

## **Sri Lanka**

---

### **Dry Zone Livelihood Support and Partnership Programme**

### **Project Completion Report Digest**



### Sri Lanka - Dry Zone Livelihood Support and Partnership Programme

Item	Assessment Remarks	
<b>Country &amp; Project Name</b>	<b>Sri Lanka - Dry Zone Livelihood Support and Partnership Programme</b>	<b>Ratings</b>
Loan No.:	636-LK	
Project Id.	1254	
Board Date	09 September 2004	
Entry into Force	22 December 2005	
Original Closing Date	30 June 2013	
Final Closing Date	30 September 2013	
Total Project Cost US\$(M)	30.40	
IFAD loan& Grant US\$(M)	22.31	
Cofinanciers (if any)	Total: 4.66 (Canada/CIDA: 0.96; Japan: 1.14; UNDP: 1.50; WFP: 1.05) Domestic: 3.43 (GoSL: 1.73; beneficiaries: 1.70)	
Implementing Agency	Ministry of Agriculture, Livestock, Land and Irrigation	
Principal Components	The programme is composed of six components, namely: (a) rainfed upland agricultural development; (b) marketing and enterprise development; (c) irrigation rehabilitation; (d) microfinance and income-generating activities; (e) priority community infrastructure development; and (f) programme management.	
<b>Project Performance</b>		
Relevance	The Programme has been relevant to both IFAD and Government strategies. Some of the Programme initiatives were also relevant to the Government trade policy on agricultural products. The Programme design relied on some key features, such as: i) a decentralized mode of project management; ii) flexibility to use Service Providers (SPs) to supplement the public sector services; iii) development of linkages and partnership with other institutions and agencies; iv) adoption of a participatory approach. At the 2009 MTR, it was the Development Objectives were still valid. The Programme has shown flexibility in making changes to components where conditions required change, for example, by including a significant dairy component which was not in the original programme design. Some flaws were detected in relation to: i) the Forward Sale Contracts (FSC) and the enterprise development components, as the targets set were too high to be achieved by the implementing agencies, and ii) the poor linkages between the enterprise development component and the microfinance intervention.	5
Effectiveness	The Programme suffered from a low start-up during the first two years, as it picked up performing only around 2009, since when it has made a steady progress. It could not reach all its development objectives. On one hand, it was successful in: i) increasing the rain-fed upland farm productivity and integrating it with livestock production systems; ii) rehabilitating and operating irrigation infrastructure; iii) realising priority community infrastructure; iv) expanding micro-finance services. Within this regard, the Apeksha Programme has been successful in reaching the grassroots level in its reach. The Bhagya scheme improved its effectiveness after some changes to the implementation modalities from 2010 onwards, and by November 2012, all allocated funds have been disbursed covering 93% of the target number of 5,000 beneficiaries. On the less positive side, some challenges were faced in expanding marketing opportunities and developing micro-enterprises. The enterprise development component faced several implementation issues, although targets as reported appear to have been broadly achieved. It seems that a major constraint was the ineffective use of SPs in the implementation of the enterprise development component, in those inexperienced institutions were required to provide a long term (2 years) commitment to develop a too large number of enterprises. The enterprise development component had also very little linkages with the loan schemes offered by the Programme such as Bhagya and Apeksha. The Programme was also unsuccessful in establishing forward sales contracts (FSCs), as the FSC component showed the lowest rate of achievement among the Programme components, leading to a reallocation of funds. Of a target of 20,000 FSCs under the project, only 11,443 have been signed (57%) although no data was available