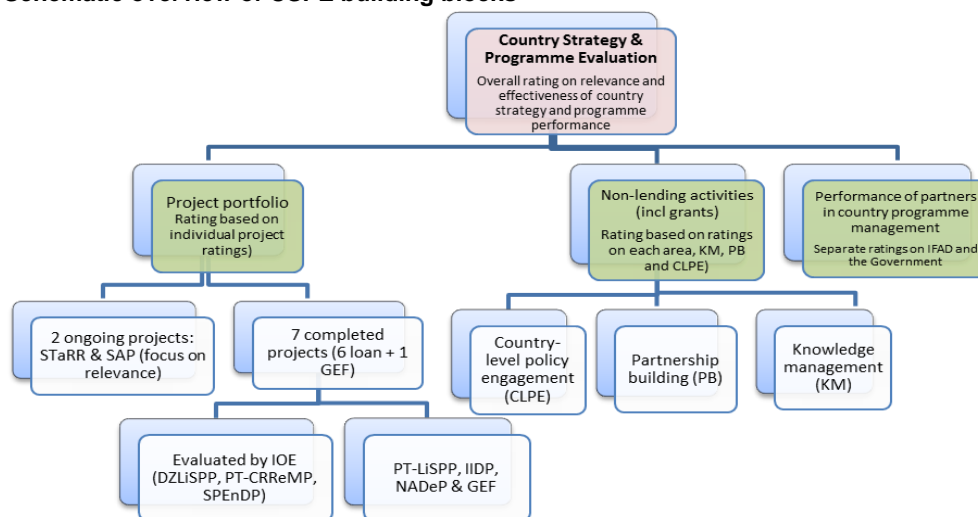
6. In addition, the CSPE covers a project funded by the Global Environmental Facility (GEF), the Participatory Coastal Zone Restoration and Sustainable Management in the Eastern Province of Post-Tsunami Sri Lanka Project (referred to as "GEF

project"). Given the intended linkage with the investment project (PT-CRReMP), as well as the size of the operation (approximately US\$7 million), which is substantially larger than a normal IFAD grant-funded project, the CSPE captures its assessment in the framework of the project portfolio.

7. The CSPE also conducted a rapid review of 19 grants which included Sri Lanka among the benefiting countries (annex V), in particular to inform the assessment of non-lending activities (namely, knowledge management, partnership building and country-level policy engagement) and their contribution to country programme performance (section IV), while the performance of grants is not rated separately. Five grants were reviewed closely.
8. **Methodology.** The CSPE followed the IFAD Evaluation Policy<sup>5</sup> and the IFAD IOE Evaluation Manual (second edition, 2015).<sup>6</sup> The approach paper for this CSPE, including the evaluation framework and key issues for focus, served as a further and specific guidance for the exercise.
9. Three key dimensions of the country strategy and programme are assessed in the CSPE<sup>7</sup>: (i) project portfolio performance, based on the standard IOE evaluation criteria for each project (such as relevance, effectiveness, efficiency, rural poverty impact, sustainability of benefits; see annex I for the definition of criteria); (ii) non-lending activities; and (iii) performance of IFAD and the Government (both at project level and at the level of overall country programme management and related process). Building on the analysis of these three dimensions, the CSPE assesses the relevance and effectiveness at the country strategy level.

Figure 1

**Schematic overview of CSPE building blocks**



10. The performance in each of these areas is rated on a scale of 1 (highly unsatisfactory - lowest) to 6 (highly satisfactory - highest),<sup>8</sup> which then informs an overall achievement rating for the IFAD-Government partnership.
11. In general terms, the principles of theory-based evaluation were applied in an attempt to evaluate plausible causal relationships between different interventions within and across each investment project, as well as different elements of the country strategy and programme. The CSPE has also been informed by an analysis of wider issues related to the IFAD-Government partnership, such as IFAD's

<sup>5</sup> [www.ifad.org/pub/policy/oe.pdf](http://www.ifad.org/pub/policy/oe.pdf).

<sup>6</sup> [www.ifad.org/evaluation/process\\_methodology/doc/manual.pdf](http://www.ifad.org/evaluation/process_methodology/doc/manual.pdf).

<sup>7</sup> For more information, refer to the Evaluation Manual (second edition, IFAD 2015), in particular Chapters 3 and 6. [http://www.ifad.org/evaluation/process\\_methodology/doc/manual.pdf](http://www.ifad.org/evaluation/process_methodology/doc/manual.pdf).

<sup>8</sup> The standard rating scale adopted by IOE is: 1 = highly unsatisfactory; 2 = moderately unsatisfactory; 3 = moderately satisfactory; 4 = moderately satisfactory; 5 = satisfactory; 6 = highly satisfactory.

- strategic positioning in the country vis-à-vis the evolving country context and the work of other development partners.
12. Triangulating the evidence collected from different sources (see paragraphs 14 and 15), the evaluation gauges the veracity of reported results and impact, for example, by assessing to what extent intended results chains under the projects are corroborated by available evidence, or examining broader contextual issues and potential alternative factors for results and impact and reassessing the plausibility of results chains and key assumptions.
  13. To guide the CSPE, an evaluation framework was developed as part of the CSPE approach paper. The evaluation questions, mostly derived from the IFAD IOE Evaluation Manual but some also adapted or added, guided data collection. In the context of IFAD's strategy and programme in Sri Lanka, as indicated in the CSPE approach paper, the following issues were given particular attention: (i) access to markets through partnership with the private sector; (ii) micro/rural finance; (iii) climate resilience, disaster risk management; (iv) implementation arrangements to steer the IFAD-funded portfolio; (v) land tenure issues; and (vi) country strategy, country presence and country programme management.
  14. **Sources of evidence.** The evidence for this evaluation was derived from multiple sources: (i) investment project-related documentation and records (e.g. project design documents, supervision mission reports, mid-term reviews (MTRs), project completion reports (PCRs), monitoring and evaluation (M&E) data, baseline survey and impact assessment reports where available, project status reports, project-specific knowledge products); (ii) findings and observations obtained during CSPE field visits, stakeholder meetings and interviews; (iii) primary data collected through surveys/studies (see paragraph 15); (iv) interviews conducted with key stakeholders through telephone/skype conferences and at IFAD headquarters; (v) country programme-related documents (e.g. country strategy); (vi) relevant IOE reports; (vii) country background documentation and research studies; (viii) Government data and statistics; and (ix) self-assessments conducted for the CSPE (by the Government and IFAD).
  15. Primary data collection organized specifically for the CSPE consisted of the following:
    - Field visits conducted in the context of the SPEnDP project performance evaluation (PPE) – interviews, focus group discussions and direct observations
    - Quantitative and qualitative data collection on selected value chains (partnerships with the private sector) supported by NADeP (referred to as "value chain study" in this report; see annex XIII in this report)
    - Field visits conducted during the CSPE main mission (with a focus on four projects: NADeP, IIDP, GEF and, to less extent, DZ-LiSPP) – interviews, focus group discussions and direct observations
    - Telephone survey with the recipients of the matching grants under SPEnDP for enterprise activities (see annex to the SPEnDP PPE report)
    - Telephone survey with borrowers (bank loans) from self-help groups and the youth scheme under NADeP (see annex XV in this report)
  16. Annex VI includes a list of people met as well as a table showing the district coverage by three sets of field work: SPEnDP PPE mission (March 2018); value-chain-focused data collection exercise (May 2018); and the CSPE main mission (in June 2018). A total of 15 districts were covered by a series of field work.
  17. **Evaluation process.** IOE fielded a CSPE preparatory mission in March 2018. Between the preparatory mission and the main mission in June 2018, the following activities were undertaken: (i) a desk-based review; (ii) preparation of the draft approach paper and its finalization based on comments by IFAD and the Government; (iii) self-assessment of project performance (by project

- staff/Government) and non-lending activities (by IFAD and the Government)<sup>9</sup>; (vi) data collection in the field on selected value chains; (v) collection of additional documentation and information, project M&E data, and survey data/reports; and (vi) consultations with project staff on field visit scheduling.
18. The main CSPE mission was fielded in Sri Lanka from 4 to 25 June 2018. The CSPE team held meetings with various stakeholders and resource persons in Colombo and in the districts, visited project activities in the field, and held discussions with beneficiaries. Meetings were held with government officials, project staff, private sector partners, the Central Bank of Sri Lanka (CBSL), banks, development partners, a farmer organization involved in the IFAD regional grant programme, and consultants who have worked with the IFAD country programme. A joint meeting with development partners was organized with support by the Development Partners Secretariat for an exchange of views on key issues. Between 6 and 15 June 2018, the CSPE team conducted field visits in eight districts,<sup>10</sup> and part of the team conducted another field visit on 17-18 June 2018 in one district.<sup>11</sup>
  19. The team presented preliminary findings at a wrap-up meeting on 25 June 2018 in Colombo. The meeting was organized under the chairmanship of the Ministry of National Policies and Economic Affairs. The IFAD country programme manager for Sri Lanka and the consultant who has been engaged in the Sri Lanka portfolio in the Asia and the Pacific Division (APR) joined the wrap-up meeting via skype.
  20. Following the main mission, the team continued with further document reviews and analysis of primary and secondary data obtained. The resulting draft report was peer-reviewed within IOE. It was thereafter shared with APR and the Government of Sri Lanka. The comments by IFAD and the Government have been taken into account in the final report.
  21. **Limitations.** The major limitation was related to the availability and quality of data on outputs, outcomes and impacts, also due to inadequate M&E frameworks and inadequate definition of indicators. For the four projects on which the CSPE mission focused (GEF, IIDP, NADeP and SPEnDP), all had some sort of impact assessment/evaluation conducted by project management, but there were some limitations and questions regarding the data quality and reliability (see table (g) in annex XIII). In general, management information systems were not well-developed in projects: data and information are often kept in hard copy and were difficult to obtain in electronic format and in an organized manner from central points.
  22. The CSPE has drawn data and information from different sources to the extent possible to be triangulated with the survey findings to make an informed assessment. The primary data collected through three sets of surveys organized for the CSPE (see paragraph 15) helped corroborate some findings from the document reviews and the field visits. One of the two phone surveys had more challenges than the other in reaching selected respondents because the contact numbers provided were incorrect or no longer functioning. However, based on a balance test between the surveyed respondents and the population characteristics, it was confirmed that there was no systematic selection or non-response bias. When available and accessible, the CSPE also revisited and reviewed project databases and original raw data sets from impact surveys.
  23. Another limitation relates to the challenges in accessing the institutional memories, given the long CSPE coverage (since 2004). The former country programme officer who was associated with the IFAD country programme for over about 10 years

<sup>9</sup> However, the responses provided were not comprehensive.

<sup>10</sup> Two staff members of the Department of Project Management and Monitoring joined the CSPE field visits between 6 and 15 June to gain exposure to data collection approaches and processes. Their participation did not influence or impact the conduct of interviews and discussion in the field in any way.

<sup>11</sup> The field visits between 6 and 15 June covered Anuradhapura, Jaffna and Kilinochchi by one team, and Ampara, Badulla, Batticaloa, Ratnapura and Trincomalee by the other team. The field visit on 17-18 June was in Kurunegala. These visits mainly covered DZ-LiSPP, GEF project, IIDP and NADeP.



(2006-2016) and has a wealth of information no longer works with IFAD and is not in the country. Although it was not the same as it would have been the case if he were still working with IFAD in Colombo, his availability for discussion over skype with the CSPE team was much appreciated and useful. Likewise, some former country programme managers were also interviewed.

**Key points**

- Since 1978, IFAD has approved financing of US\$303 million for 18 projects in Sri Lanka. This is the second CSPE by IOE in Sri Lanka, following the first one conducted in 2001, and covers the period 2004-2017 with the project portfolio of eight loan-financed projects (with IFAD financing of US\$192 million) and a GEF project.
- The main purpose of this CSPE is to assess the results and performance of the IFAD-financed strategy and programme, and generate findings and recommendations for the future partnership between IFAD and the Government of Sri Lanka.
- The CSPE assesses the results and performance of the investment portfolio and non-lending activities, and the performance of IFAD and the Government.
- The CSPE is based on a desk review of existing data and documentation, interviews and focus group discussions with stakeholders, beneficiaries, other key informants and resource persons, and direct observations in the field. Three sets of small surveys/studies conducted for the CSPE also provided additional primary data, namely a study on selected value chains supported by NADeP, and phone surveys with matching grant recipients and bank loan borrowers.
- The evaluation was faced with the challenge of inadequate and inconsistent data, especially about outcomes and impacts. The CSPE team drew data from multiple sources, including revisiting project databases and original raw data sets where possible, and triangulated them to inform the assessment.

## II. Country context and IFAD's strategy and operations for the CSPE period

### A. Country context

#### Geography, population, economy and political system

24. **Geography.** Sri Lanka, officially the Democratic Socialist Republic of Sri Lanka, is an island in the Indian Ocean. There are different figures for the total land area depending on the source, from 62,610 to 62,710 square kilometres (km).<sup>12</sup> The country's territory is composed of a coastal belt, a south-central highland (with the highest peak at 2,524 metres (m)) and broad plains (surrounding the highlands and covering two-thirds of total land).
25. **Climate.** Sri Lanka has many different climates,<sup>13</sup> influenced by monsoons and the difference in elevation across the country. There are four distinct seasons: first inter-monsoon season (March-April), with thunderstorm-type of rains which may occur anywhere in the island; southwest monsoon season (May-September) that brings rain to the South-West and spreads to the interior; second inter-monsoon season (October-November) characterized by widespread rain and strong winds; and North-East monsoon season (December-February) characterized by cool and dry weather, with the highest rainfall figures recorded in the North-East.<sup>14</sup> Annual average rainfall<sup>15</sup> varies from 1,000 millimetre (mm) to 5,000 mm but rainfall patterns are becoming increasingly unpredictable. Based on precipitation patterns, Sri Lanka is divided into three zones: Wet Zone, Intermediate Zone, and Dry Zone. The North and East are dryer, while the western slopes of the central highlands are considered wet.
26. Sri Lanka is prone to weather-related disasters, particularly drought and flash floods. According to a report by the World Bank,<sup>16</sup> approximately 19 million people in Sri Lanka today live in locations that could become moderate or severe hotspots<sup>17</sup> by 2050 under the carbon-intensive scenario. In 2016, it was hit by the worst drought in four decades. The drought continued in 2017. In May 2017, it experienced one of the worst floods in 14 years followed by a serious dengue epidemic<sup>18</sup> and another spell of drought in 2018. Sri Lanka is also prone to landslides, coastal erosion, sea-level rise and storm surges.<sup>19</sup> Most of the estimated economic damage from disasters relates to the less frequent earthquakes and tsunamis.<sup>20</sup> In 2004, almost two-thirds of the Sri Lankan coast was affected by the Indian Ocean tsunami. In addition, the country is affected by the negative

<sup>12</sup> For example, the World Bank Agricultural and Rural Development data indicate 62,710 km<sup>2</sup> as Sri Lanka's total area excluding areas under inland water bodies, national claims to continental shelf, and exclusive economic zones. The Government, in its comment on the draft CSPE approach paper, indicated that the figure should be 62,705 km<sup>2</sup> according to the Survey Department, but the website of the Department of Census and Statistics of the Government of Sri Lanka ([www.statistics.gov.lk/Abstract2016/index.asp?page=chap1](http://www.statistics.gov.lk/Abstract2016/index.asp?page=chap1)) indicates 62,610 km<sup>2</sup> which was also used in the FAO/WFP 2017 Crop and Food Security Assessment report. Although Sri Lanka's land area is relatively small, its marine economic zone (230,000 km<sup>2</sup>) is nearly four times its land area ([www.statistics.gov.lk/Abstract2014/Pages/chap1.htm](http://www.statistics.gov.lk/Abstract2014/Pages/chap1.htm)).

<sup>13</sup> Including tropical rainforest, tropical savanna, tropical monsoon and oceanic climate (<https://en.climate-data.org/country/256/>).

<sup>14</sup> [www.meteo.gov.lk/index.php?option=com\\_content&view=article&id=94&Itemid=310&lang=en#3-second-inter-monsoon-season-october-november](http://www.meteo.gov.lk/index.php?option=com_content&view=article&id=94&Itemid=310&lang=en#3-second-inter-monsoon-season-october-november) and <http://www.statistics.gov.lk/Abstract2014/Pages/chap1.htm>.

<sup>15</sup> Rainfall is of three types: monsoonal, convectional and depressional ([www.statistics.gov.lk/Abstract2014/Pages/chap1.htm](http://www.statistics.gov.lk/Abstract2014/Pages/chap1.htm)).

<sup>16</sup> World Bank. 2018. South Asia's Hotspots.

<sup>17</sup> Defined as areas where changes in average weather will adversely affect living standards. Hotspots are the result of two interrelated factors: (i) the magnitude of predicted changes in average weather at the local level; and (ii) the relationship between weather and living standards in that location.

<sup>18</sup> World Bank. 2017. Country snapshot.

<sup>19</sup> [http://www.disastermin.gov.lk/web/index.php?option=com\\_content&view=article&id=57%3Ahazard-profile-of-sri-lanka&catid=73%3Areports&Itemid=70&lang=en](http://www.disastermin.gov.lk/web/index.php?option=com_content&view=article&id=57%3Ahazard-profile-of-sri-lanka&catid=73%3Areports&Itemid=70&lang=en).

<sup>20</sup> United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP). 2017.

environmental impacts of deforestation, indiscriminate coral sand and gem mining, and industrial hazards.<sup>21</sup>

27. **Population.** The population was reported as 21.2 million in 2016.<sup>22</sup> Rural population accounts for 81.8 per cent of the total population, the largest share in South Asia.<sup>23</sup> Over the years, Sri Lanka has recorded a much lower fertility rate compared to other countries in Asia,<sup>24</sup> although the difference narrowed in recent years what with the declining trend in other countries. Annual population growth in 2016 was reported as 1.12 per cent, below the average for South Asia. The population has passed its demographic peak and is aging.<sup>25</sup>
28. The people of Sri Lanka belong to different ethnic groups, including: the Sinhalese (74.9 per cent, mainly Buddhist),<sup>26</sup> the Sri Lankan Tamils (11.2 per cent, mainly Hindu and mostly in the North and East), the Muslims or Moors (9.3 per cent, concentrated in the East, North West, coastal areas of the South and urban areas), and the Tamils of Indian origin (4.3 per cent, concentrated in the highlands and estate sector).<sup>27</sup> Less numerous ethnic groups include Malays and Burghers. Sinhala and Tamil are official languages, with English as a link language. Indigenous people in Sri Lanka are called *Veddas*<sup>28</sup> and are estimated to comprise less than 1 per cent of the total population. *Veddas* are being progressively assimilated to the major ethnic groups.
29. **Economy.** Sri Lanka is classified as a lower middle-income country and is close to becoming an upper middle-income country.<sup>29</sup> From 2009 to 2014, real gross domestic product (GDP) grew by 43 per cent.<sup>30</sup> High economic growth after the end of the civil war in 2009 was driven by public investment in reconstruction. Construction, transport, domestic trade and banking, insurance and real estate accounted for half of total growth. Tourism also played a significant role. GDP growth has been high compared to regional and middle-income country peers, but the growth rate slowed down between 2013 and 2016 (4.48 per cent on average) compared with the post-war years (2010-2012, at over 8 per cent). GDP growth decelerated to 3.8 per cent in the first half of 2017 because of drought affecting the agriculture and industry sectors. Gross national income (GNI) per capita in 2017 was US\$3,840.<sup>31</sup>
30. The services sector accounted for the lion's share of GDP (around 60 per cent), followed by industry (around 30 per cent). Agricultural contribution to GDP has decreased over time (from an average of 15 per cent between 1999 and 2009 to less than 9 per cent between 2010 and 2016), and its share is the second lowest in South Asia, after Maldives.

<sup>21</sup> [http://www.saarc-sadkn.org/countries/srilanka/hazard\\_profile.aspx](http://www.saarc-sadkn.org/countries/srilanka/hazard_profile.aspx).

<sup>22</sup> World Bank Databank.

<sup>23</sup> South Asian countries include: Afghanistan, Bangladesh, Bhutan, India, Maldives, Pakistan, Nepal and Sri Lanka.

<sup>24</sup> In 1990, the total fertility rate in Sri Lanka was 2.48, whereas in Bangladesh it was 4.49 and in India 4.04. In 2015, the figures were 2.06 in Sri Lanka, 2.14 in Bangladesh and 2.4 in India.

<sup>25</sup> World Bank. 2015. Systematic Country Diagnostic.

<sup>26</sup> There are also Sinhalese and Tamils belonging to the Christian community and they constitute about 9 per cent of the population. Asian Development Bank (ADB). 2013. Civil Society Briefs.

<sup>27</sup> Department of Census and Statistics. 2012. Census of Population and Housing.

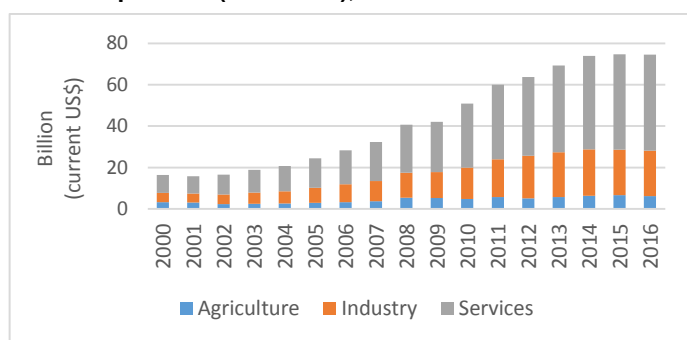
<sup>28</sup> Indigenous people are called *Veddas* (Dravidian word meaning "hunter") or *Wanniya-laeto* ("forest-dwellers"). The *Vedda* community of Sri Lanka is regarded as one of the oldest surviving indigenous communities of the world. (University of Colombo. 2016. Annual Research Symposium 2016 proceedings: <https://goo.gl/tQiNja>.)

<sup>29</sup> ADB. 2017. Country Partnership Strategy.

<sup>30</sup> World Bank. 2015. Systematic Country Diagnostic.

<sup>31</sup> World Bank databank. The figure refers to GNI per capita following the Atlas method (current US\$).

Figure 2  
GDP composition (2000-2016), current US\$ billion



Source: World Bank databank

31. Sri Lanka has been successful in developing basic infrastructure. It has the highest road density in South Asia, 98 per cent of the population has access to electricity, 96 per cent access to safe water, and 95 per cent access to sanitation.<sup>32</sup> Significant public investment has resulted in a very high public debt (79.3 per cent of GDP in 2016, up from 70.8 per cent in 2013).<sup>33</sup> Sri Lanka also has one of the lowest tax revenue-to-GDP ratios in the world.<sup>34</sup> This hampers the Government's ability to sustain public investment and pursue inclusive growth. Indeed, low revenues and high debt-to-GDP ratio are key concerns for the country.
32. While Sri Lanka's economy has been in principle market-oriented and undergone liberalization since the 1970s, there was a long time interval (2005-2015) following an inward-looking growth model.<sup>35</sup> Exports as a share of GDP declined from 39 per cent in 2000 to 21 per cent in 2016. In 2015 agricultural exports accounted for 27.5 per cent<sup>36</sup> and tea is certainly the most important commodity, followed by rubber, spices, coconuts, nuts, fish and fish products. Remittances from Sri Lankan migrants abroad<sup>37</sup> and tourism play an important role in offsetting the trade deficit. Sri Lanka also attracts a much lower volume and quality of foreign direct investment than peer economies, and shortcomings in the investment climate pose obstacles for new firms.<sup>38</sup>
33. Sri Lanka participates in regional integration initiatives such as the South Asia Association for Regional Cooperation, the Bay of Bengal Initiative for Multi-Sectorial Technical and Economic Cooperation, and the South Asia Sub-regional Economic Cooperation.<sup>39</sup> The country also benefits from having the Colombo Port, which has been identified as the regional hub for handling container traffic.
34. **Financial sector.** Sri Lanka's financial sector system is relatively diverse and consists of a wide range of service providers, including: (i) formal financial institutions<sup>40</sup>; (ii) semi-formal institutions (cooperatives, non-governmental organizations (NGOs)/microfinance institutions, community-based organizations and state programmes such as *Samurdhi*); and (iii) informal sources of finance such as moneylenders and rotating savings and credit associations. Commercial banks (state-owned and private) dominate the financial system and have been the

<sup>32</sup> ADB. 2017. Country Partnership Strategy.

<sup>33</sup> Institute of Policy Studies (IPS). 2017. Macroeconomic performance. Policy Insights.

<sup>34</sup> This is because a small percentage of the population pays direct taxes, indirect taxes are determined in an ad hoc manner, and tax administration is inefficient and weak. World Bank. 2015. Systematic Country Diagnostic.

<sup>35</sup> World Bank. 2015. Systematic Country Diagnostic.

<sup>36</sup> World Trade Organization (WTO) Statistics:

<http://stat.wto.org/CountryProfile/WSDBCountryPFView.aspx?Language=E&Country=LK>.

<sup>37</sup> Remittances from migrant workers totaled around US\$7 billion both in 2014 and 2015. In 2015, it was reported that 263,307 workers departed.

<sup>38</sup> World Bank. 2018. Sri Lanka Development Update.

<sup>39</sup> ADB. 2017. Country Partnership Strategy.

<sup>40</sup> Including 25 licensed commercial banks, 7 licensed specialized banks, 46 licensed finance companies and 7 specialist leasing companies.

main partners, through the CBSL, in implementing the rural finance interventions as credit service providers in the IFAD portfolio.

35. Despite high bank account penetration rate<sup>41</sup> and relatively ample liquidity in the banking sector, access to finance is still reported to be a constraint, especially for the lower-income population, and for micro, small and medium enterprises (MSMEs). Strategies to address this challenge have mainly been targeted/directed and concessional credit programmes, including those supported by IFAD.<sup>42</sup>
36. **Political system and administration.** Sri Lanka experienced a 26-year civil war (1983-2009) between the Sri Lankan Government forces and the Tamil separatists. Since the military defeat of the Tamil separatists by Government forces in May 2009 there has not been a resurgence of violence. The long conflict had significant consequences at the human, social, economic and institutional levels. It is estimated that at least 100 000 people died during the war.
37. The present Government<sup>43</sup> is formed with a cross-party political alliance transcending traditional political party rivalries. It has committed to addressing grievances of the Sri Lankan Tamil community, ensuring law enforcement<sup>44</sup> and reducing the impunity of violence based on religious affiliation.<sup>45</sup>
38. Sri Lanka has three levels of government: central, provincial and local. There are nine provinces<sup>46</sup> and 25 districts (known in Sinhala as *Disa* and in Tamil as *Māwaddam*). Districts are further subdivided into 331 divisional secretariats, and these, in turn, into 14,022 *Grama Niladhari* divisions (GNDs). At the third tier of government, there are also urban authorities [including Municipal Councils (23) and Urban councils (41)] and 271 rural councils (also called *Pradeshiya Sabha/Pradesha Sabhai*). These, in most cases, share the same boundaries as divisional secretariats.
39. Sri Lanka embarked on decentralization in 1987 with the passing of the 13<sup>th</sup> Amendment to the Constitution and the Provincial Councils Act No. 42, soon after the Indo-Sri Lankan Peace Accord,<sup>47</sup> primarily to mitigate the ethnic conflict and also support a more balanced regional economic growth. Despite the definitions provided in the Amendment, in practice there are some ambiguities in the delineation of the roles and functions between the central and sub-national governments. Tamil political parties continue to call for decentralization reform and the introduction of a federal structure, which would provide the Tamil provinces with more power.
40. In 2016, Sri Lanka ranked 68 out of 113 on the Rule of Law Index with a score of 0.51,<sup>48</sup> which puts Sri Lanka in the top-performing group among South Asian countries and the lower middle-income countries. Political rights and civil liberties ratings have recently improved due to the free and fair elections in 2015 and improved conditions for freedom of expression, religious freedom, civil society and judicial independence under the new administration.<sup>49</sup>

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<sup>41</sup> According to the Global Findex Database 2017 (World Bank at <https://globalfindex.worldbank.org/>), 74 per cent of the respondents (above age 15) and 71 per cent of the poorest 40 per cent reported having an account (by themselves or together with someone else) at a bank or another type of financial institution, or reported personally using a mobile money service in the past 12 months. Except for India (80 and 77 per cent, respectively), other countries in the region show much lower rates (e.g. 22 and 14 per cent in Cambodia, 31 and 20 per cent in Viet Nam, 21 and 14 per cent in Pakistan).

<sup>42</sup> World Bank. 2015. Systematic Country Diagnostic.

<sup>43</sup> Sri Lanka's new President, Maithripala Sirisena, was elected on January 2015.

<sup>44</sup> For example, the poor law enforcement in the Northern Province threatens the safety of women.

<sup>45</sup> Nishan de Mel, N. and R. Venugopal. 2016. Peacebuilding context assessment: Sri Lanka.

<sup>46</sup> Central, Eastern, North Central, Northern, North Western, Sabaragamuwa, Southern, Uva, Western.

<sup>47</sup> The Accord envisaged power devolution to the northern and eastern province.

<sup>48</sup> World Justice Project. 2016. Scores range from 0 to 1 (indicating strongest adherence to rule of law).

<sup>49</sup> Freedom House. 2016. Freedom in the World.

## Agriculture and rural sector

41. Sri Lanka's agriculture is characterized by a non-plantation sector (mostly smallholders) and a plantation sector (estates and smallholders) with three key export crops, i.e. tea, rubber and coconut. Of the country's approximately 2.3 million hectares (ha) of agricultural land, 80 per cent are used for non-plantation food crops, comprising rice, maize, fruits, vegetables and other crops that are primarily grown on small holdings. About 1.98 million smallholder farmers operate on less than 0.1 ha.<sup>50</sup>
42. Rice is one of the main agricultural products and staple foods in Sri Lanka.<sup>51</sup> The total land devoted to paddy is estimated to be about 693,000 ha (roughly 32 per cent of the land under agriculture).<sup>52</sup> There are two distinct monsoon periods associated with two distinct cultivation seasons, *maha* (major, from September to March) and *yala* (minor, from May to August, mostly dependent on irrigation). *Maha* accounts for 60 per cent of the annual paddy production. Maize is also grown during these two seasons but on a much smaller scale than paddy.
43. Other largely produced agricultural products include oil crops (e.g. groundnut, sesame), pulses (e.g. green gram, black gram, soya bean and cowpea), fruits (e.g. mango, banana, papaya), vegetables and other field crops (e.g. onion, chillies, pumpkin, manioc, brinjal, beans, okra) and spices (e.g. cinnamon, pepper, cloves). Tea, which occupies about 202,000 ha (60 per cent in small holdings, 2016 data),<sup>53</sup> is a major source of foreign exchange<sup>54</sup> and employs, either directly or indirectly, more than one million people. Other plantation crops include rubber (about 136,600 ha) and coconuts (440,000 ha).<sup>55</sup>
44. Crop production can be negatively affected by adverse weather conditions. Drought (in 2013-2014 and 2016) resulted in reduced yields and crop losses. Heavy rains in May 2017 caused damage to agriculture and infrastructure, especially in the South West. At the same time, limited rains in rice-producing areas have failed to replenish water reservoirs for irrigation. The latter is expected to result in the lowest harvest in the country since 2004, affecting households' food security and resilience.<sup>56</sup>
45. Fisheries is an important contributor to Sri Lankan economy. It is also important for household nutrition, and per capita fish consumption has nearly doubled since 1990. Sri Lanka exports a wide variety of prawns and tuna species. In 2004, the fisheries sector was largely devastated by the tsunami that hit two-thirds of the coastline.<sup>57</sup>
46. The proportion of the labour force employed in agriculture declined from 32 per cent in 2009 to 28 per cent in 2015.<sup>58</sup> Post-conflict off-farm opportunities have increased, and youth have been seeking more urban white-collar jobs. However, this has not necessarily translated into more stable employment. Casual or temporary jobs in Sri Lanka are very common: only 12.5 per cent of the

<sup>50</sup> Based on the data provided by the Department of Census and Statistics as part of the comments on the draft report. According to the Economic Census 2013/2014 data (provided by the Department of Census and Statistics), about 2 million small holdings operated on less than 0.1 ha and about 2.3 million small holdings with between ¼ acres (0.1 hectare) and 20 acres (8.1 ha).

<sup>51</sup> <http://www.statistics.gov.lk/agriculture/Paddy%20Statistics/PaddyStats.htm>.

<sup>52</sup> Data provided by the Department of Census and Statistics as part of the comments on the draft report.

<sup>53</sup> Ministry of Plantation Industries. Annual Performance Report 2017 (<http://www.parliament.lk/uploads/documents/paperspresented/performance-report-ministry-of-plantation-industries-2017.pdf>). There is another set of data for the extent of major plantation crops in 2016 by the Department of Census and Statistics available on their website: 216,515 ha for tea, 120,867 ha for rubber and 440,457 ha for coconut (<http://www.statistics.gov.lk/EconomicStat/EconomicStatistics2018.pdf>).

<sup>54</sup> In 2015, the value was over US\$1.34 billion, 54 per cent of the value earned from agricultural exports and 13 per cent of the total export value.

<sup>55</sup> 2017 data for the extent of plantation areas, according to the Government of Sri Lanka.

<sup>56</sup> FAO/World Food Programme (WFP). 2017. Crop and Food Security Assessment.

<sup>57</sup> FAO. 2012. Country Programming Framework 2012-2017.

<sup>58</sup> World Bank databank.

agricultural workforce is employed in the formal sector, and 49.9 per cent for non-agricultural employment.<sup>59</sup> Furthermore, the transition of people out of agriculture and rural areas is not keeping pace with the restructuring of economies away from agriculture due to limited labour mobility and skills.<sup>60</sup>

47. **Land.** About 44 per cent of the country's total land area is agricultural lands, 21 per cent is classified as arable land and about 33 per cent as forest.<sup>61</sup> According to the 2014 data provided by the Department of Census and Statistics,<sup>62</sup> the estate sector covered about 18 per cent of the land under agriculture. Land tenure is complex and depends on a mix of laws, traditional practices and institutions, with significant implications on the agriculture sector and rural livelihoods (box 1). In the absence of policy reforms, the central government has addressed most land issues through Cabinet Memoranda and Land Circulars.
48. Rates of ownership of land are uneven among the country's ethnic communities. The lower rates of ownership among Sri Lankan Tamils (73.2 per cent of households compared to 88.6 per cent for Sinhalese households) may be partly due to difficulties in restoring ownership rights following the destruction of property registries and loss of documentation owing to the conflict. The even lower rates of ownership among Indian Tamil households (36.5 per cent) reflect the continued provision of housing by many estates, although recent years have seen cases where ownership of houses and associated plots has been transferred.<sup>63</sup>

Box 1

#### Land tenure in Sri Lanka

Most agricultural land in Sri Lanka outside the plantation sector is government-owned and is used by farmers under various forms of entitlement, some dating back to the pre-independence period, notably the Land Development Ordinance of 1930, as well as various aspects of customary law. These arrangements were intended to provide security of tenure for smallholder farmers, by restricting the landholder's capacity to sell, lease, mortgage or subdivide agricultural land. Inheritance of entitlements to use land is normally to a single male heir.

These arrangements have far-reaching consequence for the agriculture sector in Sri Lanka. While they were successful in allocating land to large numbers of previously landless households during the 20<sup>th</sup> century, particularly on irrigation schemes, the restrictions attached to the entitlements now limit the capacity of the agriculture sector to modernize and commercialize.

Land cannot be used as collateral, forcing farmers to resort to informal moneylenders. Farmers wishing to expand cannot lease or buy more land, and those wishing to relocate, retire or move into other sectors have to do so without compensation. Land designated as paddy land can only be used for other crops with the permission of the Commissioner of Agrarian Services. Youth interested in farming and a business have no feasible entry mechanism other than inheritance. Consequently, there is a prevalence of small-scale part-time farming, and very limited capacity of the market to allocate land to the most productive uses. Where the landholders have died or moved on, some plots are left idle without a mechanism for transferring the land to new owners. Moreover, although the law prevents subdivision and leasing, there has been a proliferation of informal and unregistered transactions leading to very small and fragmented landholdings with no available means of consolidation.

Land tenure is also gender-discriminatory. Almost all land allocated under the Land Development Ordinance was to males and has been passed to male heirs. Divorced women have no claim to the land held by their former spouse. Daughters are automatically eliminated from inheritance of land, and widows do not have the right to transfer or sell land if the husband had not named a successor. These laws and regulations are reinforced

<sup>59</sup> 2016. Government of Sri Lanka statistics. Sri Lanka Labour Force Survey Department of Census and Statistics.

<sup>60</sup> International Food Policy Research Institute (IFPRI). 2017. Agricultural Transformation in Sri Lanka.

<sup>61</sup> World Bank Agricultural and Rural Development accessed on October 2017. Data refer to 2014.

<sup>62</sup> Data provided as part of the Government comment on the CSPE approach paper (see annex VI, CSPE approach paper).

<sup>63</sup> World Bank. 2015. Systematic country diagnostic.

by customary laws that favour males.

In summary, multiple consequences of the shortfalls in the land tenure system include: (i) reduced incentive to invest in land improvement; (ii) inability to access finance due to lack of collateral; (iii) lack of an exit mechanism for farmers wishing to retire from agriculture; (iv) prevalence of part-time semi-subsistence/semi-commercial farming; (v) lack of an expansion path for commercial farmers; (vi) exclusion of women from land ownership; and (vii) proliferation of informal/unofficial land-leasing and transfer deals.

In 2002, the Ministry of Land announced a new policy to enable certificates of entitlement to be transferred to full freehold title without the restrictions which previously applied. However, the policy has not been implemented and the debate on lifting the restrictions continues.

49. **Key challenges in the agricultural and rural sector.** With the Government's decades-long focus on promoting rice self-sufficiency also supported by fertilizer subsidies, rice production has increased steadily. At the same time, such policy has kept the agriculture production system concentrated on low-value food crops, constrained the efforts to diversify crops, and led to highly calorie-oriented diets.<sup>64</sup> Fertilizer subsidy features prominently in Sri Lanka's agriculture budget, while public expenditures on research and development and extension services remain limited, which has held Sri Lanka back from acquiring and applying new knowledge and technologies. There is an emerging consensus that the country should diversify agricultural production systems, tapping the potential for high-value commodities and exports. This would require higher levels of technology and inputs, better access to finance, better farm management, investments in post-harvest management and better access to markets. In the post-conflict areas (the north and east), agricultural productivity and value addition are still low and also constrained by lack of adequate infrastructure largely destroyed during the war. Seed availability and quality are increasingly becoming a challenge.<sup>65</sup> High rural population density and limited cultivable area suggest the importance of non-farm employment opportunities.<sup>66</sup> Disaster risk (drought, floods) and climate change exacerbate the above challenges.

### Poverty and social context

50. **National poverty data, social indicators.** Sri Lanka can be considered a development success story under many perspectives. It surpassed most of the Millennium Development Goals.<sup>67</sup> Sri Lanka's GNI per capita (Atlas method, current US\$) increased from US\$460 in 1990 to US\$3,850 in 2016. The national poverty headcount ratio declined from 22.7 per cent in 2002 to 4.1 per cent in 2016 (figure 3),<sup>68</sup> mostly due to increased earnings linked to the shift from agriculture to industry and service. Using the international poverty line for lower middle-income countries (US\$3.2 per day), the World Bank estimated that poverty between 2012/13 and 2016 fell from 16 to 9.5 percent.<sup>69</sup> Extreme poverty is rare and concentrated in some geographical pockets (see paragraph 52), but a relatively large share of the population subsists on slightly more than the extreme poverty line. The country's Gini index was 39.8 in 2016, on the higher side in the countries in the Asia region.<sup>70</sup>

<sup>64</sup> IFPRI. 2017. Agricultural Transformation in Sri Lanka.

<sup>65</sup> In Sri Lanka, farmers either use the seed retained from their previous harvest or purchase certified seed produced by Government-registered growers. In February 2017, the Cabinet approved purchasing paddy grain from unregistered farmers – which risks being of lower quality – because the seed available from registered producers was insufficient (FAO/WFP. 2017. Crop and Food Security Assessment).

<sup>66</sup> IFPRI. 2017 Agricultural Transformation in Sri Lanka.

<sup>67</sup> World Bank. 2016. Country Partnership Framework.

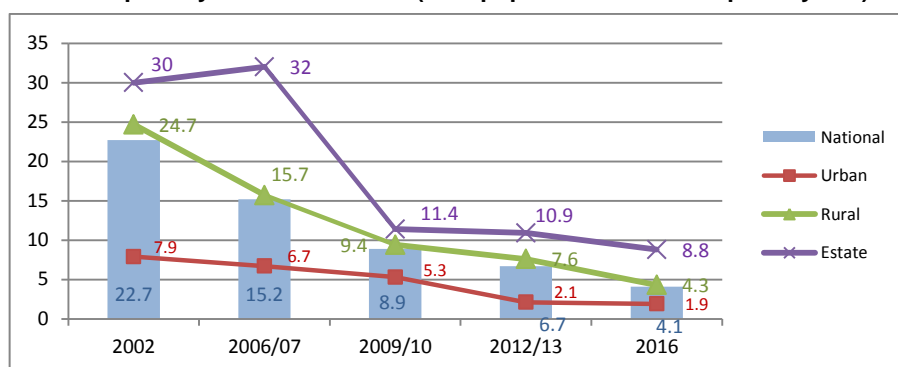
<sup>68</sup> World Bank databank.

<sup>69</sup> World Bank. 2018. Sri Lanka Development Update.

<sup>70</sup> World Bank databank. The Gini coefficient in some other lower middle-income countries in Asia was as follows: 39.5 for Indonesia (2013), 35.3 for Viet Nam (2016) and 35.1 for India (2011).



Figure 3  
Sri Lanka poverty headcount index (% of population below the poverty line)



Source: (i) Department of Census and Statistics, 2014. Poverty Headcount Ratio Brief: Decomposition of Consumption Poverty; (ii) Household Income and Expenditure Survey 2016

51. Social indicators rank among the highest in South Asia and compare favourably with those among middle-income countries. Between 1990 and 2015, Sri Lanka's Human Development Index (HDI)<sup>71</sup> increased from 0.626 to 0.766, above the average for the high human development category.<sup>72</sup> According to the 2015 HDI data, Sri Lanka ranked 73<sup>rd</sup> out of 188 countries, decisively higher than other lower middle-income countries.<sup>73</sup> Between 1990 and 2015, Sri Lanka's life expectancy at birth increased by 5.5 years (from 69.5 to 75), mean years of schooling increased by 2.5 years (from 8.4 to 10.9), and expected years of schooling increased by 2.7 years (from 11.3 to 14). However, achievements at the national level hide important differences by gender, age, ethnic group and geographic location.<sup>74</sup>
52. **Poverty and wealth disparities.** The poverty headcount index by district in 2012/2013<sup>75</sup> and 2016<sup>76</sup> show a wide range: from 1.4 per cent in Colombo to 28.8 per cent in Mullaitivu in the Northern Province in 2012/2013; and from 0.9 per cent in Colombo to 18.2 per cent in Kilinochchi in the Northern Province in 2016. The number of poor people by district ranges from 5,600 to over 110,000 in 2012/2013 and from 1,000 to over 76,000 in 2016 (see also annex VIII). In general, pockets of poverty remain mainly in the North and East. Poverty is also a problem in the estate sector (figure 3) in the Centre. According to the World Bank estimate based on the household income and expenditure surveys (HIESs) by the Government, Sri Lankan and Indian Tamils poverty headcount ratio at national poverty line is notably higher than Sinhalese and Sri Lankan Moors (12 and 9.4 per cent, respectively, in 2012/2013, compared to 5.9 per cent for Sinhalese and 6.0 per cent for Sri Lanka Moors).<sup>77</sup> People with physical disabilities and psychological problems due to conflict, in particular ex-combatants and widows, are particularly vulnerable to exclusion.
53. **Social protection and welfare.**<sup>78</sup> Sri Lanka has an extensive but fragmented social protection system, and public expenditure on safety nets has historically been relatively generous, although declining in recent years. There are close to 30 programmes run by different public institutions, including in-kind assistance.<sup>79</sup>

<sup>71</sup> A weighted average of long and healthy life (measured by life expectancy), access to knowledge (measured by number of years of schooling) and decent standard of living (measured by GNI).

<sup>72</sup> United Nations Development Programme (UNDP). 2016. Human Development Report.

<sup>73</sup> The rankings on the HDI for some other countries are as follows: Thailand 87<sup>th</sup>, China 90<sup>th</sup>, Maldives 105<sup>th</sup>, Indonesia 113<sup>th</sup>, Viet Nam 115<sup>th</sup>, India 131<sup>st</sup>.

<sup>74</sup> Nishan de Mel, N. and R. Venugopal. 2016. Peacebuilding context assessment: Sri Lanka.

<sup>75</sup> Department of Census and Statistics and Poverty Global Practice, World Bank Group, 2015. The Spatial Distribution of Poverty in Sri Lanka.

<sup>76</sup> Department of Census and Statistics. 2016. Household income and expenditure survey 2016.

<sup>77</sup> World Bank. 2015.

<sup>78</sup> Information in this paragraph principally drawn from the project appraisal report on the Social Safety Nets Project by the World Bank (2016).

<sup>79</sup> Including in-kind programmes comprising assistance such as cooked meals, textbooks, and transport subsidies for students.

There are several non-contributory cash transfer programmes, the largest one being *Samurdhi*, which is an integrated welfare programme that provides cash transfers, microfinance and various community and livelihood development activities.<sup>80</sup> The targeting performance of Sri Lanka's main safety net programmes has been considered weak. The World Bank has been financing the Social Safety Nets Project since 2016 with the objective of contributing to the improved equity, efficiency and transparency of Sri Lanka's social safety net programmes for the benefit of the poor and vulnerable. This will be through promotion of the development of a unified social registry, improved targeting, and an integrated management information system for the welfare benefit scheme.

54. **Gender issues.** Despite the notably high achievement in terms of education,<sup>81</sup> only 30.2 per cent of women participate in the labour market, compared to 75.6 for men.<sup>82</sup> While the Global Gender Gap Index in 2017 suggests an overall ranking similar to other countries in South Asia, the different sub-indexes suggest an uneven performance across the different dimensions, with poor performance for political empowerment compared to excellent results in terms of closing the health and survival gender gap. The historical data for the Gender Gap Index (table 3) also show that, except for "health and survival", the ranking has been on a declining trend.

Table 3

**Gender Gap Index data (Inequality: 0.00; Equality: 1.00)**

Gender Gap Index	Overall		Economic participation		Educational attainment		Health and survival		Political empowerment	
	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score
2017 (144 countries)	<b>109</b>	0.669	123	0.521	86	0.986	1	0.980	65	0.188
2013 (136 countries)	<b>55</b>	0.7019	109	0.5590	48	0.9946	1	0.9796	30	0.2744
2010 (134 countries)	<b>16</b>	0.7458	89	0.6008	57	0.9926	1	0.9796	31	0.2404
2006 (115 countries)	<b>13</b>	0.720	84	0.545	52	0.990	1	0.980	7	0.365

Source: World Economic Forum, The Global Gender Gap Report 2006, 2010, 2013 and 2017

55. Women are equal to men under the general law in principle, but there is persistent inequality in some aspects of law. Cultural sensitivity has prevented action to remove the inequalities in some personal laws of Tamils, Muslims and Kandyan Sinhalese. Discrimination against women in the inheritance schedules in the Land Development Ordinance that pertain to state settlements has not been removed (see also box 1).<sup>83</sup>
56. **Food security and nutrition.** Despite a decline in depth of food deficit in the last decade (from 266 kilocalories/person/day in 2006 to 192 in 2016), a joint study by the Food and Agriculture Organization (FAO) and the World Food Programme (WFP) in 2017 estimates that 900,000 Sri Lankans have borderline food consumption levels. According to the Global Nutrition Report (2016), the country has one of the highest wasting prevalence<sup>84</sup> indices in the world (21.4 per cent), ranking 128 out of 130 countries. The prevalence of stunting (14.7 per cent, ranked 44<sup>th</sup> out of 132 countries in the 2016 Global Nutrition Report), on the other hand, remains significantly lower than other countries in the region (average of over 30 per cent), although there is lack of apparent progress in the last decade and there are notable disparities across regions and between income groups.<sup>85</sup> The Global Hunger Index

<sup>80</sup> In 2015, the programme covered 1.48 million families, approximately 30 per cent of the population.

<sup>81</sup> About 80 per cent of adult women in Sri Lanka have reached at least a secondary level of education, with no significant difference with men. The former can be compared to 35 per cent in India and 26.5 per cent in Pakistan. (2015 data).

<sup>82</sup> UNDP. 2016. Human Development Report.

<sup>83</sup> ADB. 2015. Country Gender Assessment, Sri Lanka: An Update.

<sup>84</sup> Low weight-for-height: Wasting or thinness indicates in most cases a recent and severe process of weight loss, which is often associated with acute starvation and/or severe disease.

<sup>85</sup> European Union. 2018.

for Sri Lanka, though declining since 2000, is still in the serious category at 25.5 (2017 data).<sup>86</sup>

57. **Community-level institutions.** There are a diverse range of institutions at community level, including traditional ones such as temple development societies and death donation societies. There are a variety of "societies" and institutions that have been promoted by government agencies for specific or broader purposes. Those relevant to rural and agricultural development include: rural development societies/women's rural development societies (promoted by the Department of Rural Development and registered with the Divisional Secretariat, often contracted to implement small community-level infrastructure works); Farmer Organizations (under the aegis of the Department of Agrarian Development, for operations and maintenance of irrigation schemes – to be distinguished from a general term "farmer organizations"); and agricultural commodity-specific societies (e.g. tea, rubber, dairy) all linked to government agencies. It is usual for rural people to have memberships in several or more of these societies.

### **Government policy and institutional framework**

58. Since the early 2000s, Sri Lanka has had a series of development policy frameworks which reflect the vision of the changing governments,<sup>87</sup> whose emphasis shifts between private sector-driven growth and continued state intervention in the economy.<sup>88</sup> These evolving visions include: "Regaining Sri Lanka" (2002)<sup>89</sup>, Mahinda Chintana or "Mahinda's Vision" (2006-2016)<sup>90</sup> and the Vision 2025.
59. In the **2002 Regaining Sri Lanka**, "revitalizing rural development" is mentioned as one of the pathways for creating pro-poor growth. The themes mentioned under the heading of "revitalizing rural development" include agriculture (including market orientation and private sector participation, irrigation, livestock and fisheries), agricultural marketing systems, land and water resource management, plantation sector development, off-farm rural employment, and rural electrification. Other pathways for creating pro-poor growth also include small and medium enterprise development, and it also emphasized participation and empowerment in assisting poor communities.
60. **The 2006 Mahinda Chintana** emphasized making an economy which is largely private sector-driven, more dynamic and regionally integrated. In relation to agriculture, the development framework discusses increased competitiveness through improved technologies and a shift to commercial agriculture, along with food security and income increases for small farmers. It recognized the need to address growing income disparities among income earners and geographical regions.
61. The current government economic development vision is illustrated in **Vision 2025 (2017-2025)**, which aims at transforming Sri Lanka into a private sector-led and export-oriented hub of the Indian Ocean. It focuses on strengthening democracy and reconciliation, inclusive and equitable growth, and good governance. Targets to

<sup>86</sup> IFPRI. 2017. 2017 Global Hunger Index: The inequalities of hunger.

<sup>87</sup> It is common practice in Sri Lanka for the newly elected government to announce a policy framework based on its election manifesto (FAO. 2011. Articulating and Mainstreaming Agricultural Trade Policy and Support Measures).

<sup>88</sup> Some tension between these two positions is found also within the same policy framework, e.g. "Regaining Sri Lanka" main text advocates for private sector-led productivity improvements and the action plan appears to advocate for continued state intervention (FAO. 2011. *Ibid.*)

<sup>89</sup> 2002. Government of Sri Lanka. *Regaining Sri Lanka: Vision and Strategy for Accelerated Development*, December 2002, Ministry of Finance; and *Connecting to Growth: Sri Lanka Poverty Reduction Strategy*, June 2002. The Poverty Reduction Strategy Paper was presented as an annex and later incorporated as Part II of the "Regaining Sri Lanka" document.

<sup>90</sup> *Mahinda Chintana: Ten-year Horizon Development Framework (2006-2016)*, Department of National Planning, Ministry of Finance and Planning. This reflects President Rajapaksa's electoral manifesto and was later updated in 2010 with *Sri Lanka, the Emerging Wonder of Asia, Mahinda Chintana: Vision for the Future*, Department of National Planning, Ministry of Finance and Planning. The document also substitutes the national Poverty Reduction Strategy Paper.

- make the country more competitive and become an upper middle-income country include raising per capita income to US\$5 000 per year, creating one million new jobs, increasing foreign direct investment to US\$5 billion per year, and doubling exports to US\$20 billion per year. The position of the Government is also reflected in recently approved strategies and action plans, such as the Public Investment Plan (2016–2020), the National Plan of Action for the Social Development of the Plantation Community (2016–2020), and the Nationally Determined Contributions.<sup>91</sup>
62. Another important reference document for the present period and for a shorter term is the **Public Investment Programme 2017-2020**.<sup>92</sup> One chapter is dedicated to agriculture, including crop agriculture, livestock, plantation, fisheries and land. Another chapter covers infrastructure, including irrigation development. Here again, recurring themes are commercialization, exploring opportunities in international markets and domestic markets and import substitution, while improving rural livelihoods and food security.
  63. Following the good progress relative to the Millennium Development Goals, especially with regard to health, education and poverty, the Government of Sri Lanka is committed to achieving **the Sustainable Development Goals** set by the United Nations General Assembly in 2015. In this connection, the Government enacted the Sustainable Development Act in October 2017, which provides for the development and implementation of a National Policy and Strategy on Sustainable Development in Sri Lanka and for the establishment of a Sustainable Development Council, among other things.
  64. In recent years the Government of Sri Lanka has developed **a series of sectoral policies and action plans relevant for agriculture**.<sup>93</sup> While the National Agriculture Policy launched in 2007<sup>94</sup> is in the process of being updated, the current Government has developed the Food Production National Programme (2016–2018) with the primary objective of enhancing domestic production and minimizing food imports. The national programme includes: (i) enhancement of food crop production and productivity; (ii) livestock development; (iii) increasing the production of fisheries and aquaculture products; and (iv) promotion of plantation crop production. It also suggests attention by the Government to nutrition.
  65. The Government's **institutional framework** has been complex and multi-layered over the evaluation period. At the time of the CSPE main mission, the Government was composed of over 50 ministries; there were at least six ministries that covered various aspects of agriculture.<sup>95</sup> There are also frequent movements of departments from one ministry to another.<sup>96</sup> Moreover, functions and service deliveries in some areas have been devolved to provincial councils (e.g. agriculture, irrigation) but some have not (e.g. plantation industries, export agriculture, agrarian development).

<sup>91</sup> World Bank. 2016. Country Partnership Framework.

<sup>92</sup> Department of National Planning, Ministry of National Policies and Economic Affairs

(<http://www.mnpea.gov.lk/web/index.php/en/news-events/2-uncategorised/181-public-investment-programme.html>).

<sup>93</sup> National Breeding Policies Guidelines (2010); Fisheries and Aquatic Resources Act (1996 and later amended); Sri Lanka National Plan of Action to Prevent, Deter and Eliminate Illegal, Unreported and Unregulated Fishing (2015); Climate Change Policy (2011); Disaster Management Policy (2010); the National Biodiversity Strategic Action Plan (2016-2022); among others.

<sup>94</sup> National Agricultural Policy (September 2007), Ministry of Agriculture Development and Agrarian Services. In 2003, the Ministry of Agriculture, Livestock and Samurdhi had prepared an Agriculture Policy.

<sup>95</sup> Ministry of Agriculture, Ministry of Fisheries and Aquatic Resources Development, Ministry of Plantation Industries, Ministry of Primary Industries, Ministry of Irrigation and Water Resource Management, Ministry of Livestock and Rural Development. At the time of the CSPE report finalization (January 2019), following some changes in the ministry portfolios late 2018, the Government is composed of 31 cabinet ministries.

([http://www.cabinetoffice.gov.lk/cab/index.php?option=com\\_content&view=article&id=22&Itemid=40&lang=en](http://www.cabinetoffice.gov.lk/cab/index.php?option=com_content&view=article&id=22&Itemid=40&lang=en)).

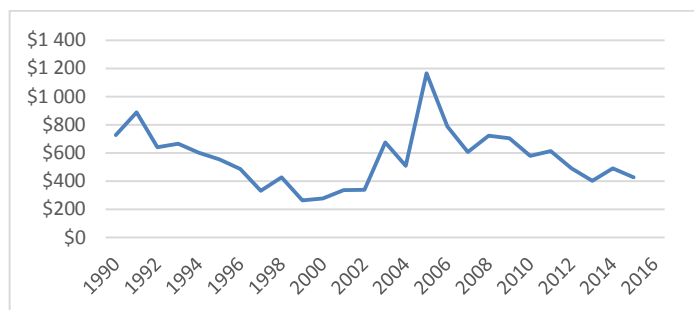
<sup>96</sup> For example, the Coastal Conservation Department, which was responsible for one of the IFAD-financed projects, was initially in the Ministry of Fisheries and Aquatic Resources, moved to the Ministry of Defence and then to the Ministry of Mahaweli Development and Environment.

## Official development assistance

66. Official development assistance (ODA) in Sri Lanka is coordinated by the External Resource Department, currently under the Ministry of National Policies and Economic Affairs. During the 1990s, because of the difficult security situation and political instability, ODA was rather low (figure 4). Despite a donor aid surge on the occasion of the 2002 ceasefire and the 2005 spike following the 2004 tsunami, concessionary donors' funding declined by 29 per cent in the period 2011–2015<sup>97</sup> compared to 2006–2010. Between 2010 and 2015, ODA to Sri Lanka represented only 1.1 per cent of total net ODA to Asia.
67. According to the data by the Development Assistance Committee, Japan has been the largest bilateral donor (US\$257.8 million in 2014–2015, US\$203 million in 2015–2016), almost double the sum of the other main bilateral donor contributions (in order of importance Korea, Australia, United States and United Kingdom). Forty-six per cent of bilateral ODA in the 2015–2016 period was allocated to economic infrastructure and services. The main multilateral agencies (with gross ODA in 2015–2016) are the International Development Association (US\$172.9 million), Asian Development Bank (ADB Special Funds with US\$149.3 million) and European Union (EU) institutions (US\$76.9 million).<sup>98</sup> IFAD's contribution in 2015–2016 was reported as US\$14.3 million and ranked tenth in terms of the amount.

Figure 4

### Net official development assistance (in current US\$ million)



*A surge in 2005 following the tsunami is observed, but the following years see a declining trend in general.*

Source: World Bank databank

68. As some of the traditional development partners have either phased out or scaled down their operations, non-traditional donors have been increasing their importance, in particular China, as has been the case in many other ODA-receiving countries in Asia and Africa.
69. Many donors providing loans, including China and the Asian Infrastructure Investment Bank, mainly support infrastructure development, especially in the north and east, in relation to transport, roads, power and energy, and water and sanitation. Main development partners supporting the agriculture and rural development sector include IFAD, the World Bank, Japan, FAO and the EU.

## B. IFAD's strategy and operations for the CSPE period

### Overview of IFAD country strategy

70. IFAD's earliest attempts to define a country strategy for Sri Lanka date back to the special programming mission of 1979. Then there was the 1993 strategy report, which recommended combining area-based rural development projects<sup>99</sup> with multi-layered interventions. The first country strategic opportunities paper (COSOP) was prepared in 2003 after a two-year consultative process including a series of

<sup>97</sup> In this period, Sri Lanka received an average of US\$485 million annually in ODA.

<sup>98</sup> Organisation for Economic Co-operation and Development/Development Assistance Committee (OECD-DAC): <https://goo.gl/9LzZau>.

<sup>99</sup> A multi-component and multi-sectoral set of interventions within a given geographical area, with a focus on the poor.

preparatory studies and a country programme evaluation (CPE) undertaken by IOE.<sup>100</sup>

71. The previous CPE covered 10 projects from the very first one in Sri Lanka (six completed and four ongoing at the time). The evaluation concluded that all the projects were relevant to government priorities and IFAD objectives at the time, project objectives addressed the problems to be solved and project implementation was generally satisfactory. Main findings and issues identified in the CPE included: (i) limitations in working with government agencies with an inevitable focus on specific sectors, and on service delivery rather than empowerment of the poor, which led to a recommendation that a self-governing non-profit body be established to undertake social mobilization and community participation and promote a holistic approach to poverty alleviation; (ii) the importance of deepening the decentralization process, with local government adopting transparent and participatory processes; and (iii) the need to strengthen the pro-poor orientation, including identifying opportunities to support estate workers and other landless households, as well as conflict and upland settlement areas.
72. The development of a subsequent COSOP was planned around 2008–2009, and IFAD invested in preparatory work by engaging a research organization in Sri Lanka,<sup>101</sup> but the process did not lead to the preparation of a new COSOP at the time, reportedly due to lack of interest on the side of the Government to have a country strategy for what it considered to be a relatively small resource envelope offered by IFAD, with one project per performance-based allocation system cycle. Consequently, the IFAD country strategy was not updated until 2015.<sup>102</sup>
73. **COSOP 2003.** The 2003 COSOP was formulated in 2002 during the ceasefire and its content is influenced by a "return to peace" perspective. The IFAD strategic framework (2002–2006) and the regional strategy for the Asia and the Pacific region (2002) served as the overarching framework. It set a series of criteria for IFAD interventions, including: likelihood of impact on the poor; sustainability; focus on women and the least-favoured areas of Sri Lanka; and high degree of innovation and catalytic potential.
74. Three areas for proposed interventions emerged at the end of the COSOP consultative process in the following order of priority: (i) a sustainable livelihood support programme focusing on women in the dry zone; (ii) estate sector interventions; and (iii) a resource management project in the coastal zone. Priority was given to marginal upland villages and areas affected by the conflict. Estate sector interventions were prioritized because of extreme and worsening poverty of plantation workers and smallholder farming communities in the surrounding villages.
75. The COSOP format at this time did not explicitly present "strategic objectives". The programme development objectives contained in the logical framework stated "promote sustainable livelihoods among communities living in least-favoured areas (dry zone, estate sector, coastal zone, and surrounding hinterland) through equitable access to productive resources (natural resources and technology), identifying opportunities for income and employment diversification, and access to markets."

<sup>100</sup> Concluded in July 2001 and published in 2002.

<sup>101</sup> A contract with the Centre for Poverty Analysis was signed on 6 August 2008 and later amended with a reschedule of timetable for deliverables.

<sup>102</sup> When the COSOP formulation process was resuscitated, it was initially expected to be completed in 2013, with the strategy coverage for the period 2013-2018. The draft COSOP was first submitted to the IFAD Management in November 2013 and the two strategic objectives were endorsed, also later by the Government, but the Government requested that the COSOP country and economic sector background be updated on the basis of the newly released government Public Investment Strategy 2014-2016. While a final COSOP validation mission had been held in September 2014, following Presidential elections in January 2015, the new President requested the COSOP to be aligned with his election manifesto and budget speech, which were the available policy documents at the time. The COSOP was finally endorsed in February 2015.

76. **COSOP 2015–2020.** The 2015 COSOP builds on IFAD self-assessment of country programme performance in the previous decade and findings from the impact evaluation for DZ-LiSPP concluded in 2013 by IOE. The 2015 COSOP has two strategic objectives: (i) smallholders benefit from sustainable productivity enhancement in a more resilient livelihood system; and (ii) poor rural women and men are effectively connected to markets. The strategy highlights degradation of natural resources and harmful agricultural technologies among the causes of rural poverty and puts adaptation to climate change at the core of design considerations.
77. The strategy emphasizes the role of public-private partnerships in enhancing market connectivity, and the need for innovative financial products. The target group is rather diverse, ranging from smallholder farmers to fishers, landless labourers on plantations, women and youth. Gender mainstreaming and women's empowerment are emphasized as key.
78. **Comparison of 2003 and 2015 COSOPs.** Comparison of key elements in the two COSOPs is shown below and in annex VIII. The key thrusts of the two COSOPs in terms of the overall direction and objectives can be considered similar: one on sustainable and resilient livelihoods, with orientation to agricultural production and natural resource management, and the other on access to markets. One change noted is that the indication of geographical areas for interventions somewhat toned down in the 2015 COSOP<sup>103</sup> compared to the 2003 COSOP, which discussed "dry zone", "coastal zones and surrounding hinterland", and "estate sector".

Table 4

**Comparison of key elements in 2003 and 2015 COSOPs**

	2003 COSOP	2015 COSOP
Strategic objectives <sup>a/</sup>	<ul style="list-style-type: none"> <li>Sustainable livelihoods in the least-favoured areas of the dry zone</li> <li>Support for estate workers and smallholder tea planters</li> <li>Development of the coastal zone and hinterland, especially conflict-affected areas</li> </ul>	<ul style="list-style-type: none"> <li>Sustainable productivity enhancement in a more resilient livelihood system</li> <li>Poor rural women and men are effectively connected to markets</li> </ul>
Geographic focus	<ul style="list-style-type: none"> <li>Dry zone, estates and coastal areas</li> </ul>	<ul style="list-style-type: none"> <li>Areas with high prevalence of poverty</li> <li>Conflict-affected areas</li> </ul>
Target groups	<ul style="list-style-type: none"> <li>Smallholders, estate workers and coastal communities</li> <li>Conflict-affected communities</li> <li>Women in all of these categories</li> </ul>	<ul style="list-style-type: none"> <li>Smallholder crop farmers</li> <li>Artisanal and small-scale fishers</li> <li>Landless plantation labourers</li> <li>Rural youth</li> <li>Women in all of these categories</li> </ul>
Potential intervention areas	<ul style="list-style-type: none"> <li>Dry zone</li> <li>Smallholder estates</li> <li>Coastal resource management</li> </ul>	<ul style="list-style-type: none"> <li>Smallholder plantation revitalization (tea and rubber)</li> </ul>

<sup>a/</sup> In the 2003 COSOP these are defined as "niche areas for IFAD interventions"

### Overview of IFAD operations

79. **Project portfolio.** The total cost of the eight loan-financed projects between 2004 and 2017 that are covered in the CSPE amounts to US\$347 million,<sup>104</sup> of which US\$192 million is financed by IFAD. The two ongoing projects deal with agribusiness development, with a focus on plantation crops (tea and rubber) as well as non-plantation agricultural commodities. Completed projects included dry zone livelihood support, post-tsunami coastal rehabilitation and livelihood support, irrigation in the north, and smallholder plantations. The project costs by component types<sup>105</sup> (figures (a)-1 and (a)-2 in annex XII) indicate that post-harvest and

<sup>103</sup> The 2015 COSOP indicated that it would "target districts and areas with higher incidences of poverty, and localities that are conflict-affected and face specific development challenges because of their geographic locations".

<sup>104</sup> This includes a financing gap in the ongoing Smallholder Agribusiness Partnerships Programme (SAP) that is still to be defined.

<sup>105</sup> Figures are based on subcomponent/subcomponent type analysis from the IFAD corporate database, Oracle Business Intelligence. "Subcomponent types" as classified by IFAD are numerous and there are many entries with

marketing-related interventions have received the largest fund allocation, followed by rural financial services. The same figures also show the diversity of the project interventions.

80. Looking at the portfolio financing pattern from the beginning, while domestic contributions have increased mostly from the national government and local private institutions, international cofinancing has shrunk considerably. For the completed six loan-financed and one GEF-funded projects, international cofinancing was envisaged to be 5.8 per cent of the total financing but none materialized (table 5 and figure (b) in annex XII).

Table 5

**Planned and actual project financing by financier for completed projects covered by CSPE**

	IFAD <sup>a</sup>	Government	Beneficiaries	Domestic cofinancing	GEF grant	International cofinancing	Total
Planned (US\$mill)	126.64	13.57	6.17	14.53 <sup>b</sup>	6.92	10.26 <sup>c</sup>	178.29
Planned (% of total)	71%	7.6%	3.5%	8.3%	3.9%	5.8%	100%
Actual (US\$ mill)	119.34	8.12	10.01 <sup>d</sup>	3.28	5.57	0	146.32
Actual (% of total)	81.6%	5.5%	6.8%	2.2%	3.8%	0.0%	100%

<sup>a</sup> Including a grant of US\$0.34 million as a component of DZ-LiSPP

<sup>b</sup> Financial institutions and private sector

<sup>c</sup> By Canada, Japan, UNDP and WFP (a total of US\$4.66 million) for DZ-LiSPP and US\$5.5 million by USAID for SPEnDP

<sup>d</sup> More than half in NADeP presented as "estimated contribution" in the PCR

81. Apart from DZ-LiSPP, which was supervised by the International Development Association (World Bank), and PT-LiSPP and PT-CRRReMP, which were supervised by the United Nations Office for Project Services (UNOPS) only at the beginning, since the entry into force of SPEnDP IFAD has directly supervised all the projects it finances.
82. The IFAD resource envelope for Sri Lanka based on the performance-based allocation system is US\$51 million for the period 2016–2018 and an indicative figure of US\$39.8 million for 2019–2021.<sup>106</sup> The former represents 4.8 per cent of the allocation for Asia and the Pacific region in the same period. It ranks eighth out of 18 countries in the division, in terms of resource allocation for 2016–2018.
83. Sri Lanka benefited from a GEF grant<sup>107</sup> (US\$5.57 million out of planned US\$6.9 million) linked to the loan-financed PT-CRRReMP. The GEF project is examined in the project portfolio assessment.
84. **Grants.** Nineteen grants approved between 2004 and 2017 included or were expected to include Sri Lanka among benefiting countries with a total of almost US\$17 million (see annex V). Fifteen grants were financed by IFAD (US\$13 million) and four were financed by international and bilateral institutions<sup>108</sup> (US\$3.8 million). Most of these are global or regional grants<sup>109</sup> and cover many countries (see figure 5). Many are marginally relevant to Sri Lanka. There was only one country-specific grant (with IFAD regular grant funding), but two grants financed

small allocations. The CSPE team aggregated some of these categories, for example, subcomponent types of "industrial/cash crops" and "technology transfer" into an aggregated category of "agricultural production, research and extension".

<sup>106</sup> IFAD document submitted to the Governing Council in February 2018. GC 41/L.5; communication by IFAD dated 29 May 2019 to the Government of Sri Lanka.

<sup>107</sup> *Participatory Coastal zone Restoration and Sustainable Management in the Eastern Province of Post-tsunami Sri Lanka*. GEF 3/ ID 2753.

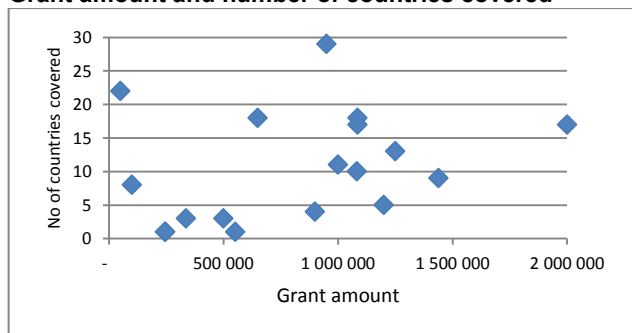
<sup>108</sup> European Commission and the Government of Spain.

<sup>109</sup> Specifically, 8 global and 10 regional grants.



through the Financing Facility for Remittances funded by Spain on remittances and diaspora investment could be assimilated to country-specific grants.<sup>110</sup>

Figure 5  
Grant amount and number of countries covered



The figure shows that the majority of the grants, large or small, had wide country coverage.

Source: IFAD database

Note: Two grants through the Financing Facility for Remittances are reflected as grants with only one country (Sri Lanka), although the IFAD database lists other countries such as Qatar and Kuwait (where migrants live) as "benefiting countries".

Not including the grant (no. 3895) in which Sri Lanka was expected to be involved in dissemination activities but in the end little materialized.

85. Grant recipients include: international organizations, research organizations, NGOs and financial service providers. Grants have covered microfinance services; sustainable natural resource management; resource recovery and reuse of waste; knowledge-sharing including through South-South exchanges; and farmer organizations.
86. **County presence.** IFAD had a country presence between 2007 and 2016 in the form of a national officer (June 2007 to April 2010, as a consultant; May 2010 to May 2016 as staff), but for most of the period, it was without a proper country office, reportedly due to difficulties in finding a suitable space despite discussions held with many development partners (e.g. World Bank, UNDP, FAO, International Water Management Institute - IWMI). While the search for a suitable space stretched over some years, the country officer basically operated from his home in Kandy, and it was only during 2015 and 2016 that there was a functioning country office space in the capital at the WFP compound.
87. The initial proposal to fill a vacant position after the departure of the national officer in 2016 and to establish a country office with a host country agreement has been replaced by the recent decision to have the Sri Lanka programme managed from the sub-regional hub in New Delhi.

<sup>110</sup> Despite targeting migration corridors – therefore covering more than one country – they are indeed meant to benefit Sri Lankans.

**Key points**

- Sri Lanka has registered steady economic growth, helped by the end of the war and return of peace in 2009, and is now classified as a lower middle-income country.
- Government policy has shifted between inward orientation and outward orientation and private sector-led model in the past four decades. Since 2015, the current government has promised a renewed policy focus on an outward-oriented development strategy.
- The poverty headcount index at national poverty line decreased from 22.7 per cent in 2002 to 4.1 per cent in 2016. However, a relatively large share of the population is just slightly above the poverty line and there are notable disparities between geographical areas and income groups. Poverty in the estate sector remains the most severe.
- The main pillars of Sri Lankan agriculture have been rice for self-sufficiency and plantation crops (tea, rubber and coconut) for export earnings. There is a general recognition that agricultural production system needs to be diversified, tapping the potential for high-value commodities and exports.
- ODA from traditional development partners has been declining, while non-traditional donors, in particular China, have been increasingly becoming an important source of development financing.
- In the CSPE period, IFAD prepared two COSOPs, one in 2003 and the other in 2015. Sectoral and thematic areas of IFAD investment have been diverse, including dry zone agriculture, plantation crops (tea and rubber), livelihood support, micro/rural finance and microenterprise development, coastal resource management, fisheries development, post-tsunami reconstruction, and housing and social infrastructure support.

### III. The project portfolio

88. The CSPE examines nine IFAD-financed operations covering the period from 2004 until mid-2018, including eight loan projects and one GEF grant-funded activity (see table 2). The figure (c) in annex XII provides an overview how the portfolio has evolved over that period.

#### A. Project performance and rural poverty impact

89. Assessment of the project portfolio below – in particular for the evaluation criteria for relevance and effectiveness – differentiates the **core projects** (STaRR and SAP only for relevance) and the **post-tsunami projects**. These merit separate consideration because the latter were the consequence of an unforeseen and unprecedented catastrophic event.
90. Three projects are considered in the post-tsunami category on the basis that they would not have taken place within the prevailing COSOP framework, or would have been configured differently, without the tsunami event. PT-LiSPP and PT-CRReMP were clearly responses to the tsunami and were only vaguely linked to the 2003 COSOP. The GEF project came much later (due to a protracted design and start-up period) but does relate to the 2003 COSOP in its focus on the coastal communities and coastal resource management. However, it is included in the post-tsunami category because of its orientation to mainstreaming the restoration and management of ecosystems affected by the tsunami into the reconstruction process.

#### Relevance

91. Relevance considers the extent to which the objectives of development interventions are consistent with the beneficiaries' requirements, country needs, institutional priorities and partner and donor policies. It also entails an assessment of project design and coherence in achieving its objectives, including the relevance of the strategies and approaches applied to achieve the objectives.

#### (i) Core projects

92. ***Relevance to country/stakeholder needs. The objectives and thematic focus have broadly been relevant to the needs of the rural poor.*** The goals of these projects have included increased incomes, reduced poverty levels, improved livelihoods and social conditions, food security, and resilience. Specific objectives mentioned in the project designs include: improved productivity and incomes; productive infrastructure development (e.g. roads and irrigation schemes); market access and agribusiness partnerships; access to financial services; secure land tenure; post-harvest value addition; and targeted initiatives for inclusion of youth and women – all clearly relevant to the challenges faced by the rural poor in Sri Lanka. At the same time, the importance of building climate resilience was not adequately incorporated except for the most the recent projects.
93. **Efforts to address land issues were relevant to the limitations in Sri Lanka's land tenure systems and policies – but challenging.** Security of tenure over land is a very complex issue affecting the entire agriculture sector (see box 1). Two projects attempted to address this. DZ-LiSPP included a policy component to be financed by an IFAD grant incorporated into the loan-financed project, including a study and pilot activities on land tenure. One of the objectives of SPEnDP was to improve the land tenure status of smallholder tea and rubber growers on the grounds that lack of secure tenure discourages them from investing in perennial crops. It intended to transfer land entitlement certificates of rubber and tea growers to unrestricted freehold titles. Both were intended to address key issues and were highly relevant, but the complexity and political sensitivity of the issue affected the results (see also paragraphs 142 and 211).

94. ***Coherence with national policy settings.*** The thrusts of the earlier core projects were largely in line with production-focused agriculture sector policies at the time, which emphasized poverty reduction through improved production and community engagement. In the early-mid 2000s, rural poverty levels were high, rural infrastructure and services were under-developed, and many rural households were receiving income support under the *Samurdhi* programme. Agricultural policy considered agriculture as a means of poverty reduction by increasing farm productivity and incomes and ensuring supplies of food at affordable prices.<sup>111</sup> It emphasized community-based approaches and envisaged the community as the unit for collective action in accessing inputs and marketing produce. The two earlier core projects (DZ-LiSPP and SPEnDP) were aligned with this policy framework, targeting disadvantaged areas (dry zone) and communities (smallholder tea and rubber growers), and with a focus on agricultural production but with multi-components.
95. **Against the backdrop of general economic growth, the core projects have aligned with a policy shift towards commercialization and private sector engagement.** NADeP design was aligned notably with two key policy documents<sup>112</sup> and emphasized: (i) increasing productivity and production to improve food security; (ii) improved profitability of agriculture; (iii) environment-friendly technologies; (iv) promotion of agro-based industries; and (v) improved living standards in farming communities. Several new themes also emerged in the policy framework, including fostering private sector engagement and public-private partnerships. The objectives of NADeP addressed these new themes and represented a shift in the orientation of the IFAD country programme. The Government's policies and strategies continue to give importance to economic growth and agricultural commercialization, and these have been taken on in the design of the two recent and ongoing projects, STaRR and SAP.
96. ***Coherence with IFAD policies.*** The thrusts of the core projects have been aligned to IFAD strategic frameworks overall. IFAD's strategic framework for 2007-2010 emphasized access to resources and services, including land and water, technologies, financial services, inputs and produce markets, off-farm employment and enterprise development opportunities, and policy and programming processes. The thrusts of DZ-LiSPP and SPEnDP were largely relevant to these strategic objectives. The 2011-2015 strategic framework maintained similar strategic objectives but also introduced the concepts of resilience, profitability and conducive institutional and policy settings. The main project coinciding this period, NADeP, emphasized the commercial orientation. IFAD then prepared a strategic framework with a more results-oriented and transformational agenda over a ten-year period (2016-2025), with three strategic objectives on productive capacity, market participation, and environmental sustainability and climate resilience. STaRR and SAP are closely relevant to the first two of these strategic objectives.
97. All five core projects have included measures to enhance productivity and improve market access with varied emphasis between them, and with growing emphasis on private sector engagement over time. However, the environmental sustainability and climate resilience objectives, for which specific policies and strategies were introduced by IFAD,<sup>113</sup> have been belatedly and less comprehensively addressed.
98. **New IFAD priorities that have emerged in recent years are reflected in the recent project portfolio.** The earlier project designs made occasional reference to youth issues, and NADeP and SAP have incorporated specific measures to mainstream and support youth in agricultural and entrepreneurial activities. The two projects initiated after the 2015 COSOP (STaRR and SAP) both reflect the

<sup>111</sup> DZ-LiSPP appraisal report paragraph 26.

<sup>112</sup> Government of Sri Lanka (2005) "The Economic Policy Framework of the Government of Sri Lanka"; and Government of Sri Lanka (2006) "The 10-year Development Plan".

<sup>113</sup> The climate change strategy of 2010 and the policy on environment and natural resources management of 2012.

growing importance of climate change. Food and nutrition security have been mentioned as issues in almost all projects going back to DZ-LiSPP, but the relevance of project designs to nutritional issues has been mixed. SAP is the first intervention to mainstream nutritional considerations and includes nutrition training, promotion of nutrition-sensitive value chains and policy dialogue on nutrition. Surprisingly, the STaRR design document makes no mention of nutrition.

99. ***Relevance of design.*** In general, project designs included components that were complementary to achieve the project objectives. It was appropriate for DZ-LiSPP to include both irrigated and upland agriculture and to include livestock, especially dairy, into the latter, and to adopt extension approaches based on farmer field schools.<sup>114</sup> The SPEnDP design rightly proposed complementing the core interventions (i.e. tea replanting/infilling and rubber (new) planting) with inter-cropping and other activities to diversify livelihoods and generate incomes during the crop gestation periods. It also recognized the importance of secure long-term land tenure for perennial crop investment. In IIDP, several key issues affecting water and land efficiency were incorporated into project design. Specifically, integrating the agriculture production and marketing aspects to generate additional incomes for marginalized rural poor people and to uplift their living standards was appropriate.
100. **However, the feasibility of proposed interventions was not always carefully examined.** For example, the original NADeP proposal to establish companies with farmers as shareholding partners in processing companies as an equity financing model was judged to be "not adapted to the current context of Sri Lanka" and abandoned after five years of little implementation progress.<sup>115</sup> For IIDP, the budget and time requirements for irrigation rehabilitation were significantly underestimated. The IIDP project design proposed to replicate the bulk water allocation system (volume-based water measurement and management), which had been successful in a different irrigation scheme (Mahaweli system H<sup>116</sup>) to improve water management efficiency, but this replication proved to be not feasible, since the enabling conditions for adopting this system did not exist at Iranamadu.<sup>117</sup> Furthermore, there were some weaknesses in the targeting approach due to inadequate context analysis, as discussed later.
101. **In some cases, implementation arrangements were not adequately informed by institutional analyses.** The original proposal to have the CBSL, whose core mandate is to regulate and supervise financial institutions, as the lead implementation agency for a project like NADeP was unusual and turned out to be unworkable.<sup>118</sup> The IIDP design underestimated the in-house capacity of the Provincial Irrigation Department to carry out detailed designs using its own engineers. On the other hand, the IIDP's proposal to contract NGOs for social mobilization turned out to not be practical, at least in initial years, since after the civil war the Government streamlined the engagement of NGOs in the Northern and Eastern provinces, requiring special approvals from the central government.
102. **The facility for concessional credits has responded to the needs of the rural population, but the rationale of repeating the same approach project after project can be questioned.** DZ-LiSPP, SPEnDP, PT-CRRMP and NADeP all employed a similar approach of channeling lines of credit administered by the CBSL to be used as a refinancing facility by participating financial institutions, enabling

<sup>114</sup> DZ-LiSPP impact evaluation report, paragraph 36.

<sup>115</sup> 2015 NADeP supervision mission report, paragraph 13.

<sup>116</sup> Mahaweli Restructuring and Rehabilitation Project (1998-2003), which was financed by the World Bank.

<sup>117</sup> For example, at Iranamadu, unlike the Mahaweli H system, the farm land holding sizes vary and some large farms are served by more than one farm turnout (offtake), making the system more complicated for applying the bulk water allocation system.

<sup>118</sup> The NADeP programme management unit initially established at the CBSL "did not have the capacity and experience required to substantially lead and guide the process of developing the partnerships with the private sector and establish the equity financing models as expected" (NADeP PCR, paragraph 130).

them to lend to project beneficiaries at concessional rates (ranging from 6.5 to 10 per cent). The IFAD funding allocated to these credit lines in these projects has totalled about US\$20 million.

103. Firstly, the decision to provide fresh financing for credit lines every time a new project comes on board when the funds repaid by the banks lie idle at CBSL is debatable. However, it is noted that the latest SAP now intends to utilize the funds that have accumulated from previous projects. Secondly, the project design could have reflected on opportunities to address bottlenecks for the rural poor to access and effectively utilize financial services from a broader perspective. It is noted that the recent STaRR and SAP designs are diversifying the attention to interventions and support other than credit lines, though the designs take somewhat different positions with regard to the need for injecting credit lines.<sup>119</sup> Also, until the SAP design, no attention was paid to the issue around the Credit Information Bureau,<sup>120</sup> which has restricted access to credit in many cases (see paragraph 154).
104. **Systematic consideration of "additionality" in partnering with the private sector has not been evident.** "Additionality" is about whether private investment and associated impact would not have happened anyway (see box 2). More specifically, questions may include: whether commercial relationships between farmers and private companies existed before or would have been established without the programme; whether the programme enhanced the quality of the relationships, for example, improved efficiency, produce quality, more transparent pricing; or whether the programme made the coverage more inclusive of less-resourced smallholder farmers. The NADeP project implementation manual does not show that these questions were among the key considerations, with little guidance on the process and procedures, including eligibility, selection criteria, review and evaluation mechanisms.
105. In addition, a number of aspects in the NADeP approach may have reduced the likelihood of additionality. There was limited consideration of "smart" incentives and risk-sharing mechanisms to engage the private sector partners, for example, to encourage their investment beyond what they would have done anyway. This further leads to challenges of targeting, which will be discussed later. In NADeP, the choice of locations and producers to work with was basically left to the companies. This contrasts with the earlier DZ-LISPP, which had a geographic focus, support for community infrastructure (e.g. access roads) and a cost-sharing mechanism with the private sector for vegetable/milk collection centres.

#### Box 2

##### Criteria for assessing additionality in private sector development initiatives

- The company cannot self-finance the project within a reasonable time frame.
- The company does not have the knowledge or skills to implement the project activities alone.
- The company is unwilling to implement the project because it perceives the costs or risks to be higher than the benefits.
- The company cannot access equivalent support from a commercial provider.
- The cost-shared project is unlikely to displace other companies already operating or

<sup>119</sup> STaRR, designed in 2015, "would not promote a line of credit or microfinance component but instead adopt an innovative and sustainable approach in the provision of financial services by partnering with the two leading state commercial banks" also given that "banks have good volume of funds through numerous products for rural lending at their disposal in addition to other MFI funds" (STaRR detailed design report). SAP, designed in 2016, reintroduces credit lines but also includes other support such as institutional strengthening of CBSL and other participating financial institutions, and policy engagement. In the SAP design process, the inclusion of credit lines was justified on the basis of liquidity shortage for agricultural/rural lending because the banks tend to use loanable funds for investments in treasury bills with very high returns.

<sup>120</sup> For those who are flagged in the Credit Information Bureau list due to past defaults or for having acted as a guarantor for a defaulter, it would be difficult, if not impossible to access credits. But there has been no differentiation between whether the person was defaulter him/herself or a guarantor, or the magnitude of default.

ready to enter the market.

- The proposed support does not duplicate other donor-funded support.

**The case for additionality may be reinforced if:**

- The proposed support will leverage funds from other public or private parties.
- It is likely to bring about changes beyond the scope of the cost-shared project or beyond the partner business.
- Significant levels of innovation and risk are involved.

Source: Heinrich, M. April 2014. Demonstrating Additionality in Private Sector Development Initiatives: A Practical Exploration of Good Practice for Challenge Funds and other Cost Sharing Mechanisms. Donor Committee for Enterprise Development [www.Enterprise-Development.org](http://www.Enterprise-Development.org)

106. **Theories of change behind the design were not always clearly articulated and M&E indicators not thought through.** This was particularly the case for SPEnDP design, which had multiple versions of programme goals and objectives and whose component/subcomponent structure, objective statements, logical framework and performance indicators in the project document did not capture the real intention and planned interventions, mainly due to last-minute changes to the design. The DZ-LiSPP impact evaluation also found that the results chain, especially at purpose and goal levels, lacked clarity and sustenance by pertinent indicators.

**(ii) Post-tsunami interventions**

107. PT-LiSPP and PT-CRRReMP were quickly processed for submission to the IFAD Executive Board for approval in the immediate post-tsunami period. Both intended to facilitate the transition from emergency operations to recovery and reconstruction, in principle in line with IFAD's policy on Crisis Prevention and Recovery.<sup>121</sup> The GEF project was intended to complement PT-CRRReMP, which was to serve as a "baseline project"<sup>122</sup> in GEF terminology.
108. **The main elements largely responded to a different set of needs.** The post-tsunami interventions, now completed, concentrated on the restoration of infrastructure, livelihoods and ecosystems in the affected areas. These projects sought to address the priorities of tsunami-affected communities to return to their homes, restore social and productive infrastructure, rebuild physical and financial assets, improve their resilience to future disasters, and manage natural resources sustainably. Coastal ecosystem management (GEF) was consistent with the 2003 COSOP, whereas the infrastructure restoration was not.
109. **The post-tsunami interventions involved many activities that are clearly outside IFAD's normal scope of expertise.** These include housing support (PT-LiSPP and PT-CRRReMP). The flexibility of IFAD to go beyond its normal mandate is not entirely negative, but the rationale of IFAD supporting these activities amid significant emergency relief aid was questionable. Instead, IFAD could have partnered with other agencies with comparative advantage in these areas. Waste management in the context of coastal resource management (GEF) was mostly linked to urbanization and this was also outside the IFAD's comfort zone.
110. **Coherence and synergy between different design elements were weak.** The PT-CRRReMP had a series of discrete components and activities (e.g. housing, social infrastructure, microenterprise and microfinance, fisheries development) only loosely related to each other and without a clear logic or theory of change linking

<sup>121</sup> According to the policy, IFAD's principles of engagement in crisis prevention and recovery include: (i) not engaging in peacemaking or humanitarian relief operations; (ii) ensuring that short-term survival strategies do not impede longer-term development; (iii) building the capacity to respond to potential future shocks; (iv) taking a proactive approach to address the deep-rooted causes of crises; and (v) assisting rural communities to build linkages with governments, donors and the private sector to restore their livelihoods.

<sup>122</sup> "The baseline project refers to the set of ongoing and planned activities underway without GEF financing and are therefore funded by, or proposed to be funded by, non-GEF funding. Estimates can be made for the expected/projected loss of global environmental benefits in the absence of the GEF, i.e. if left unattended without GEF intervention" (GEF Guidelines for Project Financing).

them.<sup>123</sup> The GEF project design failed to recognize the integrated and interdependent nature of coastal ecosystems (mainly lagoons, sand dunes and mangroves); instead, they were treated as independent units.

111. **The complexity of the project setting presented challenges.** Coastal resource management is relevant to poor coastal communities, but is complex and challenging given the open access to coastal fisheries resources, and the vested interest of various stakeholders in view of intensifying urbanization and tourism. The GEF project design was overambitious relative to the funding available, the geographical coverage, and the required technical inputs (see also the section on "environment and natural resource management"). The scope and ambition of the project could have been more realistic. The setting of PT-LiSPP and PT-CRReMP was also complex, with a considerable number of agencies providing relief support.
112. **Significant delays in start-up and implementation reduced the relevance of the original intention of post-tsunami restoration support, and yet the design was not revisited.** Despite the fast-tracked processing for submission to the IFAD Executive Board, after approval it took 10.7 months for the PT-LiSPP loan and 17.9 months for the PT-CRReMP loan to become effective. Delays in the GEF project was even longer, despite its stated objective of mainstreaming the management of tsunami-affected ecosystems into the reconstruction process: it was approved almost three years after the tsunami and started almost five years after. These delays could have been turned into an opportunity to re-assess the project designs, but this did not happen.<sup>124</sup>
113. **The implementation arrangements had some shortcomings.** PT-LiSPP was to be placed under the Ministry of Agriculture initially and then under the Ministry of Fisheries when PT-CRReMP (to be under the latter) started.<sup>125</sup> Apparently, the idea was for PT-LiSPP to utilize the existing project management structure for the ongoing DZ-LiSPP in order to move quickly, but this rationale is rather weak given the lack of linkage of PT-LiSPP to the Ministry of Agriculture or DZ-LiSPP. In the end, having these two projects made project implementation and supervision confusing. The choice of the Ministry of Fisheries as a sole implementing agency for PT-CRReMP was also questionable, given the project focus on housing, social infrastructure and microentrepreneurial activities.<sup>126</sup>

### (iii) Relevance of poverty focus and targeting

114. The country and poverty context changed significantly over the CSPE period, with implications for poverty targeting. On the one hand, peace and general economic growth have provided income opportunities for smallholder farmers and microentrepreneurs. On the other hand, the declining poverty level has meant that targeting the "productive" rural poor is becoming more challenging.
115. **The projects mostly relied on geographical targeting, and targeting mechanisms have not been sufficiently discriminating.** Except for NADeP, the geographical coverage by the projects was more or less defined at the level of districts (see annex XI for target group definition and targeting approach). The predominant approach has been to select smaller administrative units within overall defined coverage based on some criteria (e.g. poverty level, access to infrastructure and services, proportion of *Samurdhi*<sup>127</sup> recipients) and this was

<sup>123</sup> PT-CRReMP PPE, paragraphs 45 and 143.

<sup>124</sup> The PT-CRReMP PPE (paragraph 40) found that "rather than design[ing] a programme that built upon the work of the many organizations already at work in post-tsunami Sri Lanka, what emerged was a series of ad hoc interventions". The GEF project terminal evaluation review (paragraph 31) considered that the project could have been re-appraised in light of the delayed start-up and changing dynamics.

<sup>125</sup> The official name of the ministries at the time was Ministry of Fisheries, Aquatic Resources and Christian Affairs and Ministry of Agriculture, Livestock, Land and Irrigation

<sup>126</sup> PT-CRReMP PPE, paragraph 144.

<sup>127</sup> This is the main social assistance programme in Sri Lanka. *Samurdhi* subsidies consist of small monthly stamps worth between LKR 200 and LKR 1 500, given to families identified as poor by community offices.



- supposed to be combined with social targeting (i.e. focus on the poor and needy within the defined geographical areas).
116. SPEnDP's definition of the target groups was very broad: households in settlement schemes<sup>128</sup> with particular forms of land tenure in tea-growing areas in mid-country, and potential rubber growers in Monaragala. While area selection was reportedly based on consideration of poverty levels, there was little further consideration of specific subgroups or targeting strategies and mechanisms, despite the stated intention of selecting beneficiaries based on their level of poverty and vulnerability.<sup>129</sup> However, STaRR, which also supports smallholder plantations, recognizes the lessons learned from SPEnDP and includes better definitions of target groups and targeting methods.<sup>130</sup>
  117. Targeting in DZ-LiSPP was also based on geographical targeting by selecting isolated communities with a lower endowment of basic infrastructure. But the project was less prone to "elite capture" than SPEnDP because the nature of most project activities was such that benefits were expected to be inclusive (e.g. agricultural development and farmer field schools, community infrastructure) and there were no matching grants.
  118. In IIDP the target group was defined as all farmers in and around the command areas of the irrigation scheme. The IIDP design indicated the intention of paying attention to poor smallholder farmers, but it did not provide a clear strategy and specific measures on how this would be done. Furthermore, targeting was complicated by the land-holding and tenure situation, with highly unequitable land ownership and significant numbers of tenants. Improved irrigation would in theory benefit both the landowners and the tenant farmers, but there is no evidence that the design reflected on this issue and proposed measures to ensure that the eventual benefits would not be disproportionately captured by the larger landowners.
  119. In PT-LiSPP and PT-CRRReMP, the target groups consisted of large numbers of households in the tsunami-affected areas.<sup>131</sup> The Eastern Province had been a war zone for two or three decades before the tsunami, and no appreciation of the specific needs of post-conflict societies appears to have been considered in the PT-CRRReMP design.<sup>132</sup> Also, to receive assistance for housing, beneficiaries were required to provide evidence of house ownership pre-tsunami, which automatically excluded a large number of the poor.<sup>133</sup> The GEF interventions were inevitably driven by ecosystems rather than communities or people. Even though the GEF project design document refers to the poor, such focus and targeting is generally not expected in GEF-funded projects.
  120. In some cases, social and cultural contexts in specific geographic areas were not always given due consideration to adequately tailor the interventions – for example, with regard to gender situations in different ethnic groups, as discussed in the section on "gender equalities and women's empowerment".
  121. **Some project activities fit well with the needs of a segment of the target group and were used to facilitate self-targeting.** This was typically the case with support to savings and credit, microenterprise and income-generating activities, which tend to solicit high participation of women.
  122. **The NADeP approach lacked measures to address targeting challenges in agribusiness development interventions, but SAP design shows more**

<sup>128</sup> HADABIMA landholders and Mahaweli settlers.

<sup>129</sup> SPEnDP PPE, paragraph 51.

<sup>130</sup> Including consideration of land size, income sources and access to other financial assistance.

<sup>131</sup> Kalutara in the Western Province, Galle, Matara and Hambantota in the Southern Province, and Ampara, Batticaloa and Trincomalee in the Eastern Province. It was considered that the Northern Province was sufficiently covered.

<sup>132</sup> PT-CRRReMP PPE, paragraph 44.

<sup>133</sup> PT-CRRReMP PPE, paragraph 44.

**considerations in this respect.** Admittedly, targeting the poor in commercial-oriented initiatives is challenging since the commercial partners will always favour areas, communities and individuals with the best productive capacity, and sustainable partnerships are not possible without mutual benefits, but there was no clear strategy in NADeP to make the interventions more inclusive and not less inclusive. The NADeP target group was defined as "poor rural communities". The call for expression of interest (for potential partners) indicated that "80 per cent of the target producers should be holding below 1 hectare of land"; in other words, in theory the remaining 20 per cent could have been anyone. It also indicated that "involvement of both women and youth is highly encouraged". The selection of locations and farmers was basically left up to the companies, which is in a way understandable because of the way that public-private-producer partnerships (4Ps) were implemented, though it also had some involvement of NADeP social mobilizers in the process. SAP design specifies more detailed targeting considerations in the selection of partnerships to be supported. SAP design also includes direct targeting measures to support poor young women and men, who are generally unemployed and landless.

#### **(iv) Summary**

123. The core projects broadly sought to address some of the key issues and constraints in rural poverty reduction. The post-tsunami elements responded to unforeseen needs, but this meant that IFAD became involved in activities that are not part of its core competencies. Both core and post-tsunami projects suffered from a number of design issues, including questionable implementation arrangements. The relevance of targeting approaches has been found to be weak.
124. However, experiences and lessons learned from earlier interventions have been embodied in the designs of two current projects (STaRR and SAP) which are both aligned with the COSOP and national/sectoral priorities. The strategic shift in the country programme towards agricultural commercialization and private sector engagement was relevant to Sri Lanka's progression to middle-income status and IFAD's strategic framework.
125. Overall the portfolio relevance is considered to be **moderately satisfactory (4)**.

#### **Effectiveness**

126. Effectiveness considers the extent to which the interventions have met (or are expected to meet) their objectives, taking into account their relative importance. The assessment focuses on the immediate outcomes of the projects and their initial effects, whereas broader and longer-term effects will be discussed in a later section on rural poverty impact. This section presents a review of the outreach data and targeting performance, followed by effectiveness assessment of the four core projects and the three post-tsunami interventions.

#### **(i) Outreach**

127. **The projects have reportedly mostly met the outreach targets, but the figures need to be viewed with caution.** The project records showed that the four completed core projects reached almost 200,000 households against the target of 153 600 (see table (a) in annex XIII). However, interpretation of data is confounded by a number of factors. There is no consistent interpretation of what is meant by "reached" – this could include a beneficiary who attends a one-time training session, or a landholder in the command area of an irrigation scheme. The nature and value benefits accruing to these beneficiaries obviously vary greatly. There are also difficulties in distinguishing between direct and indirect beneficiaries and in defining how beneficiaries are counted – whether individuals or households.

#### **(ii) Effectiveness of targeting**

128. **Outreach to the rural poor and near poor has been less effective.** In SPEnDP, the project did not apply any targeting criteria within the GNDs selected

based on poverty consideration, and there were many examples of elite capture.<sup>134</sup> In IIDP, 85 per cent of the field canals were not rehabilitated at the tail-end due to the budget issue, mostly affecting the small farmers (see paragraph 100), and the project activities to support smaller landholders and women farmers through crop diversification and other income-generating activities were rather insignificant. The PT-CRReMP PPE concluded that the programme often “included non-poor and excluded poor”. For example, some PT-CRReMP-supported activities benefited only a small number of relatively better-off (e.g. shrimp farm, multi-day boats) and the evaluation raised the question on the poverty level of beneficiaries of house construction.<sup>135</sup> While not specific to PT-CRReMP among post-tsunami support initiatives, political linkages and local patronage structures were found to be instrumental in determining who did and did not benefit from the flowing aid in the tsunami-affected areas.<sup>136</sup>

129. On the other hand, in DZ-LiSPP, there was no evidence of obvious mis-targeting or elite capture, probably also due to the nature of project activities and the poverty situation (see also paragraph 117). The DZ-LiSPP impact evaluation confirmed that within the selected communities, the project tended to target households that owned fewer assets but had more diversified cropping patterns, and slightly higher educational status.
130. **The interventions involving grants, material support and some economic infrastructure have tended to be prone to mis-targeting** due to political influence and power relations. This was the case with matching grants in SPEnDP, housing construction in PT-CRReMP, construction of fishing landing sites and harbours in PT-CRReMP,<sup>137</sup> and also possibly the siting of limited number of paddy storage facilities in IIDP, with farmer organizations dominated by large land owners.
131. **On the positive side, support to savings and credit and income-generating activities has been effective in reaching women.** Such support was included in most projects to different extents: DZ-LiSPP, PT-CRReMP and<sup>138</sup> SPEnDP (savings and credit groups); and IIDP and NADeP (self-help groups). Subsidized loans were not necessarily free from mis-targeting, but less so compared to matching grants, also because the coverage was larger.
132. **Poverty focus was weak in agribusiness partnerships.** In geographical terms, many of the 4Ps hardly covered some of the poorest districts (e.g. Monaragala, Batticaloa – see annex VIII). The NADeP PCR found that “the extent of inclusion of relatively poorer community members could not be determined” and that there was a “lack of transparency in farmer selection.”<sup>139</sup> In fact, a dairy company interviewed by the CSPE team confirmed that it selected better-resourced farmers in the “catchment area”.<sup>140</sup> The telephone survey also showed that the majority of borrowers under the self-help groups in NADeP were relatively better-off households: more than 65 per cent of the respondents have a household monthly income above the poorest 4<sup>th</sup> decile as shown in the 2016 household income and expenditure survey (HIES).

<sup>134</sup> SPEnDP PPE, paragraphs 62 and 75.

<sup>135</sup> Based on significantly higher average cost of a house - in other words, beneficiaries with financial capacity to add extra rooms and other spaces at their own expense. (PT-CRReMP PPE).

<sup>136</sup> According to ethnographic research into distribution of relief, as quoted in the PT-CRReMP PPE.

<sup>137</sup> “[For fish landing sites], results of targeting were mixed: some of the sites visited were being used by fishers while others showed only limited signs of use. There is evidence that insufficient care was taken to ensure that the construction of these sites did not reinforce existing patterns of inequality” (PT-CRReMP PPE, paragraph 51).

<sup>138</sup> “...selection of microenterprise beneficiaries was a good example of targeting the poor; it was based on administering a mini-survey which included income-related data, focusing on ‘Samurdhi’ recipients, screening and close consultation of the prospective beneficiaries” (PT-CRReMP PPE, paragraph 52).

<sup>139</sup> NADeP PCR, paragraph 110.

<sup>140</sup> The company conducted a survey covering 200 farmers (number of cows, land size, cattle sheds, etc.) and they filtered out the worse-off ones and selected 100 farmers for the proposal submitted to NADeP (interview with the company by the CSPE team as part of the value chain study).

133. **In summary, poverty targeting has generally been weak, with some exceptions.** The main shortcoming was due to unclear definition of the target group and weak targeting measures beyond geographical targeting. Economic growth and reduction in poverty on the one hand, and the nature of the projects shifting more to commercialization on the other, have also played a role in making poverty targeting more challenging, but some of mis-targeting or elite capture could have been minimized with more sound strategies.
- (iii) Core projects**
134. The completed four core projects are assessed below in terms of the extent to which the following main objectives have been achieved: (i) improved agricultural practices and productive capacities; (ii) improved access to markets for agricultural produce; (iii) improved access to financial services; and (iv) diversification of rural incomes.
135. **Improved agricultural practices and productive capacities. By and large, there were notable achievements against this objective** through various interventions, including: farmer field schools (e.g. DZ-LiSPP); irrigation development and/or rehabilitation (e.g. DZ-LiSPP, IIDP); subsidization and technical support for tea-replanting/infilling and rubber-planting (e.g. SPEnDP); and a combination of material, financial (in loans) and technical support through 4Ps in relation to various commodities (NADeP).
136. **Investment in irrigation schemes enhanced productive (potential) capacities.** DZ-LiSPP rehabilitated over 700 micro-irrigation schemes in the four project districts (Anuradhapura, Badulla, Kurunegala and Monaragala),<sup>141</sup> with a command area of 7 900 ha (target 6 600 ha), 3 362 ha of which were incremental.<sup>142</sup> This corresponded with the additionally irrigated areas in the main and secondary seasons (*maha* and *yala*, respectively) plus a third irrigation season on 332 ha, which applies only to Badulla District. In total, the irrigation development component benefited 17 250 households. The project was considered to be the first successful attempt to rehabilitate micro-irrigation schemes (instead of larger ones) in Sri Lanka.
137. While DZ-LiSPP invested in micro-irrigation schemes as one of the multiple components, IIDP focused on the rehabilitation of a large (8 455 ha) irrigation scheme in the conflict-affected part of the Northern Province. The rehabilitated system has improved the potential for cultivating the entire irrigated command area in the *maha* season in a normal year. The key project outcomes were efficient water conveyance and distribution that have resulted in easy accessibility, more predictability and reliability, and better timeliness of irrigation water to the farming community. Consequently, crop intensity is expected to increase from 1.4 to 1.6 by 2019 without continued drought, including a 10 per cent increase for *maha* season and 20 per cent increase for *yala* season.<sup>143</sup>
138. **Notwithstanding these achievements, a number of factors have undermined or can undermine the potential of rehabilitated irrigation schemes.** First, while the schemes rehabilitated were of completely different sizes and scales, both DZ-LiSPP and IIDP faced an issue of under-budgeting and hence incomplete and suboptimal functioning. In DZ-LiSPP, in design and implementation, limited funds were spread over a large number of schemes (about US\$4 000 per scheme). Consequently, the project did only essential minimum rehabilitation or

<sup>141</sup> Irrigation schemes in Sri Lanka are categorized as major, medium and minor schemes based on the designed command area served by the scheme: surface-water irrigation schemes serving command areas up to 80 ha are classified as "minor schemes"; schemes serving between 80 and 400 ha as "medium schemes"; and schemes serving above 400 ha as "major schemes". Within the minor scheme category, schemes serving less than 10 ha are called "micro-schemes", even though this term is not commonly used. DZ-LiSPP supported the rehabilitation of 373 tanks and 334 small water conveyance systems (*anicuts*), which are categorized as micro-irrigation schemes.

<sup>142</sup> DZ-LiSPP impact evaluation, paragraph 47.

<sup>143</sup> IIDP project completion report validation (PCRv) report, paragraph 32.

some "patchwork" that was prioritized by the beneficiaries to suit the available funding.<sup>144</sup> The injection of project funds helped to prolong the durability of some main components of the schemes and reduced the risk of their damage from floods, but the project could not support improved water availability and water management and significant expansion of cultivated areas. In IIDP, the funding gap due to budget estimation was not filled and only 15 per cent of the field canals were completed, penalizing the areas to be served by the tail-end of the distribution canals.

139. Sustainability of the rehabilitated schemes is also an issue, which is discussed in more detail in the section on "sustainability of benefits". Furthermore, the recent droughts have also negatively affected the availability of water for irrigation, as observed by the CSPE mission's field visits to both IIDP and DZ-LiSPP.
140. **The projects contributed to improvements in farming systems.** DZ-LiSPP effectively supported smallholder farmers in learning about improved agricultural technologies and farming systems, with 120 000 households through 2 535 farmer field schools. Despite some cautions on the extent and magnitude of change reported, the IOE impact evaluation generally confirmed positive results from farmer field schools, including increases in crop yield and milk production (see also section "rural poverty impact"). IIDP also supported agricultural training on cash crops, though on a limited scale.
141. **SPEnDP enhanced productive capacities of tea and rubber plantations.** The programme successfully complemented the existing long-term subsidy schemes financed by the Government. SPEnDP supported tea-replanting on 250 ha in mid-country and a significant expansion of rubber plantation by over 5 087 ha in Monaragala. The effects of these activities on production and productivity are straightforward: tea-replanting on old tea plantation areas improved productivity, whereas rubber plantations are new in areas which were not utilized or under-utilized. At the same time, there were some concerns with subsidization of tea planting on unsuitable lands prone to soil erosion.
142. **SPEnDP support for land regularization was intended to provide an incentive to invest in perennial crops but under-performed.** SPEnDP undertook cadastral surveys of tea smallholdings and issued temporary utilization permits which can be converted to freehold upon payment of certain fees to the Land Reform Authority. However, due to the reluctance or inability of landholders to pay the fees, combined with the complexity of the procedures, the rate of conversion to freehold was very slow (only 7 per cent of the targeted number of land ownership deeds had been issued). In Monaragala, SPEnDP assisted rubber smallholders to obtain long-term (30-year) land utilization permits issued by the Forest Department (for forest buffer-zone lands) or the Divisional Secretariats. These permits provide secure tenure over the life of the plantation, but cannot be converted to freehold, sold, subdivided or used as collateral.
143. **The portfolio contributed to agricultural diversification to different extents.** The DZ-LiSPP impact evaluation found that participation in the project was positively correlated with indicators of crop diversification and productivity.<sup>145</sup> SPEnDP supported inter-cropping to generate cash during the crop gestation periods, although sustainability was found to be mixed, with pepper intercropped in tea looking positive, but cocoa interplanted in rubber generally performing poorly.<sup>146</sup> In IIDP, crop diversification was taken up on a very limited scale<sup>147</sup>: The rice-based irrigation system in Iranamadu area also imposed challenges for crop

<sup>144</sup> For example, in most cases the rehabilitation of canals and canal structures and sometime spillway structures have been left out, allowing for the repairs to embankments and sluice structures.

<sup>145</sup> DZ-LiSPP impact evaluation report, paragraph 91.

<sup>146</sup> SPEnDP PPE, paragraph 103.

<sup>147</sup> Pineapple by 60 farmers, papaya by 35 farmers, green chilli by 30 farmers, potato by 18 farmers, and groundnut by 40 farmers on an average land extent of 0.2 ha each.

diversification due to different soil moisture levels needed for rice production and non-rice crops.<sup>148</sup>

144. **NADeP also contributed to improved agricultural technologies and productive capacities with varied extent in different 4Ps.** In NADeP, this objective was less explicit than other core projects, but nonetheless in a number of cases better or improved agricultural technologies were introduced through partnerships with the private companies (buyers) and material or financial support by the project (matching grants or loans). The examples include: gherkin (new crop to many farmers in Jaffna, whose access to irrigation equipment and other inputs was facilitated); *kithul*<sup>149</sup> (farmers have been practicing kithul-tapping but improved technologies to increase sap yield and tapping days and for primary processing); seaweed production (funding to purchase rafts and other equipment); maize (seasonal loans to purchase hybrid seeds and fertilizer); and dairy (purchase of improved breeds, cattle sheds, milk cans and forage-chopping machines).
145. **In sum, all four completed core projects scored reasonable successes on the objective of improved agricultural productive capacities,** although with some implementation issues and climatic events negatively affecting agricultural activities. The gains in production and productivity were driven more by the investment in fixed assets (irrigation and plantations) and the application of existing and proven techniques, than by systematic efforts to test and disseminate improved and innovative technologies that would contribute to resource-use efficiency (e.g. water and other inputs) and strengthening climate resilience.
146. **Improved access to markets for agricultural produce. DZ-LiSPP successfully established linkages between buyers and producers through public-private partnerships.** The project focused initially on production of basic commodities but also supported efforts to improve market linkages through marketing infrastructure and the promotion of forward sales contracts, the latter being unsuccessful. DZ-LiSPP then cofinanced the establishment of collection or processing centres (e.g. milk, fruit and vegetable centres) with private and public companies (e.g. Cargills, Nestle and Milco). The benefits for farmers included the reduction in transport distances and costs, and opportunities to receive advice for production techniques and post-harvest handling of the produce.<sup>150</sup>
147. **The agribusiness partnership model has been brought to the forefront and has become a flagship in NADeP.** Following lack of implementation progress with the concept of farmer-owned companies in the initial design, NADeP eventually shifted the focus to 4Ps, primarily based on a contract farming/outgrower model. The NADeP PCR reported that a total of 17,651 rural small producer households have been mobilized and supported through 16 partnerships in dispersed geographical areas with 12 companies and 8 commercial banks.<sup>151</sup> For the majority of 16 partnerships, banks also became partners by providing credit to producers working with the companies.
148. **While impressive progress was made in quantitative terms in the last 2-2.5 years of NADeP, the extent of *additionality* differed case by case.** In the rush to develop 4Ps during the final years of the programme, there was an understandable tendency to go for the “low-hanging fruit”. This meant that the project supported a number of pre-existing partnerships, particularly in the dairy

<sup>148</sup> For example, continuous water flows in canals serving rice farms would build up adverse moisture conditions for non-rice crops grown in the nearby farms due to seepage and percolation from canals and rice farms.

<sup>149</sup> *Kithul* treacle is made from sap extracted from the kithul palm. The sap is boiled down to a sweet, thick, dark brown syrup. When the sap is cooked, it also produces a crude sugar called jaggery. *Kithul* is one of the native sugars of Sri Lanka. (Source: [www.fondazioneSlowFood.com/en/ark-of-taste-slow-food/kithul-treacle/](http://www.fondazioneSlowFood.com/en/ark-of-taste-slow-food/kithul-treacle/))

<sup>150</sup> DZ-LiSPP impact evaluation, paragraph 50.

<sup>151</sup> Commodities included (in order of approximate number of producers involved): (i) dairy (4 companies); (ii) maize (2 companies, one for organic maize); (iii) gherkin; (iv) beekeeping (2 companies); (v) seaweed; (vi) sugarcane; (vii) vegetable seeds; (viii) seed onion; (ix) fruits and vegetable; (x) *kithul*; and (xi) medicinal plants.

sector where the milk companies were operating milk collection centres supplied by large numbers of smallholder dairy farmers. For sugarcane, most of the farmers supported were those who farm in the company-managed sugarcane designated areas and who could cultivate only sugarcane. Supplying to the company has been the only option they have, and the company was providing inputs for sugarcane production on loan anyway before NADeP. In this case, the main value of NADeP was lower-interest loans and grant-financed equipment, but not in terms of fostering a producer-company relationship.

149. The CSPE value chain study found that about or more than one third of the project beneficiaries were supplying to the same companies before the project intervention in 2015-2016. The same study showed that about 57 per cent of beneficiaries and 34 per cent of control sample sold their products to company collectors (not necessarily the same company) before 2015, and these figures increased to 82 per cent and 60 per cent, respectively. The incremental difference between the beneficiary and control farmers was therefore little, which may indicate that companies have been expanding their business operations in those areas anyway. The study further indicated that there was almost no difference before and after NADeP support in terms of the proportion of producers who reported having some sort of agreement with the buyer: about 20 per cent of beneficiary farmers and about 15 per cent for control farmers, both before and after. It should be noted that, as highlighted by the focus group discussions, producers often lack understanding of the availability and the terms and conditions of agreements (written/formalized or verbal). NADeP generally helped to strengthen the producer-company relationships by providing technical and financing support to farmers to help increase volumes and quality. In some cases, the agribusiness partners could have or would have implemented these measures in the absence of NADeP support. However, there are also cases where NADeP support led to the development of 4Ps where no "partnerships" previously existed, for example in *kithul* production and seaweed production (though not for all groups).<sup>152</sup> See annex XIV for assessment of selected 4Ps.
150. **The focus and achievements on access to markets was less visible in SPEnDP and IIDP.** While improved tea and rubber production in SPEnDP brought immediate benefits from well-established marketing channels (for tea leaf and latex), opportunities for improving post-harvest activities were not explored in a substantive way. The project supported the establishment of a small number of group rubber-processing centres, but their performance was mixed. There were subsidized credits to several buyers of tea leaf (tea factories) to upgrade their facilities but expected benefits to smallholder growers were not clear. The IIDP design envisaged partnerships with the private sector but not much happened in this respect, also due to the challenges in promoting cash crops in conventional public irrigation schemes, which tend to be dominated by paddy-growing.
151. **Rural road construction or rehabilitation supported by DZ-LiSPP, SPEnDP and IIDP improved physical access to markets as well as other services** (table (c) annex XIII). DZ-LiSPP and SPEnDP in particular covered some GNDs in relatively remote or secluded areas and with hilly terrain. In such areas, the construction or spot rehabilitation of a small section makes a substantial difference – for example, by making it possible for a three-wheeler to pass, or by keeping the footpaths passable even during the monsoon season.<sup>153</sup>
152. **Overall, part of the portfolio has contributed to improving access to markets.** The oldest intervention, DZ-LiSPP, initiated the shift of focus from production to market access and it did so successfully. NADeP centred around the

<sup>152</sup> One of the two seaweed grower groups met by the CSPE mission had been formed and supported by the partner company already as far back as 2012, before NADeP came in. The company provided planting materials, bamboo, nets, etc. on credit to growers. NADeP's support was mainly in terms of providing rafts as in-kind grants.

<sup>153</sup> DZ-LiSPP impact evaluation, paragraph 53; SPEnDP PPE, paragraph 60.

concept of 4Ps and facilitated access to markets/buyers for producers identified by the private companies, but the additionality of project support varied. Increased tea and rubber production through SPEnDP saw no issue accessing markets, but there could have been more attention given to increasing returns to producers through post-harvest improvements. While IIDP initially intended to promote linkages with the private sector and markets, the achievements in this respect were limited.

153. ***Improved access to financial services.*** Most projects included support for financial services, in particular credit. The projects have employed a largely consistent approach of channeling credit lines through banks (participating financial institutions) and occasionally microfinance institutions. The apparent objective was to overcome constraints related to the accessibility and cost of financial services, especially the high cost of borrowing from moneylenders. Some projects have also supported savings and credit groups, with most members being women.
154. **The projects have enabled about 34,800 beneficiaries to access credit with concessional interest rates.** Through the refinancing facility with credit lines administered by the Central Bank, about 33,000 borrowers were covered (table 6). In addition to loans through participating financial institutions under the refinancing facility (mostly state banks but not excluding private banks), about 1,800 women benefited from access to microcredit through the Women's Bureau (DZ-LiSPP) and the Women's Bank (PT-CRRReMP). NADeP notably included loan schemes specifically intended for producers involved in 4Ps and youth (see box (d) in annex XIII). But a significant proportion of would-be borrowers (estimated to be about 30 per cent in NADeP) were rejected because they were on the list of the Credit Information Bureau. This may include cases of their own default or having been a guarantor of a defaulted loan.

Table 6

**Basic output data related to credit lines**

<i>Project</i>	<i>Number of borrowers</i>	<i>Approved amount (LKR mill.)</i>	<i>Disbursed (refinanced) LKR mill.)</i>	<i>Average loan size LKR (US\$) (1LKR=LKR150)</i>	<i>Interest rate to end borrowers (% p.a)</i>
DRY Zone	4 406	256.0	253.0	60,000 (400)	10%
DRY Zone RF	3 348	284.1	253.0	80,000 (533)	10%
PT CRRReMP*	2 986	209.3	199.0	70,000 (467)	8-10%
SPEnDP	4 247	674.8	488.0	110,000 (733)	9%
NADeP	18 357	1 981.9	1 910.6	100,000 (667)	6.5%
<b>TOTAL</b>	<b>33 344</b>	<b>3 406.1</b>	<b>3 103.6</b>	<b>90,000 (600)</b>	<b>-</b>

Source: Compiled by the CSPE team based on the data from CBSL. Somewhat different figures are noted in different project reports. For example, for SPEnDP, its PCR reported 3 705 for the number of borrowers.

\* Included here with the core projects although it was a post-tsunami project that is discussed in the later section.

155. The project records show that the repayment has generally been good, and the borrowers are generally – and unsurprisingly – satisfied with the access to lower interest credit. According to the phone survey with borrowers in NADeP (self-help groups and youth loan schemes), half of them were first-time borrowers, half of them reported having been part of a similar group before (i.e. group members providing loan guarantees, easing usual collateral requirement) and about half of them do internal lending. The value chain study found that 69 per cent of the beneficiary farmers had not taken any loan before 2015 and 46 per cent became first-time borrowers with the credit facilitated by the 4P schemes. Some respondents expressed appreciation about easier access to bank loans (e.g. simpler process, fewer document requirements). The predominant motivation for joining self-help groups was to access (lower interest) loans. It should be cautioned that



groups here are not what may be expected from the term "self-help group", in that some "groups" are only for the purpose of mutual guarantee of loans, rather than promoting savings and internal lending or other types of collective activities.

156. **The projects introduced new clients to the banks with support by social mobilizers, combined with financial and technical training.** This was particularly the case for youth in NADeP, which supported training and opening of bank accounts for 3,348 youth and access to credit (for start-up or expansion) by 1,863 youth. According to the CSPE telephone survey with youth borrowers, more than half of the respondents had a bank account before they were supported by NADeP, but 76 per cent of them had not taken loans. Thus, it is fair to say that NADeP facilitated the access to loans.
157. **By and large, the rural finance interventions have been oriented to credit delivery, with limited efforts to leverage systemic changes.** The projects kept injecting funds for credit lines and banks disbursed the loans in accordance with the operating instructions issued by CBSL, but little effort was made to systematically address bottlenecks for access to financial services (beyond credits) by the rural poor – for example, through facilitating the development of innovative or better-tailored products and services in a more flexible manner. In some cases, credit delivery also seemed supply-driven: for example, loans connected to *kithul* 4P were in the same amount for everyone regardless of the real need.
158. **The operational modality with credit funds has brought some challenges and in a number of instances reduced efficiency and results.** The revolving fund at CBSL with the repayment from the banks<sup>154</sup> has hardly been utilized due to some procedural issues.<sup>155</sup> The refinancing programme has been operational mainly with the state banks, with gradually increasing involvement of private banks in recent projects.<sup>156</sup> The representatives of privately-owned banks interviewed by the CSPE team mentioned that the interest margins are not commercially attractive because of the time-consuming procedures required.<sup>157</sup> Operational procedures were found to be lengthy and cumbersome.<sup>158</sup> There was a case where loans were not disbursed in time for the agricultural season (i.e. maize cultivation) due to the lengthy process and the lack of proper understanding of the scheme and process by bank branch managers.<sup>159</sup>
159. **Diversification of rural incomes.** All core projects supported diversifying rural incomes and livelihoods and non-agricultural enterprise development. This was mainly done through matching grants and/or bank loans from project-funded credit lines, although these were for both agricultural and non-agricultural activities. The projects also offered training in financial and business management. Key output

<sup>154</sup> Funds repaid to the Central Bank (US\$18.5 million as at mid-2018) revolving fund and available for re-lending, in addition to a new US\$11.8 million line of credit to be provided by SAP. Thus, some US\$30.3 million is available for refinancing loans from participating financial institutions to IFAD beneficiaries, with more than US\$10 million still to come from repayments under NADeP and SPEnDP.

<sup>155</sup> However, the revolving fund is reportedly better utilized in ongoing SAP (which is not assessed in this section).

<sup>156</sup> In terms of the total number of borrowers in different projects, the state banks have lent to 77 per cent of them. The state banks include Bank of Ceylon, Peoples' Bank, Regional Development Bank and Housing Development Bank. Other participating financial institutions include Commercial Bank of Ceylon, Hatton National Bank (HNB), Sampath Bank and Sanasa Development Bank.

<sup>157</sup> Interest rates have varied between the projects and with adjustments from time to time to align with market conditions. CBSL has been paying government interest rates of 3.0-3.75 per cent; the participating financial institutions pay 3.25-4.0 per cent for refinancing; and end-borrowers have paid between 6.5 per cent (current rate under NADeP and SAP) and 10.0 per cent. All of these are less than market rates. Currently, the margin available to the participating financial institutions is 3.25 per cent (6.5 per cent from end-borrower less 3.25 per cent for refinancing), which some banks interviewed claim is inadequate to cover the high administration costs and provisions for non-performing loans.

<sup>158</sup> Broadly, the process is as follows: (1) potential clients are recommended to the participating financial institutions; (2) financial institutions check credit history of recommended clients and send the files to the head office; (3) the list is sent to CBSL; (4) CBSL verifies the documentation and registers the clients in the system; (4) participating financial institutions process loan applications and disburse loans; (5) financial institutions send the record on the disbursed loans to CBSL to request refinancing; and (6) CBSL checks the request for refinancing and release the funds. The 2016 NADeP supervision mission noted that it takes about three to four weeks up to the registration of borrowers at CBSL.

<sup>159</sup> Interviews with the private sector company as well as the participating financing institution.

data are presented in table (b) in annex XIII. The data on the types of enterprises supported and their performance are limited, probably also because this was not a main intervention in many projects.

160. **Enterprises supported by SPEnDP matching grants generally showed high success rates, but the outreach was relatively limited and there were targeting issues.** SPEnDP provided over 1,000 matching grants to a wide range of enterprises, including non-agricultural ones such as carpentry and beauty salons. The success rates were high<sup>160</sup> but the matching grants were provided only to about 6 per cent of the members of groups formed under the project and in principle to support the expansion or diversification of existing ventures, which inevitably favoured the more entrepreneurial members. Group office bearers were well represented among the recipients and there was evidence of elite capture in many groups.<sup>161</sup> Thus, the extent to which the projects contributed to diversifying productive activities of *poor rural* households is unclear.
161. **The targeting issue in enterprise development support seems to have been less of a problem in DZ-LiSPP.** This may be because the matching grant instrument used in SPEnDP is more prone to elite capture. DZ-LiSPP intervention in this area was mainly entrepreneurship and technical training and access to loans. While only 25 per cent of the enterprises supported were new, the PCR reported that the project mainly reached microenterprises<sup>162</sup> and 57 per cent of the beneficiaries were women. The distribution of loan purposes was reported in the PCR to be almost equal between agriculture, fisheries and trade.
162. **NADeP enabled young borrowers to diversify income opportunities and supported them through entrepreneurship training.** Component 2 of NADeP (Microfinance and Youth Training) focused on youth training for employment and self-employment in combination with provision of credit packages for start-up and expansion capital.<sup>163</sup> In the phone survey, about one quarter of the respondents obtained loans to start a new business.

### (iii) Effectiveness of post-tsunami interventions

163. The effectiveness of the post-tsunami interventions is considered under three headings: (i) restoration of infrastructure and assets; (ii) restoration of livelihoods; and (iii) ecosystem restoration and natural resource management, which will be discussed in more detail in the later section focused on the theme.
164. **Restoration of infrastructure and assets. The two post-tsunami projects performed reasonably well in terms of restoring social infrastructure and assets for tsunami-affected households.** One of the PT-LiSPP objectives was that "tsunami-affected families are provided with essential social and economic infrastructure, particularly housing". Consequently, most of the project funding was allocated to social and economic infrastructure restoration, including housing, housing amenities, settlement infrastructure, water supply, fisheries infrastructure, and roads. Targets were exceeded for construction of wells and roads, but not achieved for all other structures. Only 18 per cent (3,920) of the total number of direct beneficiaries (21,710) benefited from house-building and rehabilitation, although the assets created were to be durable.<sup>164</sup>

<sup>160</sup> According to the phone survey of the matching grant recipients, over 70 per cent of the respondents consider the business as highly successful or successful with good returns, which is also consistent with observations by the PPE field visits (SPEnDP PPE).

<sup>161</sup> The targeting problem, especially in Monaragala, was repeatedly mentioned by the supervision missions and the MTR, but no remedial measures were implemented.

<sup>162</sup> According to a survey, only around 10 per cent of the beneficiary enterprises earned a monthly profit greater than LKR 30,000 per month (DZ-LiSPP PCR, paragraph 62).

<sup>163</sup> Building on the success of NADeP in supporting youth, SAP includes a special youth entrepreneurship initiative to support income-generating activities for youth, especially the poor and landless, combined with credit for youth-owned business enterprises.

<sup>164</sup> PT-LiSPP PCR, paragraph 22.

165. PT-CRRReMP supported the construction of 793 new houses for tsunami victims (against an original target of 1,000), while another 633 houses were rehabilitated (against the target of 1,130), mostly in the Eastern Province. In addition, housing amenities were supported. According to the PPE, the quality of houses was good, and the provision of amenities such as electricity made a noteworthy difference in the social conditions of the beneficiaries. Consequently, while the effectiveness of the whole project was rated as moderately unsatisfactory, the assessment on the infrastructure component by the PPE was positive.
166. **The outcomes of PT-CRRReMP investment in various fisheries-related economic infrastructures were mixed.** The fish market built at Trincomalee was fully operational, with increased capacity and improved infrastructure and hygiene facilities. The two harbours built at Suduwella and Nilwella seemed to be of good quality, although some design issues affect the effectiveness.<sup>165</sup> Facilities for producing ice and building of fuel pumps provided at some landing sites were considered noteworthy by beneficiaries, but some were not being used and there was no evidence to suggest that there were more boat landings and more buyers than before. As for the demonstration shrimp farm, the beneficiaries were very satisfied and had reported increase in incomes, but they were only 27 in number.
167. ***Restoration of livelihoods.* The outcomes of the PT-CRRReMP support for income generation and livelihood restoration were mixed.** The proposed provision of multi-day boats for fishers to engage in deep-sea fishing for high-value species was not successful mainly due to the relevance issue.<sup>166</sup> Under the component on microenterprise and financial services, about 2,900 bank loans were issued (see table 6) and 3,666 people trained in income-generating activities. The project also provided institutional support to the Women's Bank, which contributed to mobilizing 850 women into small groups and accessing loans. Although repayment was good, reportedly only 58 per cent of beneficiaries had used the loans for the intended purpose of income-generating activities.<sup>167</sup> It should be noted that a sizeable amount of donor and NGO support came in the tsunami-affected areas, with similar credit offerings, and it is difficult to attribute the effectiveness of credit to the project, given the fungibility of money. Lastly, efforts to provide marketing opportunities to beneficiaries by connecting them with buyers through the Visma Plus cooperative initiative launched by the programme were unsuccessful.
168. **The GEF project supported some successful income-generating activities but their linkage with ecosystem management was not always clear.** The project supported livelihood activities of about 2,600 households, including the three ecotourism pilot programmes (around 300 households), as well as other productive activities such as home gardening, poultry, food processing and dress making. In many cases, the validity of the assumption – i.e. that alternative livelihoods would reduce pressure on ecosystems (e.g. lagoon fishing) and ecosystem restoration would contribute to improved livelihoods – is not clear. The project might have ventured into supporting income-generating activities more than initially envisaged, because the delays made it difficult to synchronize with PT-CRRReMP, which would have expected to contribute to improved productive activities.

<sup>165</sup> For example, in terms of a higher number of boats that could use them and the risk of damage from inundation due to low harbour walls.

<sup>166</sup> The concept, strongly backed by the Ministry of Fisheries, was for these boats to be distributed to fisheries cooperative societies which would then repay the Government the cost of the boats. From an original number of 100 boats, the target was reduced to 25; in the end, only four were built. This was because of the unrealistic expectation, given the general failure of fisheries cooperatives in open capture fisheries in Sri Lanka, that artisanal fishers might own/operate them via cooperatives. Furthermore, the boats were prohibitively expensive (US\$100,000–132,000). As a result, these were sold to existing multi-day boat owners who were economically well-off (two boats to the same family of owners). Some marginal impact on employment was attained, but there was no evidence that the crews of these boats were tsunami victims (PT-CRRReMP PPE, paragraph 56).

<sup>167</sup> PT-CRRReMP PPE, paragraph 84.

169. ***Ecosystem restoration and natural resource management.*** The GEF project was partly effective in reaching its objectives because of the **overambitious intention**. The objective was to "mainstream restoration and management conservation of globally important ecosystems affected by the tsunami into the reconstruction process to support sustainable livelihoods and reduce vulnerability to climate change...". It was intended to complement PT-CRRReMP but the two projects (PT-CRRReMP and GEF project) were implemented by different government agencies and over different time windows, with the result that the envisaged complementarities did not emerge. The effectiveness was affected by design weaknesses (see paragraphs 110-111) and implementation issues (including institutional changes in the lead agency). While there were some good achievements in coastal management policy, ecotourism, lagoon and coral reef rehabilitation, the results in terms of coastal ecosystem restoration and management *in a holistic manner* and intended replication or upscaling have been less than expected. See section on "environment and natural resource management" for more discussion.
170. **The PT-CRRReMP achievements related to fisheries and natural resource management fell short of the original intention.** This was also because some activities on coastal resource management were initially included in the design but eventually passed to the GEF project. However, whatever was done was limited, with the main output being a baseline survey for stock assessment of five fish species which was intended to inform the development of fishery management plans.

#### **(iv) Summary**

171. The portfolio involved diverse interventions with mixed performance. The achievements in the core projects have been the most visible relative to improved agricultural productive capacities. Interventions supporting access to credit and markets have been substantial and reached a large number of people and generated positive outcomes, but "additionality" of the project/public investments requires careful consideration. In the post-tsunami projects, there were tangible outcomes for housing and social infrastructure, albeit outside of IFAD's mandate, and there were also successful cases of improving livelihoods of coastal communities. The progress fell short of ambitions in terms of coastal and fisheries resource management, but the GEF project had some notable achievements in terms of institutions and policies (see paragraphs 213 and 266). The project portfolio effectiveness is rated as **moderately satisfactory (4)**.

#### **Efficiency**

172. The efficiency criterion provides a measure of how economically resources (e.g. funds, expertise, time) are converted into results. The standard indicator is the economic (or financial) internal rate of return (EIRR), which measures the stream of costs and benefits. Other parameters and proxy indicators are used such as: (i) time lapse between loan approval and first disbursement; (ii) disbursement performance; (iii) project implementation and management processes; (iv) mobilization of additional financing; and (v) project management cost as a percentage of total costs. The assessment focuses on the seven completed projects: DZ-LiSPP, PT-CRRMP, PT-LiSPP, SPEnDP, IIDP, GEF and NADeP.
173. ***Timeline.*** The average timeline of the Sri Lanka portfolio is mostly in line with APR's average performance regarding the time lapse between key milestone events, such as between approval, signing, entry into force (effectiveness) and first disbursement (table 7; table (e) in annex XIII). Except for SAP, there were delays in project start-ups, as indicated by the time lapse between the IFAD Board approval and the first disbursement, especially for the post-tsunami projects (PT-LiSPP, PT-CRRReMP and GEF). SAP outperformed its peers as it largely follows the same business model as NADeP, with the project management unit

(PMU) and staff continued from NADeP, thus facilitating a smooth transition and subsequent disbursement readiness.

Table 7

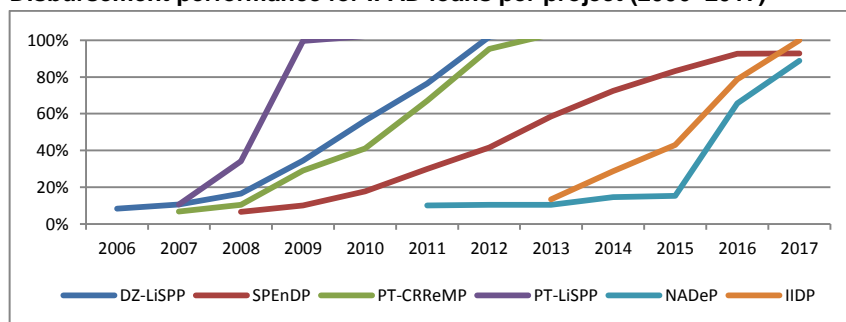
**Timeline between approval to first disbursement (months)**

	Approval to signing	Signing to effectiveness	Approval to effectiveness	Effectiveness to first disbursement	Approval to first disbursement
Sri Lanka portfolio average (9 projects)	6.1	8.1	9.6	8.7	18.3
IFAD Asia and the Pacific Division average*	4.3	7.2	11.6	8.7	17.7

\* Average for projects approved between 2000 and 2015

174. ***Disbursements.*** Most of the projects suffered from significant initial delays, although the disbursement usually picked up after MTR (figure 5). The average rating for disbursement performance in IFAD project status reports for the first three years of implementation is 2.4 out of 6, pointing to an unsatisfactory performance (figure (f) in annex XIII). Several common factors caused delays in disbursements: (i) weaknesses in project design and implementation arrangements, especially feasibility assessment during design, requiring adjustments to be made (IIDP, NADeP, SPEnDP); (ii) weak implementation capacity for certain activities (NADeP,<sup>168</sup> PT-CRReMP<sup>169</sup>); (iii) high staff turnover (SPEnDP, PT-CRReMP); and (iv) change of lead implementation agencies, as mostly noticed in NADeP. After MTR, the disbursement rate usually picked up due to increased momentum and certain adjustments made, including expenditure reallocation from the categories with sluggish performance to the ones with higher absorptive capacity (SPEnDP and NADeP).

Figure 6

**Disbursement performance for IFAD loans per project (2006–2017)**

Source: IFAD Flexcube 2018

175. ***Slow start-up reduced the implementation window, leading to multiple extensions, while disbursement targets were eventually more or less met.*** For four of the seven completed projects, the disbursement rates of IFAD loans at financial closing were almost 100 per cent and for the other three still above 90 per cent (table 2). Five projects were extended to complete activities: DZ-LiSPP for three months (due to disruption caused by a severe drought in 2012<sup>170</sup>), PT-CRReMP for 21 months, PT-LiSPP for 12 months, GEF for 17 months, and NADeP for 33 months. For PT-LiSPP and PT-CRReMP, other than the reason of inadequate implementation arrangements, the delays were due to scarce human resources available amid the proliferation of donor-funded recovery/reconstruction programmes. One exception was SPEnDP, which was terminated one year earlier

<sup>168</sup> For the first four years, the PMU did not have the capacity and experience required to substantially lead and guide the process of developing the partnerships with the private sector and establish the equity financing models as expected (NADeP PCR, paragraph 130).

<sup>169</sup> For example, in the case of PT-CRReMP, due to the failure of the CFHC as a constructor of landing sites, the activities were later transferred to UNOPS.

<sup>170</sup> IFAD Decision Memo, September 2012.

than the original schedule because of the achievement of most of the output targets as well as the imminent launch of STaRR.

176. ***Project management costs. Project management cost as proportion of total project cost is favourably compared to the IFAD standard.***<sup>171</sup> An analysis of the data on "financing by component" shows that, in the approved designs of all eight loan-financed projects, the average budget for management and coordination is 7.9 per cent of the total budget, which is on the low side.
177. However, a breakdown of management costs by individual project shows a large variance (see table 8 below). DZ-LiSPP shows the highest management cost of 22 per cent over the project life. This was high but observed also in other IFAD-funded projects attending a relatively scattered target population.<sup>172</sup> This cost proportion responded to the need to reinforce local support teams, anticipating that the existing line agencies may not have had sufficient resources and experience.

Table 8

**Project management costs as a proportion of total project cost (%) at appraisal and completion stages**

<i>Project name</i>	<i>Management costs (appraisal)</i>	<i>Management costs (actual)</i>	<i>Notes</i>
DZ-LiSPP	22	22	A relatively scattered target population
PT-CRRReMP	13	About 13	The PT-CRRMP loan contribution is not broken down and management costs therefore cannot be assessed accurately
SPEnDP	15.6	12.3	There were <i>de facto</i> two projects in one with three management offices
NADeP	4.8	5.4	Frequent change of lead implementation agencies
IIDP	5.1	5.1	

Source: DZ-LiSPP impact evaluation, PT-CRRReMP PPE, SPEnDP PPE, NADeP PCR, and IIDP PCR

178. ***Financial management. A number of fiduciary management and process issues have negatively affected efficiency.*** The portfolio's financial management was weakened by various factors: (i) lack of qualified project staff and high staff turnover, especially for post-tsunami projects. For example, in PT-CRRReMP, the absence of full-time accountants, high staff turnover, and a dearth of trained accounting staff affected the overall quality of financial management; (ii) absence of adequate financial management and accounting systems (PT-CRRReMP, SPEnDP, IIDP and NADeP). For example, as discussed by the NADeP PCR,<sup>173</sup> it was key to have an accounting software system implemented from project start to enable proper budget monitoring, cash forecasting and contract management systems; (iii) other fiduciary risks, including inaccurate classification of expenditure (GEF), unjustified balance (IIDP) and poor procurement planning and contract management (GEF). Such risks also pointed to a common issue: an absence of a financial and administrative procedures manual (PT-CRRReMP, NADeP, SPEnDP).
179. ***Economic efficiency.*** Overall, the completed projects generated positive economic returns according to the economic and financial analyses (EFAs) presented in the PCRs. EFAs were not carried out for the two post-tsunami projects either at appraisal or completion, although both presented general descriptions of the economic impacts. This reflects IFAD's general practice in a post-disaster situation.

<sup>171</sup> The IFAD publication, "Effective project management arrangements for agricultural projects: A synthesis of selected case studies and quantitative analysis (IFAD, 2014)", indicated that "IFAD's overall project management costs generally ranged between 8 per cent and 24 per cent of programme costs". The Annual Report on Results and Impact 2014 by IOE included a learning theme on "project management" and indicated that "project management costs average approximately 10 per cent of total project costs in the projects reviewed."

<sup>172</sup> DZ-LiSPP impact evaluation, paragraph 55.

<sup>173</sup> NADeP PCR, paragraph 171.

180. All of the EFAs estimate EIRR at design and completion and three of the four also estimate net present values (NPVs) and benefit-cost ratios (BCRs). These indicators indicate different factors about economic efficiency. EIRR and BCR are relative measures of benefits versus costs, whereas NPV is an absolute measure of project value.<sup>174</sup> In some cases there are apparent anomalies between the different measures – for example with NADeP, for which the EIRR was estimated to be 39 per cent and the BCR only 1.17.
181. Overall, the EIRRs, where available, are mostly above the average inflation rates for the years in which the projects were effective, and therefore positive in real terms. The EIRRs are also above the prevailing fixed-term deposit rate in Sri Lanka in 2017 (12 per cent), thereby representing returns above the opportunity cost of capital. However, EFAs conducted at project completion are challenging due to the lack of reliable data on benefits and costs, issues related to the sustainability of the benefits, and the attribution of benefits to the projects. The following are some examples that suggest caution on drawing conclusions from the EFAs:
- (a) Key parameters (e.g. labour-days, adoption rates, crop yields) were mainly based on project M&E data, which tend to lack accuracy and were not based on rigorous sampling methods. The data discrepancy issue was highlighted in the NADeP PCR<sup>175</sup> and the DZ-LiSPP impact evaluation reports.<sup>176</sup>
  - (b) With- and without-project comparisons were not adequate, as in the case of NADeP, which used the proxy labour costs for most of the without-project scenario. This may be inaccurate as rural employment is heterogeneous and usually with large measurement errors.<sup>177</sup> The NADeP EFA defined non-beneficiaries for fruit and vegetable farmers as those who do not cultivate those crops at all, which was inconsistent with the intended targeting group. Considering most of the farmers were not new entrants for NADeP business partners, this assumption may overestimate incremental benefits.
  - (c) The adoption rates in EFA assumptions are higher than those in the household surveys, as in the case of NADeP. In NADeP EFA, all the 4P models were assumed to have 90 per cent adoption rates, which was over-optimistic compared with findings from CSPE field visits.
  - (d) The field observations of the CSPE suggest that the sustainability of project benefits was overestimated (DZ-LiSPP). For example, there was serious underinvestment in maintenance to eliminate the backlog of deferred maintenance.
182. Based on available documents, including excel files, the IOE team has recalibrated some projects (see table 9) by adjusting some of the assumptions. The difference in EIRRs between design, completion and IOE estimation can be roughly categorized into the following three factors:<sup>178</sup>
- (a) **Change of timeline:** As discussed in paragraphs 173-175, significant delays during implementation negatively affected the EIRR as they deferred the realization of project benefits. Projects that were less efficient in this respect were SPEnDP, IIDP, GEF and NADeP, all of which suffered from

<sup>174</sup> Among a group of investments with similar EIRRs or BCRs, the larger investments will have higher NPVs.

<sup>175</sup> According to Appendix 10 of the PCR, there were issues of incomplete data on inputs. In most of the crop and activity models, net incomes were disproportionate to expenditures.

<sup>176</sup> According to the DZ-LiSPP impact evaluation report (paragraph 28), “flaws in the accuracy were found in the M&E databases maintained by the four district PMUs (cases of double counting, inexact representation of activities in the project sites, sometimes on-existing activities or outputs)”.

<sup>177</sup> Jacoby, H. 1993. Shadow Wages and Peasant Family Labour Supply: An Econometric Application to the Peruvian Sierra. *Review of Economic Studies* 60: 903-921.

<sup>178</sup> The IOE estimation has taken into account some of the wrongly made assumptions as well, but they are not specified in this table.

implementation delays. On the other hand, SPEnDP underestimated the number of years the benefits from the intervention would last.<sup>179</sup>

- (b) **Change in project costs:** Increased project costs negatively affect EIRR unless benefits also increase. As in the case of IIDP, EFA ignored the costs from ADB financing of the irrigation headworks, which amounted to US\$17 million,<sup>180</sup> to achieve the projected water storage and delivery capacity. NADeP failed to consider the transaction/operation costs of the credit line, which was about 6.5 per cent taken by different agencies, including CBSL and participating financial institutions.
- (c) **Change in the commodity price:** An increase in the commodity price can increase the EIRR if other factors stay the same, as was the case in SPEnDP.<sup>181</sup>

Table 9

**Economic efficiency indicators by project: reported and IOE recalibration**

Project	EIRR		IOE's recalibration	Inflation, avg. consumer prices in project period (annual %)	NPV at completion (US\$ million)	BCR at completion (ratio)	Factors affecting the efficiency level
	Design (%)	Comp (%)					
DZ-LiSPP	17.4	19.6	None	8.6	N/A	N/A	Change of recurrent costs for maintenance
SPEnDP	20	16.5	higher	6.51	5.75**	1.47	Change of price, Change of timeline
IIDP	27	14	lower	4.98	6.53	1.17	Change of project costs
NADeP	31	39	21	5.35	13	1.17	Change of timeline, change of recurrent costs

Source: Project design reports, completion reports, working files for economic and financial analysis and International Monetary Fund database 2018. IOE's recalibration for DZ-LiSPP and PT-LiSPP are based on the project evaluations by IOE.

\*The project's EIRR was not calculated at appraisal or at completion, based on IFAD's general practice that EIRR is not calculated for emergency response projects.

\*\* This is converted from LKR 863 million based on an exchange rate of US\$1 to LKR 150 used in the EFA.

183. In some cases, the EIRR is quite sensitive (e.g. NADeP) when the ratio of capital to recurrent costs is low. A small change in assumptions about key variables such as prices of inputs or the value of benefits can make a dramatic difference to the EIRR.<sup>182</sup>
184. **Summary.** Overall, efficiency has been relatively low in the portfolio. Slow implementation start-up due to weak project design and delayed effectiveness have negatively affected all closed projects. Management overheads have been reasonable, but the quality of management was weakened by fiduciary issues, frequent staff turnover, and inadequate staff capacity. The projects managed to disburse most of the resources, although not at a reasonable pace and with multiple extensions, which also reduced financial efficiency. The economic efficiency was mostly positive, though not with a significant margin. Efficiency is therefore rated as **moderately unsatisfactory (3)**.

### Rural poverty impact

185. This section provides an assessment of the country programme's impact on rural poverty, specifically for the following impact domains: (i) household income and net assets; (ii) human and social capital and empowerment; (iii) food security and agricultural productivity; and (iv) institutions and policies.

<sup>179</sup> In SPEnDP EFA, the period of the analysis only extends over 20 years to 2027, 11 years after programme completion, whereas tea and rubber plantations are expected to remain productive for a considerably longer period (SPEnDP PPE).

<sup>180</sup> ADB-Jaffna and Kilinochchi Water Supply and Sanitation Project (Iranamadu Component).

<sup>181</sup> The tea price used in the analysis is LKR 65/kg of green leaf, whereas current prices are around LKR 95/kg.

<sup>182</sup> <http://siteresources.worldbank.org/NUTRITION/Resources/Tool3-Chap7.pdf>.



186. **The main impact pathways** envisaged in the projects can be described as follows: (i) enhanced agricultural productivity and crop diversification through technology transfer and improved irrigation systems (IIDP, DZ-LiSPP); (ii) enhanced market access through better road connection (SPEnDP) and/or promotion of market linkages (NADeP, SAP); (iii) additional income generated and diversified through access to finance and promotion of microenterprises (DZ-LiSPP, SPEnDP, IIDP, NADeP, SAP); and (iv) enhanced human and social capital through skills training and development of community infrastructure (DZ-LiSPP, SPEnDP, IIDP).
187. **There are challenges in estimating the magnitude of the impacts and determining whether the impacts can be attributed to the project interventions alone.** Reliable data for estimating impact over the period are limited, although data quality has improved over time (see table (g) in annex XIII for a summary of the available data). For example, a quasi-experimental design was used for the SPEnDP impact assessment to address the absence of valid baseline data and construct a counterfactual scenario. However, there are some common issues across different projects: (i) Almost all the projects conducted baseline studies, but the quality was generally poor and they are not useful for before-and-after comparison (e.g. SPEnDP, IIDP, NADeP); (ii) The general economic growth and poverty reduction experienced in the country, or influence from similar interventions (e.g. influx of post-tsunami aid) caused confounding effects<sup>183</sup>; (iii) The comparison of "with-project" and "without-project" is likewise constrained by lack of valid counterfactual data; (iv) There is a large imbalance of the sample sizes between treatment and control groups (PT-CRReMP, SPEnDP, NADeP and IIDP), which weakens the statistical validity of the analysis, especially when matching was conducted; and (v) For some projects, it is too soon to assess impact due to delayed implementation (SPEnDP, NADeP) and the time needed for interventions to have full effect.
188. In light of these shortcomings, the CSPE has triangulated evidence from different sources, including secondary ones (project M&E data, impact assessments and previous IOE evaluations), as well as primary data from the qualitative and quantitative value chain survey conducted in May–June 2018, and field observations made during the June 2018 CSPE main mission.
189. **Household income and assets. Household income increased across projects through different impact pathways, but with mixed evidence in the case of DZ-LiSPP and NADeP.** SPEnDP's investment in tea and rubber plantations has had a notable and long-term impact on household incomes. The SPEnDP impact evaluation found 21 per cent income increases for tea growers in mid-country and nine per cent in Monaragala for the rubber growers.<sup>184</sup> Although the latter data were difficult to explain given that tapping of rubber trees was only just beginning at the time of the survey, the PPE mission at a later date confirmed the prospect of significant income impact as more rubber trees were reaching the tapping stage. As for IIDP, the improved access to irrigation, training on agricultural practices, and intensified and diversified cropping systems increased agricultural productivity and production, and availability of food and cash income. DZ-LiSPP contributed to introducing profitable crops and activities, including dairy farming, but the uptake depended on the local village context (e.g. access to a market), availability of follow-up training and extension, or financial services and the size of the initial investment required. Therefore, the impact on average household income was sensitive to different econometrics methods and the results are mixed in the IOE's DZ-LiSPP impact evaluation.

<sup>183</sup> "Confounding" is a statistic term and it means a situation in which the effect or association between an *exposure to intervention/project participation* and *outcome* is distorted by the presence of another variable.

<sup>184</sup> The results are both statistically significant (1 per cent and 10 per cent, respectively) according to the project's impact assessment.

190. As for NADeP, even though income growth was reported in the impact assessment conducted by the programme (i.e. 35 per cent of beneficiary households below the poverty line of US\$1.9 per day compared with 45 per cent in the control group<sup>185</sup>), the evidence was not well-substantiated, as the findings were based on a sample size of 563 beneficiaries but only 33 control farmers.<sup>186</sup> According to a quantitative analysis in the value chain study conducted in the context of the CSPE, the price paid to farmers was found to be only slightly higher in the case of dairy farmers compared with the farm gate price for control farmers, and the price paid to maize and beekeeping farmers was significantly lower compared with control farmers, while the gherkin price is almost the same. The same study shows that the beneficiaries on average have an expenditure increase of 7.6 per cent and an income increase of 4.2 per cent with the intervention, which is not statistically significant.<sup>187</sup>
191. **A significant increase in household assets was observed in PT-CRRreMP and SPEnDP, while the increase was less or minimal for other projects.** For PT-CRRreMP, a significant impact was observed for household assets as a result of the construction and rehabilitation of houses. However, owing to the large post-tsunami reconstruction investments from other agencies, the improvement in household assets cannot be attributed to the project alone.<sup>188</sup> SPEnDP significantly enhanced the ownership of both capital and non-capital assets for beneficiary households through tea and rubber planting, the matching grant scheme and the rural financing facility. In DZ-LiSPP, there was a decrease in household assets among beneficiary households, possibly explained by the significant investments in dairy cows, which may have limited the purchase of other household assets. NADeP's average Household Asset Index shows little improvement (i.e. 0.06 per cent increase compared with before the intervention).<sup>189</sup> In the case of IIDP, both productive and non-productive assets only showed a marginal increase.<sup>190</sup>
192. **The impact on the income of the rural poor was rather marginal and may not be enough to keep them out of poverty.** They are also vulnerable to extreme climatic events which could push them back into poverty. In the case of IIDP, households living under absolute poverty decreased from 40 to 20 per cent after the project. However, 20.5 per cent of households surveyed indicated that they were barely out of poverty. Therefore, 40 per cent of project beneficiaries continue to live below or just above US\$2 per day.<sup>191</sup>
193. **Better access to markets can increase farming incomes but it is debatable how effective the current 4P model is in addressing rural poverty.** Evidence on successful value chains is reported for NADeP through the 4P model, and in limited cases the improvement of rural infrastructure enabling enhanced access to markets (SPEnDP and PT-LiSPP). SPEnDP's attention to post-harvest value-addition was attenuated during implementation, which missed the opportunity to obtain higher returns for the tea and rubber growers. However, the current 4P model was

<sup>185</sup> Compared with the 4.1 percent poverty headcount ratio at national poverty line in 2016, the poverty in NADeP seems to be high, partly because the US\$1.9 poverty line should be calculated at purchasing power parity term, instead of nominal term.

<sup>186</sup> The extremely small sample size for the control group makes the results susceptible to bias from measurement errors and outliers, and sample selection.

<sup>187</sup> The estimation is based on a two way fixed effects and difference in difference model by controlling household assets in 2014, social demographic information of the household (including household head age, gender, education, ethnicity, employment sector), landside, access to irrigation, access to market. Error terms were clustered at village level.

<sup>188</sup> The beneficiaries also reported positive impact in terms of the supply of toilets, wells, kitchens, water supply and electricity supply. However, these were not limited to housing schemes supported by IFAD but also to housing initiatives of other agencies. PT-CRRreMP PPE, paragraph 85.

<sup>189</sup> The average Household Asset Index for the programme-supported households is 52.93, against 50.14 for the control group. Compared with available baseline figures, the final index is 53 against 52.43 at baseline (NADeP PCR, paragraph 86). However, neither of the results are statistically significant.

<sup>190</sup> IIDP PCR, paragraph 70.

<sup>191</sup> IIDP PCR, paragraph 69.

less effective in addressing poverty. As companies are profit-driven, inevitably they favour areas with the best business opportunities and individuals with the best productive potential. A probit model estimation from the value chain study implied that the companies tended to target farmers with more livestock (can be due to the fact that the sample is composed of 33 per cent dairy farmers) and better-off farmers (i.e. farmers in the 3<sup>rd</sup> and 4<sup>th</sup> income quintiles) (table (e)-2 in annex XIII). Maize companies tended to target households with better access to irrigation. A dairy company conducted an assessment of the capacity and resources of the dairy farmers in the "catchment area" and selected better-resourced ones (paragraph 132).

194. **Improved access to finance has improved income opportunities and diversification, but as an instrument to address rural poverty this was not particularly effective.** Evidence was found of matching grants and subsidized loans improving household income and group savings (annex XV of the NADeP phone survey; SPEnDP PPE). But it did not turn out to be an effective instrument to address rural poverty due to: (i) limited coverage (and more often for expansion of existing enterprises) and low uptake rate; (ii) mis-targeting (SPEnDP, NADeP; see also paragraphs 128-133); and (iii) use of credit for non-productive activities (e.g. household expenditure), as in the case of PT-CRRMP.
195. **Agricultural productivity. There is consistent evidence across different projects showing that agricultural production and productivity improved,** though in some cases the impacts were diminished by extreme climate events (e.g. drought during 2016–2017). Increased agricultural production was also the most important pathway for increases in household incomes and assets. In general, the core projects contributed to enhanced agricultural productivity and crop diversification through technology transfer, improved planting materials, and irrigation systems, while the post-tsunami projects had weak impact on agricultural productivity.
196. Under DZ-LiSPP, both the qualitative and the quantitative survey in the IOE impact evaluation confirmed that the project had improved crop diversification and productivity. Beneficiary households were significantly more likely to report an increase in the number of crops grown between 2002 and 2006 based on recall.<sup>192</sup> However there was a negative (but not statistically significant) correlation between project participation and higher paddy yields. Beneficiaries obtained higher maize yields, but not statistically significant.
197. SPEnDP focused on productivity enhancement by improved agronomic practices and intercropping through training and provision of improved planting materials. No systematic data were collected, but the PPE confirmed that the tea replanting and infilling of older tea areas, combined with improved farm management and input use (e.g. application of fertilizer and dolomite), improved productivity. The rubber planting was undertaken by farmers who did not previously grow it, and was generally on idle or unproductive plots used for chena (shifting) cultivation. Hence, all of the rubber now being produced by SPEnDP beneficiaries is attributable to SPEnDP interventions, which was confirmed by satellite images.
198. For IIDP, the combined effort of irrigation rehabilitation and agricultural development interventions contributed to increased production (paddy and other field crops) and crop diversification, especially in the *yala* season. Paddy cultivation increased from 11,987 ha to 14,371 ha combining *yala* and *maha* seasons (20 per cent increase).<sup>193</sup> According to the impact assessment for IIDP, paddy yields increased by 15.6 per cent in the *maha* season and by 12.6 per cent during the *yala*. This is in line with findings from the CSPE field visit. The project also

<sup>192</sup> DZ-LiSPP impact evaluation, paragraph 91.

<sup>193</sup> NADeP PCR, paragraph 71.

observed production increases for non-paddy crops for a total of 253 ha, although no yield increases were reported.

199. Depending on the commodity, there is mixed evidence of impact on agricultural productivity in NADeP. Among maize beneficiaries, although the linkage with the buyer alone did not have an impact on productivity, farmers who received technical support from the project<sup>194</sup> significantly increased the yield by 47 per cent, and the results are robust to different econometrics models.<sup>195</sup> However, as the training was voluntary, farmers who attended the training can also be the ones who were more interested in cultivation and put in greater effort. Training provided to gherkin farmers also had a positive impact on yields. On the other hand, the value chain study and CSPE field visits indicated that the production increases in milk, fruit and vegetables, and honey were mainly driven by the increase in number of cows, land area cultivated, or bee boxes, and there has been limited impact on productivity.
200. For the two post-tsunami projects, positive findings were reported, but on a very limited scale. PT-CRRReMP supported home gardening but the scale of activities depended on the size of the plot, in many cases the soil quality was poor, and an insignificant number of beneficiaries had taken up home gardening.<sup>196</sup>
201. In sum, robust and positive findings were confirmed for crop diversification and some evidence was found for yield increases due to better access to water and good agriculture practice demonstrations.
202. **Food security.** Sri Lanka is a lower middle-income country but improvements in the nutritional status of children, women and adolescents remain stagnant (WFP, 2018). The 2015 WFP/HARTI<sup>197</sup> Food Security Atlas found that malnutrition remains a major challenge in Sri Lanka, particularly in terms of acute malnutrition (wasting), and that many households do not spend enough on a diverse diet to achieve the required daily intake of micronutrients. While availability of food may be relatively secure and incomes and production increasing, this has not necessarily resulted in food and nutrition security among households.
203. **The project portfolio had little impact on improving food security and the nutrition status of the beneficiaries, other than improving the intake of dairy products.** No projects explicitly include nutrition activities, objectives and outputs. The DZ-LiSPP impact evaluation found weak evidence of improved food security as measured by sample households eating only one or two meals per day compared with the control households.<sup>198</sup> No specific intervention was undertaken by SPEnDP to improve nutrition other than through improved incomes, and changes, if any, may be gradual. For both beneficiaries and non-beneficiaries, protein intake remained relatively low, while carbohydrate intake remained relatively high. The impact evaluation conducted by the SPEnDP project team was not sufficiently consistent to draw conclusive findings. Regarding IIDP, food security was expected to improve due to higher crop production, as well as the dairy and poultry programmes. However, both the food diversification activities and livestock programmes were limited and additional income generated was marginal.<sup>199</sup> NADeP worked towards addressing nutrition issues through a one-

<sup>194</sup> Some maize farmers received training related to machinery use (18%), sustainable crop cultivation (22%), compost making (23%) and agro-chemical usage (18%), which are directly related to maize production.

<sup>195</sup> Based on the value chain study conducted in the context of the CSPE. A two-way fixed-effect model was used here to test the effect of training on yield, the model controlled social demographic information of the household head (gender, age, education, employment status), irrigation access, wealth status, costs for cultivation maize, village and year fixed effects.

<sup>196</sup> PT-CRRReMP PPE, paragraph 93.

<sup>197</sup> Hector Kobbekaduwa Agrarian Research and Training Institute.

<sup>198</sup> According to the treatment effect method, positive correlation was found in the general treatment, while negative correlation was found in the direct and intense treatments. None of them are statistically significant. Propensity score matching did not show significant differences.

<sup>199</sup> IIDP supervision mission report, 2016, paragraph 90. There is also a lack of food security and nutrition data showing how higher crop production and access to milk products would improve malnutrition.

- day FAO-led training for social mobilizers, and 63 per cent of beneficiaries reported to have received some education on nutrition and balanced dietary requirements through the social mobilizers.<sup>200</sup> However, there is no credible evidence showing that the training led to the improvement in food and nutrition security.
204. In sum, the portfolio had limited ambitions in terms of food and nutrition security and its impact in this area was relatively weak.
205. ***Human and social capital and empowerment.*** Evidence on human and social capital and empowerment is mixed. There were cases where training was not tailored to the needs of the farmers; and the role that community organizations were able to play varied, as in some cases they were mainly used for delivery of project inputs. In other cases it is unclear or too soon to assess whether the activities had a significant effect on social capital and empowerment.
206. **Overall, there was positive impact on human capital through the delivery of training.** DZ-LiSPP exposed farmers to new knowledge, techniques, crops and practices, with some initial observable effects on crop diversification. The most notable knowledge dissemination occurred in dairy production, including basic knowledge on cattle sheds, breeding and selection of dairy cows, cattle nutrition, good practices in milking, and vaccinations. The DZ-LiSPP impact evaluation found evidence showing that exposure to new technologies enhanced farmers' confidence in dealing with public agencies, private operators and banks. Similar findings were confirmed by the CSPE mission for IIDP, whose PCR reported that due to capacity building activities, farmers were in a better position to coordinate and access service-providing agencies.<sup>201</sup> In the case of SPEnDP, beneficiary households were ahead of non-beneficiary households in applying the knowledge and technologies, but the uptake rates were still low (between 11.7 and 27.4 per cent).<sup>202</sup> The CSPE value chain study found the evidence that the maize farmers who received technical support from the project significantly increased the yield (see paragraph 199).
207. **However, the effectiveness of training in strengthening human capital was reported to be limited or thin.** For example, under PT-CRRMP less than 45 per cent of beneficiaries viewed the training as useful in expanding their businesses or improving employment conditions. The PPE concluded that it was unclear whether and how far the needs or interests of the beneficiaries were considered in the formulation of the training.
208. **DZ-LiSPP reported significant impact on social capital and empowerment.** According to project documentation and the qualitative survey, the project contributed to the development of grassroots networks at the village level, particularly through the support to tank societies, crop societies, dairy societies and the federations of these. In many of societies, women held positions of president, secretary and treasurer. Dairy societies also increased the confidence of their members and their ability to engage with the private sector, improving their bargaining position in relation to prices and conditions.
209. **Other than DZ-LiSPP and some parts of NADeP, there is little evidence of impact on empowerment and cohesion.** Although many groups were formed under different projects (e.g. community-based organizations under PT-CRRMP; enterprise groups under SPEnDP), they mainly served as a mechanism to channel the programme support. The field visits during the CSPE and PPE missions and phone surveys (in relation to SPEnDP and NADeP) indicated that the motivation of

<sup>200</sup> NADeP PCR, paragraph 93.

<sup>201</sup> IIDP PCR, paragraph 71.

<sup>202</sup> SPEnDP impact evaluation (commissioned by the Ministry of Plantation Industries), SPEnDP PPE. The PPE also noted that it was difficult to assess if the use of some techniques (e.g. application of fertilizer) was a consequence of subsidized input provision or due to increased knowledge from the training or capacity development activities.

many for joining the groups was to access the programme support. According to the phone survey, about half of the respondents from self-help groups under NADeP indicated that they engage in internal lending, but it is not clear whether this was initiated under a previous programme, also given that the NADeP staff indicated that the promotion of internal lending was not particularly a focus of the programme. As commented by the SPEnDP PPE, the rationale for forming new groups when smallholder groups on tea and rubber already existed was vague, and it is not a surprise that most of these did not contribute to empowerment. In the case of PT-CRRReMP, there is no evidence of increased social cohesion or group identity. The only positive impacts observed were the support for the Women's Bank, which strengthened pre-existing local credit organizations.

210. ***Institutions and policies.*** Overall, other than coastal resource management, there was limited emphasis on institutions and policies and few tangible results or impact were reported.
211. ***Land tenure.*** Although some initiatives aimed to address land tenure issues, little impact on related institutions and policies was observed. Land tenure is a politically sensitive issue in the country. The incomplete and inefficient land market imposes significant challenges for agriculture and rural development in the country (see box 1). Through collaboration with FAO, DZ-LiSPP initiated some policy-related work with the Government on land tenure issues, including producing studies, policy briefs, training activities, and an overseas study tour. Among others, the topics included land fragmentation, land titling, land leasing and informal selling, and land administration. However, the efforts started late in the project,<sup>203</sup> and five years after project completion the CSPE mission did not find a follow-up of the initiatives started by DZ-LiSPP. SPEnDP largely fell short of the objectives on improving land tenure status. There was no or little contribution by the programme relating to laws, rules, regulations, institutions and processes that could better facilitate the securing of land rights.<sup>204</sup>
212. ***Grassroots institutions.*** Although various grassroots institutions were formed or supported, the majority did not register or form an apex body to enable sustainable impacts. Some of the approaches (e.g. farmer field schools in DZ-LiSPP) had the potential to inspire public institution development (e.g. extension approaches), but they rarely survived to generate wider impacts beyond the project life. A similar situation occurred in IIDP, where many grassroots groups were established with capacity-building activities conducted by a designated NGO, but due to time constraints they were not able to link with government and non-government agencies to have a lasting impact.
213. ***Coastal resource management.*** Most significantly, the GEF project facilitated the revision of the National Coastal Zone and Coastal Resources Management Plan, which was expected to mainstream coastal ecosystem management and restoration, and takes into consideration climate risks. It also promoted "co-management" concept, supported the establishment of Ecosystem Restoration and Adaptation Units in the three project districts, and the strengthening of the district environment and law enforcement committees. But the intended impact related to community-based coastal resource management was not clear, due to lack of an "integrated planning approach that looked at the entirety of coastal resource dependencies and developing a range of community management activities that collectively seeks to address coastal resources restoration, its sustainable use, improved livelihoods and climate adaptation, rather than look at each activity as an individual 'stand-alone' investment".<sup>205</sup>

<sup>203</sup> Land tenure policy work started only in 2010 and ended in the second half of 2012 (IOE, 2013)

<sup>204</sup> SPEnDP PCR, SPEnDP PPE.

<sup>205</sup> GEF project terminal evaluation review.

214. PT-CRRReMP was also reported to have potential impact on fishery resource management through institutional capacity-building, including overseas training. However, how the changes at policy and institutional level can lead to direct rural poverty impact is not yet known.
215. *Microfinance*. NADeP PCR reported that the programme provided policy and technical support to CBSL for the elaboration of the Microfinance Act. From the project documents, the specific contribution made to the making of this act is not clear. It is understood that the draft Microfinance Act had been available in the public domain for comments and NADeP took up this opportunity and provided comments.<sup>206</sup>
216. **Summary**. The portfolio's impact has been the most palpable in the domain of agricultural production and productivity in the core projects, while the post-tsunami project had tangible impact in the domain of improving household assets. The impact on incomes was mixed, but the achievement mostly derived from increased agricultural production and productivity. Income diversification through microenterprise and livelihood support also had income impact, but the coverage was smaller and targeting issue cast a doubt on *rural poverty* impact. While the projects contributed to improved human capital in some cases, in general the impact on social capital and empowerment was limited. The portfolio had limited emphasis on institutions and policies, but the GEF project made an important achievement with regard to the institutional and policy framework for coastal resource management. Rural poverty impact is rated as **moderately satisfactory (4)**.

### Sustainability of benefits

217. Sustainability is a core element of the goal or objectives of most of the project portfolio (see table 10). This section assesses the likely continuation of benefits that were generated by the projects beyond the phase of external funding support. The main areas for which the sustainability of benefits is assessed are: (i) agricultural production and productivity; (ii) access to markets; (iii) income-generating activities and enterprise development; (iv) access to financial services; (v) physical infrastructure; and (vi) beneficiary organizations.

Table 10

**Sustainability of project goal and objective statements**

<i>Project</i>	<i>Goal and objective statements</i>
DZ-LiSPP	<u>Sustainable</u> increase in incomes and living conditions (goal)
SPEnDP	Improvement of livelihoods and social conditions on a <u>sustainable</u> basis (goal)
PT-LiSPP	<u>Sustainable</u> recovery of the assets of households affected by the tsunami (goal) <u>Sustainable</u> management of coastal resources (objective)
NADeP	Poverty reduction and <u>sustainable</u> livelihood improvement of women and men (goal)
IIDP	Water and land productivity <u>sustainably</u> improved (objective)
GEF	Support <u>sustainable</u> livelihoods and reduce vulnerability to climate change (objective)
SAP	<u>Sustainably</u> increase the income and quality of diet (objective)

218. **The benefits in terms of agricultural productivity and production have generally shown reasonable sustainability**. SPEnDP focused on increasing tea and rubber production through investments in plantation establishment, or infilling and replanting in the case of tea. The plantations are expected to provide regular cash flow to beneficiaries for the remaining economic life period of trees/plants,<sup>207</sup>

<sup>206</sup> NADeP 2015 and 2016 supervision mission reports.

<sup>207</sup> SPEnDP PPE.

although better results in land regularization would have further improved the prospects for sustainability. DZ-LiSPP incorporated productivity-enhancing interventions in rainfed and irrigated agriculture, the former through farmer field schools and the latter through rehabilitation of minor irrigation schemes. While the farmer field schools themselves have not been sustained, the technologies they introduced continue to be employed in the project areas. However, the capacity of government extension services constrains continuing adoption of new technologies. Concerns about the sustainability of irrigation schemes rehabilitated by DZ-LiSPP and IIDP are detailed in the paragraphs on physical infrastructure.

219. Stakeholder engagement and commercial incentives provide the best foundations for sustainable productivity and production enhancement. Productivity (and quality) enhancing measures are a key element of producer-buyer relationships (such as those facilitated in DZ-LiSPP and NADeP) and are an important motivating factor for the agribusiness companies, all of which are seeking additional supplies of raw materials specified according to their needs.
220. **Climate change and land degradation pose threats to the sustainable productivity of agricultural resources, but these have not been adequately reflected in projects.** This would need to be given greater prominence in the future. The recent drought was the most severe reported in climatic records and provides a warning sign which must be heeded. Further analysis of environmental and climate change issues is given later.
221. **Improved access to markets through working with the private sector has a good prospect of sustainability.** Such results were generated first in DZ-LiSPP on a small scale and then NADeP, even though for the latter the extent of "additionality" varied (also see paragraphs 148-149). These projects demonstrated that integrating individually operated agricultural production into commercial partnerships with well-established agribusiness companies achieves sustainable outcomes. Most relationships between agribusinesses and producers formed during the final years of NADeP are continuing and some are expanding with ongoing support from SAP, but it should also be recalled that a number of these relationships already existed before NADeP (e.g. for dairy, sugarcane, vegetable seeds). The key to sustainability of these partnership arrangements is mutual commercial benefits for all partners. Farmers have a guaranteed market for their produce, usually at pre-arranged prices; and the companies have greater certainty about the quality and quantity of their raw material supplies.
222. **The sustainability prospect of microenterprises and income-generating activities is mixed.** In DZ-LiSPP and PT-CRRreMP, this was seen to be largely linked to the continued availability of low-interest loans. The PT-CRRreMP PPE noted that "in many instances, financial institutions that gave business loans to beneficiaries had stopped doing so, and many of the income generation and diversification activities started by beneficiaries under this intervention had been discontinued."<sup>208</sup> The DZ-LiSPP impact evaluation found the sustainability prospects for the credit components low, and its PCR indicated that this would influence the sustainability of microenterprises and income-generating activities. On the other hand, SPEnDP-supported income-generating activities are more likely to be sustainable: over 70 per cent of matching grant recipients considered that their businesses were either highly successful or successful with good returns.<sup>209</sup>
223. **There is a trade-off between targeting the poor or supporting start-ups and supporting relatively better-off and existing enterprises.** SPEnDP supported the expansion or diversification of existing business ventures. While this has apparently enhanced their sustainability, the PPE also raised concerns about targeting issues. It is certainly more challenging and riskier to support start-ups,

<sup>208</sup> PT-CRRreMP PPE, paragraph 102.

<sup>209</sup> SPEnDP PPE, paragraph 61.



but providing grants to those enterprises that could have accessed normal loans would not be consistent with the project objectives.

224. **Continued availability of loans with the same or similar terms and conditions as was provided under the projects is uncertain.** The provision of concessional credits has been sustained by IFAD financing additional lines of credit as one project ends and another begins. Loan recovery rates have mostly been satisfactory but negative real interest rates mean that the value of the refinancing facility (CBSL revolving fund) will erode over time. The commercial banks show little interest because they consider the lending margins insufficient to compensate for the cost and risk of servicing small clients. The sustainability would depend on the level and efficiency in recycling the revolving fund, which has accumulated at CBSL from repayments from banks but has been under-utilized – and possibly also the Government's policy on subsidizing the interest rates for a certain segment of the population or for specific purposes.
225. **The sustainability of benefits from physical infrastructure investments varies** depending on the types and the operation and maintenance arrangements established during project implementation. Sustainability can be assessed under four infrastructure categories: (i) privately owned and operated structures; (ii) small-scale community infrastructure; (iii) minor/small irrigation schemes; and (iv) major public infrastructure.
226. For private infrastructure investments such as housing (PT-CRReMP and PT-LiSPP) and cowsheds (financed by NADeP), maintenance is the full responsibility of the beneficiary households and is not seen to be a problem. Small-scale community infrastructure such as plantation access roads (SPEnDP and STaRR), water supplies and meeting halls is normally the responsibility of the communities themselves, which are expected to collect user fees and/or contribute labour for maintenance, sometimes with some input from local government. Here the results are mixed. Concrete plantation roads are generally well maintained, having been built by community groups, and are easy to maintain with limited labour inputs. The DZ-LiSPP impact evaluation found the prospect of sustainability of community infrastructure development encouraging,<sup>210</sup> while highlighting risks about the maintenance of rehabilitated minor irrigation schemes.<sup>211</sup> On the latter point, the CSPE's follow-up field visits to a small sample of rehabilitated irrigation schemes indicated the same concern. This also had to do with the quality of rehabilitation works, due the small budget envelope (see paragraph 138).
227. There are sustainability concerns for some major infrastructure investments such as markets, fishing ports, fish landing facilities and irrigation works. In these cases, government agencies at various levels are partly or wholly responsible for operation and maintenance but are constrained by budgetary limitations and the difficulty in collecting user charges. Some positive examples have been reported, with the Trincomalee fish market and fish landing sites (PT-CRReMP) being well maintained, but in other instances no arrangements had been established for maintenance of public infrastructure, with signs of deterioration already apparent.<sup>212</sup>
228. IIDP contributed to establishing institutional arrangements for farmer organizations that were in disarray due to the prolonged conflict and displacement of the land owners and farmers, but there were also sustainability concerns for the

<sup>210</sup> For example, community buildings and drinking-water supply schemes were handed over to the community-based organizations concerned for maintenance. For access road maintenance, the local government bodies (*Pradesheeya Sabha*) were involved.

<sup>211</sup> DZ-LiSPP impact evaluation, paragraph 118.

<sup>212</sup> PT-CRReMP PPE, paragraph 100. "The [PPE] mission noted that no plans are available to ensure sustainability of a number of public or community infrastructures such as community centres or landing sites. This is evident from the poor maintenance or underutilization of some of them, the result in part of the lack of properly formulated processes to hand over facilities to ongoing legally constituted management entities."

rehabilitated major irrigation scheme. The issues include insufficient budget allocation for operations and maintenance to the Provincial Irrigation Department, which is responsible for primary and secondary canals and associated infrastructures.

229. **Beneficiary organizations in various forms play an important role in the country programme but some are more sustainable than others.** The following are some examples of the types of organizations that have been involved:

Table 11

**Type of beneficiary organizations in the portfolio**

<i>Type of groups</i>	<i>Project</i>
Farmer field schools/crop societies/seed groups	DZ-LiSPP
Dairy farmer groups/associations/cooperatives	DZ-LiSPP, NADeP
Water user groups/associations	DZ-LiSPP, IIDP
Fishery and coastal resource management committees	PT-CRReMP, GEF
Enterprise groups/village rubber development clusters	SPEndP
Village savings and credit groups	SPEndP, GEF
Group-owned business ventures	SPEndP
Agribusiness partnerships groups (4Ps)	DZ-LiSPP, NADeP

230. **Groups formed for the purpose of project implementation have struggled to survive after project completion.** This is seen in several projects such as farmer field school groups under DZ-LiSPP, community groups established under PT-CRReMP, and tea enterprise groups/village rubber development clusters under SPEndP.<sup>213</sup> In SPEndP, groups which had mobilized savings and had been provided with project funds for savings and credit activities could no longer access accumulated funds due to lack of exit strategy.<sup>214</sup> While these were successful in facilitating access to project inputs and services during the implementation period, the intention that these become permanent and self-sustaining grassroots institutions was generally not realized. Sometimes the groups are only intended to perform project-related functions, in which case their sustainability is not an issue. In other cases, it is not clear whether they were intended to be sustainable or not.
231. **On the other hand, there are different forms of rural institutions that have existed and these can contribute to effectiveness of project interventions and sustainability of benefits.** Such institutions are more durable mainly because they continue receiving support from the Government (e.g. for the groups to obtain contracts for small civil works or for members to access subsidies).<sup>215</sup> Where the projects worked with or supported these institutions, the experience was positive. For example, implementation of public infrastructure investments, mainly roads, via rural development societies generally worked well.
232. **Groups that facilitate access to services and inputs or engage in public works are more sustainable than those that conduct business ventures.** Groups succeed where they do things that individuals cannot do – for example, aggregating produce to facilitate storage, transport and marketing, or building and maintaining community infrastructure such as roads and fish landing facilities. However, the sustainability of group-operated business ventures is less positive.

<sup>213</sup> DZ-LiSPP PCR, paragraph 96; PT-CRReMP PCR, paragraph 95; SPEndP PPE, paragraph 106.

<sup>214</sup> SPEndP PPE, paragraph 107.

<sup>215</sup> These institutions include rural development societies and women's rural development societies (under the aegis of the Department of Rural Development and registered with Divisional Secretariats), farmer organizations (mainly for irrigation operations and maintenance, under the Department of Agrarian Development), tea societies (under the Tea Smallholder Development Authority), and rubber societies/clusters (under the Department of Rubber Development).

The SPEnDP PPE concluded that interventions to support group-owned business were less successful than support for individual/family-owned businesses.<sup>216</sup>

Group-owned rubber processing centres had mixed results, with some being defunct and others now being managed by individuals. Group-owned milk collection centres have fared better due to strong linkages to the dairy companies, but usually under individual management.

233. **Almost all projects involve groups of beneficiaries as part of efforts to improve access to financial services but not all of these are sustainable.** These include the Grameen model group-lending schemes (DZ-LiSPP), savings and credit groups (SPEnDP), and internal group-managed revolving funds, often supported by capital grants (SPEnDP). Membership of savings and credit groups is mostly women, and some but not all of these groups transition to independent operation post-project. The operation of revolving funds requires strong group leadership and financial management systems, which are not always present.
234. **Summary.** Some of the positive results with agricultural production and productivity are more likely to be sustainable, with the enabling factors including: (i) the nature of investment (e.g. tea and rubber plantations); and (ii) viability of enterprises (mostly operated by individuals), which is enhanced by commercial relationships with agribusiness operators. Clear ownership and likely sustainability is a straightforward case for individual assets such as houses. Sustainability of benefits from small-scale social, community and productive (irrigation) infrastructures is not certain, but is more likely where there is a sense of ownership and greater willingness and ability to contribute to operation and maintenance, especially if the community members/users have participated in construction. On the other hand, sustainability is less likely for beneficiaries' organizations established by and for the projects and uncertain for the availability of lower-interest loans. On balance, sustainability of benefits is rated as **moderately satisfactory (4)**.

## B. Other performance criteria

### Innovation

235. **Understandably, introducing innovations would not have been a priority in post-disaster situations, but there were some innovations.** In PT-CRRReMP, these included the formation of Fisheries Management Committees and an attempt to link local-level organizations of producers in order to take advantage of larger-scale markets and to bulk-source inputs.<sup>217</sup> While not particularly innovative in their content or satisfactory in performance, the post-crisis interventions represented a departure from IFAD's conventional approach and indicated a willingness to respond to a natural disaster of unprecedented magnitude.
236. **Though conceived in the post-disaster context, the GEF project design was oriented to innovations and produced some results.** The GEF project terminal evaluation review report presents a long list of approaches and technologies introduced for community-based fisheries and coastal resource management, some of which can be considered innovative, such as lagoon-based ecotourism involving fisher households, development of a management plan for Pigeon Island National Park with a strong participatory component for integration of visitation with coral reef conservation, firewood-saving technologies, demonstration of "disaster" safe-houses to protect the community during severe weather related events, and green belt development.
237. **Except for DZ-LiSPP, other conventional development projects largely missed the opportunities to introduce innovations.** The DZ-LiSPP impact evaluation positively assessed the efforts made to bring farmers closer to the

<sup>216</sup> SPEnDP PPE, paragraph 154.

<sup>217</sup> PT-CRRReMP PPE, paragraphs 104–107.

available technology frontiers and the introduction of variations on the farmer field school approach,<sup>218</sup> as well as for pursuing public-private partnerships. But in other cases, where some innovations were proposed in designs, many of them were not relevant (e.g. bulk water allocation system in IIDP; most of the innovations envisaged in SPEnDP not relating to the final design<sup>219</sup>; equity financing for farmer-owned companies in NADeP) or not particularly innovative (e.g. conservation of bank canals with vegetation in IIDP). As for access to finance, the same approach of subsidized credit has been repeatedly used but with little reflection on other opportunities for introducing innovative financial products or approaches. The NADeP PCR states that one of the innovations related to "the rural financial products that have been designed to address emerging priorities, including the flexible (and more suitable) collateral arrangements ... for better accessibility and appropriateness for rural poor households and small producers". But the concept of flexible collateral arrangements (e.g. through a group-based approach) is not new and different approaches have been adopted, and it is not clear how they were innovative.

238. **Most of what has been reported as innovations does not seem to be particularly innovative.** Innovations can emerge during implementation even without being planned at design, but those which were reported as innovations in PCRs were also mostly not particularly innovative, or were something introduced but not successful or did not generate much learning (e.g. soil suitability studies and crop varietal adoptability trials in IIDP; formation of business groups in SPEnDP).
239. **Some elements of NADeP support to agribusiness partnerships can be considered innovative.**<sup>220</sup> What is called 4Ps in NADeP basically centred around the contract farming model, which had already been supported in a number of development initiatives even if it was not labelled "4P".<sup>221</sup> <sup>222</sup> The CBSL promoted forward sales contracts involving banks from late 1990s.<sup>223</sup> Nonetheless, it is worthwhile highlighting the overall approach to promote the participation and contribution in large-scale Government-funded programmes by different parties (namely the Government, agribusiness companies, credit providers and producers), with efforts to safeguard the interest of smallholder farmers. The progress and experience in NADeP have apparently stimulated interest and buy-in by the Government and provide a basis for enhancing the modalities and the approach over the next years in SAP and beyond. At the same time, as discussed in other parts of this report, the modality and content of the partnerships (4Ps) supported by NADeP were not always particularly innovative, also due to the rush to implement after little progress in the first five years (see paragraph 148).
240. **On a positive note, some projects have operated in "niche" areas, which in a broad sense could be likened to innovation.** DZ-LiSPP was the first

<sup>218</sup> DZ-LiSPP impact evaluation, paragraph 121.

<sup>219</sup> Most of the envisaged innovations listed in the design document were related to the outgrower concept, especially for tea plantations with nucleus estates and estate workers, which had been the core element in the original concept but were no longer included in the final design.

<sup>220</sup> According to the NADeP PCR, the programme was "the first programme in the country to utilize public sector investment in promoting and developing public-private partnerships for agricultural value chain and rural development". Innovation in NADeP is said to be about "the partnership model that has evolved, notably the 4P approach, including the procedures and arrangements around the 'partnership', including the deployment of social mobilizers with close linkages to PFIs [participating financial institutions], and the tri-partite agreements between smallholder producers, private companies and commercial banks" (NADeP PCR).

<sup>221</sup> The term "4P" started being used in the 2015 supervision for what had been called "contract farming" or "outgrower" models in earlier project documents (NADeP 2014 and 2015 supervision mission reports).

<sup>222</sup> In the NADeP design, the contract farming model was considered the least innovative and given the lowest priority among the three approaches proposed under the subcomponent on "private sector-led market development" (NADeP design completion report, interview with the former country programme officer). The NADeP MTR stated that [before NADeP] "PPP [public-private partnership] efforts generally concentrated on contract farming" and confirmed the intention of supporting other more innovative measures.

<sup>223</sup> According to the NADeP design report, a total of 263 570 of such contracts had been concluded between 1998 and 2006, mostly for maize and paddy.

development project to focus on micro-irrigation schemes, as other projects tended to deal with major or larger-than-micro schemes. As for SPEnDP/STaRR, even though the Government's support for the smallholder plantation sector has long been ongoing, development partners have generally bypassed the smallholder plantation sector, and SPEnDP was one of the first, and one of the few, if not only, foreign-funded projects with a focus on smallholder plantation (instead of, say, estate workers, or other smallholder farmers), complementing the Government programmes and subsidies.<sup>224</sup>

241. **Summary.** Even without considering the post-tsunami reconstruction projects, in general, innovation has not been a strong feature of the IFAD portfolio, with the exception of some positive examples (e.g. DZ-LiSPP, GEF project). Innovation is rated as **moderately unsatisfactory (3)**.

### **Scaling up**

242. This evaluation criterion concerns the extent to which the project interventions have been or are likely to be scaled up by government authorities, donor organizations, the private sector and other agencies.
243. **Scaling-up was not an explicit focus in PT-LiSPP and PT-CRRaMP.** The former focused on housing and social infrastructure. For the latter, there was scope for innovation and then scaling-up in relation to fisheries development and natural resource management, but this was not taken up.
244. **On the other hand, the GEF project has provided a good basis for scaling-up in a broad sense.** The project produced a number of outputs that would be useful for continuation and consolidation, and serve also as a basis for scaling-up. These include various planning tools, documentation on best practices, mapping, boundary demarcation in relation to coastal resource management, and the establishment of ecosystem restoration and adaptation units at district level. A positive prospect for scaling-up of the GEF experience is also due to the outcomes related to institutions and policies – namely, the legislative framework as well as local community institutional arrangements such as co-management committees and fisheries and lagoon management structures. However, as discussed in the impact section, it would be important to combine the scaling-up efforts with a more integrated and holistic approach (paragraph 213). Furthermore, the scaling-up would also depend on the resource availability and follow-up by the Coastal Conservation and Coastal Resource Management Department.
245. **There are several instances where success stories in one project have been expanded in subsequent projects,** with SPEnDP/STaRR and NADeP/SAP being the best examples. However, mere replication or expansion in the form of a follow-on or derivative project does not necessarily satisfy IFAD's definition of scaling up.<sup>225</sup>
246. **Summary.** Even without considering PT-LiSPP and PT-CRRaMP, except for the GEF project, scaling-up has not been prominent in the portfolio. The criterion is rated as **moderately unsatisfactory (3)**.

### **Gender equality and women's empowerment**<sup>226</sup>

247. Performance regarding gender equality and women's empowerment needs to be assessed taking into consideration the context of the gender situation in Sri Lanka. As noted in the context section, Sri Lanka's achievement in terms of education (overall high enrolment rates for secondary education) and gender equality therein

<sup>224</sup> This view was shared by other development partners with the CSPE mission. See also SPEnDP PPE, paragraph 112.

<sup>225</sup> According to IFAD's operational framework for scaling up results (2015), "scaling up results does not mean transforming small IFAD projects into larger projects", but rather it is about "how successful local initiatives will sustainably leverage policy changes, additional resources and learning to bring the results to scale".

<sup>226</sup> See also Section II.A. for information on the gender context.

(almost equal attainment) is quite impressive. Sri Lanka is also ranked the first for gender equality in health and survival. But inequality persisted, particularly in political empowerment and economic participation (see paragraph 54). Malnutrition remains a serious problem for Sri Lankan children, pregnant women and Sri Lanka generally. Gender-based violence and high female suicide rates are also an issue.

248. **Most designs make specific mention of women in defining the target groups and targeting strategies, but they vary in the extent to which they spell out detailed gender strategies and implementation modalities.** Some do not go far beyond broad statements of principle, some provide general guidelines on gender inclusion, while others (DZ-LiSPP, NADeP, STaRR and SAP) provide well-defined gender implementation strategies and action plans. In the latter category, the strategies/action plans contain a number of common elements, including: (i) setting out gender-specific targets, quotas and indicators; (ii) gender sensitization, awareness-raising and training (for beneficiaries and their groups and project staff); (iii) gender-sensitive implementation modalities and considerations (e.g. timing of meetings, reflection on the impact of various activities on women's workloads, use of household methodologies); (iv) composition of boards, committees and project teams; (v) women's engagement in entrepreneurial activities and access to savings and credits; and (vi) training/capacity-building for women in leadership positions.
249. **The post-crisis projects had a weaker focus on gender issues,** probably also because the fast-track design process lacked gender analysis and due to the nature of the activities supported. The GEF project design made mention of improved participation of women in economic activities but there was no specific gender orientation in the ecosystem management activities beyond women's involvement in some training activities. PT-CRRReMP had no explicit gender strategy, although it recognized that women do not generally participate in fishing or fishing-related activities, and incorporated some entrepreneurial and financial services elements specifically for women. Women were also identified as beneficiaries of investments in housing, water and sanitation. PT-LiSPP also had no gender focus or targets, and the infrastructure investments it supported were designed to benefit tsunami-affected communities as a whole.
250. **In general, gender context in different areas was not adequately reflected in the design and implementation approach.** For example, the PT-CRRReMP failed to recognize that gender relations might be very different in different religious-ethnic groups across the project area, which was a long-stretched coastal zone.<sup>227</sup> IIDP did not give sufficient consideration to the challenges that women face in the area, given the large number of war widows and women heads of household who bore the burden of family maintenance but were denied access to land rights, resources and infrastructure.<sup>228</sup>
251. **Despite some design shortcomings, the participation of women in project activities has generally been high.** Across all projects, women's participation was more than 30 per cent on average and within the range between 30 and 60 per cent<sup>229</sup> in some components. In micro/rural finance activities, the participation of women has been the highest, reaching more than 90 per cent in IIDP and 72 per cent in NADeP's self-help group loan scheme.

<sup>227</sup> In the South of Sri Lanka, most are Buddhist, but in the Eastern Province, especially in the tsunami-affected areas, the population is Muslim or Tamil, either Hindu or Catholic. No attempt was made to determine how these differences might lead to variations in gender relations across the programme area. Perhaps the most important of these is that in the Eastern Province (among Hindus, Catholics and Muslims), the vast majority of houses are owned by women and residence is uxorilocal (men live in their wife's house after marriage). Thus, the problem of housing for widows or single women does not have the same salience as elsewhere in Sri Lanka (PT-CRRReMP PPE, paragraph 112).

<sup>228</sup> Asian Development Bank. 2015. Country Gender Assessment.

<sup>229</sup> For example, 60 per cent in IIDP training programmes and 55 per cent in NADeP agricultural capital or seasonal loans (IIDP document review and NADeP supervision mission report June 2017, respectively).

252. **Women's engagement has been strongest in microfinance and income generating activities, improving their access to economic opportunities.** Across the projects, support in this area has been common and effective to increase women's participation and benefits. In all of the projects that included a financial services component, women normally comprise the majority of beneficiaries (e.g. self-help groups, savings and credit groups, through Women's Bank and Women's Bureau). Women have also been prominent among matching grant recipients. In NADeP, women's participation varied greatly between 4Ps (e.g. 4 per cent in *kithul*, 50 per cent in maize with the agribusiness company CIC).<sup>230</sup> Under the NADeP microfinance component, women account for about 79 per cent of the loan recipients, although the average loan size is much smaller than the male borrowers', partly reflecting women's risk-aversion tendency and the type of business they engage in (annex XV). In the GEF project, in addition to livelihood support, conservation activities (e.g. green belt along coastline, mangrove conservation) also saw high participation of women, particularly in Ampara district.<sup>231</sup>
253. Some productive activities supported by the projects tended to be dominated by men, such as fishing, coastal resource management and eco-tourism activities (post-tsunami and GEF projects) and some 4Ps in NADeP (*kithul*). This is inevitable in view of some sociocultural considerations. At a broad level, different interventions (e.g. other income-generating activities that tend to be dominated by women) are likely to have struck some balance in facilitating direct access to economic opportunities for men and women.
254. **SPEnDP was the only project that attempted to directly address women's access to an important productive asset – land – but achievement was low.** In the project, women were expected to comprise around 50 per cent of the beneficiaries of land-titling, but in fact few titles were registered and none were in joint husband-wife names.
255. **Gender consideration has been weak on the side of project staff and service providers.** In PT-CRRMP, the gender specialist post remained unfilled for much of the implementation period, and despite the aim of achieving a 50-50 gender balance among programme staff, only 38 per cent of staff were female and none of these at a senior level. In SPEnDP, there was minimal participation of women in training provided to financial institutions due to the low representation of female staff. Most of the SPEnDP field animators were men, although it may also be due to the mobility challenges (e.g. women being reluctant to ride motorbikes on difficult terrain).<sup>232</sup> NADeP had a higher proportion of female social mobilizers, 10 out of 30.<sup>233</sup> Most projects have been unable to recruit gender specialists.
256. **Women's participation and leadership in community-level institutions has also been generally high, with some exceptions.** In DZ-LiSPP, the majority of members were women and held executive positions (56 per cent average for the positions of president, secretary and treasurer).<sup>234</sup> In the groups formed under SPEnDP, the leadership positions were held almost equally by men and women, although it needs to be recalled that they were basically project-driven groups and their sustainability doubtful. On the other hand, women's participation was lower for community-level institutions related to management and use of coastal/natural resources due to cultural reasons.

<sup>230</sup> NADeP supervision mission report June 2017.

<sup>231</sup> According to the GEF MTR (August 2013), more than 60 per cent of the women in Ampara district participated in mangrove conservation, lagoon management and disaster management. Women have established community nurseries to produce plants for sand dune conservation and planting on dunes and participated about 90 per cent of the livelihood activities.

<sup>232</sup> SPEnDP PPE, paragraph 117.

<sup>233</sup> NADeP PCR, paragraph 100.

<sup>234</sup> DZ-LiSPP impact evaluation, paragraph 127.

257. **There is little discussion on the issue of workload balance in the project reports, but the evaluation has not seen evidence of unfair workload on women.** There are indeed some positive results, although the interventions were not necessarily framed as gender-sensitive. These include improved equipment or machines, making return-to-labour more efficient (e.g. heavy-duty sewing machines for tailoring) and support for water supplies or energy-efficient stoves.<sup>235</sup>
258. **Gender mainstreaming has been limited in its scope, focusing at the project level** and involving primarily the direct beneficiaries and local government agencies directly engaged in project implantation. In other words, the projects have not sought to explore opportunities to influence land ownership laws, policies and customs that discriminate against women. Collaboration with other institutions which may be in a position to advise on gender issues<sup>236</sup> (e.g. to share knowledge and lessons learned or seek complementarities) was non-existent. This project focus may have limited the contribution of outcomes and learning to policy and advocacy at the highest levels, and in influencing gender mainstreaming aspects at national-level project design and planning.
259. **M&E systems have not captured gender-disaggregated data beyond output level,** such as group membership, participation in training programmes, and number of female staff. Gender-disaggregated data were generally not reported and/or analysed to demonstrate achievements at outcome level.
260. **Summary.** Women's participation in project activities has been high in general, especially in savings and credit and income-generating activities, thereby enhancing their access to economic opportunities. Women's participation and leadership in community-level institutions has also been relatively high, with some exceptions. But in general, systematic attention and conscious efforts to promote gender equality and women's empowerment has been rather weak,<sup>237</sup> with missed opportunities to integrate more gender-transformative initiatives. The assessment on gender equality and women's empowerment is **moderately satisfactory (4)**.

### **Environment and natural resources management**

261. The country strategies during the CSPE period recognize the importance of the environment and natural resources management. The 2003 COSOP identifies key environmental issues, including land degradation, coastal erosion, forest depletion and water pollution, as important environmental issues and considers a possible intervention on coastal zone management. Environmental issues identified in the 2015 COSOP mention these, as well as potential for misuse of agrichemicals (including chemical fertilizers), pollution of inland water, marine and coastal ecosystems management and unsustainable use of natural resources. Among other things, it focuses on "effective, environment-friendly and climate-smart approaches and techniques for sustainable productivity improvement".
262. **Interventions which focused on crop production gave due consideration to the environmental risks associated with intensification of farming systems,** generally listing a number of "good agricultural practices" designed to avoid negative environmental consequences and amplify beneficial impacts. Project completion studies mostly confirmed that these outcomes had been achieved. In

<sup>235</sup> The GEF project has introduced two alternatives to minimize the use of firewood; (i) a special type of two-chamber clay hearth which economizes on firewood consumption (2000 units were distributed among lagoon-bordering communities in 2015); and (ii) bio-gas plants not only as an energy source for cooking but also to manage kitchen waste and yield organic fertilizer for home gardening. A survey undertaken by the district office in mid-2016 with households in seven *grama niladhari* divisions revealed that fuelwood consumption in the area has been reduced by almost 50 per cent. This information in the GEF project terminal evaluation review report was not presented relative to gender issues, but it is inferred that this would have had a positive impact on women's drudgery.

<sup>236</sup> Such as the Ministry of Women's Affairs, Ministry of Social Services or related institutions such as the Department of Probation and Child Care.

<sup>237</sup> This can be compared to the Philippines and Cambodia, where attention to gender issues was highly visible at project and country programme levels, in the relatively favourable gender contexts. (Philippines CSPE (2017) and Cambodia CSPE (2018) conducted by IOE)



SPEnDP, rubber-planting covering an extensive area of 5,087 ha had positive environmental impact, but there were some cases of tea-planting on degraded and steeply sloping land causing soil erosion. This was despite the initial plan of conducting land suitability mapping, which was discontinued when it became apparent that farmers were receiving the subsidy for tea-planting/replanting regardless of the suitability of the land. In addition, the requirements for mulching, terracing and draining steeply sloping tea plantations were not always applied.

263. **The irrigation development interventions had some positive outcomes on the environment, but more could have been done to improve water management and water-use efficiency.** IIDP supported the rehabilitation of a very old and dilapidated irrigation scheme based on an existing tank/reservoir and did not bring about any (undesirable) changes in the hydrology of the catchment. In fact, the rehabilitation of drainage canals produced positive results in terms of reduced waterlogging, soil salinity, water pollution in domestic wells, and flood damage risks to agricultural lands. Additionally, approximately 12,000 indigenous tree varieties along canal reservations were planted to protect the bunds. However, what was intended to be the key measure in improving water-use efficiency – a bulk (volumetric) water allocation system – did not work as it was not relevant to the context of the Iranamadu irrigation scheme at present.<sup>238</sup> The planned diversification of cropping systems from paddy towards less water-demanding and high-value cash crops happened only on a very limited scale.
264. DZ-LiSPP rehabilitated over 700 existing minor irrigation schemes, with no particular negative environmental impact. While the quantitative survey in the DZ-LiSPP impact evaluation did not produce decisive findings, its field discussions and a study conducted by the project<sup>239</sup> indicated that the farmers often adopted good practices in terms of water rotation, keeping paddy fields moist but reducing field flooding. On the other hand, the HARTI study as well as the impact evaluation indicated the concerns on the capacity of water user groups/associations to effectively undertake water and scheme management.
265. Some projects (e.g. DZ LiSPP and IIDP) also supported the construction of agro-wells used for small-scale irrigation and domestic water supply. Future well construction may need to be monitored and regulated to prevent over-exploitation of shallow aquifers.
266. **Some post-tsunami interventions also had quite heterogeneous positive outcomes in terms of the environment and natural resource management.** These included environmental activities in coastal areas with the involvement of communities such as: removal of tsunami debris from lagoons; sand dune rehabilitation; green belt projects (see satellite images in annex XIII); coral reef protection and biodiversity and eco-tourism (GEF project); and improved sanitary conditions through the construction of lavatories and supply of piped water (PT-CRRReMP). Furthermore, there were notable achievements related to policy and institutional aspects that could facilitate natural resources management, such as the revision of the policy framework for coastal zone and coastal resources management, the promotion of "co-management" concept, the establishment of Ecosystem Restoration and Adaptation Units in the three project districts, and strengthening of the district environment and law enforcement committees.<sup>240</sup>

<sup>238</sup> The bulk water allocation system involves the allocation of a specific volume of water for each farmer, with a metering system to measure and monitor the use of water by each farmer in an irrigation scheme. It provides an incentive for individuals to use water efficiently, since their individual allocations are capped, compared with field-to-field water distribution systems where all water users along a distribution channel use the resource collectively with no limit on individual use. The bulk system has been used successfully in some of the Mahaweli schemes where each farm has a metered outlet from the canal. This was not possible in the Iranamadu scheme, which was designed for field-to-field water distribution.

<sup>239</sup> Hector Kobbekaduwa Agrarian Research and Training Institute (HARTI). 2012. Impact of Small-scale Irrigation Rehabilitation and Water Management under Dry-zone Livelihood Support and Partnership Programme (DZ-LiSPP).

<sup>240</sup> GEF project terminal evaluation review.

267. **Notwithstanding the achievements as indicated above, the GEF project fell short of its potential in terms of contribution to the environment.** The reasons for this shortcoming were multi-faceted. First, the relevance of the project design and implementation approach was questioned in many aspects.<sup>241</sup> For example, the design did not fully recognize that lagoons, sand dunes and mangroves are parts of integrated ecosystems and instead treated them as isolated stand-alone units. Second, the project was to be implemented in synergy with PT-CRReMP, but significant delays occurred.<sup>242</sup> And yet, the fundamentals of the design were not re-assessed. Third, what the project sought to tackle is highly complex, with intersected political, social and cultural issues and vested interests of many actors (e.g. urbanization and increasing wastes, industrial and artisanal fisheries, tourism). Furthermore, the limited project funding was thinly spread over a large area.
268. **No negative impact has been noted in agribusiness partnership interventions.** These partnerships are in principle demand-driven, and possible environmental risks need to be assessed case by case. According to the NADeP project implementation manual, environmental concerns were to be part of the process of appraising business proposals. However, based on a review of the project implementation manual, more than half of the business plans financed and their appraisal reports, there is little information on environmental benefits or impact and there is no evidence of careful screening or proactive measures with environmental consideration.<sup>243</sup> The NADeP PCR presents a long list of examples with positive environmental implications,<sup>244</sup> but the magnitude of positive impacts (which were generally not intended) is not clear without supporting data.
269. **From the safeguard point of view, the portfolio has not had a severe negative impact on the environment, but some cases it could have been better managed.** According to IFAD's procedures for environmental and social assessment at design stage, all projects in the portfolio (except for the GEF project) were assessed as category B (may have some environmental and social impacts) or C (negligible environmental and social implications – two post-tsunami projects and SPEnDP). The classification of PT-CRReMP as category C may be questioned, given it was to finance some civil works including anchorage, harbours and landing sites.
270. **Summary.** The portfolio has had some noteworthy results in terms of the environment and natural resources management. Irrigation development has had positive environmental outcomes, and support for agricultural production was generally accompanied by the promotion of good agricultural practices. Few cases of negative environmental impacts have been noted. However, there were opportunities to better mainstream good environmental and climate-resilience practices into project designs to move beyond the "do no harm" approach and be more proactive. With regard to the environment and natural resources management, the portfolio is rated as **moderately satisfactory (4)**.

<sup>241</sup> There was also a "disparity between the perception of damage to coastal ecosystems, and the reality in terms of loss and/or irreversible change (GEF Approved Project design versus MOENR/UNEP Assessment of 2005)." "The official assessment concluded that much of the damage to coastal ecosystems was of the type that would self-repair with time, some very rapidly, others at a slower pace" (GEF project terminal evaluation review).

<sup>242</sup> "This separation of implementation processes required that dependent coastal resource user communities had to be re-mobilized with appropriate incentives and that the relevance of mainstreaming coastal restoration into tsunami reconstruction had passed" (GEF project terminal evaluation review).

<sup>243</sup> Most of the appraisal reports simply mention that the committee members "unanimously agreed to approve this business proposal since this project is useful to improve the livelihood of the rural poor and it is aligned with environment-friendly practices....", but nowhere in the reports is it explained how the proposal was considered to be "environmentally friendly".

<sup>244</sup> Such as: conservation technologies in rainfed dryland agriculture; the use of machines for harrowing and ploughing; helping farmers to conserve soil moisture for crops; poly-tunnels for vegetable cultivation; enhancing water use efficiency; inter-cropping sugarcane with groundnut; improving soil fertility; use of water-saving devices such as drip irrigation and sprinklers; reducing the use of chemical fertilizers; beekeeping triggering natural pollination; and seaweeds production which is considered to act as oceanic carbon sink.

## **Adaptation to climate change**

271. **Most of the portfolio under review did not incorporate specific measures to address weather-related risks.** Many projects were designed before "climate change" started receiving explicit attention in IFAD (IFAD adopted a climate change strategy in 2010). Nonetheless, the 2003 COSOP did refer to drought risks. It is not surprising that the post-tsunami projects did not refer to climate change due to the timing of the design and the focus on post-disaster reconstruction, but the PT-CRRReMP PPE considered that there was a missed opportunity to look into issues such as rising sea levels and rising sea-water temperatures on fish species and fish stocks in relation to the project interventions. The SPEnDP PPE also found that erratic rainfall and worsening soil moisture conditions in the mid-country have affected smallholder tea growers.
272. **The threat of climate change has only recently been recognized in the project portfolio.** The two projects initiated after the 2015 COSOP (STaRR and SAP) are compliant with the IFAD's social, environmental and climate assessment procedures (2014). Awareness of the threat of climate change was also heightened by the severe drought of 2016 and the floods which followed. While STaRR does not incorporate any specific climate adaptation or mitigation measures, SAP is more climate-responsive and proposes climate risk and resilience assessment in the protocols for screening and evaluation of 4P proposals. SAP also suggests the usual adaptive measures such as drought-tolerant varieties and breeds, improved availability of weather/climate knowledge, and safeguards to mitigate climate-related risks. Under both projects, more could be done to improve climate resilience and possibly mobilize additional climate funding for specific adaptation measures
273. **Some interventions, even if not labeled as climate change adaptation measures, did or could serve to address climate risks,** though more could have been done with a systematic approach. Positive examples include: (i) water savings through physical measures such as irrigation scheme rehabilitation, drip irrigation or agro-wells (e.g. DZ-LiSPP, IIDP, NADeP); (ii) better crop varieties (NADeP, SPEnDP); (iii) better farming practices (e.g. DZ-LiSPP); and (iv) crop diversification (e.g. DZ-LiSPP, SPEnDP). In some 4Ps in NADeP, crop insurance was introduced (e.g. for sugarcane), which includes climate-related events, as well as other damages (e.g. by elephants). Insurances would not reduce climate-related risks but could help better manage the damage caused by climate events. However, overall, the CSPE finds that there was scope for more conscious and systematic efforts to explore improved and innovative technologies and approaches, including for water use efficiency.
274. Based on the above, this criterion is rated as **moderately satisfactory (4)**.

## C. Overall portfolio achievement

275. The assessment of the individual projects is provided in annex II.

Table 12

### Assessment of project portfolio achievement

<i>Criteria</i>	<i>CSPE rating<sup>a</sup></i>
<b>Rural poverty impact</b>	<b>4</b>
<b>Project performance</b>	<b>4</b>
Relevance	4
Effectiveness	4
Efficiency	3
Sustainability of benefits	4
<b>Other performance criteria</b>	
Gender equality and women's empowerment	4
Innovation	3
Scaling up	3
Environment and natural resources management	4
Adaptation to climate change	4
<b>Overall project portfolio achievement</b>	<b>4</b>

<sup>a)</sup> Rating scale: 1 = highly unsatisfactory; 2 = unsatisfactory; 3 = moderately unsatisfactory; 4 = moderately satisfactory; 5 = satisfactory; 6 = highly satisfactory; n.p. = not provided

### Key points

- While project designs were overall relevant to Government and IFAD strategies, country context and needs, they often had weaknesses and relevance issues due to inadequate context analysis.
- The portfolio involved diverse interventions with mixed performance. The achievements in the core projects have been the most visible for the objective of improved agricultural productive capacities. Some outcomes have been achieved in terms of improved access to markets and finance and diversification of rural incomes. While the portfolio has been increasingly focusing on agribusiness partnerships and "4Ps", additionality of project support is mixed. The rural finance programme has delivered almost 35,000 subsidized loans with credit lines in successive projects, but efforts to leverage systemic changes were limited. Some notable results of post-tsunami projects included restoration of housing and social infrastructure and impact on institutions and policies in relation to coastal ecosystem management.
- Poverty focus and targeting performance have been wanting, also influenced by the nature of project interventions and the poverty/rural economic context.
- As for efficiency, all projects were affected by start-up delays and slow implementation. Management overhead costs were relatively low, but there were management and fiduciary issues. Economic efficiency was mostly positive, although not to a significant extent.
- Rural poverty impact was most notable in agricultural production and productivity, but very limited in food security and nutrition. The assessment is rather mixed for other impact domains, namely, human and social capital and empowerment, and institutions and policies.

## IV. Non-lending activities

276. The term "non-lending activities" describes those actions supported by IFAD and the Government that are not planned or organized directly under the investment projects (financed by loans) but are instrumental in helping enhance the programme's development effectiveness. The assessment covers knowledge management, country-level policy engagement, and partnership building. It also includes a review of a sample of grants which covered Sri Lanka.
277. It needs to be acknowledged that the lines between the activities under investment financing and "non-lending activities" are not always clear-cut. Investment projects often finance activities relating to knowledge management or policy engagement which might have broader implications beyond the specific projects, or the projects could also serve as a vehicle for partnership-building. Therefore, the description and assessment below sometimes also make reference to the investment projects.
278. **It is pertinent to note a number of issues which have affected the scope of IFAD's engagement in non-lending activities**, including the following: (i) there was a country presence between 2006 and 2016 but the capacity was limited: one person (country programme officer) also handling Maldives and not based in Colombo except for the last two years; (ii) with the decision to respond to the request for post-tsunami support, IFAD went off the thematic areas where it had/has comparative advantage; (iii) the thrusts and thematic areas of the portfolio have been thinly spread and so have the project lead and implementing government agencies, while they have been streamlined recently; (iv) there was a general lack of solid platform and strong leadership for development partners' coordination; and (v) development financing by traditional donors declined as the country's economic status progresses.

### A. Knowledge management

279. The 2003 COSOP does not make an explicit reference to knowledge management, also because the old COSOP format did not provide such space. But the element of *internal* knowledge management was implicitly there in that the COSOP envisaged pilot activities to inform the design of investment projects in two out of the three priority areas.<sup>245</sup> Furthermore, for the first project to be prepared under the 2003 COSOP in the dry zone, the possibility of introducing and adapting innovative social mobilization approaches used in other parts of south Asia<sup>246</sup> was mentioned, which reflects the intention of inter-country knowledge-sharing and learning. In sum, the ideas on knowledge management were rather inward-looking in this COSOP, i.e. generating and using knowledge to inform and improve IFAD operations. But none of the pilot activities envisaged for the two projects materialized.
280. When the development of a new COSOP was planned in 2009, apparently there was an intention to prepare a knowledge management plan/strategy to feed into the expected COSOP,<sup>247</sup> but the COSOP preparation in the end took place only in 2015, reportedly due to lack of the Government's interest in having a country strategy for a small resource envelope that could be made available by IFAD.
281. Following a new format, the 2015 COSOP has a dedicated section on knowledge management, where ongoing and planned knowledge management activities are described and their linkage to advancing policy engagement and scaling-up is recognized. The IFAD country office was expected to play crucial roles in sharing experiences and lessons learned among IFAD-supported projects and providing support to non-lending activities. While the section on knowledge management

<sup>245</sup> Smallholder plantation sector and coastal resource management.

<sup>246</sup> "So-called 'appreciative enquiry' techniques" (2003 COSOP, paragraph 34).

<sup>247</sup> IFAD Asia and the Pacific Division newsletter *Making a Difference in Asia and the Pacific*. Issue 27 June 2009. Knowledge management - perspectives from the field.

indicates only "how",<sup>248</sup> the ideas on "what (issues and topics)" can be gleaned from other sections.<sup>249</sup> These areas of possible topics are related to farming practices, crop/livestock integration, income diversification, partnerships with the private sector, land tenure issues, institutional building of community organizations and small and medium enterprise development.

282. **Thus, attention to knowledge management has become increasingly explicit and outward-looking, although the outputs against the 2015 COSOP are still limited, half-way through the strategy period.** In relation to one of the areas mentioned, partnerships with the private sector, the most notable activity was the international conference on "Innovative Models for Inclusive and Sustainable Agribusiness Development through Public-Private-Producer Partnerships (4Ps)" jointly hosted by the Presidential Secretariat and IFAD in March 2018. The organization of this event came from NADeP, which is housed in the Presidential Secretariat and has been considered as a flagship project promoting 4Ps. Over 160 people from a wide array of organizations and countries, including senior Government officials, IFAD representatives, private sector (agribusiness and banking sector) representatives, farmer/producer representatives, donor and partner organization representatives and other 4P practitioners from the region and globally, took part in this event. This was perhaps the most "outward" looking and visible knowledge management activity, where experiences with private sector partnerships in different countries were discussed and exchanged. NADeP also hosted exchange visits from other countries (e.g. Afghanistan, Pakistan) to visit and learn from NADeP's experience.
283. **Most outputs of knowledge management activities come from the project portfolio.** Different projects prepared knowledge and communication products to varied extents, with the explicit or implicit intention of sharing knowledge and lessons for a wider audience. Among the projects reviewed, NADeP and GEF were the most active. NADeP's website is perhaps the first one which is visible and well-organized. The GEF project developed many knowledge products in various formats,<sup>250</sup> also reflecting the basic intention of the project to develop and demonstrate best practices in coastal ecosystem management and promote learning and adaptive management. As part of its project activities, DZ-LiSPP supported a study on land tenure conducted by FAO and a report was produced.
284. **But there is little evidence that IFAD has taken the knowledge generated from the portfolio into a broader context and a higher level beyond respective projects, except for the topic of 4Ps with NADeP.** For example, the work on land tenure in DZ-LiSPP could have fed into further analytical work or policy engagement but there is no indication of such. The DZ-LiSPP impact evaluation also noted that if these activities were not capitalized and built upon by present or future IFAD or FAO interventions, they risked having little traction. At the same time, it is also recognized that land tenure issues are overly complex and challenging and there may be a limit to what could be done.
285. **Some knowledge management activities at the country programme level were undertaken but they have been largely ad hoc and limited.** Compared

<sup>248</sup> Including: country programme newsletters, special studies, and support for information, experience and knowledge sharing between and among projects and with other development partners, inter-project exchange of knowledge and learning through events such as exchange visits (locally and/or to other countries), annual country programme reviews, workshops, etc. For knowledge cooperation with the Government, "the country team will work with the Ministry of Finance and the Ministry of Policy Planning and Economic Affairs and lead project agencies in documenting experiences and lessons that can provide the basis for policy review dialogue and guide scaling-up plans". The COSOP also mentioned that the country programme will promote sharing of Sri Lanka's experience and knowledge on rural poverty reduction with other middle income countries.

<sup>249</sup> Such as "opportunities for innovation" and "policy linkages". See also annex X to see the key elements under each heading.

<sup>250</sup> The GEF project terminal evaluation review report (appendix 5) lists 14 reports, 12 leaflets, 5 posters and 8 video clips, 18 awareness boards. In addition, it also shows a list of 12 knowledge sharing events, 5 exposure visits, 3 maps and survey plans.

to some other countries in the region, there is much less evidence of knowledge-sharing and cross-learning within the country portfolio or with other countries.<sup>251</sup> In Sri Lanka, the only record found was for the annual portfolio review of IFAD-funded projects held in January 2013 and the project financial management training workshop in November 2011. A brief write-up on the one-day event in January 2013 indicates that there were 16 participants from the projects, the Government (External Resource Department) and IFAD.

286. There is evidence of stories and experience shared from Sri Lanka in the IFAD region division's newsletters,<sup>252</sup> mostly by the country programme officer. There were also attempts to produce Sri Lanka country programme-specific newsletters (three issues between 2011 and 2012 were found).
287. **By and large, the grant-funded activities made little contribution to knowledge management in Sri Lanka, with some exceptions.**<sup>253</sup> As will be discussed later, in general the use of grant instruments has been limited and there is little evidence that grant-funded activities helped generate knowledge and lessons that could be taken up for the Sri Lanka country programme. Some grants marginally contributed to knowledge exchange and learning by project staff.
288. **Summary.** Attention to knowledge management has increased and become more outward-looking. Some projects invested more on preparing knowledge products, while others less. The international conference on 4Ps organized in 2018 was a good example of a contribution to facilitate debate and knowledge exchange going beyond the country programme, but by and large, inputs and efforts to promote and improve knowledge management reports between and outside the projects and country programme have been rather ad hoc and limited. Knowledge management is rated as **moderately unsatisfactory (3)**.

## B. Partnership-building

289. Both COSOPs presented a long list of institutions with potential for partnerships, complementarities and synergies. While the 2003 COSOP limited the discussion largely to donor agencies and NGOs, the 2015 COSOP is more diversified and includes the private sector, "partnership with non-traditional donors", and South-South cooperation; on the other hand, little reference is made to NGOs as potential partners. The 2015 COSOP also indicated that IFAD would explore cofinancing and other partnership opportunities with the development community, including multilateral institutions and bilateral donor agencies.
290. **Government partners. IFAD has in general maintained good relationships with key non-line agencies of the Government.** The main focal point in the Government for all development partners is the External Resource Department, currently under the Ministry of National Policies and Economic Affairs. The Department of National Planning under the same ministry is also an important counterpart when it comes to strategy development and project designs. The interviews with them by the CSPE team indicated that they have an understanding of the IFAD portfolio and they expressed general appreciation for IFAD's historical and continuous support in the past three decades, highlighting the importance of the agriculture and rural sector and coherence with what now seems to be the overall direction for government policies and strategies, i.e. commercialization, modernization and a value chain approach.

<sup>251</sup> In the Philippines and Cambodia where CSPEs were recently undertaken by IOE, knowledge-sharing events and platforms have been organized regularly (mostly annual) through a collaboration between IFAD, IFAD-financed projects and the Government, and these events have increasingly involved IFAD-financed grant projects, NGOs, farmer organizations and other stakeholders – more visibly so in the Philippines. In the Philippines, in addition to annual country programme reviews since 2008, knowledge and learning markets (so-called KLMS) have been annual flagship events since 2007 bringing together a wide range of stakeholders. In Cambodia, country portfolio/programme reviews have been held annually since 2011 except for 2014. Philippines CSPE (2017) and Cambodia CSPE (2018).

<sup>252</sup> *Making a Difference in Asia and the Pacific*.

<sup>253</sup> This does not include the GEF-funded project, which is discussed in the context of the project portfolio.

291. **The Presidential Secretariat is another important partner with which IFAD has established a good relationship recently.** This emerged because NADeP, after a period of uncertainty over an institutional home and a poor implementation record, ended up at the Presidential Secretariat as a lead project agency. Since then, the partnership has gone beyond one-off project-level involvement: the Presidential Secretariat remains the lead implementing agency for the follow-on project (SAP) and also jointly hosted the conference on 4Ps with IFAD.
292. **Relationships with many government line agencies have not gone beyond the project level.** A dozen ministries or departments have been involved as lead project agencies. This reflected the diversity of thematic areas supported by IFAD and the presence of many ministries working in the agriculture and rural sector (paragraph 65). On the other hand, this was also because of many changes in the lead project agencies due to: (i) changes in the ministry portfolios (i.e. the lead department moving from one ministry to another, the case of GEF); and (ii) underperformance (NADeP). In such situations, developing meaningful partnerships which could go beyond respective projects was probably difficult. But with a more streamlined ongoing portfolio with two sizable projects (STaRR and SAP), there are opportunities to upgrade the partnerships for improved knowledge management and policy engagement on the basis of project experience.

Table 13

**Lead project implementing agencies in completed projects**

	<i>Main lead agency (final)</i>	<i>Comments</i>
DZ-LiSPP	Ministry of Agriculture	
PT-LiSPP	Ministry of Fisheries and Aquatic Resources	Lead agency initially including Ministry of Agriculture (with the intention of using the DZ-LiSPP implementation and management mechanism)
PT-CRRReMP	Ministry of Fisheries and Aquatic Resources	Multiple agencies involved including National Housing Development Authority, Ceylon Fishery Harbours Corporation, National Institute of Fisheries and Nautical Engineering, National Aquatic Resources Research and Development Agency
SPEnDP	Ministry of Plantation Industry	Key implementing partners were the Rubber Development Department (for rubber programme) and the Tea Small Holding Development Authority, both under the Ministry
NADeP	Presidential Secretariat (last 2 years)	Lead agency changed several times: (i) initially CBSL; (ii) Ministry of Economic Development; (iii) Ministry of Housing and <i>Samurdhi</i> ; and (iv) Ministry of Rural Economic Affairs
IIDP	Ministry of Local Government and Provincial Councils	The main implementing agency at field level was Provincial Irrigation Department, Northern Province
GEF	Coastal Conservation and Coastal Resource Management Department	Initially, the lead project agency was specified in the financing agreement as the Ministry of Fisheries and Aquatic Resources, where the Department was housed. But the Department was moved to the Ministry of Defence and Urban Development, and then to the Ministry of Environment and Mahaweli Development

293. **IFAD has maintained working relationships with CBSL through the projects with credit lines for a long time.** CBSL has also been a key implementing partner involved in various projects that provide credit lines (DZ-LiSPP, PT-CRRReMP, SPEnDP, NADeP, SAP). In fact, the relationship goes back to the Small Farmers and Landless Credit Project implemented between 1989 and 1997. There was once a failed attempt to locate a PMU at CBSL initially with NADeP. According to the mission documentations, this did not work mainly due to the wrong choice of the lead agency.<sup>254</sup>
294. **Development agencies. Partnerships with other development agencies have been limited.** This goes for both cofinancing and other types of collaboration

<sup>254</sup> The MTR mission (July 2012) aide-memoire noted as follows: "programme management [at CBSL] has been less than satisfactory not because of lack of commitment but because the nature of the project is outside scope of their experience" (paragraph 39).



(e.g. technical or policy-related joint work to deliberate on key issues in the rural sector).

295. **Cofinancing has been drastically reduced compared to the previous period.** Earlier IFAD-supported projects in Sri Lanka (1978–2002) had benefited from substantial cofinancing by other donors such as ADB, UNDP, WFP, Canada, Germany and Sweden. International cofinancing constituted over 30 per cent of the total estimated project costs for all 10 projects approved between 1978 and 2002, and 15 per cent if excluding the first three projects initiated by ADB, which was the leading financier.<sup>255</sup> In the eight loan-financed projects covered in the CSPE, envisaged international cofinancing constituted less than 5.8 per cent of the total estimated project costs (for DZ-LiSPP and SPEnDP – see table 5) and even then none materialized.<sup>256</sup> A GEF financing for the coastal resource management project is the only notable cofinancing in the CSPE period.
296. **It is acknowledged that IIDP was complementary to the infrastructure works funded by ADB, even if it was not considered as cofinancing.** It is interesting to note that apparently there were "continuing consultations with ADB on project interventions for the Iranamadu Tank, where both have an ongoing project which are independent but mutually complementary".<sup>257</sup>
297. **There was some collaboration with other development agencies *within* the projects but their roles were largely limited to that of service providers.** These included UN-Habitat and UNOPS<sup>258</sup> in the PT-CRRMP; and FAO, which was commissioned by the DZ-LiSPP to conduct a land tenure policy study. The latter could have been the basis for further collaboration and partnership beyond the project sphere but this did not happen.
298. **Collaboration or coordination with other development agencies, including UN agencies and Rome-based agencies, seem to have been almost non-existent.** Cofinancing by the United States Agency for International Development (USAID) was planned for SPEnDP and this would have provided an interesting opportunity to work jointly also on technical issues, but the collaboration – technical or financial – did not materialize. There is no mention of IFAD in the United Nations Development Assistance Framework (UNDAF) (2013–2017)<sup>259</sup> or the United Nations Sustainable Development Framework (2018–2022).<sup>260</sup> Bilateral interviews with representatives of development partners<sup>261</sup> and a joint meeting with several partners in the course of the CSPE conduct indeed indicated lack of IFAD's visibility in general in the country and in any donor coordination forums.
299. A mechanism for donor coordination is not well-established in Sri Lanka, but even in occasional meetings IFAD has been largely absent. IFAD reached out to various development agencies for consultation during the 2015 COSOP preparation process, but there is no evidence of following up through the contacts.<sup>262</sup> It was

<sup>255</sup> IFAD database does not have reliable data on the actual cofinancing that materialized. But the 2002 CPE report lists these donors as cofinanciers.

<sup>256</sup> According to the DZ-LiSPP PCR, "the cofinancing organizations envisaged at commencement withdrew from the Programme due to the lack of progress during the first two years of implementation" (paragraph 33). As for SPEnDP, for which USAID cofinancing was expected, there were conflicting accounts on whether there was indeed a commitment made by USAID (see SPEnDP PPE, footnote 27).

<sup>257</sup> IFAD, country programme issues sheets, 2013–2014 and 2014–2015.

<sup>258</sup> UN-Habitat for social and economic infrastructure, UNOPS to manage and oversee the construction of fish landing sites.

<sup>259</sup> This is despite the report in the 2013–2014 country programme issues sheet that IFAD became associated with UNDAF 2013–2017, with a recognized contribution of IFAD to UNDAF Pillar 1 "equitable economic growth and sustainable livelihoods" and took part in the United Nations Country Team working group on UNDAF pillar 1.

<sup>260</sup> A number of non-resident agencies are signatories to this, such as the International Trade Centre, United Nations Industrial Development Organization, United Nations Office on Drugs and Crime, United Nations Educational, Scientific and Cultural Organisation, United Nations Entity for Gender Equality and the Empowerment of Women (or UN Women).

<sup>261</sup> Including WFP, FAO (the current representative as well as the former FAO representative in position between 2013 and 2015 by telephone interview), UNDP, Japan International Cooperation Agency and the World Bank.

<sup>262</sup> The country programme issues sheet 2013–2014 reported that IFAD "maintained regular consultations with traditional partners such as ADB, the World Bank, FAO, WFP, GIZ [Deutsche Gesellschaft für Internationale

reported that the country programme officer was attending the working group of the development partners forum on private sector development; if this was the case, it stopped with the departure of the country programme officer.

300. **Non-governmental organizations. A handful of NGOs were involved in project implementation mainly as service providers, but partnerships beyond contractual obligations have been rare.**<sup>263</sup> The CSPE noted at least two examples that may be (or would have been) considered partnerships. One is the Anuradhapura Participatory Development Foundation, which emerged out of the previous IFAD-supported North Central Province Participatory Rural Development Project implemented in the Anuradhapura district between 1996 and 2003.<sup>264</sup> IFAD then mobilized a grant of US\$552 000 (approved in September 2006) to support the Foundation over three years to be transformed into a sustainable microfinance institution. The current status of the Foundation is not known and there seems to be no particular relationships between IFAD or IFAD-supported projects and the Foundation.
301. Another example of an unsuccessful attempt was the collaboration with the International Union for Conservation of Nature in the GEF project. Given its technical expertise in the subject matter of coastal resource and ecosystem management, it was to provide operational support and technical assistance and cofinance the project in-kind. This partnership did not materialize and affected the quality of M&E.<sup>265</sup>
302. It is noted that the Government's historically wary attitude towards NGOs<sup>266</sup> might have affected the scope and the potential for IFAD or the projects it finances to foster partnerships with NGOs or even to engage them as service providers in the projects. The latter was in fact experienced in the IIDP implemented in the conflict-affected area, where the design intention of recruiting an NGO to provide training was not realized until a late stage of the project.
303. **Partnerships with apex-level farmers' organizations or associations have also been limited,** despite the coverage of a regional grant programme aimed at strengthening capacities of farmer organizations in the region, the Medium-Term Cooperation Programme 2 (MTCP2 – see also paragraphs 318–319). This contrasts with other countries where the MTCP2 has served to create and foster linkages between national-level farmer organizations established under the MTCP2 and the IFAD country programme.<sup>267</sup> In the case of Sri Lanka, the Movement for Land and Agricultural Reform (MONLAR) was selected as a national implementing agency for MTCP2, but there has been little contact or involvement with the IFAD country programme. It is only this year that the organization was invited to participate in a supervision mission (for SAP).

Zusammenarbeit], etc., and established contacts with other partners such as AFD [Agence Française de Développement], USAID, IFC [International Finance Corporation], KOICA [Korea International Cooperation Agency], JICA [Japan International Cooperation Agency], etc. (thanks to the COSOP exercise)."

<sup>263</sup> Examples include: the North East Socio Economic Developers in the GEF project to support income-generating/livelihood activities; and Nation Builders Association in IIDP to provide training and support strengthening of farmer organizations and community groups.

<sup>264</sup> The project by completion established 3 930 small groups and 396 village organizations to engage in savings and internal lending, with a membership of about 18 000 people. These groups and organizations were organized into 15 division federations, which then were organized into a district-level federation and named the Anuradhapura Participatory Development Foundation.

<sup>265</sup> GEF project terminal evaluation review, page 28.

<sup>266</sup> Asian Development Bank. 2013. Civil Society Briefs: Sri Lanka. "Relations between the government and civil society has been seesawing since the late 1980s, with periodic tightening or easing of tension between them"... "Antagonism between government and civil society increased in the final phase of the civil conflict"... "However, tension eased somewhat thereafter [following the increased tension just after the end of the conflict in 2009], with the Government extending tax benefits to NGOs operating in the affected areas".

<sup>267</sup> Philippines and Cambodia CSPEs.

304. **Private sector. Partnerships with the private sector have become prominent and a flagship through the investment projects.** Public-private partnership promoted in DZ-LiSPP for commodities such as dairy, vegetables and fruits was confirmed as one of the positive features by IOE's impact evaluation. In DZ-LiSPP, the main approach was private sector cofinancing for the set-up of collection centres, where farmers bring produce on certain dates, thus reducing transaction costs for both the farmers and the companies. Partnerships with the private sector – now termed as "4Ps" (including producers in the acronym) – has become a flagship in NADeP and is now ongoing in SAP. NADeP 4Ps basically centred around the contract farming/outgrower model and involved about a dozen companies and various commodities (in addition to fruits, vegetables and dairy, also including maize, vegetable seeds, seaweed and honey). Such partnerships were the outputs of the project implementation, with the private sector entities responding to the calls for expressions of interest issued by NADeP and being selected based on certain criteria. In this sense, the role of IFAD has been mainly confined to supporting the NADeP management in addressing some implementation issues.
305. **Summary.** The performance on partnership-building is assessed as **moderately unsatisfactory (3)**. The rating reflects overall limited partnerships with development agencies, NGOs and civil society organizations. It is noted, however, that historically uneasy relations between the Government and NGOs or civil society are likely to have posed challenges for IFAD and the projects it finances to foster partnerships. IFAD has in general had good relationships with the Government, though it has been difficult to develop relationships with line agencies beyond the project level.

### C. Country-level policy engagement

306. "Policy dialogue" has been an area of attention at IFAD, but recently there has been a shift to use the term "policy engagement". According to an IFAD publication,<sup>268</sup> policy engagement is "a process for IFAD to get involved with partner governments and other national stakeholders to influence or inform policy priorities, as well as the design and implementation of public policies that shape the economic opportunities for large numbers of rural people to move out of poverty. IFAD sometimes participates directly in policy dialogue; more often, it facilitates discussion among national stakeholders, strengthens their capacity, and brings evidence to the table that can inform discussion".
307. **Policy engagement plans in COSOPs.** The areas/issues for policy engagement mentioned in the 2003 and 2015 COSOPs are provided in table 14 below. Among other things, the 2003 COSOP noted that land tenure and access would be important cross-cutting areas for IFAD's involvement in policy dialogue, since "deficiencies in the country's land tenure structure are the main causes of weak agricultural sector performance". This is an area which was visibly carried over to the next 2015 COSOP, even after a long time-span.

<sup>268</sup> IFAD. 2013. County-level policy engagement: opportunity and necessity. <https://www.ifad.org/documents/10180/2f7ad2b7-e833-412a-aba3-8c0c94f2d99a>.

Table 14

**Main areas of policy dialogue with the Government and other development partners**

<i>Indicated areas/issues for policy linkage/dialogue</i>	<i>CSPE comments</i>
<b>COSOP 2003</b>	
<ul style="list-style-type: none"> <li>Land tenure and access rights</li> </ul>	<ul style="list-style-type: none"> <li>Linked to the study undertaken by FAO in the context of DZ-LiSPP, but no further action and this output was not taken up for policy engagement</li> </ul>
<ul style="list-style-type: none"> <li>Targeting and implementation of social welfare programmes (improve the effectiveness and targeting of the <i>Samurdhi</i> programme)</li> </ul>	<ul style="list-style-type: none"> <li>It is not clear what was intended and how it was going to be pursued</li> </ul>
<ul style="list-style-type: none"> <li>Decentralization and devolution of power to grassroots level, direct funding mechanism; drafting of a legal framework defining the groups' roles and responsibilities</li> </ul>	<ul style="list-style-type: none"> <li>Various community-level groups and organizations were formed in the projects, capacity-building and at times funding support were provided; nonetheless, impact on their empowerment is rather weak, and furthermore there is no evidence that the issues and experiences from the project level have been taken up to inform policy issues</li> </ul>
<ul style="list-style-type: none"> <li>Strengthening the rural and agricultural sector focus of the Sri Lanka Poverty Reduction Strategy (focus on strategies for the north and north-east; need to accelerate the country's economic growth to overcome the massive debt burden and other barriers to increased and sustainable productivity; need to further strengthen government strategies focusing on agriculture and rural sector activities)</li> </ul>	<ul style="list-style-type: none"> <li>The proposition is vague. In terms of the focus for the north and north-east, it is noted that the COSOP 2003 was prepared during a ceasefire between Tamil and Sinhalese, which was followed by resumed fighting. IFAD investment in the north, the north-east and the east materialized through two post-tsunami projects, GEF project and IIDP (2011), but: (i) the post-tsunami projects were basically in response to the disaster; and (ii) it is unlikely that these IFAD investments contributed to leveraging a stronger agriculture and rural focus and strategy in these geographical areas</li> </ul>
<b>2015 COSOP</b>	
<ul style="list-style-type: none"> <li>Land tenure, especially for tea and rubber smallholders</li> </ul>	<ul style="list-style-type: none"> <li>This is a continued thread from the 2003 COSOP and the 2015 COSOP indicates its intended linkage with SPEnDP; under SPEnDP, the progress on land tenure regularization fell short of the expectation</li> </ul>
<ul style="list-style-type: none"> <li>Diversification and crop and livestock integration</li> </ul>	<ul style="list-style-type: none"> <li>Rural income diversification was supported under some projects, e.g. DZ-LiSPP, SPEnDP, IIDP, but it is not clear how this was going to be a policy engagement agenda</li> </ul>
<ul style="list-style-type: none"> <li>Partnership with the private sector</li> </ul>	<ul style="list-style-type: none"> <li>The intervention and approach in this area became a flagship in NADeP (and carried over to SAP)</li> </ul>
<ul style="list-style-type: none"> <li>Sustainable institutional building of community organizations</li> </ul>	<ul style="list-style-type: none"> <li>It is not clear what was intended for policy engagement, and the evaluation did not observe solid experience or knowledge in this area emerging from the portfolio</li> </ul>
<ul style="list-style-type: none"> <li>Small and medium enterprise development and diversification</li> </ul>	<ul style="list-style-type: none"> <li>While there are some experiences in this area in the portfolio, it is not clear how this was to be a policy agenda and how policy engagement was envisaged</li> </ul>
<ul style="list-style-type: none"> <li>Remittances</li> </ul>	<ul style="list-style-type: none"> <li>There has been some work in this area with Financing Facility for Remittances grants but no evidence of linkage with the country programme or policy engagement</li> </ul>

Source: 2003 and 2015 COSOP; CSPE team analysis also based on the portfolio assessment

308. **In general, there has been little achievement in policy engagement and also against the COSOP plans.** As shown in table above, there have certainly been activities related to many of these areas mentioned above supported by the loan-financed and grant projects – for example, the study on land tenure (DZ-LiSPP), income diversification (most projects) or remittances (grants). But most of them were contained at operational or project level, even though the 2015 COSOP noted that IFAD would "use its ongoing and future projects as the main platform for providing evidence and guiding dialogue on these issues." In other words, the project-supported activities did not provide inputs or a basis for IFAD (or the

projects it supports) to engage in policy issues. As noted earlier (paragraph 213), the GEF project made some contribution to the policy and institutional framework around coastal resource management, but IFAD no longer works in this area and there is no follow-up.

309. The 2015 COSOP identified lack of engagement by the public sector in knowledge management and communication as "a medium-level risk" and stated that this risk could be managed by: (i) selecting appropriate topics and providing examples of IFAD's development and transfer of knowledge management within Sri Lanka and elsewhere in the region; and (ii) using grant resources to provide forums for disseminating knowledge and results. However, the country programme did not quite reach the stage where "lack of engagement by the public sector" was going to pose a risk, given that knowledge management would have had to be preceded by analytical work and packaging, through the projects and/or IFAD.
310. The self-assessment on non-lending activities by IFAD prepared for this CSPE highlighted two areas of achievements in policy engagement (both under NADeP): (i) microfinance<sup>269</sup>; and (ii) 4Ps and private sector engagement.
311. For the former (microfinance), the NADeP PCR states that the "programme provided policy and technical assistance support to the CBSL towards the elaboration of the Microfinance Act". It is understood that the main inputs were the comments on the draft Microfinance Act provided by the IFAD consultant who has been associated with NADeP supervision. The comments were provided when the draft Act had been put on the public domain for review and therefore it is not clear how decisive such contributions were in shaping the final version of the Act. But it is noted that SAP is upgrading the support for policy and institutional issues around inclusive rural finance, including the operationalization of the Microfinance Act 2016.
312. The Government's Vision 2025 does refer to SAP in the following manner in the chapter on "agriculture and sustainable development":
- "The Government will promote a Smallholder Agribusiness Partnership (SAP) project to enhance competitiveness. The SAP establishes and scales up public-private producer partnerships (4Ps) in agribusiness. It enables inclusive rural financial services provision, joint financing, and risk sharing, thereby empowering smallholder farmers as business partners. We will facilitate linkages between smallholder producers and modern value chain actors."*
313. As for the mention of SAP in the Vision 2025, it is positive that the Government's interest in the approach and the programme is pronounced in this major document, but such reference appears to be by virtue of having an ongoing large-size programme through the Government (as in the case of a World Bank-supported project<sup>270</sup>). The previous government policies (e.g. Mahinda Chintana, national agricultural policy of 2007) made reference to partnerships with the private sector. In other words, it requires some caution in examining if the reference to SAP in the Vision 2025 can be considered as an indication of influencing or informing policy priorities and public policies that would affect the target group and rural transformation – either by IFAD or through the projects it supports.
314. **Working with other development partners for policy engagement was envisaged in COSOPs, but little materialized,** as was discussed in the previous

<sup>269</sup> Including the development of the Microfinance Act and the introduction of financial products with operating guidelines specific to the needs of rural populations, which have been integrated into the regular policies of the banking sector and taken up/promoted by the Central Bank. (self-assessment by IFAD).

<sup>270</sup> The Vision 2025, in the same chapter, also mentioned the following, referring to the project financed by the World Bank: "We will expedite the proposed Agriculture Sector Modernisation Project. We will introduce an incentive structure for SME agribusinesses to invest in commercial agriculture and value chains. This will promote partnership arrangements between the private sector and smallholder producers; demonstrate new technologies to enhance productivity, resilience, and diversification; and promote technology diffusion".

section. Land tenure and access is described in the 2003 COSOP as an area for policy dialogue as well as for potential and innovative partnerships among IFAD, the World Bank, FAO<sup>271</sup> and the Government. FAO was commissioned to conduct a study on land tenure policy, but the study output was not utilized to inform policy discussion. On coastal resource management and fisheries, which was one of the three priority areas for IFAD investment in the 2003 COSOP, an FAO-supported initiative<sup>272</sup> was seen to offer a synergy potential to "develop common elements of policy dialogue", but IFAD's investment project in this area (PT-CRReMP) did not have any policy-related interventions. The COSOP 2015 suggested IFAD cooperation with the other Rome-based agencies at both the in-country policy dialogue and operational levels, but there is little evidence of such, except for some attempts to collaborate with WFP in NADeP.

315. **Summary.** Inputs, outputs and outcomes in country-level policy engagement have been insignificant. The COSOPs listed a number of possible areas for policy engagement and there were some activities in those areas and outputs from the project portfolio, but these were limited and were largely confined to operational/project level. The analytical study on land tenure policy in the DZ-LiSPP was not followed up. Limited partnerships as discussed in the previous section also constrained the potential scope of IFAD to engage in policy-related issues. While there is increased attention to policy issues in the recent projects, the overall performance in country-level policy engagement during the evaluation period is assessed as **unsatisfactory (2)**.

#### D. Grants

316. **The use of grants has been limited in Sri Lanka in general, and where there were some grant-funded activities in Sri Lanka, the linkage with the rest of the country programme has been weak.** Grants involving Sri Lanka have mostly had a regional/global scope, with limited use of country-specific grants (see also paragraph 84 and figure 5). Many of those global and regional grants covered numerous countries and/or for one-off activities like a conference/workshop. In a series of email exchanges and interviews with the previous country programme officer, the CSPE team sought to gauge the relevance of these grants to the portfolio. Out of the 18 non-country-specific grants, he had no knowledge of five of them (those initiated and managed by another division), and he considered two irrelevant. Even for those he had some knowledge of, the relevance to Sri Lanka or linkage with the portfolio was quite marginal.
317. **The regional grant programme aimed at capacity-building for women's leadership was relevant to the projects in Sri Lanka.** The coverage for this programme (with the IFAD grant of US\$500,000) was limited to Maldives, Sri Lanka and Lao People's Democratic Republic. The grant programme supported training of trainers, project staff (including DZ-LiSPP and SPEnDP), development officers (35) and farmers (142) to promote "gender-integrated planning". The grant completion report narrates some examples of how training has enhanced the skills of staff and the quality of community-based planning processes.
318. **The regional grant programme aimed at farmer organizations has had much less linkage with the country programme than it has in other countries.** In both Cambodia and the Philippines, the same regional grant programme (MTCP 2) was much more prominent in the country programme.<sup>273</sup> In

<sup>271</sup> This was most likely because the Government had two main ongoing initiatives in land reform and regularization: the World Bank-supported pilot Land Titling and Related Services Project launched in early 2002; and development of a national land-use policy with the involvement of FAO.

<sup>272</sup> Coastal Fishing Community Development Project (as noted in the 2003 COSOP, paragraph 37).

<sup>273</sup> Philippines CSPE (2017) and Cambodia CSPE (2018). In the Philippines, the grant recipient and associated farmer organizations were regular participants in the annual country programme review events (which have not systematically taken place in Sri Lanka). In Cambodia, the grant programme has also fostered the partnerships between IFAD and Cambodia's national-level farmer organizations, and the former facilitated the latter being given seats in the thematic working group on agriculture and water organized by the Government in collaboration with development partners.

Sri Lanka, it is only recently that contact has been established with the country programme/portfolio and a representative of the national implementing agency (MONLAR) was invited to participate in a supervision mission of SAP.

319. The activities and outputs of MTCP2 in Sri Lanka have included the identification of priority commodities, training needs assessment and farmer training, and advocacy for the landless. The Government's decision to ban the use of glyphosate (weedicide) was presented as a concrete outcome of the advocacy organized by MONLAR, although the ban was eventually lifted in July 2018. However, there are different views on whether and how harmful glyphosate is, even among farmers. Tea smallholder farmers met by the SPEnDP PPE mission were certainly dissatisfied with the ban that was in force at the time. The focus of MONLAR on smallholder farmers, the landless and grassroots organizations is consistent with the orientation of IFAD, but the philosophy of the organization (e.g. against trade in general, no chemicals) is also perceived to be rather radical. NGOs formed around the 1970s and 1980s had roots in left-wing political activism, including MONLAR.<sup>274</sup> It would be important for IFAD to ensure that the views and actions are coherent and consistent between the portfolio and the organization supported by the regional grant programme.
320. **Remittance-related grants appear to have been relatively successful, but no linkage was sought with the projects, or with the policy agenda as part of non-lending activities.** Two grants were financed by the Financing Facility for Remittances, one to the Hatton National Bank and the other to Lanka Orix Leasing Company. Both were intended to link the remittances from migrants working in other countries to savings. With the grant support, the Hatton National Bank developed remittance-linked saving products with the Kurunegala district as a main focus as the recipients' base. This product is still operational. Lanka ORIX Finance PLC, which was the only financial institution in the non-banking sector permitted to engage in migrant worker remittances and foreign currency operations, also developed a remittance product to enable migrants to send money from the Middle East and Italy to their savings accounts at a competitive fee for the sender and with no charges for the beneficiary. However, due to the change of regulations by the CBSL, the company can no longer engage in this business.
321. Given that these were results of the recipients responding to the call for proposal under the facility, it may not be realistic to expect easy linkage and synergy with the projects. But since the topic was identified as a possible policy agenda item in the 2015 COSOP, the IFAD country team could have taken these grants as an opportunity to examine and learn whether and how any remittance-related support could be relevant to the project portfolio and more broadly to rural development.

## E. Overall assessment

322. In general, the attention and effort given to non-lending activities have been very limited. Knowledge management received attention only in a couple of projects and not much happened at the country-programme level. Partnerships were largely limited to those developed in the project context. There were few inputs and achievements in terms of policy engagement. Overall assessment of non-lending activities is rated as **moderately unsatisfactory (3)**.

<sup>274</sup> ADB. 2013. Civil society brief. "The involvement of civil society in human rights activism commenced in the aftermath of the 1971 insurrection by radical, mainly rural underprivileged, youth with the formation of the Civil Rights Movement to campaign for the release of incarcerated insurgents."

Table 15

**Assessment of non-lending activities**

<i>Non-lending activities</i>	<i>Rating</i>
Knowledge management	3
Partnership-building	3
Policy engagement	2
<b>Overall</b>	<b>3</b>

**Key points**

- The intention related to knowledge management shifted from inward-looking to outward-looking in the COSOPs. Most knowledge management outputs have come from the project portfolio with little evidence that IFAD has taken the knowledge generated from the portfolio into a broader context.
- Partnership-building has generally been limited, in particular with development partners for cofinancing as well as strategic- and technical-level collaboration. It has also been challenging to develop partnerships with government line agencies *beyond* project boundaries, due in part to the diverse portfolio and numerous lead agencies involved. Partnerships with NGOs and civil society organizations have also been limited, partly reflecting the historically uneasy relations between the Government and them. CBSL and banks, and increasingly the private sector, have been partners in the projects but not beyond.
- Country-level policy engagement has also been very limited. The COSOPs listed a number of possible areas for policy engagement, but most of them did not materialize, and where undertaken, they were confined to project level and not followed up.



## V. Performance of partners

### A. IFAD

323. ***Strategic direction.*** **The overall directions for IFAD's operations have not been always clear or coherent for much of the CSPE period, influenced both by the external events and lack of clarity in strategic guidance.** On the one hand, there were exogenous factors that affected how the portfolio was shaped, namely, the tsunami in December 2004 and the end of the war in 2009, with the strong request by the Government for IFAD to invest in the north. The political pressure to act after the tsunami led to event-driven rather than strategy-linked interventions, including in areas unfamiliar to IFAD, such as post-disaster infrastructure and ecosystem restoration. On the other hand, there was also a period (from around 2009 to 2014) when the strategy guiding the country programme was absent. The 2003 COSOP was to cover "several years", and steps were taken to prepare a new COSOP in 2009–2010. However, this was not completed, nor was the previous COSOP formally extended.
324. Following the completion of the event-driven projects and the 2015 COSOP, the country programme has become more consolidated with two larger-sized projects, both of which are follow-ons from earlier interventions. But while the two stated strategic objectives in the 2015 COSOP are broadly relevant, there are some questions about the coherence of different parts of the document and clarity and focus in strategic direction for the county programme (see also paragraph 353).
325. IFAD has shown flexibility and willingness to respond to emerging needs, and this can be positive. However, due to a combination of external factors and the urge to react to events, the lack of strategic focus and weak internal coherence in the COSOPs, and a lack of clarity on the guiding strategy document for a period, the country programme has tended to be a collection of distinctive projects with little synergy, and even some projects with distinctive components with little synergy between them. The COSOPs do not appear to have given careful consideration to non-lending activities, which were described in a rather general manner.
326. ***Project designs.*** **Some of design weaknesses could have been better addressed with stronger strategic and technical inputs by IFAD in working with the Government.** There were cases where doing so was challenging, including the two post-tsunami projects, where there was political pressure and the sense of urgency to act, and for SPEnDP, where shortcomings emanated from the last-minute request by the Government for changes in the design. But in other cases (e.g. IIDP, NADeP), a more sound context and situation analysis could have better informed the design (see also paragraphs 100 and 101).
327. The design and approval of the post-tsunami interventions were fast-tracked as responses to the emergency, although in reality they were reconstruction/recovery investments that merited a more considered approach. They underestimated the implementation challenges in the post-crisis environment and consequently experienced start-up and implementation delays. But then, IFAD did not take advantage of these delays to revisit the design. This was the same for the GEF project (see paragraph 112).
328. Failures or delays in adjusting the designs were an issue not only in the post-tsunami projects, but also in other cases. For example, in NADeP, the model involving equity investment by farmer-owned entities was dropped only after five years of no progress.

329. **Supervision and implementation support. Supervision and implementation support missions have been organized regularly, with some exceptions,<sup>275</sup> but these were always not effective in addressing strategic or major implementation issues in a timely manner.** For example, in NADeP it was not until November 2015, after 13 missions, including the MTR, that the supervision mission agreed on a major strategic realignment and restructuring of the project, which had performed very poorly until that time. This resulted in a major turnaround in project performance but left insufficient time to consolidate the achievements. IIDP's achievement was impaired by a shortfall in project funding, which was recognized by the July–August 2015 supervision/MTR mission, but this was not followed up effectively. The GEF project terminal evaluation review considered that IFAD could have taken corrective and timely action to reappraise the project in light of the delayed start-up (five years after the tsunami) to meet the changing dynamics; and that the supervision missions did not attempt to rectify shortcomings of the project.<sup>276</sup> Review of the various mission reports also shows that the recommendations tend to be mainly tactical or operational and that some important strategic issues were overlooked, including by MTR missions.
330. The leadership by the country programme manager in supervision missions was not highly visible – until 2015/2016. Most missions were led by the country programme officer who was in position until mid-2016, and sometime by consultants. If the country programme managers joined the missions, it was only part of the period and mostly only in the capital. In other times, according to the record, the country programme manager reviewed the aide-memoire and "provided advice, guidance and comments". The change of country programme manager in late 2015 with a stronger leadership is understood to be one of the factors behind the turnaround of NADeP, together with the change of implementing arrangements.
331. **Country programming and reviews. IFAD has not performed country programme reviews systematically.** There is no evidence of regular annual COSOP reviews and the current COSOP has not been subject to a COSOP Results Review, normally undertaken at mid-term. As noted earlier, the only record of such activity was what was called the annual portfolio review of IFAD-funded projects in January 2013. While titled "annual", there was no evidence of any other such review. According to the former country programme officer, there were a number of such similar events, but it could be that they were more un-structured meetings and exchanges.
332. **Partnerships. IFAD's performance in fostering partnerships has generally been weak.** Although collaboration has been relatively good with Government agencies, CBSL and banks through the projects, partnerships with other partners have been extremely limited, as discussed earlier (section on "partnerships"). For most of the CSPE period, IFAD has not been represented on the Agricultural Sector Working Group of the Development Partners Secretariat. At a meeting with that group during the CSPE mission, it emerged that IFAD's visibility in the development partner community is low. The Working Group considered that IFAD has not made a meaningful contribution to policy dialogue along with the other Secretariat and Working Group members. Consultations with the other international financial institutions (ADB and World Bank) confirmed that there is a limited understanding of what IFAD is doing in the country. This may also contribute to the weak cofinancing performance and the low level and poor performance of non-lending activities.
333. IFAD's achievements in mobilizing cofinancing have been limited: only around U\$8 million in development partner cofinancing has been accessed so far to finance

<sup>275</sup> For example, including the first supervision mission for IIDP fielded one and half year after loan effectiveness, no supervision mission for NADeP in 2013 (only the record of three implementation support missions of one week each without any report or aide-memoire), no supervision mission for the GEF project in 2015.

<sup>276</sup> GEF project terminal evaluation review report, paragraph 31 in Executive Summary and page 28 in the main report.

over US\$235 million for the seven completed projects, most of which was the GEF grant. International cofinancing envisaged for a couple of projects did not materialize (see paragraph 295).

334. **Country presence. The contribution expected from having a country presence between 2007 and 2016 was not fully realized.** Country presence consisted of only one person who was not based in the capital most of the time and who also had to cover the Maldives (see paragraph 278). The main role of the country programme officer was seen to be related to the portfolio – project designs and supervision – but with limited activities outside the projects or at the strategic level, which would have been more challenging to manage from Kandy. Indeed, the available records show the country programme officer led most of the design and supervision missions for the portfolio, which was also quite diverse in thematic focus, areas and implementing partners.
335. IFAD did not fully take advantage of the country presence while it existed. It is understood that there were challenges in finding an office space in the capital,<sup>277</sup> but notwithstanding the issue of a physical office space and limited human capacity, what emerges is lack of engagement with partners and visibility in the donor landscape, which would have been important areas for the country presence.
336. **Client survey. Client survey results<sup>278</sup> show improved perception by in-country partners of IFAD's engagement over the years.** The ratings for Sri Lanka were comparatively lower than the average, with a few exceptions and with marked improvement from 2015. The response rate in 2011 was very low (12 per cent). In 2013, still with low but better response rate of 43 per cent, the low ratings were noted in particular in the following area: (i) national policy dialogue; (ii) participation in policy discussion; (iii) harmonization; (iv) country ownership; and (v) alignment. In the latest client survey, the aggregated scores (of different criteria) are coming closer to the average across all countries covered, but still somewhat low in country ownership (4.68 for Sri Lanka against the average of 5.01) and alignment (4.78 for Sri Lanka against the average of 5.12).
337. **Summary.** Overall performance of IFAD during the CSPE period has been **moderately unsatisfactory (3)**, but with marked improvement since 2015 following the new COSOP, completion of the post-tsunami projects, turnaround of NADeP, and consolidation of the country programme into two core projects. IFAD managed the heavy supervision and implementation support workload well, but overall strategic direction was weak, several major problem areas were not addressed in a timely manner (e.g. NADeP), interaction with other development partners and engagement in policy dialogue were limited, and resource mobilization through cofinancing was negligible.

## B. Government

338. **The size and diversity of the country programme has meant working with a diverse range of government agencies.** In each case there has been a project management/coordination unit in the lead executing agency, overseen by a project steering committee, and with subsidiary implementation arrangements with various government departments/agencies, civil society organizations (such as community groups and farmer organizations) and the private sector. Two projects (NADeP and GEF) have been subject to several changes in their executing agencies, which disrupted and delayed implementation. All other projects have escaped the frequent ministerial and departmental reshuffling that is common in Sri Lanka and have had a single lead executing agency over their full life.
339. **Delegation of implementation responsibilities from the national lead agencies to decentralized or other bodies has generally worked well.** This

<sup>277</sup> Based on an interview with the previous country programme officer.

<sup>278</sup> 2011, 2013, 2015 and 2017.

was appropriate for Sri Lanka's decentralized system of government, which has significant project implementation capability down to the fourth (Divisional Secretariat) level of government.<sup>279</sup> DZ-LiSPP, PT-CRRReMP, PT-LiSPP and GEF delegated implementation responsibilities to district-level project management units, provincial departments and provincial/district offices of line ministries,<sup>280</sup> and Divisional Secretariat Division staff. The SPEnDP PPE found good examples of effective delegation of oversight and supervision of civil works (often contracted to rural development society in the area) to the Divisional Secretary, where there was systematic follow-up in a timely manner. SPEnDP had two sub-programme project management units in collaboration with the Tea Small Holding Development Authority and the Rubber Development Department. IIDP was implemented by the Northern Province Provincial Irrigation Department under the oversight of a national ministry. There was also effective delegation of the financial services components of the projects to CBSL.

340. **There are recurring issues and weaknesses in the Government's performance.** There are three areas in which the supervision reports, PCRs and PPEs frequently identified shortcomings in the performance of government agencies leading to less than satisfactory rankings in all cases but one: financial management, M&E and staffing.
341. **A number of issues with financial management were raised** for PT-CRRReMP, SPEnDP, PT-LiSPP, NADeP, and IIDP (table 16). All of these shortcomings were identified by supervision missions, sometimes repeatedly, but they were not rectified. The NADeP PCR noted that nearly half of the fiduciary recommendations of supervision missions had not been implemented by project closure.

Table 16

**Fiduciary issues identified in projects**

<i>Fiduciary issues</i>	<i>PT-CRRReMP</i>	<i>SPEnDP</i>	<i>PT-LiSPP</i>	<i>NADeP</i>	<i>IIDP</i>	<i>GEF</i>
Qualified accountancy and procurement staff	√	√		√	√	√
Financial controls and reporting	√	√	√		√	
Lack of proper accounting software		√	√	√	√	
Inadequate financial procedures manuals		√		√		
Procurement, audit and covenants compliance			√	√		

Source: project supervision mission reports, PCRs

342. **Monitoring and evaluation has been less than satisfactory over most of the CSPE period.** Project-level M&E has been weak. However, it should be noted that weak performance of project-level M&E systems is found across many projects and countries. Common problems identified by the supervision missions, PCRs and PPEs include: (i) M&E systems not designed and operational until well into the implementation period (NADeP<sup>281</sup>); (ii) late or poorly prepared baseline studies (PT-CRRReMP), and the loss of the baseline data (DZ-LiSPP)<sup>282</sup>; (iii) inability to recruit and/or retain qualified full-time M&E staff (SPEnDP<sup>283</sup>); and (iv) poor quality or inaccurate M&E data (DZ-LiSPP<sup>284</sup>). On the positive side, a number of projects conducted thematic assessments and impact studies which informed project performance assessment: DZ-LiSPP, NADeP, PT-CRRReMP and SPEnDP.

<sup>279</sup> Sri Lanka's decentralized administration system has five levels: National, Provincial, District, Divisional Secretariat Division, and *Grama Nilidari* Division.

<sup>280</sup> Some ministries have been devolved to provincial level (e.g. Provincial Department of Agriculture, Provincial Irrigation Department) and some not (e.g. Department of Agrarian Development, Ministry of Plantation Industries).

<sup>281</sup> NADeP PCR, paragraph 136.

<sup>282</sup> PT-CRRReMP PPE, paragraph 132; DZ-LiSPP impact evaluation, paragraph 144.

<sup>283</sup> SPEnDP PPE, paragraph 137.

<sup>284</sup> DZ-LiSPP impact evaluation, paragraphs 28, 40 and 61.

343. **There are several instances where staffing problems in implementing agencies were reported to have affected implementation performance.**<sup>285</sup> PT-CRRReMP experienced high staff turnover and staffing shortages at project management level, as well as three different National Programme Coordinators and many management positions being filled by short-term secondments. SPEnDP experienced high staff turnover, staff vacancies and four Sub-Programme Managers in each sub-programme. PT-LiSPP experienced slow replacement of staff vacancies, and NADeP underperformed due to understaffed PCUs until the project was transferred to the Presidential Secretariat and a full-time team was installed.
344. **Counterpart funding commitments have been relatively light, but there was still a shortfall in actual contributions.** Of the total actual costs of US\$146.32 million for the completed projects, Government counterpart contribution amounted to US\$8.22 million (5.6 per cent). This was lower than expected in absolute terms as well as in terms of the proportion against the total cost (table 17).

Table 17

**Project costs and Government counterpart funding**

Project	Total cost (US\$ mill)		Government counterpart funding (US\$ mill)		Government funding (% of total cost)		% point difference (actual vs planned)	+/- per cent in absolute terms
	Planned a/	Actual b/	Planned a/	Actual b/	Planned	Actual		
DZ-LiSPP	30.40	26.00	1.70	1.73	5.7%	6.1%	0.4	-8%
PT-LiSPP	4.70	4.72	0	0.02	0.0%	0.4%	0.4	N/A
PT-CRRReMP	33.51	33.18	3.40	1.45	10.1%	4.6%	-5.5	-55%
SPEnDP	39.90	25.13	3.80	1.72	9.5%	6.8%	-2.7	-55%
NADeP	32.96	28.39	1.00	0.97	3.0%	3.4%	0.4	-3%
IIDP	29.32	23.11	3.16	2.40	10.8%	9.4%	-1.4	-31%
GEF	7.50	5.79	0.43	0.21	6.4%	3.6%	-2.8	-56%
<b>Total</b>	<b>178.29</b>	<b>146.32</b>	<b>13.57</b>	<b>8.22</b>	<b>7.6%</b>	<b>5.6%</b>	<b>-2.0</b>	<b>-39%</b>

a/ As shown in President's Reports and/or Financing Agreements

b/ From PCR/PPE/TER reports

345. **Summary.** Overall performance of the Government during the CSPE period has been **moderately satisfactory (4)**. Institutional instability has been a negative factor in a couple of cases, but in the end delivery level was moderately satisfactory overall: activities were implemented although with delays, outputs produced and some positive outcomes achieved. The positive aspect of the Government's performance has been the capacity to devolve project implementation responsibilities to various partner agencies and decentralized institutions the local government system. But there were also consistent issues with financial management, M&E and project staffing, none of which are unique to Sri Lanka. Counterpart funding has been somewhat below commitments during a time of fiscal challenges spanning the global financial crisis and the civil war which ended in 2009, and post-war reconstruction efforts.

<sup>285</sup> PT-CRRReMP PPE, paragraphs 29 and 77; SPEnDP PPE, paragraphs 83 and 136; PT-LiSPP PCR, paragraph 36; NADeP PCR, paragraph 131.

**Key points**

- IFAD's performance has been moderately unsatisfactory, although with improvements in recent years, particularly in terms of weak strategic direction and non-lending activities, and its failure to take advantage of the country presence.
- Notwithstanding some institutional instability, the Government's performance in terms of project bdelivery has been overall moderately satisfactory, also successfully involving various partner agencies in implementation. Less positive areas were implementation issues such as financial management, M&E, project staffing, and limited counterpart funding.

## VI. Synthesis of the country programme strategy performance

346. This section assesses the relevance and effectiveness at the country strategy level. In terms of the country strategy documents of reference, the assessment focuses on the 2003 and 2015 COSOPs. As discussed in earlier sections, there was a lack of clarity in the pronounced strategic direction by IFAD in the country due to a period between the presumed lapse of the 2003 COSOP and the new 2015 COSOP.

### A. Relevance

347. ***Alignment with national strategies and priorities.*** **The overall orientation to sustainable rural livelihoods in the IFAD country strategy has been aligned with the Government's development strategies.** The main government policy and strategy documents of reference over the evaluation period include the 2002 Regaining Sri Lanka, the 2006 Mahinda Chintana: Ten-year Horizon Development Framework, and the Vision 2025 from 2017 (see paragraphs 59-61). The key themes that ran through these strategies include rural development and addressing regional/geographical disparities, agriculture with increasing emphasis on high-value crops, commercialization and the role of the private sector, plantation sector development, irrigation development, investment in conflict-affected areas, among others. Particularly the 2015 COSOP covers key issues in agricultural and rural development such as climate resilience, youth, food security and nutrition, which are also discussed in the Vision 2025. Broadly speaking, the two COSOPs reflect Sri Lanka's changing priorities as the country emerged from conflict and advanced from low- to middle-income status.
348. ***Strategic focus and coherence.*** **The proposed areas of intervention in the 2003 COSOP were clear and relevant, but the idea of synergy between different elements was not evident.** The 2003 COSOP identified three areas/sectors where the need for poverty reduction support was considered to be the greatest, each with a distinctive investment project: dry-zone agriculture, estate sector and coastal zone and conflict-affected areas. These priority areas broadly corresponded to where the rural poor were found.<sup>286</sup> The high level of poverty in the estate sector has been well-documented. The stated interest in coastal areas and conflict-affected areas reflected the hopeful prospect of peace at the time following the ceasefire signed in 2002.
349. On the other hand, these three sectors and proposed projects seem to have been seen as stand-alone elements without a consideration of synergy between them. They were to be in different geographical areas with different sets of populations. This may also be because at the time of the 2003 COSOP preparation, in general across IFAD, COSOPs were seen as a way to put prospective investment projects in the pipeline and an emphasis on complementarity and "country programme", as well as results orientation, was introduced later.<sup>287</sup>
350. **In reality, the 2003 COSOP turned out to be less relevant as a strategy guiding IFAD operations due to the emerging circumstances.** Among its three priority areas (dry zone, coastal areas and estate workers), the dry zone was the only one that went ahead as envisaged (DZ-LiSPP). The idea of supporting estate workers was dropped because of concerns about possible social tensions

<sup>286</sup> The 2002 Regaining Sri Lanka indicated that the poor included workers and self-employed individuals living in remote, isolated areas, landless workers with low wage rates and irregular employment, farmers cultivating low-value crops, especially paddy, on very small holdings, plantation workers, workers in the fisheries and livestock sectors, squatter settlers cultivating marginal rainfed or irrigated lands, and internally displaced persons in both cleared and uncleared areas of the war zone.

<sup>287</sup> "The 2006 guidelines for preparation and implementation of results-based COSOP", as part of the rationale for change, indicated that until then "COSOPs focused on investment projects as the key instrument for delivering IFAD's country programme. As IFAD's development assistance approaches have become more varied (loans, grants, policy dialogue, partnership, knowledge management)..., there is a need for the country strategy to evolve into a vehicle for linking these elements together to capture areas of synergy and complementarity".

associated with allocating lands to former estate workers. Furthermore, the tsunami event in December 2004 inevitably led to the introduction of interventions outside the 2003 strategy. The two post-tsunami projects and the GEF project were explicitly or implicitly linked to one of the proposed areas of interventions in the 2003 COSOP with coastal communities, but this was in a way a "retro-fit". The original concept in the COSOP was proposed in the ambit of the 2002 ceasefire which did not hold, and it was to focus on north and northeast and more on fisheries development and coastal resource management than reconstruction efforts.

351. **There was a lack of clear strategic guidance for the country programme between expiry of the 2003 COSOP and the 2015 COSOP.** During this period, two new projects were launched. NADeP, designed in 2009, did not represent a good strategic fit with the 2003 COSOP, but was aligned with the COSOP that followed. IIDP, designed in 2011, was a post-conflict initiative which responded to a request from the Government but was not envisaged in the potential project interventions of the 2003 COSOP.
352. Following the 2003 COSOP, a significant amount of work was done around 2009–2010<sup>288</sup> to develop a new one, but the new strategy was not formalized until 2015. This was reportedly due to, first, a lack of interest on the Government's side to develop a country strategy with a small resource envelope by IFAD, and secondly, delays in internal processing.<sup>289</sup> External events which drove some interventions and the lack of a clear strategic direction led to the proliferation of projects (five or six active projects at any time). The relatively high number of projects was also because there were three post-tsunami projects, when in fact there was little rationale to separate PT-LiSPP and PT-CRReMP, and the GEF project was supposed to be integrated with PT-CRReMP.
353. **Different elements in the 2015 COSOP may all be relevant, but they are not necessarily internally coherent or focused.** The 2015 COSOP maintained the focus on productivity enhancement but also explicitly introduced an objective related to market connectivity which is well aligned with the Government's policy direction. Linkage or coherence between these over-arching strategic objectives and other parts of the document is not clear – for example, in terms of targeting and target group, as discussed below. Moreover, most of the points indicated as "lessons learned" are not really lessons or are not something that emerged from the operational experience.<sup>290</sup>
354. **Geographic focus and targeting. The COSOPs and the portfolio have not provided a clear direction in terms of geographic focus and synergies between different interventions.** Both COSOPs indicate the intention of going to geographic areas where the poverty level is high. The 2003 COSOP was more specific in noting dry zones, estate communities and coastal areas, but as indicated earlier, proposed projects were seen as independent operations in different locations in different sectors with different sets of target groups. The 2015 COSOP left it broad, only stating "districts and areas with higher incidences of poverty, and localities that are conflict-affected and face specific development challenges because of their geographic locations".
355. In reality, the geographical coverage in the portfolio has been broad and dispersed. In addition to limited guidance in this aspect in the COSOPs, other factors

<sup>288</sup> A national think tank was contracted to carry out a series of studies. Initially, the new COSOP was supposed to be submitted to the Executive Board in December 2010 to cover the period 2011–2015.

<sup>289</sup> According to the internal memo dated February 2013, the new COSOP was to be presented to the April 2014 Board. It was eventually submitted to the April 2015 Board.

<sup>290</sup> For example, "project management, monitoring and evaluation, financial management and procurement are common and recurrent issues", "IFAD intervention in improved land productivity... contributes to poverty reduction" (not clear what lessons are), or "equity-sharing models with appropriate legal frameworks are successful" (the model was not realized in NADeP).



contributed. First, the post-tsunami operations covered long-stretched coastlines, part of which would not have been included in IFAD interventions. Second, the end of the war in 2009 brought IFAD to a new area in the north, where the poverty rate is indeed high. Third, geographic areas for NADeP support were basically driven by the interest of the private sector, which led to rather dispersed areas, with more concentration in some areas than less.

356. **In the absence of strategic guidance on geographic focus, IFAD has not proactively reflected on the key issue of geographical disparities.** This is despite such recognition indicated in the Government's strategies (already in the 2002 Regaining Sri Lanka) as well as in the COSOPs (both 2003 and 2015).
357. **The target group definition in the 2015 COSOP may not entirely reflect the intention.** In particular, the target group includes plantation/estate workers who are considered to be in the poorest segment, who were also identified as part of the target group in 2003 COSOP. The original concept of SPEnDP was intended to work with estate workers, which did not happen. If the intention was to re-engage in this area, what and how is not clear from the 2015 COSOP. Furthermore, although the target group also includes artisanal and small-scale fishers, it is not clear how they are captured in the strategic objectives or in the results management framework (which focuses on "smallholders").
358. **Summary.** The overall focus on agricultural and rural development with increasing emphasis on market linkages and commercialization was aligned with a series of government strategies and the need for rural poverty reduction efforts. The extent to which the COSOPs served as strategic guidance for the country programme is debatable, partly because the emerging situations (political sensitivity regarding the proposed intervention in the estate sector and key events like the tsunami and the end of the war) reduced the relevance of the 2003 COSOP. There was lack of clarity in strategic direction due to the absence of a COSOP in the middle of the CSPE period. Furthermore, the 2015 COSOP is relevant as far as broad areas of interventions (productivity and access to markets) are concerned, but lacks critical reflection on synergy between different elements and instruments as a country programme and in terms of resource availability (staff/human and financial). The relevance of the country strategy is rated as **moderately satisfactory (4)**.

## **B. Effectiveness**

359. The assessment of effectiveness of the country strategy determines the extent to which the overall strategic objectives (as per the COSOP) were achieved and whether other significant – but originally not foreseen – results have been attained at the programme level, and whether a credible logical nexus can be established between the partners' as well as IFAD-supported initiatives (lending, non-lending, programme management) and the observed results.
360. **2003 COSOP.** Given the document in the old format, strategic objectives as such were not stated in the 2003 COSOP. "Niche areas and proposed thrusts" basically corresponded to each of the proposed investment programmes. The logical framework presented in an annex of the 2003 COSOP indicates "development objective" but this was basically a combination of proposed thrusts as follows: "promote sustainable livelihoods among communities living in least-favoured areas (dry zone, estate sector, coastal zone and surrounding hinterland) through equitable access to productive resources (natural resources and technology), identifying opportunities for income and employment diversification and access to markets". In any case, the logical framework contained in the COSOP is found to be not useful, with inadequate indicators and means of verification.
361. Given the above, the assessment based on the 2003 COSOP objective would not be very useful as there is little addition to the assessment of portfolio effectiveness which was discussed earlier. Nonetheless, based on the project-level evaluations on DZ-LiSPP, SPEnDP and PT-CRRReMP and the GEF project terminal evaluation, the

following can be said: (i) there were good results with improving rural livelihood in dry zones through various interventions but notably in agricultural production and productivity, with farmer field schools and minor irrigation scheme rehabilitation, community infrastructure, and access to markets; (ii) SPEnDP contributed to improving livelihoods of smallholder tea and rubber growers in the plantation sector, mainly through plantation development and to a lesser extent income diversification, but the original idea of supporting estate workers did not materialize; (iii) given the changed orientation to post-tsunami reconstruction, the main results of PT-CRRMP were in housing and social infrastructure and to a lesser extent microenterprise rather than fisheries development; and (iv) the GEF project had some successful cases of livelihood support, although its linkage with ecosystem management was not clear.

362. Based on the above assessment, taking into account the reasons behind the disconnect between the COSOP intention and implementation (i.e. estate workers, change of orientation due to tsunami), the extent of achievement is considered to be moderately satisfactory.
363. ***2015 COSOP***. The achievements against the two strategic objectives are discussed below, while it is noted that it is still half-way through the COSOP period. The assessment also takes into account the earlier projects which were still ongoing at the time of the COSOP approval (i.e. SPEnDP, IIDP, NADeP), but not the most recent two projects.
364. *Strategic objective 1: smallholders benefit from sustainable productivity enhancement in a more resilient livelihood system*. Sustainable productivity enhancement has been seen firstly in terms of tea and rubber plantation development (through SPEnDP – being continued by STARR), as assessed in the SPEnDP PPE. In general, once established, these plantations are likely to be sustainable and can provide cash incomes on a continuous basis. However, there should have been more attention to land suitability for tea plantations, some of which were developed on areas prone to soil erosion and land degradation.
365. The IIDP investment has improved the potential of the Iranamadu irrigation system for the expanded area under cultivation; improved the predictability and reliability of access to and availability of irrigation water; improved the potential for higher land and water productivity; and reduced water logging and flood damage risks to crops and lands in the command area. But the project did not reach its full potential due to some weaknesses in design and implementation, including the underestimation of the rehabilitation cost, resulting in 85 per cent of the field canals remaining unfinished.
366. The CSPE value chain study on selected 4Ps showed mixed results. Among maize and gherkin beneficiaries, farmers who received technical support from the project significantly increased the yield. On the other hand, the production increases in milk, fruit and vegetables, and honey extraction were driven by the increase in number of cows, or land cultivated, or bee boxes, and there is no evidence of positive impact on productivity.
367. While it is not entirely clear what was meant by "in a more resilient livelihood system",<sup>291</sup> the most obviously relevant aspect in the portfolio would be resilience to economic and environmental shocks and stresses, by enhancing productive potential and capacity, as well as by diversifying livelihood systems. The country programme has made progress in this regard basically through the investment projects at ground level, but as seen in the earlier section on the portfolio assessment, systematic attention to building resilience (including in terms of climate but also other aspects) has not been evident. In a way, it is also difficult to

<sup>291</sup> Livelihood resilience is defined as "the capacity of all people across generations to sustain and improve their livelihood opportunities and well-being despite environmental, economic, social and political disturbances" (Tanner *et al.*, 2015:23). Livelihood resilience also relates to wider development processes that transform adaptive capacities and livelihood opportunities (Ayeb-Karlsson, S. 2015. Livelihoods resilience in a changing world).

consider resilient livelihood systems when each project works on only a small and distinctive element of rural people's livelihoods and there has been little synergy between different projects.

368. Contribution to this objective beyond the investment projects has been limited. The 2015 COSOP listed a number of policy objectives in relation to the strategic objective 1 (see table 14), but the only one that the country programme sought to address (land tenure, especially for tea and rubber smallholders) was not successful in SPEnDP at the operational level, let alone the policy level.
369. *Strategic objective 2: poor rural women and men are effectively connected to markets.* NADeP was the most obvious contributor to this objective, but with mixed results, depending on 4Ps. There are certainly positive examples, but as discussed in the effectiveness section, there are also questions as to whether and to what extent the programme interventions have facilitated connectivity to markets by the rural poor who had weaker access. The CSPE value chain study shows that the majority were relatively better-off households, about one third already had linkages with the company before the programme, and there was little change in terms of the proportion of farmers who reported having some sort of agreement with the buyer even under 4Ps.
370. **Summary.** The effectiveness of the country strategy (broader than the COSOP documents) and programme is assessed as **moderately satisfactory (4)**. It is noted that the direction of the country programme was influenced by the contextual factors and IFAD's decision to respond to emerging requests, and that the COSOP 2015 is half-way through its time frame.

### C. Overall assessment: country strategy and programme performance

371. Given the foregoing assessment of relevance and effectiveness, the overall assessment on the country strategy and programme performance is **moderately satisfactory (4)**.

Table 18

#### Country strategy and programme performance assessment

Relevance	4
Effectiveness	4
<b>Overall</b>	<b>4</b>

#### Key points

- The overall focus on rural and agricultural development with increasing emphasis on commercialization was aligned with government strategies. But the extent to which the COSOPs served as strategic guidance for the country programme is debatable, including for reasons that are justifiable, i.e. because of the emerging situations and needs (tsunami, end of the war). In general, the COSOPs have not provided a clear direction in terms of geographic focus and have lacked reflection on synergy between different elements and instruments to guide a coherent country programme.
- With weak performance in non-lending activities, drift from the 2003 COSOP due to external factors, and lack of synergy between different elements in the country programme, effectiveness of the country strategy is mostly based on the portfolio effectiveness and rated moderately satisfactory.

## VII. Conclusions and recommendations

372. The CSPE period has seen Sri Lanka transition from a conflict-affected low-income country to an emerging lower middle-income economy, with overall good progress in reducing poverty and improving opportunities for the majority of its citizens. IFAD has participated in the country's development progress for the whole CSPE period, mainly through project interventions which are ongoing, while ODA from other sources is generally in decline. Overlaying the core project portfolio, IFAD has provided support in response to the tsunami and post-conflict recovery in the eastern and northern parts of the country.

### A. Conclusions

373. **A number of contextual factors affected the coherence of the portfolio and made it challenging to steer the country programme towards impact and influence, but the country programme has recently become focused.** The country programme has been driven more by events than by a vision of where to go. There was a proliferation of projects and programmes and a lack of strategic direction in the country programme during the middle part of the CSPE period in response to post-tsunami and post-conflict needs. This was evident in multiple implementing agencies, diverse sectoral engagement and geographic areas of work, and challenges in monitoring and knowledge generation. Multiple projects at the same time placed a heavy burden on IFAD's ability to provide implementation support. The efforts to respond to the country's changing needs are positive and indicate client orientation, but questions can be raised about whether more strategic and longer-term orientation would have helped IFAD have a better focus. The absence of a COSOP for a significant part of the CSPE period is seen as a symptom of the weak strategic focus rather than a cause. The result was a country programme without a consistent orientation towards particular geographic areas, target groups or subsectors. However, during recent years the country programme has consolidated its strategic focus and is now well positioned to contribute to the processes of agricultural transformation and rural poverty reduction.
374. **Notwithstanding the diversity in interventions and weak coherence, the portfolio achieved tangible results in some areas.** These were especially in the areas of agricultural production and productivity, and to a lesser extent, improved access to markets and income diversification, both contributing to improved household incomes. Impact on agricultural production and productivity was the most important pathway for increases in household incomes and assets and was generated through the investment in irrigation development, plantation establishment and technical transfers, at times combined with material and financial support, in most of the core projects (DZ-LiSPP, IIDP, SPEnDP and NADeP). Overall the project performance has been moderately satisfactory in reaching the intended number of beneficiaries and in achieving the general objectives. The post-tsunami projects also had some long-term impact such as household assets, albeit outside IFAD's normal mandate.
375. **Some positive results and lessons have not been followed through adequately to pursue scaling-up or sustainable impact.** The theme of smallholder plantation sector and agribusiness partnerships has been carried through to the ongoing portfolio. But some successful interventions and innovations, for example in irrigation development or coastal resource management, simply came to an end when the respective projects were completed, in particular DZ-LiSPP, IIDP and GEF.
376. **Effective targeting of specific beneficiary groups has proven challenging in a number of projects.** Targeting poor rural households is becoming more challenging and costly in a middle-income country where the poor are a minority, which becomes a particular concern in interventions with more commercial

orientation. But still, targeting strategies have not been solid enough to go beyond geographic targeting, to minimize or safeguard against elite capture.

377. **Support for 4Ps and access to finance achieved good outreach, but there was a scope for more careful consideration of how best to generate lasting benefits.** Although a number of 4Ps have been created and farmers are generally satisfied with the results, there was limited reflection on opportunities to better enable the producers to increase returns from linkages with markets. There are certainly some positive examples, but the portfolio could have more proactively explored opportunities to facilitate, perhaps in collaboration with the private sector, for example, the testing and introduction of improved and innovative technologies for production, more efficient use of water and other agricultural inputs, better post-harvest handling to reduce losses, or grading and sorting to improve produce quality. Credit facilities reached about 35,000 borrowers, including first-time borrowers. Lower interest rates are clearly attractive to any borrower, but basically the same or similar approach of credit lines through CBSL to participating financial institutions has been repeated without critical reflection on how to go beyond providing subsidized loans.
378. **The "additionality" of project support for 4Ps and access to finance is still an open question that merits more attention.** The level of additionality varied for different business plans supported by NADeP. Additionality was evident for some cases – for example, by facilitating more structured linkages between a buyer and a new group of farmers, combined with some grant and technical support for improved production and productivity. But not in all cases was additionality clear – for example, where the farmers included under the 4P arrangements already had regular dealings with the company. The principle of not providing funding for private sector partners may have deterred the private sector from more innovative activities under risk-sharing or cost-sharing arrangements, thereby limiting additionality.
379. **IFAD has not been particularly active in building partnerships, and the Fund's overall visibility in the country is low.** IFAD did not take advantage of the country presence between 2007 and 2016 to upgrade non-lending activities. A small country presence with one national staff member who had additional responsibilities for the Maldives and his absence in the capital for most of the period led to a focus on project design and implementations but not much beyond the portfolio. Relationships with government agencies have been largely project-oriented and have not generally extended into broader policy dialogue.
380. **Growth of the Sri Lankan economy and its graduation to middle-income status influence the nature of the country's partnership with IFAD.** Future IFAD loans will be on ordinary terms. It is important that projects be catalytic in nature, leveraging additional investments, and that non-lending activities play a more prominent role in the country programme for greater impact.

## **B. Recommendations**

381. **Recommendation 1: Sharpen the strategic focus and coherence of the country programme for stronger and more sustainable impact.** The next COSOP should provide more guidance on what the country programme intends to focus on in terms of sectoral and thematic areas, geographical areas, targeting group and types of investments. Geographical focus may not need to be rigid and exclusive. But more reflection is needed to address the geographical disparities and "poverty pockets" as well as to improve the synergy and demonstrable impact of the country programme. In so doing, the country strategy and programme should better address and mainstream key priorities in the Sri Lankan context, i.e. climate resilience, nutrition and youth. In particular, in order to support climate-smart agriculture, IFAD and the Government may consider investing in climate-resilient infrastructure and improved/innovative technologies.

382. **Recommendation 2: Strengthen the poverty orientation and develop a strategy for inclusive – but sufficiently discriminating – targeting.** The COSOP and project designs should provide a clear target group definition and targeting strategy relative to the strategic and geographic focus of the country programme. Given the low and decreasing poverty rate in Sri Lanka, the target group should inevitably be inclusive of those rural households marginally above the national poverty line but vulnerable to natural disaster and other shocks. To ensure outreach to the intended beneficiaries and to safeguard against elite capture, the strategy should be accompanied by a plausible screening mechanism for selection that caps the support provided to individual households. The strategy should be based on adequate assessment of the poverty reality and the constraints that the rural poor and near-poor face, and specific targeting measures to facilitate their participation. Targeting performance should be monitored during implementation.
383. **Recommendation 3: Focus on steering the country strategy and programme to play a more catalytic role for rural transformation with enhanced partnerships.** Given IFAD's relatively small resource envelope, the IFAD-supported operations should aim at better "value for money" based on a more focused programme and a clear scaling-up pathway. For this, IFAD should invest more in analytical work, knowledge management and policy engagement at the country programme level and beyond the project level, which may be supported through the investment projects, by more effectively using grants and/or working with other like-minded partners.
384. Furthermore, IFAD should be more aggressive in pursuing concessional or grant cofinancing in order to offer competitively priced financing packages to the Government. Not only in financial terms but also for strategic and technical collaboration, IFAD should do more to reach out to other development partners, increase in-country visibility and presence and inputs in development partners' forums and working groups.
385. **Recommendation 4: Strengthen the strategy and operational frameworks to enhance and ensure additionality of partnerships with the private sector.** IFAD and the Government should explore opportunities for public/project support for risk-sharing and cost-sharing to leverage private-sector investment and innovations which are less likely to occur without public investment. A more rigorous and transparent mechanism is necessary to assess additionality, before and after the investment.
386. **Recommendation 5: Revisit the approach to rural finance support, sharpen the focus, and explore opportunities to innovate.** IFAD should, in collaboration with the Government, CBSL and other development partners, critically analyse and reflect on the bottlenecks for the target group in the rural finance sector and opportunities for its support and investment to leverage more systemic improvement. This may include, for example, how best to facilitate the development of new financial products (not limited to credits) that meet the needs of the target group, how to address the issue of guarantors of defaulted loans, or how to strengthen financial literacy of the borrowers and enable them to manage their household finances better.

## Definition of the evaluation criteria used by IOE

Criteria	Definition	Mandatory	To be rated
<b>Rural poverty impact</b>	Impact is defined as the changes that have occurred or are expected to occur in the lives of the rural poor (whether positive or negative, direct or indirect, intended or unintended) as a result of development interventions.	X	Yes
	<i>Four impact domains</i>		
	<ul style="list-style-type: none"> <li>Household income and net assets: Household income provides a means of assessing the flow of economic benefits accruing to an individual or group, whereas assets relate to a stock of accumulated items of economic value. The analysis must include an assessment of trends in equality over time.</li> </ul>		No
	<ul style="list-style-type: none"> <li>Human and social capital and empowerment: Human and social capital and empowerment include an assessment of the changes that have occurred in the empowerment of individuals, the quality of grass-roots organizations and institutions, the poor's individual and collective capacity, and in particular, the extent to which specific groups such as youth are included or excluded from the development process.</li> </ul>		No
	<ul style="list-style-type: none"> <li>Food security and agricultural productivity: Changes in food security relate to availability, stability, affordability and access to food and stability of access, whereas changes in agricultural productivity are measured in terms of yields; nutrition relates to the nutritional value of food and child malnutrition.</li> </ul>		No
	<ul style="list-style-type: none"> <li>Institutions and policies: The criterion relating to institutions and policies is designed to assess changes in the quality and performance of institutions, policies and the regulatory framework that influence the lives of the poor.</li> </ul>		No
<b>Project performance</b>	Project performance is an average of the ratings for relevance, effectiveness, efficiency and sustainability of benefits.	X	Yes
Relevance	The extent to which the objectives of a development intervention are consistent with beneficiaries' requirements, country needs, institutional priorities and partner and donor policies. It also entails an assessment of project design and coherence in achieving its objectives. An assessment should also be made of whether objectives and design address inequality, for example, by assessing the relevance of targeting strategies adopted.	X	Yes
Effectiveness	The extent to which the development intervention's objectives were achieved, or are expected to be achieved, taking into account their relative importance.	X	Yes
Efficiency	A measure of how economically resources/inputs (funds, expertise, time, etc.) are converted into results.	X	Yes
Sustainability of benefits	The likely continuation of net benefits from a development intervention beyond the phase of external funding support. It also includes an assessment of the likelihood that actual and anticipated results will be resilient to risks beyond the project's life.	X	Yes
<b>Other performance criteria</b>			
Gender equality and women's empowerment	The extent to which IFAD interventions have contributed to better gender equality and women's empowerment, for example, in terms of women's access to and ownership of assets, resources and services; participation in decision making; work load balance and impact on women's incomes, nutrition and livelihoods.	X	Yes
Innovation	The extent to which IFAD development interventions have introduced innovative approaches to rural poverty reduction.	X	Yes
Scaling up	The extent to which IFAD development interventions have been (or are likely to be) scaled up by government authorities, donor organizations, the private sector and others agencies.	X	Yes
Environment and natural resources management	The extent to which IFAD development interventions contribute to resilient livelihoods and ecosystems. The focus is on the use and management of the natural environment, including natural resources defined as raw materials used for socio-economic and cultural purposes, and ecosystems and biodiversity - with the goods and services they provide.	X	Yes
Adaptation to climate change	The contribution of the project to reducing the negative impacts of climate change through dedicated adaptation or risk reduction measures.	X	Yes

<i>Criteria</i>	<i>Definition</i>	<i>Mandatory</i>	<i>To be rated</i>
<b>Overall project achievement</b>	This provides an overarching assessment of the intervention, drawing upon the analysis and ratings for rural poverty impact, relevance, effectiveness, efficiency, sustainability of benefits, gender equality and women's empowerment, innovation, scaling up, as well as environment and natural resources management, and adaptation to climate change.	X	Yes
<b>Performance of partners</b>			
• IFAD	This criterion assesses the contribution of partners to project design, execution, monitoring and reporting, supervision and implementation support, and evaluation. The performance of each partner will be assessed on an individual basis with a view to the partner's expected role and responsibility in the project life cycle.	X	Yes
• Government		X	Yes

\* These definitions build on the Organisation for Economic Co-operation and Development/Development Assistance Committee (OECD/DAC) Glossary of Key Terms in Evaluation and Results-Based Management; the Methodological Framework for Project Evaluation agreed with the Evaluation Committee in September 2003; the first edition of the Evaluation Manual discussed with the Evaluation Committee in December 2008; and further discussions with the Evaluation Committee in November 2010 on IOE's evaluation criteria and key questions.



## Ratings of IFAD investment portfolio in Sri Lanka<sup>a</sup>

Criteria	DZ-LiSPP	SPEnDP	NADeP	IIDP	PT-LiSPP	PT-CRRreMP	GEF	STaRR	SAP	Overall portfolio
<b>Rural poverty impact</b>	4	4	4	4	n.p. <sup>292</sup>	4	4	n.a.	n.a.	4
<b>Project performance</b>										
Relevance	5	4	3	3	4	3	4	5	5	4
Effectiveness	5	4	4	4	3	3	4	n.a.	n.a.	4
Efficiency	4	4	3	3	3	3	3	n.a.	n.a.	3
Sustainability of benefits	4	4	4	3	3	3	4	n.a.	n.a.	4
<b>Project performance<sup>b</sup></b>	<b>4.5</b>	<b>4</b>	<b>3.5</b>	<b>3.25</b>	<b>3.25</b>	<b>3</b>	<b>3.75</b>	<b>n.a.</b>	<b>n.a.</b>	<b>4</b>
<b>Other performance criteria</b>										
Gender equality and women's empowerment	6	4	4	3	3	4	3	n.a.	n.a.	4
Innovation	5	3	4	3	4	4	4	n.a.	n.a.	3
Scaling up		3	4	3		3	4	n.a.	n.a.	3
Environment and natural resources management	5	4	4	4	4	4	4	n.a.	n.a.	4
Adaptation to climate change	n.p.	4	4	4	n.p.	3		n.a.	n.a.	4
<b>Portfolio performance and results<sup>c</sup></b>	<b>5</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>3</b>	<b>3</b>	<b>4</b>	<b>n.a.</b>	<b>n.a.</b>	<b>4</b>

<sup>a</sup> Rating scale: 1 = highly unsatisfactory; 2 = unsatisfactory; 3 = moderately unsatisfactory; 4 = moderately satisfactory; 5 = satisfactory; 6 = highly satisfactory; n.p. = not provided; n.a. = not applicable.

<sup>b</sup> Arithmetic average of ratings for relevance, effectiveness, efficiency and sustainability of benefits.

<sup>c</sup> This is not an average of ratings of individual evaluation criteria but an overarching assessment of the project, drawing upon the rating for rural poverty impact, relevance, effectiveness, efficiency, sustainability of benefits, gender, innovation, scaling up, environment and natural resources management and adaption to climate change.

<sup>292</sup> Given that PT-LiSPP was only a part of the programme of post-tsunami support and that some of PT-CRRreMP interventions fulfilled PT-LiSPP's targets after PT-LiSPP was closed the PCRv did not assign a rating to the overall rural poverty impact of PT-LiSPP

## Final ratings of the country strategy and programme in Sri Lanka

	<i>Rating</i>
<b>Project portfolio performance and results<sup>a</sup></b>	<b>4</b>
<b>Non-lending activities<sup>b</sup></b>	
Country-level policy engagement	2
Knowledge management	3
Partnership-building	3
<b>Overall non-lending activities</b>	<b>3</b>
<b>Performance of partners</b>	
IFAD <sup>c</sup>	3
Government <sup>c</sup>	4
<b>Country strategy and programme performance (overall)<sup>d</sup></b>	<b>4</b>
Relevance	4
Effectiveness	4

<sup>a</sup> Not an arithmetic average of individual project ratings.

<sup>b</sup> Not an arithmetic average for knowledge management, partnership-building and country-level policy engagement.

<sup>c</sup> Not an arithmetic average of individual project ratings. The rating for partners' performance is not a component of the overall assessment ratings.

<sup>d</sup> This is not an arithmetic average of the ratings of relevance and effectiveness of the country and strategy programme and performance. The ratings for relevance and effectiveness take into account the assessment and ratings of portfolio results, non-lending activities and performance of partners but they are not an arithmetic average of these.

## IFAD-financed investment projects in Sri Lanka<sup>293</sup>

Project Id	Project name	Project Sector	IFAD financing (US\$) [lending terms] <sup>294</sup>	Co-financier amount (US\$)	Total project cost (US\$)	Approval Date	Signing Date	Entry into Force	Current Completion Date	Closing Date	Cooperating Institution
<b>Not covered in this CSPE</b>											
1100000001	Kirindi Oya Irrigation and Settlement Project	IRRIG	16,059,000 [HC]	39,800,000 (Gov., KfW, AsDB)	55,859,000	12/04/1978	20/05/1978	03/07/1978	30/06/1985	30/06/1986	AsDB
1100000058	Anuradhapura Dry Zone Agriculture Project	AGRIC	14,489,000 [HC]	7,520,000 (Gov.,AsDB)	22,009,000	05/12/1980	03/02/1981	29/06/1981	31/12/1988	30/06/1989	AsDB
1100000085	Coconut Development Project	AGRIC	8,000,000 [HC]	22,400,000 (Gov.,AsDB)	30,400,000	17/12/1981	01/07/1982	13/10/1982	31/12/1987	30/06/1988	AsDB
1100000111	Badulla Rural Development Project	RURAL	14,000,000 [HC]	4,100,000 (Gov.)	18,100,000	09/12/1982	08/02/1983	18/07/1983	31/05/1993	30/11/1993	IBRD
1100000179	Kegalle Rural Development Project	RURAL	8,000,000 [HC]	3,410,000 (Gov.)	11,410,000	05/12/1985	27/01/1986	08/07/1986	31/12/1995	30/06/1996	IBRD
1100000219	Small Farmers & Landless Credit Project	CREDI	6,705,000 [HC]	11,100,000 (Gov., CIDA)	17,805,000	26/04/1988	12/07/1988	28/03/1989	30/06/1997	31/12/1997	UNOPS
1100000283	Second Badulla Integrated Rural Development Project	RURAL	14,000,000 [HC]	7,160,000 (benef., Gov., UNDP, Dom. Fin. Inst.)	21,160,000	04/04/1991	17/07/1991	12/08/1992	30/09/2002	31/03/2003	UNOPS
1100000309	North-western Province Dry Zone Participatory Development Project	AGRIC	8,851,000 [HC]	9,119,500 (benef., GIZ, Gov.)	17,970,500	09/09/1992	17/11/1992	22/02/1993	31/12/2000	30/06/2001	AsDB
1100000473	North-Central Province	AGRIC	8,520,000	11,040,000	19,560,000	13/09/1995	23/10/1995	09/01/1996	31/12/2003	30/06/2004	UNOPS

<sup>293</sup> According to IFAD database (Oracle Business Intelligence). The financial figures are basically those planned, and for closed projects, they may not necessarily reflect the actual data.

<sup>294</sup> HC: highly concessional

Project Id	Project name	Project Sector	IFAD financing (US\$) [lending terms] <sup>294</sup>	Co-financier amount (US\$)	Total project cost (US\$)	Approval Date	Signing Date	Entry into Force	Current Completion Date	Closing Date	Cooperating Institution
	Participatory Rural Development Project		[HC]	(benef. Japan, Gov. Sweden, WFP)							
1100001113	Matale Regional Economic Advancement Project	AGRIC	11,706,798 [HC]	2,764,473 (benef., GIZ, local private, Gov. WFP)	14,471,271	03/12/1998	02/03/1999	15/12/1999	30/06/2007	31/12/2007	UNOPS
<b>Covered in this CSPE</b>											
1100001254	Dry Zone Livelihood Support and Partnership Programme	AGRIC	22,310,900 [HC]	8,093,700 (benef., CIDA, Japan, gov. UNDP, WFP)	30,404,600	09/09/2004	15/12/2004	22/12/2005	31/03/2013	30/09/2013	IDA
1100001316	Smallholder Plantations Entrepreneurship Development Programme (SPEnDP)	AGRIC	22,547,695 [HC]	17,330,312 (benef., fin inst., local private, Gov., USAID)	39,878,007 <sup>295</sup>	14/12/2006	08/05/2007	06/11/2007	31/12/2016	30/06/2018	IFAD
1100001346	Post Tsunami Coastal Rehabilitation and Resource Management Programme (PT-CRRReMP)	FISH	29,877,163 (regular + non-regular funding) [HC]	3,607,634 (benef., Gov.)	33,484,797	19/04/2005	01/12/2005	16/10/2006	30/09/2013	31/03/2014	IFAD
1100001351	Post-Tsunami Livelihoods Support and Partnership Programme (PT-LiSPP)	RURAL	4,697,000 (regular + non-regular funding) [HC]	-	4,697,000	19/04/2005	01/12/2005	09/03/2006	31/03/2010	30/09/2010	IFAD
1100001457	National Agribusiness Development Programme (NADeP)	MRKTG	24,999,996 [HC]	7,963,337 (benef. dom fin. inst., local private, Gov. other dom.)	32,963,333	17/12/2009	23/02/2010	23/02/2010	31/12/2017	30/06/2018	IFAD
1100001600	Iranamadu Irrigation Development Project (IIDP)	IRRIG	22,230,655 [HC]	7,094,710 (Gov., local private, benef.)	29,325,365	13/12/2011	30/01/2012	30/01/2012	31/03/2017	30/09/2017	IFAD

<sup>295</sup> Much of the planned co-financing did not materialize, in particular that from the private company and USAID (close to US\$11 million combined). Thus, the actual cost was much lower, reported as US\$24.7 million.

<i>Project Id</i>	<i>Project name</i>	<i>Project Sector</i>	<i>IFAD financing (US\$)</i> <i>[lending terms]<sup>294</sup></i>	<i>Co-financier amount (US\$)</i> <i>(benef.Dom.Fin. Inst.,local private, Gov.)</i>	<i>Total project cost (US\$)</i>	<i>Approval Date</i>	<i>Signing Date</i>	<i>Entry into Force</i>	<i>Current Completion Date</i>	<i>Closing Date</i>	<i>Cooperating Institution</i>
1100001731	Smallholder Tea and Rubber Revitalization Project (STaRR)	MRKTG	25,764,000 [Blend]	39,638,000 (benef.Dom.Fin. Inst.,local private, Gov.)	65,402,000	17/12/2015	26/04/2016	26/04/2016	30/06/2022	31/12/2022	IFAD
2000000929	Smallholder Agribusiness Partnerships Programme (SAP)	RURAL	39,878,348 [Blend, Ordinary]	71,341,000 (benef.,Dom.Fin . Inst., local private, Gov., source TBD)	111,219,348	10/04/2017	26/06/2017	26/06/2017	30/06/2023	31/12/2023	IFAD

## IFAD-funded grants covering Sri Lanka approved after 2004

### A. Country-specific, global and regional grants financed by IFAD

	<i>Grant title</i> <i>[Grand ID no.]</i>	<i>Grant Recipient</i>	<i>Effective</i>	<i>Closing Date</i>	<i>IFAD financing US\$</i>	<i>Benefiting countries</i>	<i>CSPE comments</i>
<b>Country-specific</b>							
1.	Microfinance and Institutional Capacity Development Project in Sri Lanka [1000001716]	Anuradhapura Participatory Development Foundation	08/05/2007	08/11/2010	552,000	Sri Lanka	The only country specific grant supporting the non-governmental organization that came out of a previous IFAD loan-financed project.
<b>Regional/global</b>							
2.	Knowledge Networking for Rural Development in Asia-Pacific - ENRAP Phase III [1000002830]	International Development Research Centre (IDRC)	14/09/2007	31/03/2011	1,085,000	Bangladesh, Bhutan, Cambodia, China, India, Indonesia, Kyrgyzstan, Laos, Maldives, Mongolia, Nepal, Pakistan, Pacific Islands, Philippines, Sri Lanka, Tajikistan, Viet Nam	It aimed at increasing sharing of knowledge and information for rural poverty reduction. ENRAP supported the development of KM plan in Sri Lanka in 2009. But it was not clear how the KM plan was used or operationalized afterwards.
3.	Strengthening fisher folk organizations capacities as advocates for small scale fishers and fish farmers [1000003149]	World Forum of Fishers People (WFFP)	08/09/2008	08/06/2009	50,000	India, Pakistan, Philippines, Sri Lanka, Bangladesh, Thailand, Malaysia, Indonesia, Nepal, Senegal, Mali, South Africa, Sierra Leone, Kenya, Uganda, Mauritania, Guinea, Martinique, Benin, Guadalupe, Honduras, Ghana, aboriginal fishing community from Canada, small scale fishers from Basque Country (France), women fishers from Galicia (Spain)	The grant had two components: participation of 25 WFFP members in the Global Conference on Small Scale Fisheries and preparatory events; and exhibition of fishing ears, etc.  Relevance specific to Sri Lanka unclear.
4.	Improving Sustainability of Impacts of Agricultural Water Management Interventions in challenging contexts [1000003245]	International Water Management Institute (IWMI)	01/04/2009	05/06/2013	1,200,000	Nepal, Sri Lanka, Burkina Faso, Ethiopia and Ghana	A research project aimed at improving knowledge in agricultural water management.  A case study in Sri Lanka was on DZ-LiSPP.
5.	Medium Term Cooperation Programme (MTCP) with Farmers' Organizations in the Asia and Pacific Region - South Asia sub-program [1000003092]	Self-Employed Women's Association (SEWA)	17/06/2009	31/12/2012	337,000	India, Nepal, Sri Lanka	Aimed at strengthening the capacity of small farmers organizations and their network to influence policies.

	<b>Grant title</b> <b>[Grand ID no.]</b>	<b>Grant Recipient</b>	<b>Effective</b>	<b>Closing Date</b>	<b>IFAD financing US\$</b>	<b>Benefiting countries</b>	<b>CSPE comments</b>
6.	Medium Term Cooperation Program (MTCP) with Farmers' Organizations in the Asia and Pacific Region - South East Asia plus China sub-program [1000003093]	FAO	23/11/2009	31/12/2012	1,083,000	India, Nepal, Sri Lanka, Cambodia, Lao PDR, Indonesia, Myanmar, Philippines, Vietnam, China (Region Wide activities)	Same as above.
7.	Designing Integrated Financial Strategies for UNCCD implementation in selected countries of Asia and the Pacific, Latin America and the Caribbean - Phase II [1000003535]	UNCCD	26/02/2010	30/06/2013	1,250,000	Bhutan, Brazil, Cambodia, Chile, Dominican Republic, Ecuador, El Salvador, Laos, Nepal, Peru, Sri Lanka, Thailand and Uruguay	Marginal relevance
8.	KS-Asia: Programme for Development of Knowledge Sharing Skills [1000003619]	FAO	26/04/2010	30/09/2012	950,000	Afghanistan, American Samoa, Bangladesh, Bhutan, Burma (Myanmar), Cambodia, China, Cook Islands, Fiji, India, Indonesia, Iran, Kazakhstan, Kyrgyzstan, Laos, Malaysia, Maldives, Mongolia, Nepal, Pakistan, Papua New Guinea, Philippines, Solomon Islands, Sri Lanka, Tajikistan, Thailand, Tonga, Uzbekistan, Vietnam	This was a regional grant to foster knowledge sharing in the APR Region. It does not mention specifically countries covered. Sri Lanka did not host any workshop.
9.	Food Resilience Through Root and Tuber Crops in Upland and Coastal Communities of the Asia-Pacific (FoodSTART) [1000003895]	International Potato Center (CIP)	22/03/2011	30/09/2015	1,450,000	China, India, Philippines, Bangladesh, Indonesia	No/marginal relevance to the country programme.  Sri Lanka was planned to benefit from dissemination activities (grant design) but no outcome / results got included to Sri Lanka projects.
10.	Safe nutrient, water and energy recovery: developing a business case [1000003998]	International Water Management Institute (IWMI)	17/06/2011	08/03/2015	650,000	India, Sri Lanka, Bangladesh, Thailand, Vietnam, China, Philippines, Ghana, Burkina Faso, Rwanda, Kenya, Uganda, South Africa, Botswana, Morocco, Peru, Mexico, Brazil	No/marginal relevance to the country programme.  Aimed at providing best business case options to producers and consumers on recovery and reuse of nutrients, water and energy from agriculture and domestic water for food security and food safety.
11.	Strengthening Knowledge Sharing on Innovative Solutions using the Learning Routes Methodology in Asia and the Pacific	PROCASUR	27/10/2011	28/07/2015	1,000,000	Bangladesh, Cambodia, Lao People's Democratic Republic, Nepal, Thailand and Viet Nam. Sri Lanka, Nepal, Kenya, Thailand, Somalia and Finland were involved in the Learning Routes in Nepal	No/marginal relevance to the country programme.  PT-CRRreMP and SPEnDP staff participated in some Learning Routes. No Learning

	<b>Grant title [Grand ID no.]</b>	<b>Grant Recipient</b>	<b>Effective</b>	<b>Closing Date</b>	<b>IFAD financing US\$</b>	<b>Benefiting countries</b>	<b>CSPE comments</b>
	(ROUTASIA) – Phase I [1000004070]						Route organized in Sri Lanka
12.	Capacity Building for Women's Leadership in Farmer Producer Organisations in the Asia and the Pacific Region [1000004166]	Women Organizing for Change in Agriculture and Natural Resource Management (WOCAN)	22/12/2011	29/07/2015	500,000	Lao PDR, Maldives and Sri Lanka	Relevant Mostly training and documentation.
13.	Medium Term Cooperation Programme (MTCP) with Farmers' Organizations in Asia and the Pacific Region – Phase II [2000000074]	Asian Farmers' Association for Sustainable Rural Development (AFA)	04/09/2013	31/03/2019	2,000,000	Cambodia, Indonesia, Laos, Myanmar, Philippines, Vietnam, China, Bangladesh, India, Nepal, Sri-Lanka, Fiji, Samoa, Solomon Island, Tonga, Papua New Guinea and Vanuatu	See also grant no. 5 and 6 above. Interaction with the Sri Lanka country programme has been limited.
14.	Regional Programme on Remittances and Diaspora Investment for Rural Development [2000000511]	PF Technical Advisory Services Inc.	18/02/2015	30/09/2018	900,000	Pakistan, Philippines, Nepal and Sri Lanka	Not direct or significant linkage with the country programme at this stage.  No activities in Sri Lanka other than consultations and focus group discussions. The main output has been an action plan for replication in Sri Lanka.
15.	Strengthening the Role of SAARC in the Sustainable Intensification of Agriculture in South Asia [2000001363]	South Asia Watch on Trade, Economics and Environment (SAWTEE)	19/05/2016	31/10/2017	100,000	Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka	Sri Lanka took part in the grant as a member country of SAARC. However, the completion report does not report any result specific to Sri Lanka. WS. There was an attempt to develop research / extension linkages, but to what extent the attempt got materialised.



**B. Non-IFAD financed grants covering Sri Lanka**

<i>Grant title</i> <i>[Grant ID no.]</i>	<i>Grant Recipient</i>	<i>Effective</i>	<i>Closing Date</i>	<i>Grant Source</i>	<i>Grant financing (US\$)</i>	<i>Benefiting countries</i>	<i>CSPE comments</i>
16. EC Contribution to the Consultative Group for International agricultural research - Sub programme 3 "Making an asset out of wastewater" [1000002973]	International Water Management Institute (IWMI)	17/12/2007	15/05/2008	EC CGIAR	1,439,000	Ghana, Burkina Faso, Nigeria and Sierra Leone, India, Thailand, Sri Lanka, Bangladesh and Vietnam	No linkage with the country programme.
17. EC Contribution to the Consultative Group for International agricultural research - Agriculture, Water and Cities [1000003283]	International Water Management Institute (IWMI)	18/12/2008	30/04/2011	EC CGIAR	1,911,000	Asia, Pacific Islands, Middle East, North Africa and Sub-Saharan Africa	No linkage with the country programme or Sri Lanka.
18. Remittance-linked savings for rural Sri Lankan Women [1000003722]	Hatton National Bank (HNB)	27/05/2010	22/03/2013	Spain	245,000	Sri Lanka, India, UAE, Saudi Arabia, Qatar and Kuwait	No direct linkage with the country programme. Remittance-linked savings product developed.
19. Economic Prosperity for Rural Poor through Remittances Disbursed via Lanka Orix Finance Company Limited [1000004032]	Lanka Orix Leasing Company	15/06/2011	22/12/2014	Spain	245,000	Sri Lanka, Italy, UAE, Bahrain, Qatar, Oman and Kuwait	No direct linkage with the country programme.
20. Participatory Coastal Zone Restoration and Sustainable Management in the Eastern Province of Post-Tsunami Sri Lanka Project	Government of Sri Lanka	10/09/2009	30/11/2017	GEF	6,900,000	Sri Lanka	PT-CRReMP served as a "baseline project". Assessed as part of the project portfolio in the CSPE

## List of key persons met and field visit coverage<sup>296</sup>

### Acronyms

CCCRMD	Coast Conservation and Coastal Resource Management Department
DAD	Department of Agrarian Development
DCS	Department of Census and Statistics
DS	Divisional Secretariat
DNP	Department of National Planning
DPMM	Department of Project Management and Monitoring
ERAU	Ecosystem Restoration and Adaptation Unit
ERD	External Resource Department
FAO	Food and Agriculture Organization of the United Nations
JICA	Japan International Cooperation Agency
MDM	Ministry of Disaster Management
MFARD	Ministry of Fisheries and Aquatic Resources Development
MHC	Ministry of Hill Country New Villages, Infrastructure and Community Development
MMD&E	Ministry of Mahaweli Development and Environment
MNPEA	Ministry of National Policies and Economic Affairs
MONLAR	Movement for Land and Agricultural Reform
MPCLG	Ministry of Provincial Councils and Local Government
RDD	Regional Development Department (of CBSL)
RDS	Rural Development Society
SLCDMP	Sri Lanka Comprehensive Disaster Management Programme
SMA	Special Management Area
WFP	World Food Programme
WRDS	Women Rural Development Society

### Colombo

Name	Gender	Position	Organization
<b>Government - Colombo</b>			
<i>Bilateral meetings</i>			
Austin Fernando	M	Secretary to the President	Presidential Secretariat
K.D.S. Ruwanchandra	M	Secretary	MNPEA
Priyantha Rathnayake	M	Director General	ERD/MNPEA
Sanjaya Mudalige	M	Director General, Dept of National Planning	DNP/MNPEA
Rizna Anees	F	Additional Director General	ERD/MNPEA
Malarmathy Gangatharan	F	Additional Director General, DNP	DNP/MNPEA
Shiranthi Demmika Rathnayake	F	Additional Director General, DNP	DNP/MNPEA
Chamila S. Karunatilake	F	Director (Planning Division)	MNPEA
Kavitha Arunasalam	F	Assistant Director	ERD/MNPEA
Yasantha Munasinghe	F	Assistant Director, DNP	DNP/MNPEA
Ayanthi De Silva	F	Director General	DPMM
Dr. Keerthi Hettiarachchi *	M	Additional Secretary (Agriculture Technology)	Ministry of Agriculture
W.M.M.B. Weerasekara	M	Commissioner General	DAD
R P Gunawardhana	F	Chief Engineer	DAD
R A Senanayake	M	Regional Engineer Matale (acting for Chief Engineer, Water Management)	DAD
A Z J Sinharayar		Engineering Assistant	DAD
Navaratna Walisundarza	M	Ex Project Director, DZ-LiSPP	Currently MHC
Mr B.H.J. Premathilake	M	Deputy Director (former project manager of GEF-funded project)	CCCRMD, MMD&E
Mr M.M. Nayeemudeen*	M	Additional Secretary (Projects & Planning)	MPCLG

<sup>296</sup>People met at different stages of the CSPE, i.e. the preparatory mission in March 2018 and the main mission in June 2019.

Name	Gender	Position	Organization
Mr D.P.K. Ranasinghe*	M	Assistant Director	MPCLG
Mr B.S. Mallikarachichi*	M	M&E Specialist	MPCLG
Monty Ranatunge*	M	Director General, Technical	MFARD
K.M.C. Bانشara*	M	Engineer	MFARD
B.A.P. Kapila*		Assistant Director	MFARD
Bharatha Ramanyale*		Director	MFARD
U.P.I.G. Uggadenaya*		Assistant Director, Planning	MFARD
Frank Niranjan	M	Senior Scientist	Council for Agricultural Research Policy (CARP)
D V S DAYawansa	F	Director, RDD	CBSL
M.S.K. Dharmawardane	M	Additional Director, RDD	CBSL
MC Dilhan De Silva	M	Senior Assistant Director, RDD	CBSL
Arura Lokupothagamage		Manager (Special projects)	CBL
U.W.L. Chandradasa	M	Disaster Preparedness & Mainstreaming Expert, Programme Management Unit (SLCDMP)	MDM/UNDP
Yasantha Mapatuna	F	Project Director	NADeP
Indika Kuruppu	M	Programme Officer	NADEP
Nilushana Sooriyarachchi	M	Consultant (AgriBusiness Development)	NADeP
V. Kailaikumaran	M	Consultant (rural finance)	NADeP
<i>Wrap-up meeting (25 June 2018)</i>			
Priyantha Mayadunne	M	Acting Secretary (State Secretary)	MNPEA
R. H. W. A. Kumarasiri	M	Additional Secretary	MNPEA
B. H. J. Premathilake	M	Deputy Director (ex PM, GEF)	CCCRMD
S. M. Dayaratne		Additional Director General	DPMM
M. Senadeera		Assistant Director	DPMM
A. H. S. Fareeda		Director	DPMM
D.G.S.G Munasinghe		Additional Director General	DCS
A. M. Fernando		Additional Director General	DCS
Rizna Aneez	F	Additional Director General	ERD
Ajith Abeysekera	M	Acting Director General	ERD
A. Kavitha	F	Assistant Director	ERD
P.N.N. Jayaneththi		Deputy Director (Projects)	Ministry of Agriculture
Dayan Sanath	M	Assistant Director (Planning)	Ministry of Plantation Industries
Mahinda Gunarathne	M	Director (Planning)	MMD &E
Dr. Y. Mapatuna	F	Project Director	Presidential Secretariat
M. C. Dilhan De Silva	M	Senior Assistant Director, RDD	RDD / CBSL
M.A.H.S. Perera		Director	Treasury Department
<b>Financial institutions</b>			
M V P Gunawardena	M	Senior Manager - Development Banking	Hatton National Bank (HNB)
K M D B Rekogama	M	Senior Manager - Micro Finance	HNB
T.A. Ariyapala		General Manager/CEO	Regional Development Bank (RDB)

Name	Gender	Position	Organization
C.L. Pihillanda		Deputy General Manager-Credit	RDB
Ajith Alahakoon		Deputy General Manager	RDB
M H S Mala	F	Assistant. General Manager	Bank Of Ceylon
Brindley de Zylva ( <i>by skype</i> )	M	Chairman	LOLC Finance
<b>Others</b>			
Shamila Rathnasooriya	M	Manager	MONLAR
Somasiri Punchiralalage	M	Coordinator	MONLAR
Chinthaka Rajapakse	M	Moderator	MONLAR
Lalith Abeyseinghe	M	Consultant Trainer	MONLAR
Athula Sebaratbe Dr	M	Research Fellow	Institute of Policy Studies
Alok Singh	M	IFAD consultant (rural finance)	
Bodhi Wanniarachchi	M	IFAD consultant	
<b>Private sector (Colombo)</b>			
Haridas Fernando	M	Group Manager, Agribusiness	Cargills
Sukitha Arangallage		Senior Manager, CEO's Office	Cargills
Arjuna Kumarasinghe		General Manager, Special Projects	Cargills
Arura Lokupothagamage		Manager (Special projects)	CBL
Ananda Pathirage		Director CEO	Hayley's
Kasun Rathanayake		Deputy General Manager	Hayley's
Sarath Fernando		Programme Coordinator	Nelna
<b>Development partners</b>			
<i>Bilateral meetings</i>			
Lovita Ramgutee*	F	Deputy Country Director,	UNDP
Vishaka Hidellage*	F	Assistant Country Director	UNDP
Brenda Barton	F	Representative & Country Director	WFP
Saman M. Kalupahana *	M	National Programme Officer (Nutrition)	WFP
Thushara Keerthiratne*	M		WFP
Manjula Samarasekera*	M		WFP
Nina Brandstrup	F	Representative in Sri Lanka and Maldives	FAO
Sri Widowati	F	Country Director, Sri Lanka Resident Mission	Asian Development Bank (ADB)
Utsav Kumar	M	Country Economist	Sri Lanka Resident Mission, ADB
Ms Eriko Nakanishi	F	Project Formulation Advisor	JICA
Andrew Goodland	M	Programme Leader - Sri Lanka and Maldives	World Bank
Seenithamy Manoharan	F	Senior Rural Development Specialist, Global Food and Agriculture Practice	World Bank
Amena Arif	F	Country Manager - Sri Lanka & Maldives	International Finance Corporation
Beth Crawford ( <i>interview by phone</i> )	F	Former FAO Representative in Sri Lanka and Maldives	FAO
<i>Joint meeting (June 2018)</i>			
Trevor Ludowghe	M	Senior Development Officer	High Commission of Canada
Eriko Nakanishi	F	Project Advisor	JICA
Olaf Heidelberg	M	Programme Manager	EU

Name	Gender	Position	Organization
Kaarli Sundsmo	F	Program Officer	USAID
Chandana J. Hewawasam	M	Programme Manager	EU
Sohoyoun Yang	F		KOICA
Songeun Lim	F		KOICA
Herath Manthrilake	M	Senior Researcher	IWMI
Patrick Vandenbrudene	M	Head of Office	Development Partners Secretariat
Maya Karunaratne	F	Analyst	Development Partners Secretariat
<b>IFAD</b>			
Hubert Boirard	M	Country programme manager	Asia and the Pacific Division (APR)
Roshan Cooke	M	Regional Climate and Environment Specialist	Environment, Climate, Gender and Social Inclusion Division
Tamara Lampe	F	IFAD consultant	APR
Anura Herath ( <i>by skype/phone</i> )	M	Former country programme officer	
Sana Jatta	M	Former country programme manager	
Ya Tian	M	Former country programme manager	
Brian Baldwin ( <i>interview by phone</i> )	M	Former country programme manager	

### Field visits<sup>297</sup>

Name		Position	Organization	Location	Relevant project
<b>Anuradhapura district</b>					
S.Y.B.A.Somawansa	M	Assistance Commissioner	Agrarian Development	Anuradhapura	DZ-LISPP
S.N. Jayawardhana	M	ATO	Agrarian Development	Anuradhapura	DZ-LISPP
J.M.Rathnawalalata	M	E/A	Agrarian Development	Anuradhapura	DZ-LISPP
D.C. Dayarathne			Agrarian Development	Medawachchiya	DZ-LISPP
Ratnayake		Secretary	Syambalagamuwa Farmer Organization	Medawachchiya	DZ-LISPP
<b>Kilinochchi district</b>					
V. Premakukumar	M	Provincial Director of Irrigation	Provincial Irrigation Department (PID)	Kilinochchi	IIDP
S. Thanushan	M	Technical Officer	PID	Kilinochchi	IIDP
T. Suresh	M	Technical Officer	PID	Kilinochchi	IIDP
R. Mayoortharan	M	Technical Officer	PID	Kilinochchi	IIDP
K. Jasokanthan	M	Technical Officer	PID	Kilinochchi	IIDP
A. Ranamaty	F	Technical Officer	PID	Kilinochchi	IIDP
A. Mayuran	M	Technical Officer	PID	Kilinochchi	IIDP
S. Sivaharan	M	Technical Officer	PID	Kilinochchi	IIDP
V. Premakukumar	M	Director - Irrigation	PID	Kilinochchi	IIDP
N. Suthakaran	M	Deputy Director (Former IIDP Project Director)	PID	Kilinochchi	IIDP

<sup>297</sup> Except for Kurunegala district.

Name		Position	Organization	Location	Relevant project
S. Pparaneetharan	M	Irrigation Engineer	PID	Kilinochchci	IIDP
S. Senthilkumaran	M	Irrigation Engineer	PID	Kilinochchci	IIDP
V.K.S.Sathananthan	M	Draughtsman	PID	Kilinochchci	IIDP
K. Kirupalini	F	Technical Officer	PID	Kilinochchci	IIDP
M. Nanthan	M	Technical Officer	PID	Kilinochchci	IIDP
S. Thayalan	M	Technical Officer	PID	Kilinochchci	IIDP
M. Abirumi	F	Development Officer	PID	Kilinochchci	IIDP
Shanika jayasekara	F	Development Officer	DPMM	Kilinochchi	IIDP
Dr. S. J. Arsakesar	M	Additional Director Research	RARDC, RC	Kilinochchi	IIDP
K.Puvanendra	M	Assistant manager	Heyleys Agriculture Holdings	Kilinochchi	IIDP
K. Saseekar	M	Assistant manager	Heyleys Agriculture Holdings	Kilinochchi	IIDP
P. Sivakumar	M	Development Officer	Department of Agriculture	Kilinochchi	IIDP
P. Athputhahad	M	Deputy Provincial Director of Agriculture	DPDA, kilinochchi	Kilinochchi	IIDP
S. Satheeswa	M	Deputy Director	SPMDC, DOA	Kilinochchi	IIDP
<b>Jaffna district</b>					
S. Thirukumaran	M	Field officer	Cargill's Quality Dairy	Chavakachcheri	NaDeP
R. balakumar	M	Manager - CQD/kotmale North	Cargill's Quality Dairy	Chavakachcheri	NaDeP
M. Krishnan	M	Agriculture officer	Cargill's Agri foods	Chavakachcheri	NaDeP
A. Shabina			Cargill's Bank	Chunnakam	NaDeP
Y. Purusothaman	M	Assistant Manager	Cargill's Bank	Chunnakam	NaDeP
<b>Trincomalee district</b>					
Gowri Thinegnanaselvam	F	Development Assistant	CCCRMD	Trincomalee	GEF
A. Mubarak	M	Chairman	Urban Council Kuchchaveli	Kuchchaveli	GEF
M.G. Priyantha	M	Secretary	Nilaveli Tourist Boat service Co-Op society	Nilaveli	GEF
S. Komathy	F	President	WRDS / Shakthi handloom Society	Nilaveli	GEF
Elumalai Velu	M	Supervisor/ SWM labourers	Urban Council, Kuchchaveli	Kuchchaveli	GEF
Anthonipillai Fransis	M	Management Assistant	Urban Council, Kuchchaveli	Kuchchaveli	GEF
F.M.Rasheed	M	Technical Officer	Predeshya Sabah, Kinniya	Kinniya	GEF
H.M. Faris	M	Administration Officer	Predeshya Sabah, Kinniya	Kinniya	GEF
A.F.Faiz	M	Technical Officer	Predeshya Sabah, Kinniya	Kinniya	GEF
V.M.Razeek	M	Supervisor/ SWM labourers	Predeshya Sabah, Kinniya	Kinniya	GEF
Mahrook	M	Supervisor/ SWM labourers	Predeshya Sabah, Kinniya	Kinniya	GEF

Name		Position	Organization	Location	Relevant project
<b>Batticaloa district</b>					
A. Kokulatheepan	M	GEF - Project Coordinator Batticaloa district/ Planning Assistant	CCD- Batticaloa		GEF
K.Vijayaretnam	M	Forest officer/ Vaharai	Department of Forestry	Koralaipattu North	GEF
K.Ruban	M	Social Mobilizer/ GEF grant Project		Koralaipattu North	GEF
K.Johini	F	President	WRDS/ Komaththalamadu, Vaharai	Ammanthanaveli GND, Koralaipattu North DSD	GEF
N.Jabashan	M	President	Boat Society, Uriyankaddu, Vaharai	Koralaipattu North	GEF
S.M.Safreek	M	Forest Extension Officer/ Valaichenai	Department of Forestry	Koralaipattu/ valaichenai	GEF
K.Dinesh	M	President	RDS, Nasivanthivu	Nasivanthivu GND, Koralaipattu/ valaichenai	GEF
Ehalingam	M	Secretary	RDS, Nasivanthivu	Nasivanthivu GND, Koralaipattu/ valaichenai	GEF
Mrs. Malarvily Baskaran	F	Development Assistant/ Ecosystem Restoration & Adaptation Unit Officer	CCD, Batticaloa	Batticaloa	GEF
Mrs. B.Kujajini	F	President	WRDS/ Kallady	Kallady, Manmunai North	GEF
Mrs. K. Arunasalam	F	Grama Niladari/ kallady	DS Office	Kallady, Manmunai North	GEF
Konalingam	M	Chairman / Predeshya Sabah	Predeshya Sabah	Koralaipattu North	GEF
M.A.Sahul Hameed	M	President	Fishermen Employees Co-Op Society	Kottukal, Pottuvil	GEF
N.A.Abdul Azees	M	Secretary	Fishermen Employees Co-Op Society	Kottukal, Pottuvil	GEF
A.L.Ameer	M	Treasurer	Fishermen Employees Co-Op Society	Kottukal, Pottuvil	GEF
A. Vickneswaran	M	President	Rural Fisheries Society	Urani, Pottuvil	GEF
G.Emilton	M	Treasurer	Rural Fisheries Society	Urani, Pottuvil	GEF
M.Velayutham	M	Former President	Rural Fisheries Society	Urani, Pottuvil	GEF
T.Thayalini	F	Secretary	Komari1 & 2 Self Entrepreneurship Welfare Society	Komari, Pottuvil	GEF
A. Sugunawathy	F	Treasurer	Komari1 & 2 Self Entrepreneurship Welfare Society	Komari, Pottuvil	GEF
L.H.Alagaperuma	M	Beat Forest Officer	Department of	Pottuvil	GEF

Name		Position	Organization	Location	Relevant project
			Forestry		
K.M.Sameera Perera	M	Planning Assistant	Coastal Conservation Department		GEF
H.M.A. Bandara	M	Assistant Plantation Manager	Gal Oya Holdings Pvt	Hingurana	NaDEP
Thushara Saman Kumara	M	Assistant Manager Agriculture Extension	Gal Oya Holdings Pvt	Hingurana	NaDEP
Senarathne	M	Executive Administration Officer	Gal Oya Holdings Pvt	Hingurana	NaDEP
I.M.Jayathilake	M	Farmer	Theegavappiya Sugar cane Plantation	Theegavappiya, Hingurana	NaDEP
M.Logendran	M	Farmer	Galmadu Sugar cane Plantation	Galmadu, Hingurana	NaDEP
Suranga	M	Extension Officer	Gal Oya Holdings Pvt	Hingurana	NaDEP
Wickramasinge Chinthika	M	Credit Officer	Bank Of Ceylon	Hingurana	NaDEP
M.G.C.Gunarathne	M	Branch Manager	Ceylinco Insurance PLC		NaDEP
<b>Badulla district</b>					
D.M.S.B.Dissanayake	M	Assistant Commissioner	DAD	Badulla	DZ-LiSPP
Nishanka Ariyasena	M	Development Officer	DAD	Badulla	DZ-LiSPP
Indika Jayasundara	M	Technical Officer	DAD	Badulla	DZ-LiSPP
W.A.Jayathissa	M	Agriculture Research Field Officer	DAD	Badulla	DZ-LiSPP
W.M.Jayasekara	M	Farmer	Farmer Organization	Mahakumpura	DZ-LiSPP
Ranjith D. Abesinghe	M	Secretary	Farmer Organization	Mulathaalla Ala	DZ-LiSPP
T.M.Karunarathne	M	President	Farmer Organization	Mulathaalla Ala	DZ-LiSPP
Upul Thalagoda	M	Consultant	Aruna Tea Factory		NADeP
Nevill Rathnayake	M	Coordinating Manager	Aruna Tea Factory		NADeP
<b>Ratnapura district</b>					
K. Anura	M	NADeP Social Mobilizer	NADeP		NADeP
K.W.P.Wijerathne	M	Senior loan officer	Bank of Ceylon, Balangoda Branch	Balangoda	NADeP
P.W.D.Samaranayake	M	Loan officer	Bank of Ceylon, Balangoda Branch	Balangoda	NADeP
Priyantha Kumara	M	CEO	Lanka Eco Products	Balangoda	NADeP
D.A.S.Rajapakshe	M	Loan Officer	Bank of Ceylon, Eheliyagoda Branch	Eheliyagoda	NADeP



**Group discussions in the field<sup>298</sup>**

Date	Relevant project	District	Location (GND), DSD	Groups	M	F
	Team 1					
08/06	NADeP	Anuradhapura		CIC maize farmers group 1 (17 farmers) CIC company representatives and 4 CIC extension officers NADeP Social Mobilisers (3)	9	8
08/06	NADeP	Anuradhapura		CIC maize farmers group 2 (11 farmers) CIC company representatives and 4 CIC extension officers NADeP Social Mobilisers (3)	4	7
08/06	NADeP	Dambulla		Land Mark seed farmers group (group 1) CEO of Land Mark Several Land Mark extension officers NADeP social mobiliser	7	0
08/06	NADeP	Dambulla		Vegetable Seed Growers Association (group 2)	9	6
09/06	NADeP	Kilinochchi		Two Seaweed Farmer Groups attached to Hayleys Seaweed buying point at Jagameedpar  NADeP Social Mobiliser Hayleys staff (3)		
11/06	IIDP	Kilinochchi		Farmer federation (representatives from 22 farmer organizations) , companied by the IIDP former Project Director, engineers, and other IIDP staff	24	0
11/06	IIDP	Kilinochchi		Representatives from three farmers organizations	13	0
11/06	IIDP	Kilinochchi		Representatives from three farmers organizations	10	1
14/06	NADeP	Jaffna	Ketpeli	Hayles Ketpeli Gherkin farmers group 1	8	5
14/06	NADeP	Jaffna	Nunavil	Hayles Nunavil Gherkin farmers group 2	10	3
18/06	DZ-LiSPP	Kurunegala	Galenbindunuwewa	Chairman, Secretary and Treasurer of Galenbindunuwewa Farmer Organization	3	0
18/06	DZ-LiSPP	Kurunegala	Galgamuwa	Representatives from Agricultural Services centre (Regional Officer, Development officer and Agricultural research and Production Assistant )	3	0
18/06	DZ-LiSPP	Kurunegala	Ambanpola	Representatives from Agricultural Services centre (Regional Officer, Development officer and Agricultural research and Production Assistant and Member)	4	0
	Team 2					
07/06	GEF	Trincomalee	Thennamarawaddy, Kuchchaveli	Disaster safety building	21	4
07/06	GEF	Trincomalee	Nilaveli	Pigeon Island Boat Society	8	0
07/06	GEF	Trincomalee	Nilaveli	WRDS/ Handloom society- Livelihood	0	4
08/06	GEF	Batticaloa	Ammanthanavel, Koralaipattu North	WRDS/ komaththalamadu- Livelihood	0	8
08/06	GEF	Batticaloa	Nasivanthivu, Koralaipattu	RDS- Mangrove Education	6	0
09/06	GEF	Batticaloa	Kallady, Manmunai North	WRDS/ Kallady- Green belt coastal resource conservation	0	8
11/06	GEF	Ampara	Kottukal, Pottuvil	Fishermen Employees Co-Op Society	7	

<sup>298</sup> Except for Kurunegala district.

Date	Relevant project	District	Location (GND), DSD	Groups	M	F
11/06	GEF	Ampara	Urani, Pottuvil	Rural Fisheries Development Society	4	
11/06	GEF	Ampara	Komari, Pottuvil	Komari 1 & Komari2 Self Entrepreneurship Welfare Society	0	6
12/06	NaDEP	Ampara	Theegavappiya, Hingurana	Sugar Cane farmers	8	2
12/06	NaDEP	Ampara	Galmadu, Hingurana	Sugar Cane farmers	7	3
13/06	DZ-LiSPP	Badulla	Anthuduwawela, Haliela	Farmer Organization, Mahakumbura Ela (rehabilitated anicut)	4	2
13/06	DZ-LiSPP	Badulla	Warakadanda, Haliela	Farmer Organization, Mulathella Ela (rehabilitated canal)	5	0
14/06	NADeP	Ratnapura	Balangoda	<i>Kithul</i> producers	10	0
15/06	NADeP	Ratnapura	Eheliyagola	<i>Kithul</i> producers (2 women - wives of the members)	11	2

Table  
District coverage in IOE missions field visits in 2018

	Project specific evaluations by IOE	Kegalle	Nuwara Eliya	Kandy	Ratnapura	Matale	Kurunegala	Anuradhapura	Kilinochchi	Jaffna	Ampara	Batticaloa	Trincomalee	Badulla	Monaragala	Hambantota
DZ-LiSPP	IE (2013)						C	C								
SPEnDP	PPE (2018)	P	P	P												P
NADeP					C	S	S/C	S/C	S/C	C	C			S/C	S	S
IIDP									C							
GEF											C	C	C			

P: SPEnDP PPE mission (March 2018); S: value chain study (S); C: CSPE main mission (June 2018)

## Summary of 2002 Sri Lanka CPE

1. The first Country Programme Evaluation (CPE) was concluded in July 2001 and the report published in 2002. The CPE concluded that all the projects were relevant to the overall government priorities and IFAD objectives at the time, project objectives addressed the problems to be solved, and project implementation was generally satisfactory. It reported significant impacts and achievements in terms of empowerment (especially women<sup>299</sup>), infrastructure, agriculture development and credit delivery. For example, beneficiaries reported greater empowerment as a result of grassroots savings and credit institutions.<sup>300</sup> However, outcomes of agricultural development components were below expectations, especially because of the lack of extension and seed and planting material. Beneficiaries' participation slowly improved from the first top-down sectoral and integrated rural development projects to the more demand-driven and participatory approaches of later projects. However, beneficiary participation in the project cycle has been generally weak and confined mainly to the identification of needs. While the first operations missed the initial targets by significant margins, later projects exceeded targets. Smallholder farmers' welfare and income improved as a consequence of specific interventions in agriculture, land regularization, irrigation (tank rehabilitation and agro-wells), livestock (goats), and paddy and tea production. It is worth mentioning significant results in the dry zone in terms of arresting soil degradation, conserving soil moisture and developing sustainable rainfed farming systems to replace shifting cultivation. The CPE highlights the short-term gains of project interventions, which led to one-off increases in productivity, incomes and employment but failed to put the poor on an autonomous growth dynamic.
2. The main weaknesses lie in complex and over-optimistic design in terms of expectations, which were later revised downward. In many cases, there was little progress during the first two to three years of the project. Operations did not take into account the absorptive capacity of the implementing agencies or their poverty orientation. There were too many components and too many implementing agencies. The approach for mobilizing and promoting the participation of the rural poor were constrained in several ways. Government agencies aimed at service delivery rather than empowering the poor, and community organizations were used as the lowest tiers of development administration. NGOs were treated as contractors rather than as development partners. Projects were designed with limited built-in flexibility and focused on implementation rather than the much-needed capacity-building.<sup>301</sup> M&E was incapable of measuring impact on the poor. Operations were not sustainable, and some tended to exclude the poorest.<sup>302</sup> The CPE stated that much time and energy were consumed in responding to multiple layers of authority at the divisional, provincial and central levels, which made project supervision a particularly demanding task aggravated by lack of in-country presence and the high degree of politicization of line agencies.
3. **Main recommendations.** The CPE recommended that pro-poor agricultural interventions be selected deliberately in future projects. It also recommended ensuring the relevance of infrastructure interventions to each target group and promoting rural microfinance through specific rural finance projects rather than

<sup>299</sup> Women participation was generally limited to social mobilisation and participatory credit components.

<sup>300</sup> However, the CPE complains the difficulty of quantifying such qualitative changes.

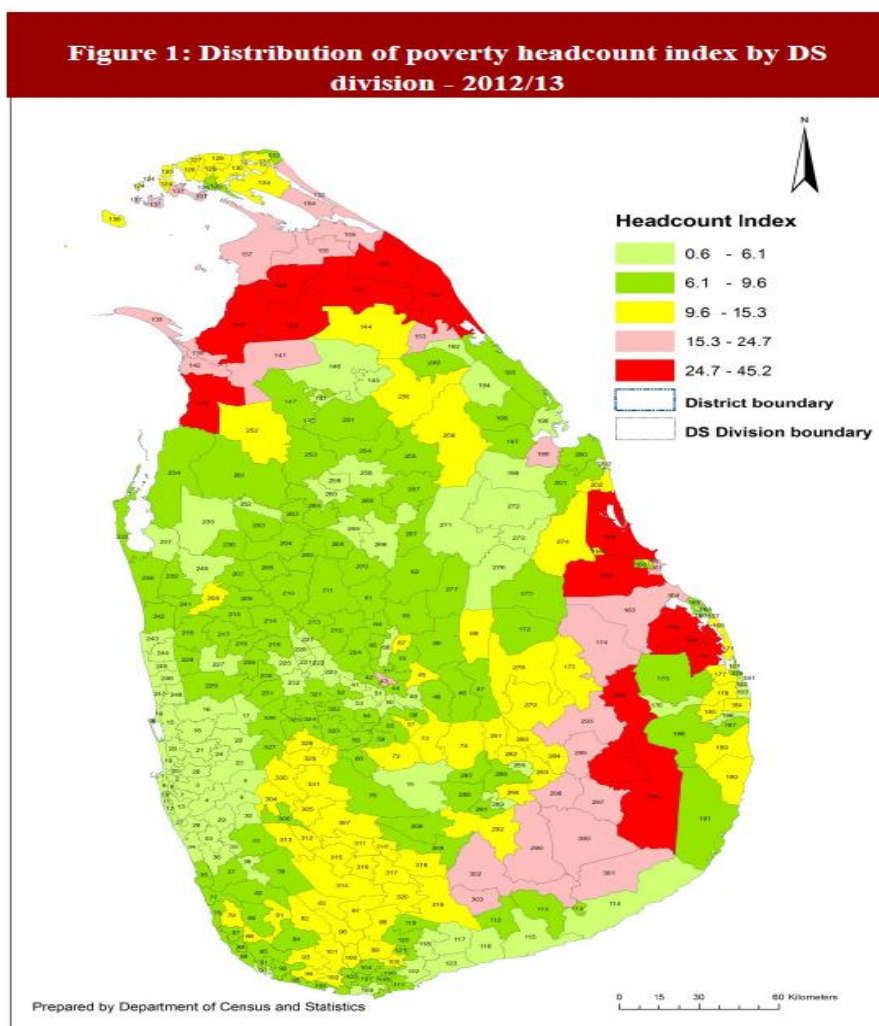
<sup>301</sup> The Coconut Development project is an exception as it benefited from well trained and functioning extension services and diagnostic laboratory.

<sup>302</sup> For example, the Fund promoted the development of large agro-wells requiring an initial contribution from beneficiaries, 30 per cent equity requirement or 60,000 SLR, beyond the capacity of the poorest farmers. In other cases, irrigation projects aimed at existing irrigated areas rather than rainfed areas where the bulk of the poorer families live. The subsidised investment in agro-wells also raised questions on its effects on the acquirer. Irrigation schemes covered land from 10 to over 400 ha, excluding near landless or smallholders with scattered holdings of less than 10 ha. In the SBIRD, support programmes for tea and export crops were not extended to farmers with less than half an acre of land. Credit for cattle purchases was not extended to the very poor farmers that cannot provide the veterinary care that the cattle needs.

integrated rural development projects. In addition, it recommended allowing for corrections to annual work plan and budgets in response to beneficiaries' perceptions and circumstances, and realities of project implementation. Projects should take a more differentiated approach with respect to women. Ownership should be built at all levels (government, project management, community/household) through improved project cycle management. An in-country presence may greatly contribute to increased ownership. Staff training and orientation in project management should be the priority for implementation. Project staff and local institutions should receive training on gender. The CPE also called for an adequate poverty-focused M&E system, including gender-disaggregated data.

4. **Agreement at completion point.** Working with the poor requires a holistic approach that a defined set of line government agencies cannot guarantee, as these agencies are constrained by their mandates. Community development requires complementary efforts and developing synergies between investments of different donor agencies, whereas every agency strives to meet its own targets but has no incentive to work in the same set of villages as another agency. IFAD needs to have more realistic expectations of what different institutions (administrative, representative, commercial) can and cannot do. The CPE recommended the establishment of a self-governing non-profit body – an “honest broker” – for organizing the poor, linking with politicians, administrators and businesses, and securing their interests. This was expected to be established as a pilot in one province through a technical assistance grant.
5. The CPE concluded that decision-making by administrative and representative institutions needs to function in an integrated and decentralized way. In line with the Government Policy Development Framework, it supported local government to adopt transparent and participatory planning, resource allocation, implementation, and M&E at the local level and dissemination of information to the public. The CPE made a proposal for an advisory (or thematic) study on decentralized development administration that is responsive to the poor. The study would have identified how particular processes work against the poor and how they can be made pro-poor.
6. The CPE agreed on strengthening the pro-poor orientation of the projects by engaging the poor at different stages of the project cycle. IFAD was expected to devote more attention to estate workers and explore the possibility of intervening in conflict areas. A consistent framework for pro-poor project management requires: better targeting the poor; design of pro-poor interventions; and monitoring the participation of the poor and the impact of the interventions on them.

## Spatial distribution of poverty in Sri Lanka<sup>303</sup>



**Table 1: Poverty headcount index and poverty reduction by district-2002, 2012/13**

District	Poverty headcount index		Poverty reduction	
	HIES 2002 (%)	HIES 2012/13 (%)	Absolute reduction (%)	Relative reduction (%)
<b>Sri Lanka</b>	<b>22.7</b>	<b>6.7</b>	<b>16.0</b>	<b>72.6</b>
Hambantota	32.0	4.9	27.1	84.7
Puttalam	31.0	5.1	25.9	83.5
Kegalle	32.0	6.7	25.3	79.1
Badulla	37.0	12.3	24.7	66.8
Ratnapura	34.0	10.4	23.6	69.4
Matale	30.0	7.8	22.2	74.0
Matara	27.0	7.1	19.9	73.7
Kandy	25.0	6.2	18.8	75.2
Kurunegala	25.0	6.5	18.5	74.0
Polonnaruwa	24.0	6.7	17.3	72.1
Kalutara	20.0	3.1	16.9	84.5
Nuwara Eliya	23.0	6.6	16.4	71.3
Moneragala	37.0	20.8	16.2	43.8
Galle	26.0	9.9	16.1	61.9
Anuradhapura	20.0	7.6	12.4	62.0
Gampaha	11.0	2.1	8.9	80.9
Colombo	6.0	1.4	4.6	76.7
Jaffna	—	8.3	—	—
Mannar	—	20.1	—	—
Vavuniya	—	3.4	—	—
Mullaitivu	—	28.8	—	—
Kilinochchi	—	12.7	—	—
Batticaloa	—	19.4	—	—
Ampara	—	5.4	—	—
Trincomalee	—	9.0	—	—

Note: HIES 2002 could not be conducted in Northern and Eastern provinces due to the prevailed unsettled conditions.

<sup>303</sup> Source: (1) Department of Census and Statistics and Poverty Global Practice, World Bank Group 2015. The Spatial Distribution of Poverty in Sri Lanka. (2) Department of Census and Statistics. 2016. Household Incomes and Expenditures Survey 2016.

**Figure 2: Distribution of poverty headcount index by DS division - 2002 and 2012/13**

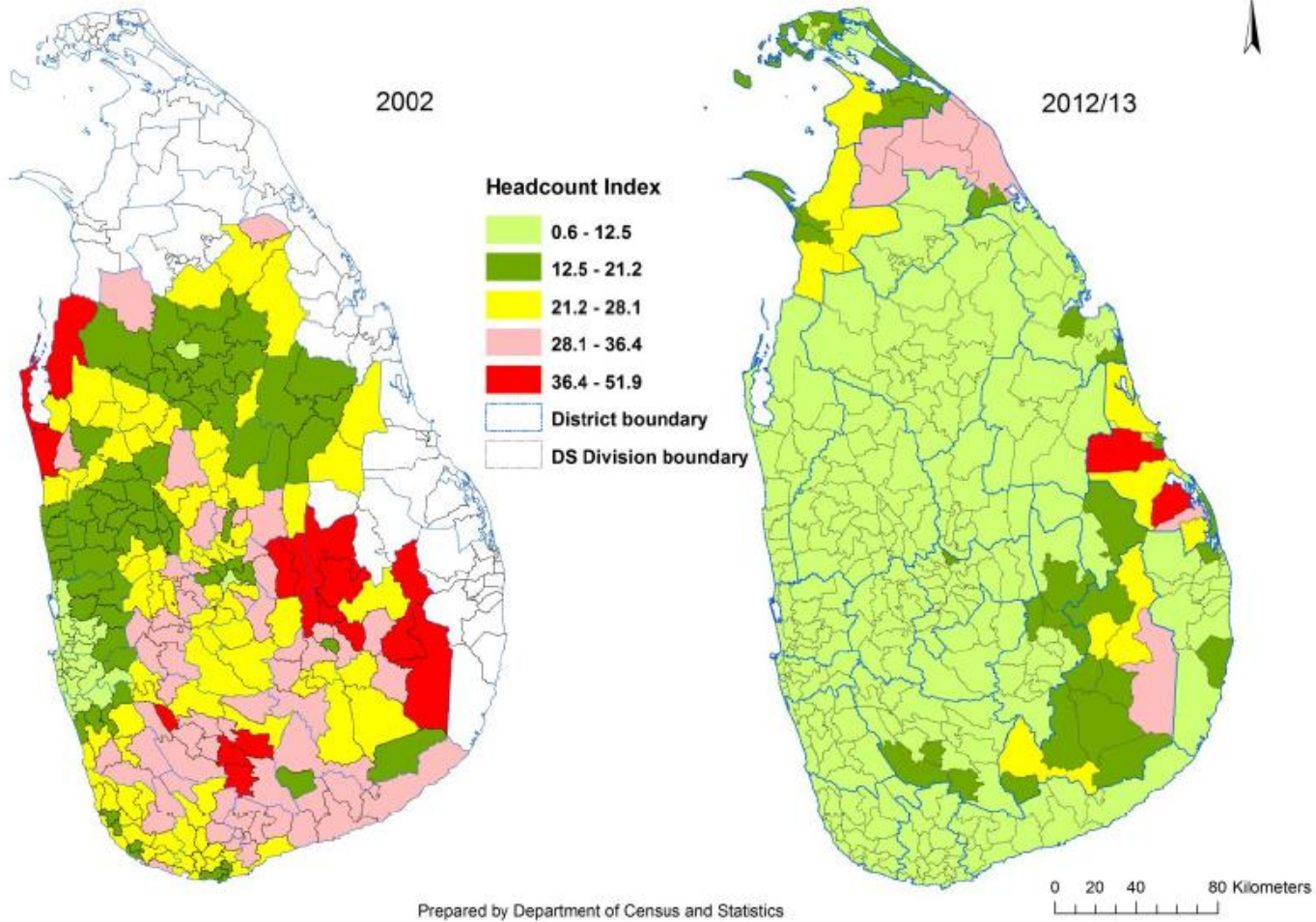
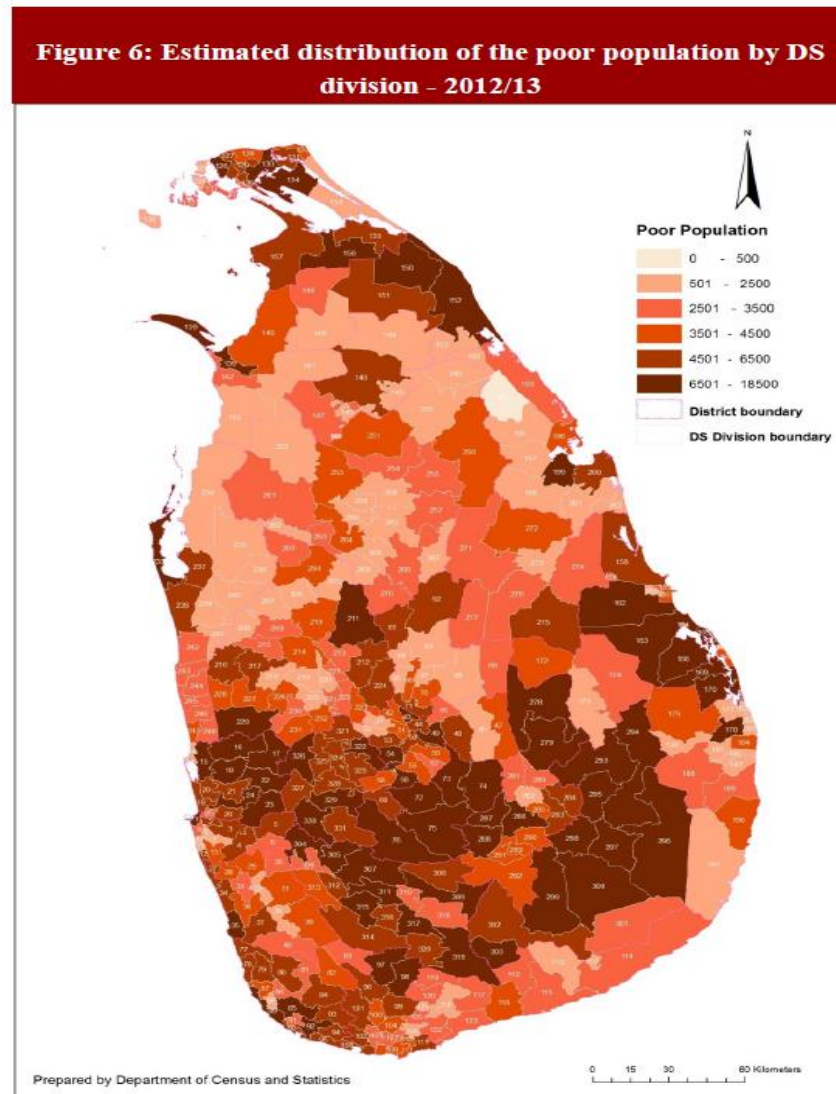
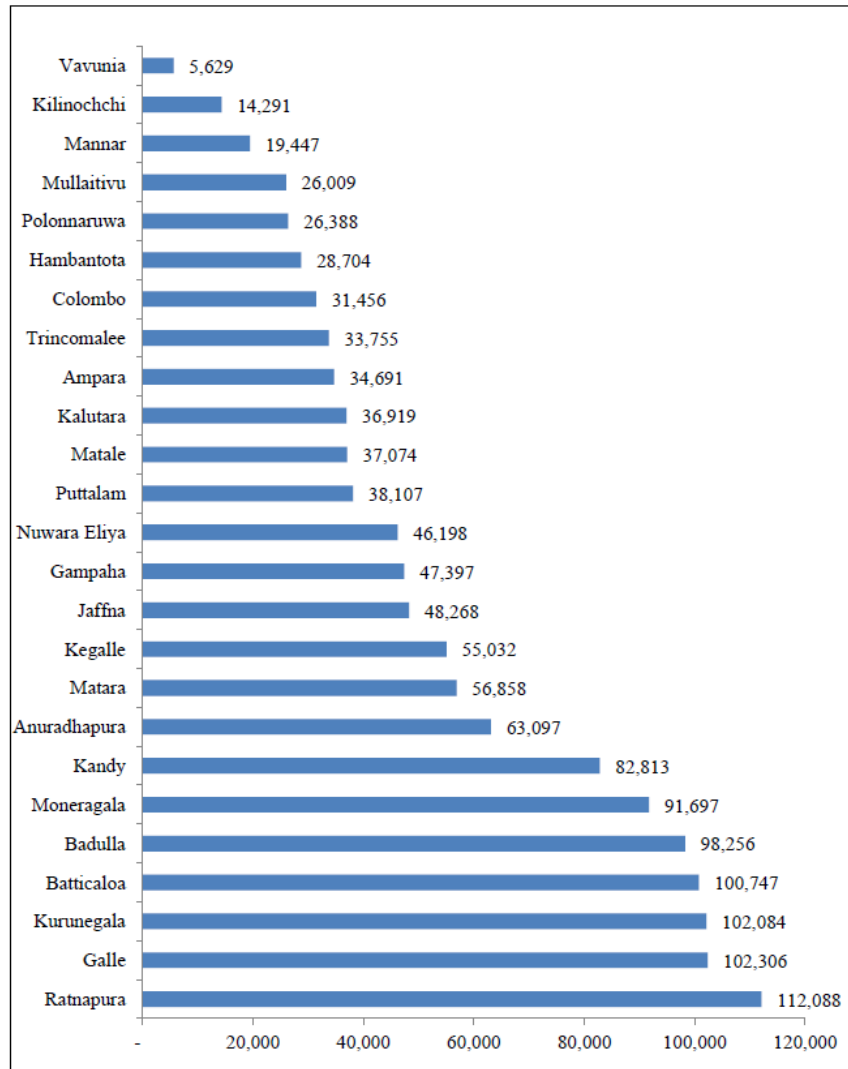


Figure 5: Estimated number of poor population by district - 2012/13



**Table 5.1: Poverty headcount index and percentage of poor households by sector, province and district - 2016**

Sector/ Province/ District	Headcount Index (HCI) (%)	Percentage of poor household (%)
<b>Sri Lanka</b>	<b>4.1</b>	<b>3.1</b>
<b>Sector</b>		
Urban	1.9	1.3
Rural	4.3	3.3
Estate	8.8	6.8
<b>Province</b>		
Western	1.7	1.2
Central	5.4	4.1
Southern	3.0	2.3
Northern	7.7	6.3
Eastern	7.3	5.3
North Western	2.7	2.1
North Central	3.3	2.4
Uva	6.5	5.4
Sabaragamuwa	6.7	5.1
<b>District</b>		
Colombo	0.9	0.6
Gampaha	2.0	1.3
Kalutara	2.9	2.3
Kandy	5.5	4.2
Matale	3.9	3.2
Nuwara Eliya	6.3	4.6
Galle	2.9	2.0
Matara	4.4	3.7
Hambantota	1.2	1.1
Jaffna	7.7	6.0
Mannar	1.0	0.9
Vavunia	2.0	1.5
Mullaitivu	12.7	11.2
Kilinochchi	18.2	15.0
Batticaloa	11.3	8.1
Ampara	2.6	2.1
Trincomalee	10.0	6.8
Kurunegala	2.9	2.3
Puttalam	2.1	1.6
Anuradhapura	3.8	2.7
Polonnaruwa	2.2	1.7
Badulla	6.8	5.9
Moneragala	5.8	4.4
Ratnapura	6.5	4.8
Kegalle	7.1	5.4

**Table 5.3: Number of households and persons in poverty by sector, province and district – 2016**

Sector/ Province/District	Number of households In poverty (%)	Number of persons live in poverty (Number)	Contribution to total poverty (%)
<b>Sri Lanka</b>	<b>169,392</b>	<b>843,913</b>	<b>100.0</b>
<b>Sector</b>			
Urban	11,477	67,649	8.0
Rural	142,312	693,956	82.2
Estate	15,603	82,308	9.8
<b>Province</b>			
Western	18,700	101,342	12.0
Central	27,988	142,044	16.8
Southern	15,564	74,769	8.9
Northern	16,834	83,834	9.9
Eastern	22,418	118,061	14.0
North Western	13,948	64,638	7.7
North Central	8,321	42,191	5.0
Uva	18,624	83,885	9.9
Sabaragamuwa	26,993	133,149	15.8
<b>District</b>			
Colombo	3,611	19,796	2.3
Gampaha	7,875	45,827	5.4
Kalutara	7,214	35,719	4.2
Kandy	15,397	76,429	9.1
Matale	4,288	19,357	2.3
Nuwara Eliya	8,303	46,257	5.5
Galle	5,699	30,775	3.6
Matara	8,012	36,544	4.3
Hambantota	1,854	7,450	0.9
Jaffna	8,663	46,052	5.5
Mannar	232	1,005	0.1
Vavunia	655	3,526	0.4
Mullaitivu	2,815	12,003	1.4
Kilinochchi	4,470	21,249	2.5
Batticaloa	11,911	60,912	7.2
Ampara	3,698	17,431	2.1
Trincomalee	6,809	39,718	4.7
Kurunegala	10,471	47,930	5.7
Puttalam	3,477	16,708	2.0
Anuradhapura	6,427	33,140	3.9
Polonnaruwa	1,894	9,051	1.1
Badulla	12,994	56,698	6.7
Moneragala	5,630	27,187	3.2
Ratnapura	14,737	72,715	8.6
Kegalle	12,256	60,435	7.2



## Country context - additional data and information

Box

### Country Gender Assessment: Key Findings

#### Women's Rights:

- International instruments that were ratified and the Women's Charter (1993) not incorporated in national legislation
- Delay in approval of Women's Rights Bill
- Weak law enforcement affects access to justice (e.g. violence against women)
- Gender discriminatory inheritance rights in land ownership
- Informal sector workers excluded from protection by labour legislation
- Non-ratification of ILO conventions that protect rural workers, migrant workers, subcontracted workers, and domestic workers (majority being women).
- Absence of bilateral agreements with receiving countries to protect women migrant workers from sexual abuse and exploitation.

#### Political Representation:

- Low representation of women in parliament and local assemblies

#### Poverty:

- Wide income gap between men and women in the informal sectors

#### Education:

- Exclusion of concept of gender equality in curricula and reinforcement of gender stereotypes from preschool to higher education
- Gender imbalances in enrollment in technical training programmes
- Gender imbalances in enrollment and gender bias of employers recruiting women for technical employment

#### Economic Activities:

- Unemployment rates of women double those of men at all ages
- Women over represented among unpaid family workers

#### Violence Against Women:

- High incidence of rape, sexual abuse and harassment, and domestic violence
- Passive acceptance by women of violence and lack of awareness of legal protections
- Acceptance of unequal gender relations by many law enforcement officials
- Lack of adequate support services for women victims of violence
- Gender Mainstreaming:
- Lack of gender awareness and sensitivity in design, implementation and monitoring of development programmes

Source: ADB and GIZ (2015) "Country Gender Assessment, Sri Lanka: an update"

Source: ADB and GIZ. 2015. County gender assessment Sri Lanka – an update

**Table: Gender Gap Index - South Asia**

Country	Overall Rank	Overall Score
Bangladesh	47	0.719
Maldives	106	0.669
India	108	0.669
<b>Sri Lanka</b>	<b>109</b>	<b>0.669</b>
Nepal	111	0.664
Bhutan	124	0.638
Pakistan	143	0.546

Source: World Economic Forum, The Global Gender Gap Report 2017

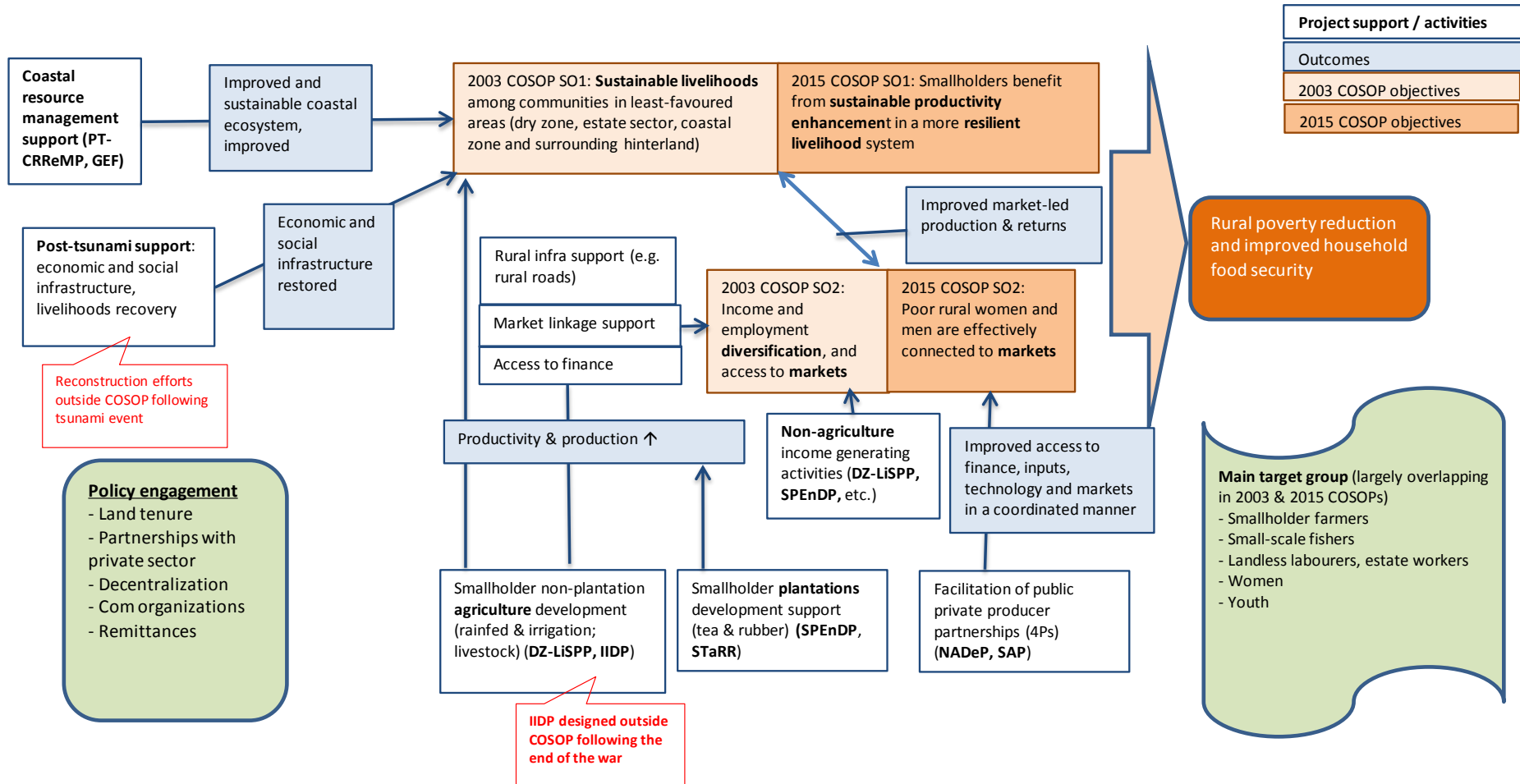
## Key elements and schematic presentation of 2003 and 2015 Sri Lanka COSOPs

	COSOP 2003	COSOP 2015
Programme development /strategic objectives	<p>PDO1: Promote sustainable livelihoods among communities living in least-favoured areas (dry zone, estate sector, coastal zone and surrounding hinterland.)</p> <p>PDO2: Identify opportunities for income and employment diversification, and access to markets.</p>	<p>SO1: Smallholders benefit from sustainable productivity enhancement in a more resilient livelihood system.</p> <p>SO2: Poor rural women and men are effectively connected to markets.</p>
Opportunities for innovation	<ul style="list-style-type: none"> <li>• Access to abandoned or underutilised land on plantation and in the dryzone and coastal water body for the rural people and marginalised groups</li> <li>• Women as an entry point</li> <li>• Social mobilisation techniques</li> <li>• Simple methods of transferring funds to the poorest communities</li> <li>• Flexible program and process based design and implementation</li> <li>• Market links with and between rural areas</li> <li>• Partnerships among the rural poor and private and informal sector operators.</li> </ul>	<ul style="list-style-type: none"> <li>• Models for crop/livestock integration *</li> <li>• Technology, techniques and practices for sustainable dryland agriculture (climate smart/resilient) *</li> <li>• Good agricultural practices promoted by the Rainforest Alliance and Unilever for tea production (minimal agrochemicals) *</li> <li>• Alternative income-generating opportunities including off-farm *</li> <li>• Modalities for linking small producers to corporate buyers</li> <li>• Alternative financing instruments (including remittances)</li> </ul> <p>* These linked to SO1 were expected to address the following issues: (i) the misuse of agrochemicals, fertilizer recommendations for farmers based on soil conditions and assessment of soil plant nutrients, and the linked issue of food safety; (ii) the inappropriate drive towards mechanization, which increases inefficiencies in the production system, with concomitant increases in the costs of production; and (iii) the use of highlands for annual cropping without adequate safeguards against erosion or or consideration of crop rotations.</p>
Target group/ geographical coverage	<ul style="list-style-type: none"> <li>• Dry zone, where majority of structurally poor live including near landless farmers in marginal uplands and marginalised woman headed households.</li> <li>• Estate sector and surrounding villages where pockets of extreme poverty persist (estate workers and smallholder tea producers poorly linked to markets)</li> <li>• Coastal areas and their hinterland, notably in areas affected by the conflict (fisherfolk)</li> <li>• Overall key focus on women.</li> </ul>	<ul style="list-style-type: none"> <li>• Rural people in the economically lagging and post-conflict areas of Eastern and Northern Provinces <ul style="list-style-type: none"> <li>- Smallholders in domestic crop production and plantation</li> <li>- Artisanal and small scale fishers and women involved in the fishing industry</li> <li>- Landless labourers particularly in the plantation sector</li> <li>- Rural youth and women (especially, women headed households)</li> </ul> </li> </ul>
Non-lending activities	<ul style="list-style-type: none"> <li>• Specific resources set aside (US\$1.5 million) and sub-windows identified (technical assistance, Special Operations Facility, IFAD/NGO extended Cooperation Programme) for grants to undertake pilot activities and preparatory/design support for future projects</li> <li>• More grant resources to be mobilised from the Post Conflict Fund (at the time under consideration)</li> </ul>	<ul style="list-style-type: none"> <li>• Specific resources set aside for non-lending activities (about US\$ 1-2 million)</li> </ul>
Partnerships	<ul style="list-style-type: none"> <li>• For improving access to land, coastal resources, village self-help groups and extension services with World Bank and FAO</li> <li>• For supporting microfinance and linking smallholder estate out-growers and</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthen partnership with Ministry of Finance, Ministry of Policy Planning and Economic Affairs, key line ministries, CSOs, and academia</li> <li>• Explore co-financing with bilateral donor agencies and multilateral institutions,</li> </ul>

	COSOP 2003	COSOP 2015
	<p>commercial estates with AsDB</p> <ul style="list-style-type: none"> <li>• For developing sustainable livelihood approaches with Japan International Cooperation Agency, DFID, the Oxford Committee for Farming Relief and the Cooperative for Assistance and Relief everywhere (in the dry zone)</li> <li>• For microenterprise development with German Agency for Technical Assistance</li> </ul>	<p>and partnerships with non-traditional partners (e.g. on remittances)</p> <ul style="list-style-type: none"> <li>• Continue contribution to UNDAF (especially pillar 1) and cooperation with RBAs</li> <li>• Strengthen IFAD brokering role in linking smallholder producers to private sector firms and in south-south and triangular cooperation</li> </ul>
Knowledge management	N/A	<ul style="list-style-type: none"> <li>• Guided by IFAD KM and Communication Strategies</li> <li>• Structured approach at country (continue existing arrangements) and project level (TBD during the first year of projects)</li> <li>• Promotion of experience sharing among projects, within the sub-region and with other MICs</li> <li>• KM and sharing focused on documenting locally generated and wider ranging best practices for scaling up and guiding policy making</li> </ul>
Policy engagement	<p>Policy agenda covers:</p> <ul style="list-style-type: none"> <li>- land tenure and access rights for IFAD's target group (marginal and landless poor)</li> <li>- targeting and implementation of social welfare programmes (i.e. <i>Samurdhi</i>)</li> <li>- decentralisation and devolution of power</li> <li>- strengthening rural and agricultural-sector focus of the PRS</li> </ul>	<p>Policy agenda covers:</p> <ul style="list-style-type: none"> <li>- land tenures (especially for tea and rubber smallholders)</li> <li>- incentives for diversification and crop/livestock integration</li> <li>- models for effective partnerships with the private sector</li> <li>- sustainable institutional building of community organisation</li> <li>- SME development and diversification</li> <li>- initiatives or products for productive use of remittances</li> </ul>
Country Programme /Portfolio Management	<p>Promote innovative and simple way for transferring funds directly to the poorest rural communities through:</p> <ul style="list-style-type: none"> <li>• participatory processes to identify grassroots interventions and transfer management responsibilities to communities</li> <li>• practical trainings for local organisations and government institutions</li> <li>• simpler project designs that rely more on the capacity of the stakeholders to establish local partnerships and raise their absorptive capacity</li> </ul>	<ul style="list-style-type: none"> <li>• Country programme management team<sup>304</sup> with an in-country and HQ component</li> <li>• IFAD country office: key role in direct supervision, implementation support, and non-lending activities</li> </ul>
Scaling up and South-South Cooperation	<p>COSOP refers to consolidation of results from previous projects e.g. strengthening viable grassroots institutions to make sure this could train other community groups</p>	<ul style="list-style-type: none"> <li>• Scaling up is a key priority to be achieved through closer partnership with the government and other development partners, including the private sector</li> <li>• South-south and triangular cooperation at the government and private sector level will be facilitated</li> </ul>
COSOP monitoring	<p>COSOP does not mention monitoring. Country Programme Issue sheets were produced from 2007 to 2014-15.</p>	<ul style="list-style-type: none"> <li>• Annual progress report from 2015</li> <li>• COSOP Mid-term review in early 2018</li> <li>• Completion Review at the end of 2020</li> </ul>

<sup>304</sup> Country programme management team was formed in 2014 by the then Ministry of Finance and Planning (MOFP) and by representatives from the following institutions: MOFP (Department of external resources and Department of National Planning), Ministry of Agriculture, Ministry of Fisheries and Aquatic Resources Development, Ministry of Livestock Development, Ministry of Plantation Industry, Ministry of Local Government and Provincial Councils, Central Bank of Sri Lanka, project Directors of all IFAD-financed ongoing projects.

# Schematic presentation of 2003 and 2015 COSOPs



## Loan-financed and GEF projects: basic project information

Project (geographical coverage)	Target group definition	Targeting consideration by design	Goal/objectives	Components
<b>Completed core projects</b>				
DZ-LiSPP North-Central Province (Anuradhapura District), North-Western Province (Kurunegala District), Uva Province (Badulla and Moneragala District)	All persons living in the selected poor and remote GNDs. Focus on the needs and capabilities of the poorest, without excluding the more prosperous members of these communities. Emphasis on women and other vulnerable groups.	The gender strategy was to determine minimum women participation targets for all activities. Wherever appropriate, the project was to ensure that secluded groups (e.g. lower castes if they exist) have the opportunity to participate.	<b>Goal:</b> sustainable increase in the incomes, and improvement in the living conditions of about 80,000 poor households in the programme area. <b>Objectives:</b> i) increase and improve rain-fed upland farm productivity, ii) increase irrigated crop production through rehabilitation and operation of the necessary infrastructure, iii) expand marketing opportunities and linkages and iv) develop micro-enterprises to add value to the agricultural production in rainfed and irrigated areas, diversify the sources of income for the poor, especially women, through v) expanded micro-finance services and vi) realise priority community infrastructure	<i>Comp. 1:</i> Rain-fed upland agricultural development and integration with livestock production systems <i>Comp. 2:</i> Marketing and enterprise development <i>Comp. 3:</i> Irrigation rehabilitation <i>Comp. 4:</i> Microfinance and income generating activities <i>Comp. 5:</i> Priority community infrastructure development <i>Comp. 6:</i> Programme management, social mobilisation and policy studies
SPEndP Central Province (Kandy and Nuwaraeliya District), Sabaragamuwa Province (Kegalle District), Uva Province (Moneragala District)	Settlers of the HADABIMA and Mahaweli resettlement schemes [for tea sub-programme] and poor smallholders in the intermediate zone of Monaragala [for rubber sub-programme]	The target group was to be selected based upon their level of poverty and vulnerability to poverty-inducing structural factors	<b>Goal:</b> Sustainable improvement of livelihoods and social conditions of smallholder estate crop producers. <b>Objectives:</b> (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.	The programme consists of the mid-country tea outgrowers subprogramme and the Moneragala rubber smallholders subprogramme. Each sub-programme includes: <i>Comp. 1:</i> Community development and institution building <i>Comp. 2:</i> Out-growers and diversification development <i>Comp. 3:</i> processing and marketing; <i>Comp. 4:</i> Rural finance and credit <i>Comp. 5:</i> Programme management.
IIDP (Kilinochchi district)	Total population of farmers in the command area as well as those living outside the command area within a distance of approximately 500 metres from the main canal bunds.	The design proposed some measures to have a focus on the poor (e.g. investment support to farmers at the tail end of distribution canals, vegetable production with women groups; and d) by support to the households)	<b>Goal:</b> contribute to poverty reduction and increase in household incomes as well as to the increased participation of women in water and land management, and in marketing. <b>Objectives:</b> (i) Irrigation infrastructure has been improved and is effectively managed by Local Government and Farmer Organisations (FOs) including women, the latter applying water saving	<i>Comp. 1:</i> Infrastructure development • <i>Sub-comp. 1.1:</i> irrigation rehabilitation • <i>Sub-comp. 1.2:</i> other infrastructure development. <i>Comp. 2:</i> Production and marketing • <i>Sub-comp. 2.1:</i> social mobilization and training

<b>Project (geographical coverage)</b>	<b>Target group definition</b>	<b>Targeting consideration by design</b>	<b>Goal/objectives</b>	<b>Components</b>
			management methods. Appropriate environment and climate change adaptation and mitigation measures are applied; (ii) Water and land productivity have been sustainably improved and farm production is meeting effective and premium demand from corporate buyers through forward contracting and other market agreements. As such household incomes have increased, exceeding the poverty line.	<ul style="list-style-type: none"> <li>• <i>Sub-comp. 2.2:</i> production, extension and marketing</li> <li>• <i>Sub-component 2.3:</i> other agricultural and off farm development</li> </ul> <p><i>Component 3:</i> Project management.</p>
NADeP (Nation-wide, excluding Western Province and urban areas)	Small farmers, producers, women, the landless and youth with the exception of the Western Province and urban areas	For marketing component, at least 80% to have holdings below 1 ha and at least 50% of income from agriculture. A participatory wealth ranking survey to be carried out. The microfinance component to specifically additionally targets the poorest districts (Ampara, Ratnapura, Kegalle, Kurunegala and Puttalam) and landless (or near landless) and the youth	<p><b>Goal:</b> to contribute to poverty reduction and sustainable livelihood improvement of poor rural households in the Programme Area.</p> <p><b>Objectives.</b> To assist smallholder farmers and the landless, especially the youth by: (a) increasing their incomes through participation in the Marketing Chain Development and Linkages component which shall improve farm gate prices, on-farm productivity and add value to processed farm products; and (b) the provision of financing and training to the landless and youth to offer them improved and increased employment opportunities.</p>	<p><i>Comp. 1:</i> Marketing chain development and linkages</p> <p><i>Comp. 2:</i> Microfinance and training of youth</p> <ul style="list-style-type: none"> <li>• <i>Sub-comp. 2.1:</i> Micro-finance</li> <li>• <i>Sub-comp. 2.2:</i> Youth training</li> </ul> <p><i>Comp.3:</i> Programme management and policy support</p> <ul style="list-style-type: none"> <li>• <i>Sub-comp. 3.1:</i> Programme management</li> <li>• <i>Sub-comp. 3.2:</i> Policy support</li> </ul>
<b><u>Post-disaster (completed)</u></b>				
PT-LiSPP Selected Tsunami-affected GNDs in seven Districts of the Borrower's territory: Trincomalee, Batticaloa, Ampara, Hambantota, Matara, Galle and Kalutara	Poor rural communities in the programme area who experienced loss of lives of relatives and/or loss of physical and financial assets and who are thereby particularly challenged in restarting livelihood activities	Self-targeting by the type of support (e.g. size of housing, amenities and type of construction). Targeting tsunami-affected households that: meet a monthly income criterion of LKR 2 500; are officially permitted to build or repair their house; and are confirmed residents of the area. Special efforts to be made to reach poor artisanal fishers and fishing communities. Community investments to benefit all households.	<p><b>Goal:</b> sustainable recovery of the assets of women and men directly or indirectly affected by the tsunami and to help them re-establish the foundation of their usual economic activities (which is fishing) while diversifying into other and new profitable income-generating activities.</p> <p><b>Immediate objectives:</b> (a) tsunami-affected families are provided with essential social and economic infrastructure, particularly housing; (b) tsunami-affected communities are strengthened and are sustainably managing coastal resources; and (c) the participation of women in social and economic activities is improved.</p>	Only one major component 'Social and Economic Infrastructure', but that consists of several activities
PT-CRRreMP Same as above	Poor rural communities in the programme area who experienced loss of lives of relatives and/or loss of physical and financial assets, and who		<p><b>Goal:</b> to restore the assets of women and men directly or indirectly affected by the tsunami and to re-establish the foundation of their previous</p>	<p><i>Comp. 1:</i> Community-based coastal resource management</p> <p><i>Comp. 2:</i> Support to artisanal fisheries</p>

<b>Project (geographical coverage)</b>	<b>Target group definition</b>	<b>Targeting consideration by design</b>	<b>Goal/objectives</b>	<b>Components</b>
	are thereby being unable to restart livelihood activities		<p>economic activities while helping them diversify into new, profitable income-generating activities.</p> <p><b>Immediate objectives:</b> (a) tsunami-affected families are provided with essential social and economic infrastructure, particularly housing; (b) tsunami-affected communities are strengthened and are sustainably managing coastal resources; and (c) women's participation in social and economic activities increases.</p>	<p>development</p> <p><i>Comp.3:</i> Microenterprise and financial service development</p> <p><i>Comp.4:</i> Social and economic infrastructure development</p> <p><i>Comp.5:</i> Policy support and programme management.</p>
GEF (3 districts in Eastern province: Trincomalee, Batticaloa & Ampara)	Not defined in the grant agreement. The project goal and objectives focused on ecosystems than people	Not applicable	<p><b>Goal:</b> To rehabilitate tsunami-affected ecosystems in Sri Lanka to provide full ecosystem services including adaptation against extreme climatic events</p> <p><b>Development objective:</b> to mainstream restoration and conservation management of globally important ecosystems affected by the tsunami into the reconstruction process to support sustainable livelihoods and to reduce vulnerability to climate change along the East Coast of Sri Lanka.</p>	<p><i>Comp. A.</i> Development and demonstration of best practices for effective restoration and sustainable management of key coastal ecosystems, with integration of adaptation to climate change vulnerabilities.</p> <p><i>Comp. B.</i> Mainstreaming effective ecosystem restoration and sustainable management, including integrated options to address for climate change vulnerabilities, into the planning and implementation of post-tsunami reconstruction.</p> <p><i>Comp.C.</i> Empowerment of coastal communities for local natural resources management, enhancing sustainable livelihoods and adaptation to climate change vulnerabilities</p>
<b><u>Ongoing core projects</u></b>				
StaRR Eight neighbouring districts in central and southern Sri Lanka: Southern Province (Galle and Matara Districts), Sabaragamuwa Province (Ratnapura	<p>A total of 144,000 people, or 32,000 households, expected to benefit.</p> <p>Existing poor smallholder tea growers having less than one hectare of unproductive tea land</p> <p>Smallholders having a holding</p>	<p>The targeted districts selected based on their replanting potential of tea, potential for expansion of rubber, addressing environmental concerns, and high poverty incidences.</p> <p>Within each tea district, the selection of Divisional Secretary Divisions for cultivation would be based on the need for replanting and higher poverty incidence. Individual</p>	<p><b>Goal:</b> To enable poor rural people to improve their food security, increase their incomes and strengthen their resilience.</p> <p><b>Development objective:</b> to ensure that smallholders' economic activities in tea and rubber become more productive, profitable and resilient.</p>	<p><i>Comp.1: Tea smallholders development</i></p> <ul style="list-style-type: none"> <li>• <i>Sub-comp. 1.1: Strengthening tea societies in production and marketing</i></li> <li>• <i>Sub-comp. 1.2: Market driven production support in tea</i></li> <li>• <i>Sub-comp. 1.3: income and market diversification for tea smallholders.</i></li> </ul> <p><i>Comp.2: rubber smallholders development</i></p> <ul style="list-style-type: none"> <li>• <i>Sub-comp.2.1: Strengthening rubber</i></li> </ul>

<b>Project (geographical coverage)</b>	<b>Target group definition</b>	<b>Targeting consideration by design</b>	<b>Goal/objectives</b>	<b>Components</b>
District), Uva Province (Badulla and Moneragala Districts), Central province (Kandy and Nuwara Eliya Districts), Eastern Province (Ampara District).	of one hectare of rubber, to be selected by poverty level.	poverty will be targeted by selecting smallholders with less than one hectare. In both cases the lands and people would be selected in close consultation with the staff of TSHDA and RDD.		<p><i>societies</i></p> <ul style="list-style-type: none"> <li>• <i>Sub-comp.2.2: Market driven rubber production support</i></li> <li>• <i>Sub-comp.2.3: Income and markets diversification for Rubber smallholders.</i></li> </ul> <p><u>Comp. 3: inclusive rural financing</u></p> <ul style="list-style-type: none"> <li>• <i>Sub-comp.3.1: facilitating access to financial services</i> <ul style="list-style-type: none"> <li>• <i>Sub-comp. 3.2: supporting implementation arrangements.</i></li> </ul> </li> </ul>
SAP	<b>57,500</b> poor rural households with the potential to become active economic players in a diverse array of value chains and under the framework of public-private-producer partnerships (4P) schemes.	<p>The targeting strategy is based on leveraging existing mechanisms for change and rural transformation, building on synergies and (NADeP) scaling up potential.</p> <p>National coverage, but with special attention and preference given through an evaluation/selection process, to low income districts and where agri-production potential is high..</p> <p>A gender strategy to ensure women's inclusion across the three target subgroups, promoting their economic empowerment through their inclusion in productive activities; the use of labour-saving technologies to free up time and support to give voice and enhance women's leadership within their communities and rural organizations will also be pursued.</p>	<p><b>Goal:</b> to contribute to Sri Lanka's smallholders' poverty reduction and competitiveness.</p> <p><b>Objective:</b> to sustainably increase the income and quality of diet of <b>57,500</b> smallholder households involved in commercially-oriented production and marketing system.</p>	<p><u>Component 1: Access to commercial partnerships</u></p> <ul style="list-style-type: none"> <li>• <i>Sub-component 1.1: Establishing 4Ps</i> <ul style="list-style-type: none"> <li>• <i>Sub-component 1.2 Institutional strengthening and capacity building of producer groups</i></li> </ul> </li> </ul> <p><u>Component 2: Access to rural finance</u></p> <ul style="list-style-type: none"> <li>• <i>Sub-component 2.1: Financing of 4Ps</i> <ul style="list-style-type: none"> <li>• <i>Sub-component 2.2: Institutional strengthening for the financial services sector</i></li> </ul> </li> </ul> <p><u>Component 3: Programme management and policy dialogue</u></p> <ul style="list-style-type: none"> <li>• <i>Sub-component 3.1: programme and knowledge management</i></li> <li>• <i>Sub-component 3.2: Policy dialogue</i></li> </ul>



# IFAD operations in Sri Lanka: portfolio analysis and complementary data

Figure XII (a)-1  
**Total project financing (up to 2017) for eight loan-financed projects by component type (with SAP)**

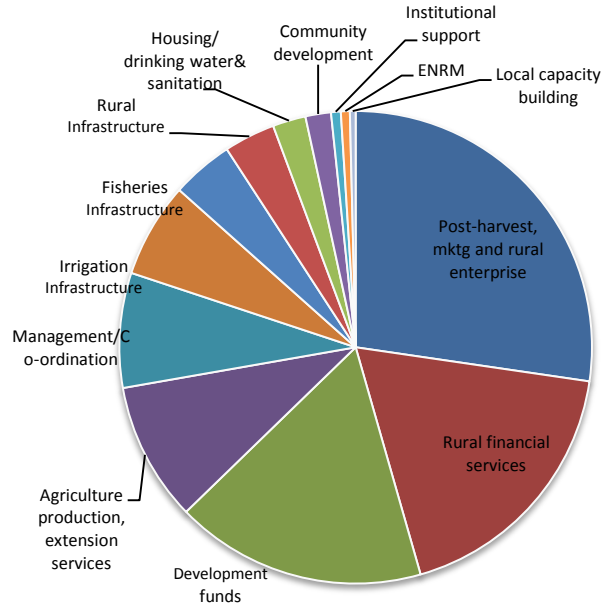


Figure XII (a)-2  
**Total project financing for seven loan-financed projects by component type (without SAP)**

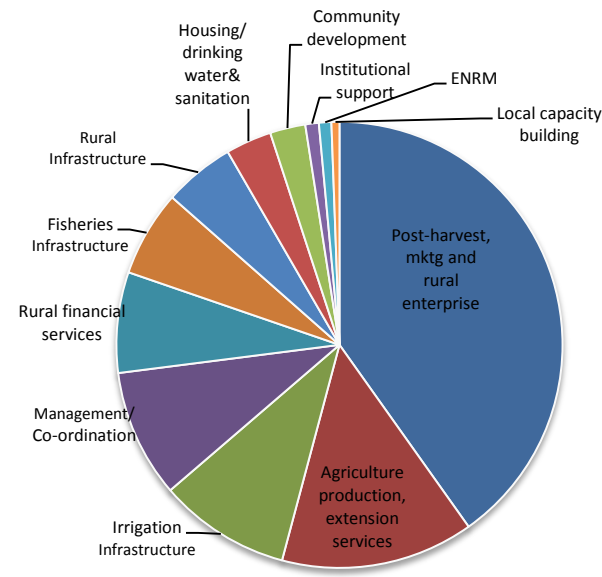
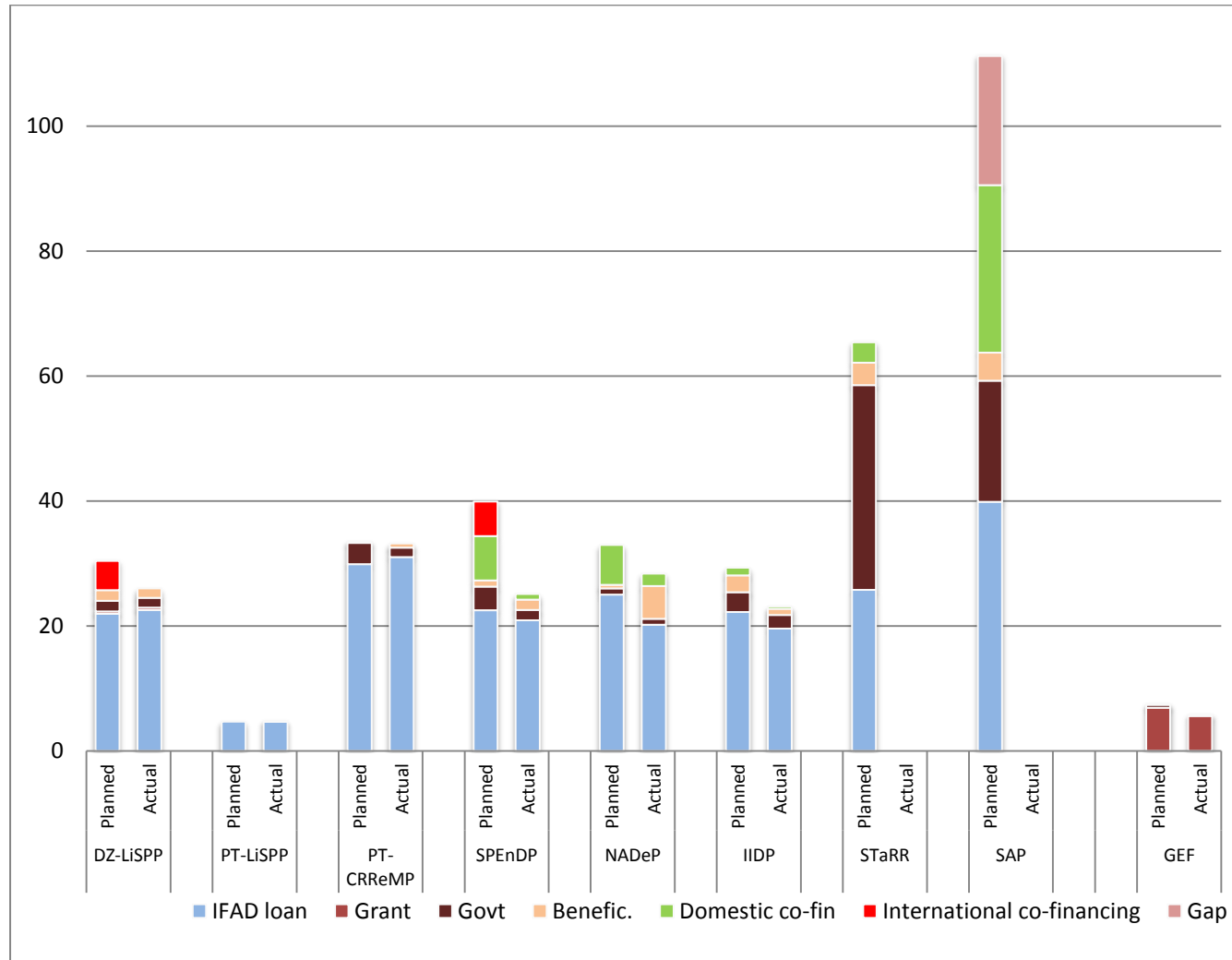


Figure XII (b)  
**Planned and actual project financing by financier (US\$ million)**



**Key points**

- \* SAP by far the largest operation - still with financing gap
- \* IFAD financing for SAP the largest
- \* Government financing relatively small and always lower than planned - significantly increased for STaRR & SAP as per plan
- \* Utilization level for IFAD financing at project end generally good
- \* Most of co-financing planned often not materialized

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As of August 2018

Figure XII (c)  
Evolution of thematic areas

Key Themes	DZ-LiSPP 2005-13	PT-LiSPP 2006-10	PT-CRReMP 2006-13	SPEndP 2007-16	GEF 2009-16	NADeP 2010-17	IIDP 2012-17	STaRR 2016-22	SAP 2018-23
Components									
Production	●			●		●	●	●	●
Access to markets	●			●		●	●	●	●
Access to financial services	●		●	●		●	●	●	●
Infrastructure	●						●		
Reconstruction / infrastructure		●	●						
Natural resource management			●		●				
Importance →	● High		● Medium		● Low				
			Core projects		Post-crisis components				

## Supporting data and tables for CSPE assessment

### [Section: III. A. Effectiveness]

Table XIII (a)-1

#### Outreach number of planned and actual beneficiaries – completed core projects

Projects	Number of beneficiary households		Target group per design document	CSPE comment
	Planned	Reported		
DZ-LiSPP	80,000 a/	121,993 hh d/	All persons living in selected GNDs with focus on poorest and low caste people	Reported number likely to include double counting
SPEndP	8,700 a/	19,000 hh e/	HADABEM and Mahaweli settlers (tea) Landholders in Monaragala interested in growing rubber	Planting targets were increased at MTR
NADeP	57,900 a/	44,283 hh f/	Small farmers (<1ha), women and landless, especially youth	Reported number likely to include double counting
IIDP	7,000 a/	14,708 direct 10,920 indirect g/	Total population of farmers with land in the command area plus those outside within 500m.	

a/ According to appraisal reports/design document

d/ PCR estimate from various interventions; excludes indirect beneficiaries from infrastructure development. IOE Impact Evaluation Report considered double counting likely.

e/ PCR estimate. Includes indirect beneficiaries from road development

f/ PCR estimate. Includes beneficiaries from 4Ps, microfinance and training and very likely included double counting. Excludes indirect beneficiaries.

g/PCR estimates, also confirmed in PCR Validation Report

Table XIII (a)-2

#### Outreach number of planned and actual beneficiaries – post-disaster interventions

Projects	Number of beneficiaries		Target group per design document
	Planned	Reported or estimated	
PT-LiSPP	NA a/	23,250 hh direct 35,550 hh indirect d/	Poor rural women and men in tsunami-affected fishing communities
PT-CRReMP	50,000 hh b/	14,550 hh direct 90,180 hh indirect e/	Poor rural women and men in tsunami-affected communities who experienced loss of assets
GEF		NA c/	Rural poor, particularly women in disadvantaged areas

a/ Fast-tracked project design did not estimate number of beneficiaries beyond 300 families to receive new houses. The number of beneficiaries from infrastructure re-building was not estimated

b/ Project design report. No appraisal report prepared due to fast-track processing

c/ Project design document says beneficiaries to be identified from the 800,000 displaced persons during project implementation. Terminal evaluation review stated that the project eventually targeted 1,300 households (executive summary) or 2,300 households (main report). Actual number of beneficiaries was not assessed.

d/ PCR estimated 104,635 people were direct beneficiaries, and 160,000 indirect: equivalent to around 23,250 hh and 35,550 hh (based on 4.5 persons/hh)

e/ PCR estimated 65,840 people were direct beneficiaries, and 405,800 indirect: equivalent to around 14,550 hh and 90,180 hh (based on 4.5 persons/hh)

Table XIII (b)  
**Project achievements for rural income diversification**

<i>Project</i>	<i>Main support for enterprise development</i>	<i>Key output data</i>	<i>Results on rural income diversification</i>
DZ-LiSPP	Loans (LoC), entrepreneurship training, technical training	(1) 1,646 enterprises supported with training (25% new enterprises, 52% accessed project-sponsored bank loans). (2) 2,714 beneficiaries provided with funds under the Apeksha loan scheme (run by the Women's Bureau), 31% for trading	The project supported mostly microenterprises (PCR para 25, 62), although there were cases of supporting larger enterprises. Available data indicate positive results (also see the section on rural poverty impact)
SPEnDP	Matching grants, loans (LoC), training	Over 1,000 matching grants, 2/3 of which for dairy. Various non-agricultural enterprises including carpentry, tailoring, masonry. There were also over 3,700 loans supported.	High success rates, but targeting issue, in particular with matching grants.
IIDP	Formation of 5-7 member groups and savings and credit	515 training sessions on business planning 150 groups (5-7 member) formed	No data. These were of fairly minor importance compared to the main investment in irrigation rehabilitation.
NADeP	Loans (mainly self-help group and youth schemes), training	Over 40 per cent of the self-help group loans and 50 per cent of youth loans were for small business, trade and services.	

LoC: Credit lines provided through the project

Table XIII (c)  
**Outputs for rural road construction/rehabilitation**

<i>Project</i>	<i>Reported outputs</i>
DZ-LiSPP	Construction of 740 km of access roads
SPEnDP	43 km (381 road segments) in mid-country, 88 km (96 segments) in Monaragala
IIDP	25 km of main farm roads concreted, 20 km of gravel roads improved

Source: DZ-LiSPP impact evaluation report (IOE 2013); SPEnDP PCR and PPE, IIDP PCR and PCRV

Table XIII (d)

**NADeP finance component output data****NADeP provided refinancing for loans under several different windows as follows:**

Window	No of borrowers	Percent women	Amount disbursed (LKR millions)	Percent recovered
SHGs	6 997 (2 997 groups)	74	1,050	40%
Youth	1 863	63	288	16%
4P Capital	2 352	62	126	30%
4P Seasonal	5 323	49	302	48%
PERL	1 822	55	134	0%
Total	18 357	62	1,901	34%

- Loans to members of self-help groups (SHG) including 2,997 groups and 6,997 members (average 2.3 members per group) of whom almost three quarters were women. The SHG loans were for a range of activities including: agribusiness 35 per cent, trade and services 28 per cent, livestock 16 per cent, small industries 15% and fisheries 5 per cent. At May 2018 NADeP had financed loans worth LKR 1,050 million of which 40 per cent had been recovered by CBSL and 60 per cent was outstanding.
- Youth loans had been advanced to 1,863 end-borrowers for a similar range of activities, of whom 63 per cent were women. Of the LKR 288 million advanced only 16 per cent has been recovered by May 2018.
- 4P capital loans were advanced to 2,352 end-borrowers, of whom 62 per cent were women. These were to support investment by members of 4P groups with the majority of lending allocated to maize and dairy production. Of the LKR 136 million advanced 30 per cent has been recovered by May 2018.
- 4P seasonal loans were advanced to 5,323 end-borrowers, of whom 49 per cent were women. Over 90 per cent of the loans were for maize production inputs, with a higher (48 per cent) recovery rate at May 2018 reflecting the short-term nature of these loans – but still low due to the drought.
- Post-disaster economic recovery loan (PERL) scheme advanced loans to 1,820 end borrowers almost all for drought recovery, of whom 55 per cent were women. By May 2018 there was a zero recovery rate on these loans.

## [Relevant report section: III. A. Efficiency]

Table XIII (e)

### Timeline between approval to first disbursement (months)

	<i>Approval to signing</i>	<i>Signing to effectiveness/ entry into force<sup>a</sup></i>	<i>Approval to effectiveness/ entry into force</i>	<i>Effectiveness to first disbursement</i>	<i>Approval to first disbursement</i>
DZ-LiSPP	3.2	12.4	15.6	7.9	23.6
PT-LiSPP	7.5	3.3	10.8	11.6	22.4
PT-CRRreMP	7.5	10.6	18.2	4.3	22.4
SPEnDP	4.8	6.1	10.9	3.1	14.0
GEF	19.9	0 <sup>a</sup>	19.9	9.3	29.2
NADeP	2.3	0 <sup>a</sup>	2.3 <sup>a</sup>	13.2	15.4
IIDP	2.3	0 <sup>a</sup>	1.6 <sup>a</sup>	13.4	15
STaRR	4.4	0 <sup>a</sup>	4.4 <sup>a</sup>	12.1	16.5
SAP	2.6	0 <sup>a</sup>	2.6 <sup>a</sup>	3.7	6.3
Sri Lanka portfolio Average	6.1	8.1 <sup>b</sup>	9.6 <sup>b</sup>	8.7	18.3
APR average*	4.3	7.2	11.6	8.7	17.7

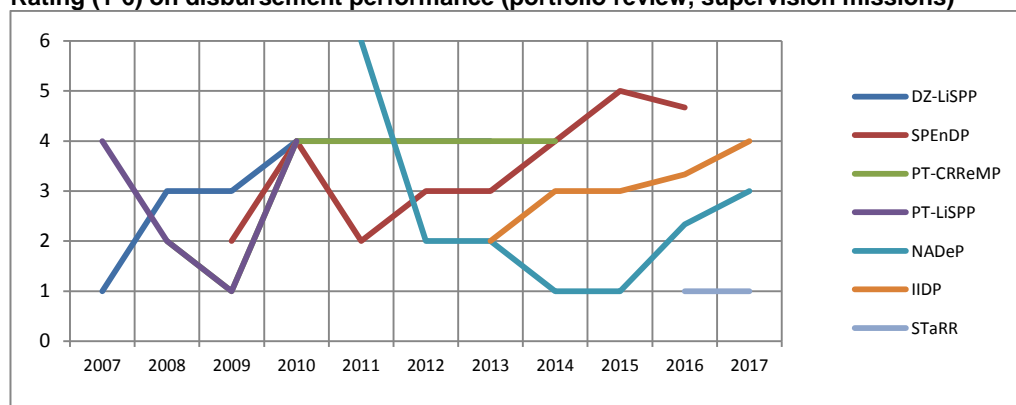
\* For projects in APR approved between 2000 and 2015.

<sup>a</sup> Since the General Conditions for Agricultural Development Financing were amended in September 2009, financing agreements between IFAD and governments enter into force upon the signature by both parties (unless the respective financing agreement states that it is subject to ratification). Prior to this, financing agreements used to contain conditions for effectiveness, upon fulfilment of which the financing agreement was declared effective. Hence, for the financing agreements signed after this change, the date of effectiveness, or now called "entry into force" is the same day as the date of the financing agreement.

<sup>b</sup> In light of the point above, the average is computed with data on DZ-LiSPP, PT-LiSPP, PT-CRRreMP and SPEnDP.

Figure XIII (f)

### Rating (1-6) on disbursement performance (portfolio review, supervision missions)



Source: Project status report database (2007 to 2018)

Table XIII (g)

**Overview of data available for assessing rural poverty impact**

<i>Project</i>	<i>Baseline</i>	<i>Endline</i>	<i>Other data</i>	<i>Notes</i>
DZ-LiSPP	Household baseline survey (2,500 households)	The thematic studies by the Hector Kobbekaduwa Agrarian Research and Training Institute (HARTI)*	Impact evaluation conducted by IOE (2013)	IOE impact evaluation report is the main document reviewed for assessing the rural poverty impact.
PT-LiSPP	None	None	None	Little information available for assessing project impact.
PT-CRRReMP	Yes, but the report is not available to the CSPE team.	RIMS and household survey, including 500 beneficiaries and 250 non-beneficiaries	None	No information on the methodology used to construct a valid counterfactual. No information on how the sample size was calculated.
SPEnDP	RIMS and household baseline survey, including 900 beneficiaries, and 100 control farmers. (2010)	Household survey (1,200 in mid-country including 861 beneficiaries and 1,381 in Monaragala including 963 beneficiaries)	None	Though there is a baseline survey, absence of balance check to confirm the validity of the control group as a counterfactual group.  Endline didn't utilize the baseline data.  - The impact evaluation used the propensity score matching approach in identifying a suitable comparison group in the same area of the treatment group based on a set of observable variables.
IIDP	Report was not available to the CSPE team	Household survey, comprising 629 beneficiary households of which 87 were female headed households.	None	Lack of counterfactual group, and the underrepresentation of female headed households cast doubts on the validity of the sampling method, which was not clearly documented.
NADeP	18 baseline studies were conducted for individual 4P business plan with various sample sizes (2016).  No baseline for the Component 2 of Microfinance	Impact Assessment Report (2017), including  Component 1: 601 beneficiary households and 33 control households;  Component 2: 204 beneficiary households, and 32 control households.	Value chain studies by IOE (2018)	The methodology for baseline studies were not standardized, which were undertaken by three different survey firms. The impact assessment (2017) didn't utilize the baseline survey due to the above mentioned problems.

\* HARTI, M.M.M. Aheeyar and M.A.C.S. Bandara. Impact of Small Scale Irrigation Rehabilitation and Water Management under Dry Zone Livelihood Support and Partnership Programme (DZ-LiSPP), Colombo, August 2013

HARTI, R.P. Vidanapathirana and W.H.D. Priyadarshana. Vegetable Collection Centres in Badulla and Moneragala Districts: Impacts & Lessons, Colombo, September 2012.

HARTI, J.K.M.D. Chandrasiri and R.L.N. Jayatissa. Impacts and Lessons of Microfinance Component of the Dry Zone Livelihood Support and Partnership Programme, Colombo, October 2012



## [Results from NADeP 4P value chain study]

Table XIII (h)-1

Differences in means of Access to land and irrigation between beneficiary and control samples (1=beneficiary; 0=control)

Variable	Description	Beneficiary (N=222)		Control (N=87)		T-test
		Mean	SE	Mean	SE	
Total cultivated land extent	Acres	4.10	0.38	2.79	0.41	1.95**
Owned cultivated land extent	Acres	2.99	0.23	2.43	0.37	1.31
Irrigation availability	1=Yes; 0=No	0.76	0.03	0.77	0.04	-0.16
Irrigation system	Rain water	0.67	0.03	0.72	0.05	-0.90
	Minor irrigation	0.18	0.02	0.23	0.04	-0.99
	Major irrigation	0.12	0.02	0.02	0.02	2.61***
	Other	0.03	0.01	0.02	0.02	0.40
Water source	Well	0.41	0.03	0.34	0.05	1.05
	Tube-well	0.03	0.01	0.08	0.03	-1.86*
	Lake	0.07	0.02	0.14	0.04	-1.82*
	River/stream	0.03	0.01	0.00	0.00	1.55
	Tap	0.03	0.01	0.01	0.01	0.99
	Irrigation canal	0.18	0.03	0.19	0.04	-0.21
	Other sources	0.24	0.03	0.23	0.04	0.25

Note: \*\*\*, \*\*, and \* indicate statistical significance at 1%, 5% and 10%, respectively.

Table above shows the differences in means of access to land and irrigation resources between beneficiary and control samples. The data indicate that there is no significant difference in most of the variables other than the total land size of cultivation.<sup>305</sup> However, there is no significant difference in owned cultivated land extent between the two groups. While beneficiary farmers have more access to major irrigation systems than the control farmers, the latter use tube-wells and lake as the main water source more than the former. Other than these variations in the sample, beneficiary and control samples match each other quite well.

Table XIII (h)-2

Probit regression estimates of propensity scores for participation in 4P (1=beneficiary; 0=control)

Variable <sup>306</sup>	Coefficient	SE	P>z
<b>Male headed HH</b> (1=Yes; 0=No)	-1.126	0.497	0.023**
<b>AGE</b> (Years)	0.004	0.009	0.637
<b>Education</b> <sup>307</sup> Primary (1=Yes; 0=No)	0.781	0.691	0.258
Junior Secondary (1=Yes; 0=No)	0.598	0.680	0.379
Senior Secondary (1=Yes; 0=No)	0.514	0.699	0.462
Tertiary (1=Yes; 0=No)	0.683	0.746	0.360
<b>Employment</b> Private (1=Yes; 0=No)	-0.429	0.498	0.389
Self (1=Yes; 0=No)	-0.397	0.417	0.341
Other (1=Yes; 0=No)	-0.904	0.602	0.134
<b>Household Size</b> (Number)	-0.077	0.065	0.239
<b>Wealth Score in 2015</b> (Index)	0.002	0.053	0.974
<b>Total Land</b> (Acres)	0.061	0.025	0.015**
<b>Irrigation availability</b> (1=Yes; 0=No)	-0.269	0.245	0.273
<b>Irrigation Method</b> Small Irrigation (1=Yes; 0=No)	-0.072	0.265	0.786
Large Irrigation (1=Yes; 0=No)	1.034	0.498	0.038**
Other (1=Yes; 0=No)	0.395	0.560	0.480
<b>Housing Condition</b> 2 storied (1=Yes; 0=No)	-0.579	0.733	0.430
Hut/Slum (1=Yes; 0=No)	-0.133	0.371	0.721
<b>Owned housing</b> (1=Yes; 0=No)	0.100	0.401	0.803
Number of observations =298; LR chi2(32)=47.32; Prob > chi2=0.098; Log likelihood=-155.40; Pseudo R2=0.1321			

Note: (1) \*\*\*, \*\*, and \* indicate statistical significance at 1%, 5% and 10%, respectively

<sup>305</sup> This difference can be explained partly by comparatively higher percentage of household heads in the beneficiary group who are self-employers or farmers (80%) compared to that of 69% in control group.

<sup>306</sup> District controls were included in the estimation.

<sup>307</sup> Education levels of Primary, Junior Secondary, Senior Secondary and Tertiary correspond to Grade 1-5, Grade 6-9, Grade 10-11 and University and above respectively.

The factors that affect the likelihood to be included in 4P programmes are estimated using a probit model (table above). The likelihood ratio statistics of  $-155.40$  suggested that the estimated model is statistically significant at the 10% level with a pseudo- $R^2$  value of 0.13.<sup>308</sup>

The results indicate that when the extent of land availability increases, there is a high probability to participate in 4P programmes. Farmers in large irrigation schemes are more likely to participate in 4P programmes than the rain-fed and small irrigation scheme farmers.

Additionally, a breakdown of the wealth categories using the household assets of 2015 indicated that the farmers in the 3<sup>rd</sup> (significant at 95%) and 4<sup>th</sup> income quintile (not significant) have higher chances to be included in the 4P, for both the entire sample and also for the dairy farmers. Maize company tended to target households with better access to irrigation. Bee keeping beneficiaries were found to be poorer in general: slightly younger, with lower education level, and having less land.

Table XIII (h)-3

**Frequency and percentage of beneficiaries who obtained technical training by product and company**

Product	Company	Frequency	Percentage
Maize	CIC	13	52
	Nelna	20	80
Dairy	Cargills	12	50
	CIC	12	50
	Chello	19	76
Bee-keeping	CBL	17	74
	Heyleys	13	52
Gherkin	Heyleys	20	95
F&V	Cargills	20	83
Total		149	69

Almost two third of the beneficiary sample were given general and product based training for each company and producer. Out of 9 companies, almost half of beneficiaries in four companies did not obtain any technical training. Contrary, more than 70% of beneficiaries in other 5 companies have achieved technical training.

Table XIII (h)-4

**Percentage by selling mode 2014 and 2017**

Selling mode	2014		2017	
	Beneficiary	Control	Beneficiary	Control
Local trader/collector	29	52	17	36
Local market/shop	10	14	0	5
Company collector	57	34	82	60
Other companies	2	0	1	0
Other	1	0	1	0
Total	100	100	100	100

About 57% of beneficiaries and 34% of control sample sold their products to the company collectors before 2015. However, percentage of beneficiaries and control sample selling their products to the NADeP-supported 4P companies increased substantially. In 2017, 82% of beneficiaries and 60% of control group sold to the respective companies.

<sup>308</sup> McFadden's pseudo  $R^2$  values tend to be considerably lower than those of the  $R^2$  index and values of 0.2 to 0.4 for pseudo  $R^2$  represent a better fit (McFadden, D., 1974. "Conditional logit analysis of qualitative choice behavior." Pp. 105-142 in P. Zarembka (ed.), Frontiers in Econometrics.

Table XIII (h)-5

**Aspects of NADeP support appreciated by beneficiaries**

Reason	Freq.	Percent
High price	20	10.4%
Continuous buying	39	20.3%
Easy access and shorter distance to the points of selling produce/Markets	52	27.1%
Facilitated the access to credit	22	11.5%
Trainings received from the project	24	12.5%
Inputs (seeds, fertilizer, etc.) received from the project	32	16.7%
Others(Specify)	3	1.6%
Total	192	100.0%

Among 190 farmers who have commented on the benefits NADeP has brought in, access to market and continuous buying were highlighted as the two most important factors. Additional supports provided by NADeP (including financial access training, and inputs) were also remarked as important benefits by the farmers (40.6%).


Table XIII (h)-6

**Aspects less appreciated by beneficiaries**

Reason	Freq.	Percent
Low price	38	30.4%
No continuous buying	3	2.4%
Distance to the buyer/collector is far	16	12.8%
Difficulty in meeting their requirements	11	8.8%
No other services (inputs, information, etc.)	16	12.8%
Not getting feedback from the farmers	5	4.0%
Drought	3	2.4%
Implementation issues (e.g. Delayed payments and delivery of inputs)	3	2.4%
Others(Specify)	30	24.0%
Total	125	100%

As for the less positive perception of NADeP-supported 4Ps, low price was highlighted by 30.4% of the farmers. Other main challenges include long distance to the collector (12.8%), lack of other service provided (12.8%), and difficulty in meeting the buyers' requirement (8.8%). Among other reasons, lack of information on the services provided by the project was also highlighted.

**Satellite images XIII (i): green belt projects in two sites supported under the GEF project**

Evolution of the green belt project in Kallady		
26/09/2012	11/10/2014	17/10/2018
		
	The planed area is estimated to be 0.72 ha	After four years, about 0.35 ha still exists.

<p>Pamana sand dune</p>	
<p>09/04/2014</p>	<p>18/10/2018</p>
	
<p>The sand dune area is estimated to be 18.8 ha.</p>	

## List of selected 4Ps supported by NADeP and CSPE assessment

Commodity, area	Producers involved	Private sector partners	Sub-project context & description, key elements of NADeP support	Pre-NADeP relationship with company	Results, CSPE comments	Additionality
Kithul (Ratnapura)	100	Company engaged in kithul sap collection, processing and marketing	<ul style="list-style-type: none"> <li>Provision (in grant) of safety kits for kithul tappers (safety jacket, helmet, belt, etc.)</li> <li>Linkage with bank loans (LKR60,000 per loan) intended for setting up improved primary processing facility (energy-efficient oven in a separate structure with better containment of ashes hence better quality products)</li> <li>Facilitation of insurance schemes for tappers in case of deaths/accidents linkage with bank loans to finance</li> <li>Company also introduced improved technology ("KASPER technology") for increasing sap yield and tapping days.</li> </ul>	<p>Not much relationship or occasional and not structure</p> <p>(Producers had always been engaged in kithul production but selling was ad hoc, sometimes through collectors in the village, etc.)</p>	<ul style="list-style-type: none"> <li>Clear case of value addition by the project with impact</li> <li>Positive results include: (a) more structured selling-buying relationships; (b) adoption of improved technologies (production, primary processing); (d) increased incomes from kithul (though not the main source for the majority of members); (e) better safety of tappers; and (g) reduced social stigmatization associating "kithul tappers" with alcoholism and better recognition of kithul tapping as a profession and guardian of the tradition.</li> <li>The loan amount was the same for every one regardless of the real needs</li> </ul>	High
Sugarcane (Ampara)	272 (1,400 farmers proposed but only 272 supported due to most being on the Credit Information Bureau list. Out of 272, only 25 are outgrowers and the rest work on company-managed sugarcane designated areas)	Operates 5,200 ha of state land "leased" to farming families, who are allowed to grow only sugarcane. Outside this area, there are also 600 families as "outgrowers".	<ul style="list-style-type: none"> <li>Programme support basically comprised lower interest bank loan (6.5%, instead of the higher interest loan offered by the company) and equipment on grant (bush cutter and inter-cultivator/rotavator).</li> <li>The company was providing loans to farmers in kind even before NADeP providing inputs and services and recovering it by deducting from the payments for produce. <ul style="list-style-type: none"> <li>The sugarcane farmers supported by NADeP were connected with an insurance company, to insure against loss of crops (due to animal attack, natural disasters, etc.).</li> </ul> </li> </ul>	<p>Relationship pre-existed (inputs provision, loan facility by the company, buying)</p> <p>Most of the producers supported have operated in the company-managed area with no other option but to grow sugarcane and sell them to the company prior to NADeP.</p>	<ul style="list-style-type: none"> <li>Most of the farmers engaged in "4P" (about 90%) are those who are allowed to cultivate only sugarcane and who have been supplying to the company because their farms are in the company managed sugarcane designated areas. The main value addition by NADeP has been subsidized interest rate loans compared to those that have been normally provided by the company, and some grant-financed support (equipment). Due to lower interest payments and equipment that contributes to reducing labour costs, farmers could get higher incomes and this is positive for farmers, but there is a question on whether this can be considered as a successful case of partnerships.</li> </ul>	Low
Dairy (Hambantota)	100 (75 15 litres farmers and 25 25 litres farmers. A baseline survey was conducted to select farmers, including	The company only operates in dairy industry with a milk factory and its processing capacity is 25,000 litres a day.	<ul style="list-style-type: none"> <li>Provision (in grant and credit) of water pump with accessories, water tanks with stands, fertilizer, fodder seeds, cattle feed, minerals (100 units respectively to all the farmers); sheds with auto-drinks and utensils kits, barbwire rolls, 10L milk cans for 75 smaller farmers who produce 15 litres of milk; auto-</li> </ul>	The company had a chilling center in the area before NADeP. According to the value chain study, more than 50% of the producers already had business with the	<ul style="list-style-type: none"> <li>The company would engage with the producers in this area anyway due to the chilling center built.</li> <li>Results include: increased production (estimated to be 30%, but this was a general trend in the area); and reduced transportation costs as collects came to</li> </ul>	Medium

Commodity, area	Producers involved	Private sector partners	Sub-project context & description, key elements of NADeP support	Pre-NADeP relationship with company	Results, CSPE comments	Additionality
	number of cows, land size, cattle sheds, etc. 100/200 better off farmers were selected.)		<p>drinkers, grass choppers, and 20 L milk cans for 25 medium-size farmers, who produce 25 litres of milk.</p> <ul style="list-style-type: none"> <li>Additionally, the company provided extension and training service and insurance.</li> </ul>	<p>company.</p> <p>There existed a dairy producer society before the project</p>	<p>buy from the farm gate.</p> <ul style="list-style-type: none"> <li>The quality was claimed to have increased, but there was no price difference for selling. This was due to the lack of device to measure the fat content.</li> <li>The company is planning to establish a processing facility with high capacity in another location and is interested in working with SAP. But this may in turn affect the established partnership with producers in Hambantota area.</li> </ul>	
Dairy (Anuradhapura, Pollonnaruwa, Kilinochchi, Jaffna, Kurunegala)	About 2,300 Initial proposal was 2700 (2000 small scale farmers and 700 medium scale farmers), but the actual number was less because of being on the Credit Information Bureau list.	<p>Sri Lanka's leading Retail and fast-moving consumer goods Company listed in the Colombo Stock Exchange.</p> <p>It has over 20,000 farmer suppliers across all businesses.</p>	<ul style="list-style-type: none"> <li>Equipment were provided (in grant and credit) to farmers. All the farmers were given milking cans. Milking machines and grass choppers for the medium scale farmers (20% loan and 80% grant) and cattle sheds for others depending on the current availability.</li> <li>Technical assistance provided to farmers related to equipment use, hygienic milking, animal feeding, and book keeping.</li> <li>A chilling centre has been established roughly for 10 farmers' societies to encourage evening milking</li> </ul>	<p>Well established and organized dairy outgrower system before entering in to NADeP partnerships in all the project areas.</p> <p>Dairy producer societies already existed. The company also ran a CSR welfare scheme (i.e. Sarubima) to support farmers' major life events and child education through the producer society.</p>	<ul style="list-style-type: none"> <li>Even though the partnership between producers and the farmers existed before NADeP, the provision of training and production inputs assisted the farmers to expand their business and positive results generated. <ul style="list-style-type: none"> <li>Positive results include: increased production (driven by increased number of cows and evening milking), and high sustainability.</li> <li>Remaining challenges include: the designs of cattle sheds and milking machines are not suitable for producers in the Northern province; lack of efficient AI service; and absence of device to test milk fat content in order to give individual price to the producer.</li> </ul> </li> </ul>	Medium
Dairy (Dambulla, Thambuttegama, Kanthale, Madirigiriya, Siddapura & Muthuwela)	1118	<p>It is a Sri Lankan conglomerate and its businesses includes agribusinesses, paints, animal feed, pharmaceuticals and industrial chemicals and many others.</p>	<ul style="list-style-type: none"> <li>Provision of milking machine and cattle sheds to a small portion of farmers (in credit and grants).</li> <li>Supply of mini chilling tanks to identified secretary of milk societies.</li> </ul>	<p>Well established and organized dairy outgrower system before NADeP.</p> <p>Dairy producer societies already existed in the area.</p> <p>The company has run the CSR welfare scheme.</p>	<ul style="list-style-type: none"> <li>Even though, the partnership between producers and the farmers existed before NADeP, the provision of training and production inputs assisted the farmers to expand their business and positive results generated.</li> <li>NADeP missed the opportunity to address the bottlenecks hindering the development of the dairy industry, absence of efficient AI service. <ul style="list-style-type: none"> <li>Positive results include a significant increase in production and increased price; but no significant yield increase that the production is mainly driven by the increase of cattle sizes.</li> </ul> </li> </ul>	Medium

Commodity, area	Producers involved	Private sector partners	Sub-project context & description, key elements of NADeP support	Pre-NADeP relationship with company	Results, CSPE comments	Additionality
Organic maize (Anuradhapura)	1682 (out of 2000 proposed by the company, but the bank only cleared 1260 applicants after multiple submission of applicants.)	A poultry company. To promote organic chicken, they started this partnership with NADeP in the area where organic maize is cultivated.	<ul style="list-style-type: none"> <li>Capital loans and seasonal loans were provided for a 3-year project cycle for agro well, drip irrigation system, bush cutter, machine for land preparation, and fertilizer.</li> <li>Training was provided for quality seed usage, crop practices, and post-harvest technology etc.</li> <li>Contract was signed between the company and the FO, FO then sign with individual farmers.</li> <li>Farmers had issues with the FO as the FO was converted from a Micro Finance Organization (Pragathi Micro Finance) and worked as a middleman, but the company didn't want to start a new FO due to the time required to start a farmers society. <ul style="list-style-type: none"> <li>The loan size increased after IFAD's supervision mission.</li> </ul> </li> </ul>	New	<ul style="list-style-type: none"> <li>Challenges include the low adoption of some training techniques (e.g. even though training was provided on forage preparation, the tools used in the demonstration were not available for producers), lack of device to test milk quality at farm gate, and Ai service.</li> <li>The partnership started due to NADeP, but a number of implementation challenges and external factors affected the effectiveness of the partnership and the trust between farmers and the company.</li> <li>Lack of proper guideline/procedures manual from NADeP led to implementation issues. <ul style="list-style-type: none"> <li>Seasonal loans were not provided in a timely manner due to the lack of orientation to the bank managers and CRIB issues.</li> </ul> </li> <li>Grant fund reimbursement delayed badly, affecting the equipment distribution. The grant flow was problematic that the money was disbursed from the RDB to individual farmer's bank account, while the equipment was provided to the farmers on credit base by the company and some farmers were unwilling to transfer the money to the company. <ul style="list-style-type: none"> <li>The severe drought badly affected the production (16/17), additionally normal maize price increased significantly that farmers were selling to other companies, causing loss.</li> </ul> </li> <li>Nevertheless, despite of the challenges, the company is still interested in working with SAP if problems can be fixed.</li> </ul>	Medium
Gherkin (Jaffna district)	Reported as 1602. The CSPE team met representatives of two groups, with a total of 65 members initially, 45 continuing	Major agribusiness company with facility for processing gherkins for export. Around 2,000 suppliers in Northern Province organised into 75 farmer groups.	<ul style="list-style-type: none"> <li>Initiated gherkin production in Jaffna district in 2016 where gherkins were not previously grown.</li> <li>Farmer group members provided with drip irrigation equipment and water tanks. Grading equipment provided to group leader. <ul style="list-style-type: none"> <li>Equipment funded by matching grants channelled through HNB. No loans advanced.</li> </ul> </li> <li>Company provides intensive training and agronomic support.</li> </ul>	All group members are first time gherkin growers with no previous contract farming experience	<ul style="list-style-type: none"> <li>Growers generally satisfied with the project. Ones that dropped out are mainly due to higher returns from fishing. <ul style="list-style-type: none"> <li>Remote location with market access problems for fresh produce. Gherkins have given them a secure market outlet.</li> </ul> </li> <li>Contracts with fixed price linked to grading system.</li> <li>Seems quite profitable with gross margin around 100% of cash operating costs.</li> <li>Company is seeking additional supply of</li> </ul>	Medicum-high



Commodity, area	Producers involved	Private sector partners	Sub-project context & description, key elements of NADeP support	Pre-NADeP relationship with company	Results, CSPE comments	Additionality
		Started gherkin cultivation in Kilinochchi in 2012 on contract farming model, providing inputs on credit.	<ul style="list-style-type: none"> <li>Company provided inputs on credit during the first year. Now expect the farmers to finance this themselves.</li> <li>Some concerns about accessing spare and replacement parts for irrigation gear.</li> <li>Groups are not formally constituted. Each grower has a separate contract with the company.</li> </ul>		<ul style="list-style-type: none"> <li>raw gherkins as they are having to import semi-processed gherkins from India to supply their customers.</li> <li>Farmers report that yields are increasing although some are having problems with water supplies.</li> <li>Good example of contract farming. As an industrial crop with a single marketing pathway, farmers and the company are mutually dependent.</li> <li>The company has been operating the same contract farming model in Kilinochchi since 2012. Started newly in Jaffna with NADeP, but given its needs for produce, it is not clear whether it could have expanded to Jaffna without public support.</li> </ul>	
Seaweed (Kilinochchi, Jaffna & Mannar districts)	Total coverage reported as 1,000  (The CSPE team met with members of two groups in Kilinochchi, with the total membership of 90)	Major agribusiness company with an interest in developing the seaweed industry	<ul style="list-style-type: none"> <li>Farmers grow seaweed on bamboo rafts in the lagoon and sell dried weed in bags to several collection depots.</li> <li>Dried weed is exported to India for further processing.</li> <li>Producers/members are mostly women with very low incomes from other activities.</li> <li>Conflict-affected area mainly dependent on fishing</li> <li>Company provides a starter kit on credit with the basic equipment and growers are expected to finance further expansion. <ul style="list-style-type: none"> <li>Loan recovery rates are poor.</li> </ul> </li> <li>Members had no prior experience growing seaweed which is new to the area.</li> </ul>	Two seaweed farmer groups met by the CSPE team: one pre-existing (since 2012, mobilized and supported by the company), one new.	<ul style="list-style-type: none"> <li>Seaweed farming generates very modest returns and is usually only attractive to poor fishing communities with few other income-generating opportunities. <ul style="list-style-type: none"> <li>Good initiative for poor coastal communities in the conflict affected parts of Northern province.</li> </ul> </li> <li>New growers are being attracted into the industry, but it has not yet reached the stage where there is sufficient production to justify the establishment of a processing facility.</li> </ul>	Medium
Vegetable seeds (Dambulla)	196 members and 50 others ready to join	Small specialist vegetable seed company with about 400 contract growers organised into six associations and 15 grower groups	<ul style="list-style-type: none"> <li>Company provides planting material and technical support to growers and buys the seed at pre-agreed prices.</li> <li>NADeP has provided technical support and equipment. Biggest need is agro-wells for irrigation.</li> <li>Seed was initially a sideline but has now become the main source of income for the growers. <ul style="list-style-type: none"> <li>Grow different seed crops in different seasons (pumpkin, okra, chilli, beans etc.)</li> </ul> </li> </ul>	Groups have been supplying the company since 2009. NADeP support only came in 2014.	<ul style="list-style-type: none"> <li>Appears to be a successful commercial relationship with strong mutual dependency between producers and the company. It was already running well before NADeP, but the project provided additional support for equipment and linkage with bank loans.</li> <li>Growers are happy and are seeking to expand but need more equipment and, in some cases, reliable supply of irrigation water.</li> </ul>	Low

Commodity, area	Producers involved	Private sector partners	Sub-project context & description, key elements of NADeP support	Pre-NADeP relationship with company	Results, CSPE comments	Additionality
Bee keeping (Badulla)	1240 (The appraisal proposed to cover 500 farmers, including 350 existing keepers and 150 new entrants)	A large conglomerates that manufactures many products, like biscuits, confectionery ,cereal etc.	<ul style="list-style-type: none"> <li>Social mobiliser facilitates the link between the growers, the company and the banks.</li> <li>A 100% grant program: 6 million Rs. from NADeP for inputs (e.g. smokers, honey extractors, about 2 bee boxes for each farmer, safety equipment) and 2 million from the company for technical training and managerial costs.</li> <li>No binding agreement that the farmers can sell to other venues for higher price (e.g. hotel, retailers). <ul style="list-style-type: none"> <li>Selection of farmers: suitable environment/flora for producing honey; and previous experience in bee keeping</li> </ul> </li> <li>The company funded the residential training programme (2-3 days) by collaborating with agricultural extension workers. However, only a small number of farmers attended due to lack of incentives and was ineffective.</li> </ul>	Since 2005, following the Ministry of Agriculture's initiative, the company began to assist rehabilitating the honey production in Uva province, which has a long history of honey production.	<ul style="list-style-type: none"> <li>This 4P hasn't produced any significant impact, partly also due to climate change and Uma Oya project, affecting the water and flora environment in the area.</li> <li>Suggestion for improvements: increasing honey production; promoting horticulture together with bee keeping; and increasing the number of bee boxes provided. <ul style="list-style-type: none"> <li>The company runs this as a corporate social responsibility project. Therefore, no profit was expected, but they can't lose either.</li> </ul> </li> <li>Currently, due to the high VAT, the profit is only break even with the costs.</li> </ul>	Low
Bee keeping (Polgahawela, Alawwa, Nelumdeniya and Dedigama)	312*	The company involves in large scale production and exports of fruits and vegetable	<ul style="list-style-type: none"> <li>Both grant and credit were provided: credit was mostly for bee boxes.</li> <li>Provided established bee colonies, bee boxes, smokers, safety equipment, and some technical training.</li> </ul>	New	<ul style="list-style-type: none"> <li>Production has not increased partly due to the honey bee disease, partly due to inadequate quantity of bee boxes and lack of complementary training in bee keeping.</li> <li>As honey is a very minor venture for the company, so as long as the company doesn't lose, it's okay.</li> </ul>	Low

## Assessment of income-generating activities funded by self-help group and youth loan schemes in NADeP

### 1. Introduction

Under the NADeP component 2 (microfinance and youth training), 8,998 self-help group loans,<sup>309</sup> 1,863 youth loans, 7,675 4P loans (capital and seasonal) and 1,822 PEARL ("post-disaster economic recovery loan") loans were delivered. To assess the status of the income-generating activities funded by these loans, including beneficiary profiles and targeting mechanisms, the effectiveness of loan performance, and its impact on rural poverty, a phone survey was conducted. The CSPE team obtained a database of all the loan recipients from the Central Bank of Sri Lanka, which was used as the sampling frame. Since the 4P loan scheme is assessed under Component 1 of NADeP, the phone survey focused on the self-help group and the youth loan schemes.

The telephone survey was conducted using a structured, pre-tested questionnaire by four research assistants (Hasara Kalubowila, Anushka Mendis, Sanuri Ratnayake and Rajan Thavaseelan) during August–October 2018.

### 2. Methodology

#### (a) *Self-help group loan scheme*

For the self-help group loan, 296 beneficiaries were randomly selected from 7,294 loan recipients based upon several key parameters in the CBSL database: gender, loan purpose, loan amount, and district. The list was handed over to NADeP PMU and further given to respective branch offices and social mobilizers to collect the phone contacts. A total of 147 out of 296 recipients' contacts were received from the branch offices.

However, the response rate was still low (35 per cent) and only 52 could be surveyed by telephone. The rest could not be surveyed because their telephone numbers were no longer functioning or the number was incorrect (including the ones who claim they did not know about NADeP or did not take any loan). Out of the ones who responded, 69 per cent of the phone survey was completed.

#### (b) *Youth loan scheme*

Similarly, 116 youth loan survey participants were randomly selected from 1,863 loan recipients based on similar parameters: gender, loan purpose, loan amount, and district. A total of 53 phone contacts were received from social mobilizers and branch offices for conducting the phone survey. Similar challenges were faced by the enumerators: only 60 per cent of the number were reachable, and out of the ones who responded, 77.4 per cent of the phone survey was completed. Eventually, 25 beneficiaries could be interviewed.

In order to reduce the non-response bias, including both the non-contacts and refusals, the enumerators have attempted to contact the sampled loan recipients at least five different times during the day. Furthermore, a balance-check of gender, registered amount, refinanced amount, and loan purposes was conducted (see table 1). The results indicated that the missing responses were random and did not cause systematic bias.

In terms of the breakdown by loan purpose, the percentage of responses successfully obtained from those who took loans for livestock-related activities in the sample was higher than the proportion to all borrowers according to the database.<sup>310</sup> This can be explained by the fact that Cargills' Bank, one of the participating financial institutions which provided many loans for dairy activities, was more cooperative and was able to share contacts of borrowers than other participating financial institutions, and not due to non-response bias.

<sup>309</sup> The data are extracted from the PCR, but the database from CBSL only shows a record of 7,294 loan recipients.

<sup>310</sup> 19.2 per cent of borrowers used the loan for livestock, while 42 per cent of the respondents in the data surveyed took the loan for livestock.

Table 1 Balance-check of the surveyed respondents and sampled respondents					
	Mean (randomly selected)	Mean (successfully surveyed)	Standard errors (randomly selected)	Standard errors (successfully surveyed)	T-test
<b>Self-help group</b>					
Gender	1.75	1.67	0.03	0.07	1.09
Registered amount (LKR)	149 797	159 117	5 256.68	13 522.46	-0.57
Refinanced amount (LKR)	146 129	153 102	5 271.83	14 138.92	-0.40
Loan purposes	2.84	3.14	0.09	0.19	-1.42
<b>Youth</b>					
Gender	1.68	1.56	0.04	0.10	1.10
Registered amount (LKR)	124 569	129 000	3 136.43	6 720.62	-0.60
Refinanced amount (LKR)	121 940	129 000	3 228.42	6 720.62	-0.95
Loan purposes	3.10	2.92	0.15	0.35	0.49

### 3. Survey findings

#### 3.1. Self-help group loan scheme

##### (a) Social demographic information on respondents

The average age of the respondents is 42 years and the average household size of the sample is 3.9. While total land owned by the respondents averaged 1.135 acres (0.459 ha), the average land cultivated is 0.896 acres (0.362 ha). The loans were distributed among 67 per cent female and 33 per cent male recipients.

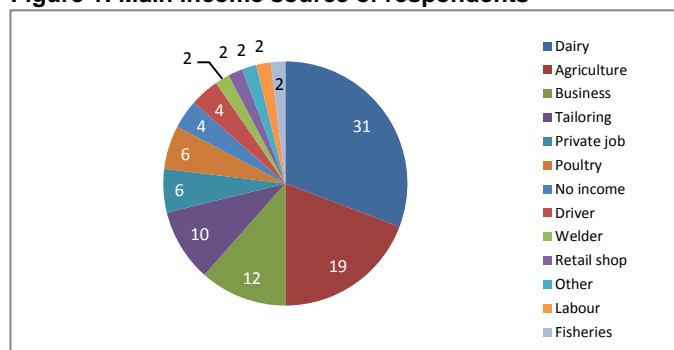
**District distribution.** A largest share of the surveyed respondents is in Ampara District (19 per cent), followed by Kurunegala (13 per cent) and Mannar (12 per cent). Anuradhapura, Gampaha and Kalutara Districts share a percentage of 8 per cent per district. Six per cent of the respondents are residents of Jaffna and Matara Districts each; Galle, Hambantota and Rathnapura Districts share a percentage of 4 per cent per district. The rest of the respondents are from Batticaloa, Kandy, Matale, Nuwaraeliya and Puttlam Districts.

**Education level.** In general, the household heads of the recipients have at least primary education. The majority (67 per cent) of the loan borrowers have been to middle school, and 17 per cent of the respondents have studied up to high school. Eight per cent of the respondents are illiterate.

Table 2. Education level of the borrowers		
Education level	Number	Percentage
Illiterate	4	7.69
Primary	3	5.77
Middle School	35	67.31
High School	9	17.31
Post-secondary	1	1.92
<b>Total</b>	<b>52</b>	<b>100</b>

**Main income source.** In terms of the income sources of the respondents, 31 per cent of the loan borrowers depend on the dairy sector, 19 per cent depend on agriculture, 12 per cent depend on business and 10 per cent depend on tailoring.

**Figure 1: Main income source of respondents**

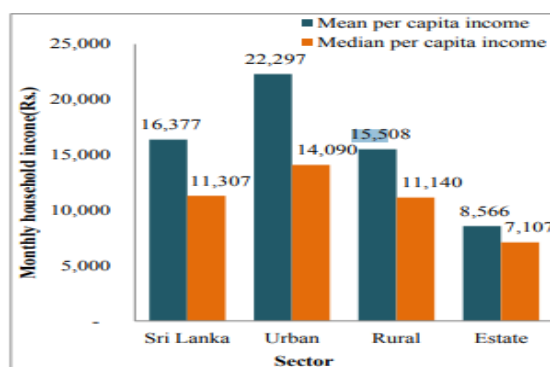


**Household income.** In order to avoid response bias, as income is perceived as sensitive information, both the income categories and self-reported income amount were collected. The average household monthly income was reported as LKR 46,588, and average per capita income per month was about LKR 12,000 based on the average household size (equivalent to US\$2.7 per day). Even though this is lower than the 2016 national rural sector's mean per capita monthly income of LKR 15,508 (HIES, 2016), it is higher than the median per capita income (see figure 2 below) and higher than the national poverty line.

In terms of the income categories, half of the respondents fall under the monthly income category of lower than LKR 35,000, equivalent to the US\$2 per day per capita. A total of 23 per cent of the respondents have a monthly income of between LKR 35,000 and LKR 60,000, while 25 per cent of the total have a monthly income of more than LKR 60,000. Eight per cent of loan borrowers had a monthly income of less than LKR 10,000.

There may be an issue of mis-targeting in that more than 65 per cent of the respondents have a household monthly income above the poorest 4<sup>th</sup> decile, equivalent to LKR 22,423,<sup>311</sup> using another income category the team has collected.<sup>312</sup>

Income categories	Number	Percentage
(1) < 10000	4	7.69
(2) 10 001-35 000	22	42.31
(3) 35 001-60 000	12	23.08
(4) 60 001-85 000	7	13.46
(5) > 85 000	6	11.54
Refused to respond	1	1.92
<b>Total</b>	<b>52</b>	<b>100.0</b>



**Figure 2: Mean and median monthly household per capita income by sector 2016 (Source 2016 HIES)**

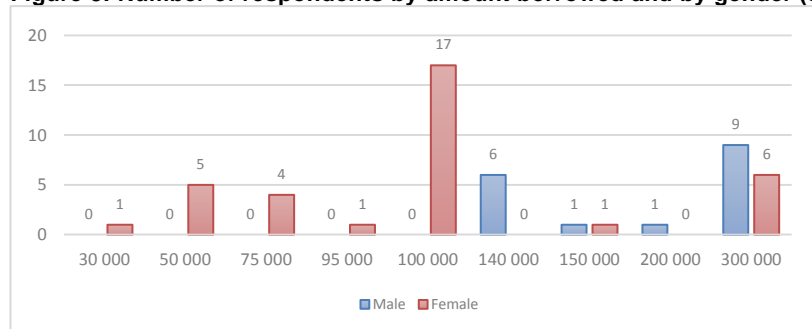
**(b) Loan size and sources**

**Loan size and gender.** Even though 67 per cent of the self-help group loan recipients are female, the loan size of female borrowers on average is significantly smaller than that of male borrowers. All the male borrowers have received a loan amount of at least LKR 140,000, while only 20 per cent of female borrowers have received the equivalent amount (figure 3).

<sup>311</sup> According to the HIES 2016, the estimated average monthly household income of the households in the poorest 20 per cent (1<sup>st</sup> and 2<sup>nd</sup> decile) was LKR 14,843, poorest 40 per cent (1<sup>st</sup> to 4<sup>th</sup> decile) was LKR 22,423, middle 60 per cent (3<sup>rd</sup> to 8<sup>th</sup> decile) was LKR 46,097, and richest 20 per cent (9<sup>th</sup> and 10<sup>th</sup> deciles) was LKR 158,072.

<sup>312</sup> (1) < LKR 12,000; (2) LKR 12,001-16,000; (3) LKR 16,001-20,000; (4) LKR 20,001-24,000; (5) > LKR 24,000.

**Figure 3: Number of respondents by amount borrowed and by gender (self-help group loans)**



The tendency of larger amount of loans for men than women was further confirmed by an analysis of the CBSL database, which indicated that the average loan size for female borrowers is LKR 134,211, compared with LKR 204,037 for male borrowers, which is highly statistically significant. This can be partly explained by the fact that women are more likely to take loans for trade and services, and small industries, which on average have smaller loan sizes.

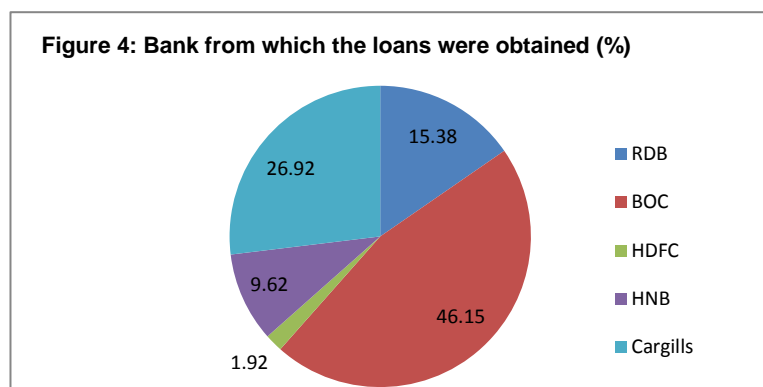
**Table 4. Loan size and gender for self-help group loans**

Purpose	Female		Male		Total		Average loan size (LKR)
	Count	%	Count	%	Count	%	
<b>Agribusiness/agriculture</b>	1 677	31.85	757	37.36	2 434	33.38	170 215
<b>Fisheries</b>	289	5.49	81	4	370	5.07	153 946
<b>Livestock</b>	662	12.57	740	36.53	1 402	19.23	179 929
<b>Trade and services</b>	1 678	31.87	279	13.77	1 957	26.84	127 883
<b>Small industries</b>	959	18.21	169	8.34	1 128	15.47	129 483
<b>Total</b>	5 265	100	2 026	100	7 291	100	153 589

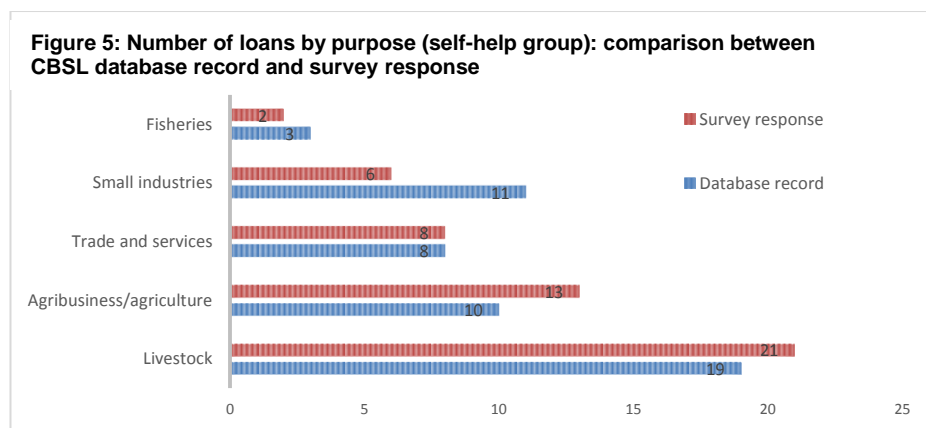
Source: CBSL database on self-help group loans

**Loan sources.** The majority (46 per cent) of the respondents were the borrowers from the Bank of Ceylon (BOC) and 27 per cent were borrowers from Cargill’s Bank. Fifteen per cent of borrowers obtained the loans from Regional Development Bank (RDB).

**Figure 4: Bank from which the loans were obtained (%)**



**Loan purpose.** Most of the borrowers (72 per cent) had obtained loans to expand their existing businesses, while 18 per cent obtained the loan to start a new business. According to the database, the majority of the loans were borrowed for the purpose of livestock and then for small industries. Some people obtained the loan for agriculture and trade and services, while only a few people borrowed for the fisheries sector. In the phone survey, the respondents were asked for what purpose the obtained loan was used, and the response was compared with the purpose of the loans in the CBSL database at the point of registration. Most borrowers (70 per cent) had used their loans for the same purpose as when they had registered.

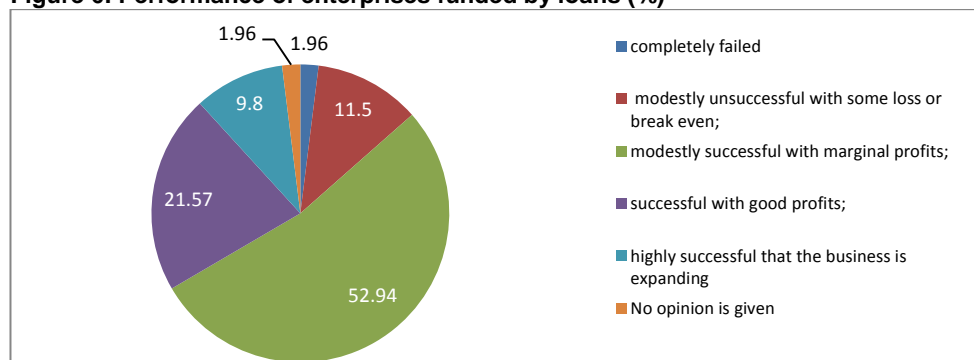


**(c) Self-help group loans performance**

**Loan performance.** The majority (78 per cent) of the borrowers have repaid their loan according to the schedule. Ten per cent have suffered from low income, sicknesses and increase in expenditure, so their repayment has not been scheduled. Twelve per cent of the respondents had occasional difficulties when repaying the loan.

**Performance of the business financed by the loan.** The analysis indicated that most of the respondents replied that their business was modestly successful with marginal profits (53 per cent), 31 per cent said that their business was successful with good profits or highly successful, and 30 per cent responded that the business was modestly unsuccessful with some loss, or completely failed. Among the positive responses, eight respondents used the loan to purchase new plants, which have increased their production. Another 15 respondents responded that the financial support increased their capital for farming and non-farming activities (e.g. purchasing cows and machines).

**Figure 6: Performance of enterprises funded by loans (%)**



Some of the reasons for success are given below:

- Tea plantation is a profitable business. She was able to purchase new tea plants from the loan money.
- Agriculture has become the most income-generating livelihood activity for the family. She receives a good income and she manages her household expenses from it.
- Financial support was used to buy a milking machine and a power generator because of the high number of cows. She bought another cow from the profits supplemented by her own funding.
- The number of cows increased.

Some of the reasons why the income from the business was considered as marginal or a failure were as follows:

- Respondent does not have sufficient time to give to the business as she already has a full-time job at a private company.

- The value given for milk is reduced and there is no future for cattle farmers. The respondent is considering the option of engage in daily labour work or going abroad for work.
- The respondent attempted to open her own grocery shop instead of going abroad. But the owner was unable to continue the shop alone without any assistance. She has to close the shop and find employment.

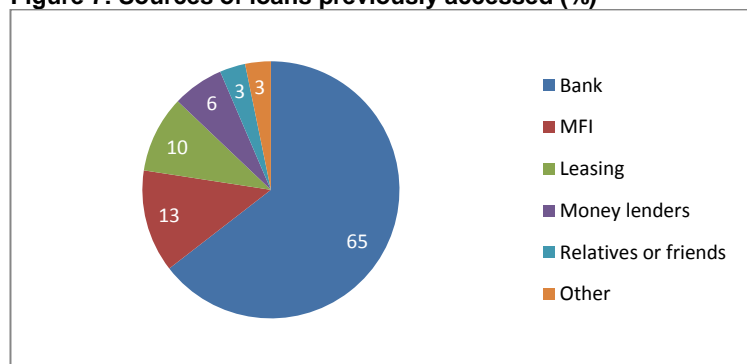
**Impact of the business on income.** Most of the households' income had a modest impact from the loan borrowed through NADeP support, while 24 per cent of the household income had a substantial impact. The impact on a few household incomes was negligible or negative.

**(d) Performance of self-help groups**

**Duration of group.** The majority (62 per cent) of the members joined the group in 2016, and only around 8 per cent of the loan borrowers joined their group before 2015, reflecting the implementation delays of the project.

**Previous access to loans.** Eighty five per cent of the respondents had a bank account before they joined NADeP and obtained loans. More than half the respondents (54 per cent) had already borrowed loans before joining the group, while the rest (46 per cent) had not obtained any loans before joining. Among those who had previously accessed loans (before NADeP), 65 per cent obtained loans from a bank(s), 13 per cent from MFIs, 10 per cent from leasing companies, 6 per cent from money lenders and 3 per cent from relatives or friends and 3 per cent from relatives or friends.

**Figure 7: Sources of loans previously accessed (%)**



Around 29 per cent of the respondents had access to bank loans through group guarantee through similar types of groups before they joined the NADeP-supported self-help group; the rest had not had access to a similar facility before. According to the respondents, the group formation was facilitated mainly by Samurdhi Bank.<sup>313</sup>

**Motivation to join the group.** Obtaining financial support was the main reason for the borrowers (68 per cent) to join the self-help group. Around 12 per cent of the respondents said that they were influenced by friends and relatives and they also needed financial support so they joined the group. Only 6 per cent of the borrowers' motivations were to obtain both financial support and technical training for income-generating activities.

**Group meetings.** When the respondents were asked how often their group held meetings, 32 per cent of them responded that they meet weekly, 28 per cent said monthly, 38 per cent said from time to time with no specific intervals, or rarely.

**Eligibility criteria to join.** The respondents were asked whether there were aware of any eligibility criteria to be a part of the self-help group. The majority (84 per cent) responded that there were eligibility criteria, 10 per cent said that there weren't any, and 6 per cent did not know whether there was any eligibility criteria.

<sup>313</sup> The other respondents said that the group formation was done by dairy organizations, Fisheries Department, Cargill's Company, etc. in order to facilitate access to bank loans through group guarantee.



**Internal lending.** About half of the self-help groups practice internal lending (27 out of 52). For this, they collect a weekly or monthly membership fee and the money is deposited in a bank account of the group, or in a member's bank account, or with the group leader, from which they withdraw money and lend to the members in need of financial support. In cases where there is no internal lending, the group does not have meetings and the group does not function well. Eleven out of 52 respondents have borrowed from the group, with the loan amount ranging between LKR 2,000 and 50,000.

**Group guarantee.** Ninety-two per cent of respondents who obtained a loan said that other group members had to guarantee for the loan; 8 per cent said that they did not need any guarantors to obtain the loan from the respective bank.

### 3.2. Youth loan scheme

#### (a) Social and demographic information on the respondents

The average age of the respondents is 31 years, and the average household size of the sample is 4.08. While total land owned by the respondents averaged 0.642 acres (0.26 ha), the average land cultivated is 0.661 acres (0.267 ha). The loans were distributed among 56 per cent female and 44 per cent male recipients.

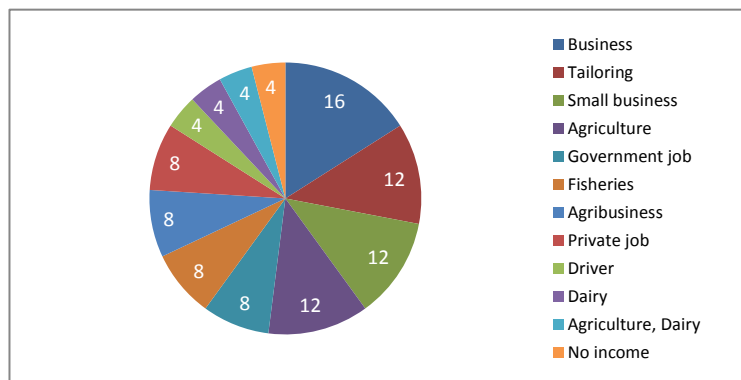
**District distribution.** Kandy and Rathnapuara Districts share a percentage of 16 per cent per district, while 12 per cent are from Badulla District. Batticaloa, Galle, Hambantota and Jaffna Districts share a percentage of 8 per cent per district, while Anuradhapura, Kilinochchi, Monragala, Mulathivu, Polonnaruwa and Nuwaraeliya Districts share a percentage of 4 per cent per district.

**Education level.** In general, the household heads of the recipients have at least primary education. The majority (72 per cent) of the loan borrowers have been to middle school, and 20 per cent of the respondents have studied up to high school.

Education level	Number	Percentage
Illiterate	0	0
Primary	1	4
Middle school	18	72
High school	5	20
Post-secondary	1	4
<b>Total</b>	<b>25</b>	<b>100</b>

**Income source.** If we look at the income sources of the respondents, 16 per cent of the loan borrowers depend on businesses, while agriculture, small businesses and tailoring are main income sources of 12 per cent per sector. Eight per cent of the respondents have a private job, and another 8 per cent depend on agribusinesses. Even fisheries and government jobs are main income sources of 8 per cent per sector.

**Figure 8: Main income source of respondents (youth loan scheme) (%)**



**Household income.** In order to avoid response bias, as income is counted as sensitive information, both the income categories and self-reported income amount were collected. The average household monthly income was reported as LKR 54,640, and average per capita income per month was about LKR 13,392 based on the average household size (equivalent to US\$2.98 per day). Even though this is lower than the 2016 national rural sector's mean per capita monthly income of LKR 15,508 (HIES, 2016), it is higher than the median per capita income (see figure 2 earlier) and higher than the national poverty line.

In terms of the income categories, 52 per cent of the respondents fall under the monthly income category of LKR 10,000 to 35,000, equivalent to the US\$2 per day per capita. A total of 16 per cent of the respondents have a monthly income of LKR 35,000 to 60,000, while 28 per cent have a monthly income of more than LKR 60,000. For 4 per cent of respondents, monthly income is less than LKR 10,000.

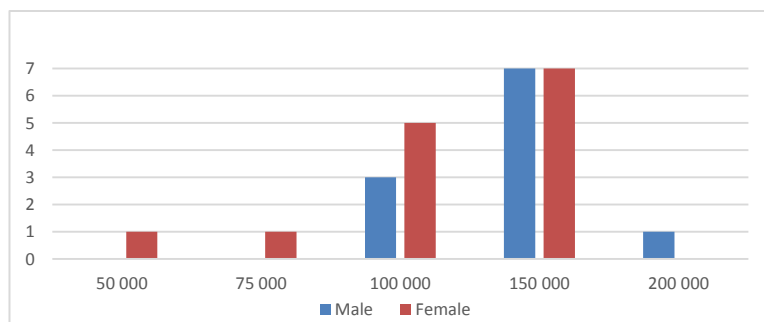
**Table 6: Income category of the respondents**

Income categories	Number	Percentage
(1) < 10 000	1	4
(2) 10 001-35 000	13	52
(3) 35 001-60 000	4	16
(4) 60 001-85 000	2	8
(5) > 85 000	5	20
<b>Total</b>	<b>25</b>	<b>100</b>

**(b) Loan size and sources**

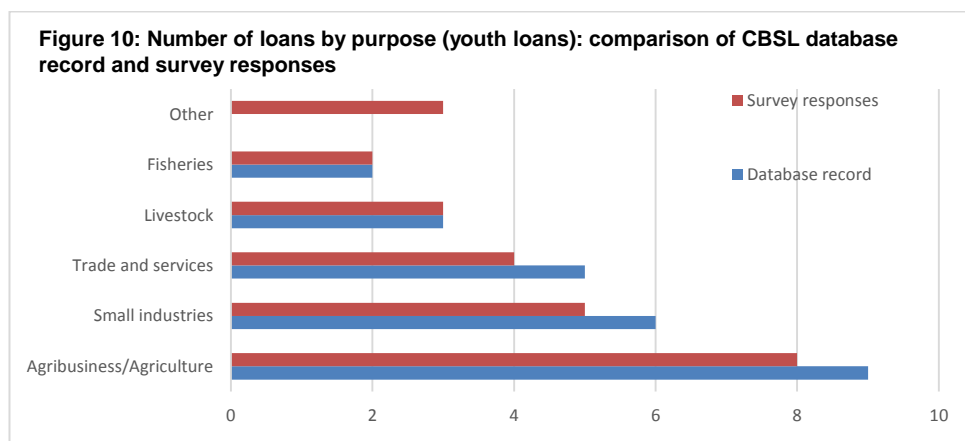
**Loan size and gender.** Even though 56 per cent of the youth loan recipients are female, the loan size of female borrowers on average is significantly smaller than that of male borrowers. All the male borrowers have received a loan amount of or more than LKR 100,000, while only 86 per cent of female borrowers have received the equivalent amount (figure 9).

**Figure 9 Number of survey respondents by amount borrowed and by gender (youth loans)**



**Loan sources.** The majority (64 per cent) of the respondents were borrowers from Regional Development bank, and 36 per cent were borrowers from Bank of Ceylon.

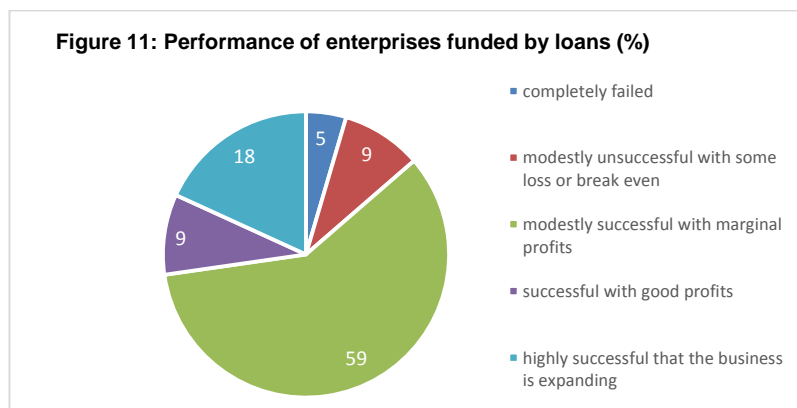
**Loan purpose.** Most of the NADeP loan borrowers had obtained loans to expand their existing business (64 per cent) while 24 percent of the respondents obtained the loan to start a new business. According to the database, the majority of the loans were borrowed for agribusiness or agriculture, and then for small industries. Some people obtained the loan for trade and services and for livestock, while only a few people borrowed for the fisheries sector. In the phone survey, the respondents were asked for what purpose the obtained loan was used, and the responses were compared with the purpose of the loans in the database at the point of registration. Most borrowers (80 per cent) had used their loan for the same purpose as the purpose they had when they registered. Some people (20 per cent) used it for other purposes such as house construction. Less borrowers used the loans for trade and services agribusiness or agriculture and small industries.



**(c) Performance of youth loans**

**Loan performance.** The majority (64 per cent) of the respondents have repaid their loan according to the schedule. Four per cent have suffered from low income so their repayment has not been scheduled. Thirty-two percent of the respondents had occasional difficulties when repaying the loan.

**Performance of the business financed by the loan.** The analysis indicated that most of the respondents (52 per cent) replied that their business was modestly successful with marginal profits, while 16 per cent said that their business was highly successful. Eight per cent responded that the business was successful with good profits, and 12 per cent claimed that their business was a complete failure or modestly unsuccessful. Among the positive responses, six respondents used the loan as financial support to buy raw material or planting material, which have increased production and business. Another three respondents indicated that the financial support has increased the capital for farming and non-farming activities (e.g. purchasing cows and machines).



Some of the reasons for success are as follows:

- Financial support was obtained to buy the planting material for peanut cultivation because in previous seasons the drought killed all the plants. This has increased income from the production.
- Financial support was used to start dairy production and buy new cows to supported the income of the family.
- Financial support was used to construct the house and increase savings.

Some of the main reasons why the income from the business was considered as marginal or a failure are as follows:

- She undertakes subcontracts to sew clothes. She earns a very small amount from sewing. Her business is not thriving as expected.
- Her business is located outside the town area. There is not much business for a salon in the current venue. She is expecting to relocate the business to an urban area.
- The country's economic difficulties affect business and agricultural activities. Not much cannot be earned now.

**Impact of the business on income.** Most of the households' income had a modest impact from the loan borrowed through NADeP support, while 17 per cent of the household's income had a substantial impact. The impact on a few household incomes was negligible or negative.

#### ***(d) Performance of youth groups***

**Duration of youth groups.** The majority (57 per cent) joined the youth group in 2016, 43 per cent of the borrowers joined their youth group in 2017.

**Previous access to loans.** A total of 56 per cent of the respondents had a bank account before they joined NADeP and obtained loans. Most of the respondents (76 per cent) had not borrowed loans before joining the youth group, and 24 per cent of the respondents had obtained loans before joining. Sixty-seven per cent obtained loans from banks and 33 per cent through other methods.

Eight per cent have had access to bank loans through group guarantee before they joined the youth group through similar types of groups; the rest have never had similar facilities before. According to the respondents, the loans were mainly obtained through Sanasa Bank and the Regional Development Bank.

**Motivation to join the youth group.** Obtaining financial support was the main reason to join the youth group; some stated that their motivation was to obtain help from each other or to sell their dairy products.

**Group meetings.** When the respondents were asked how often their group holds meetings, most (50 per cent) of them responded that they meet monthly, 17 per cent of the groups meet from time to time but with no specific intervals, and 33 per cent of the groups rarely meet.

**Eligibility criteria to join the youth group.** The respondents were asked whether there were aware of any eligibility criteria to be a part of the youth group. The majority (60 per cent) responded that there are eligibility criteria, while 40 percent said that there weren't any.

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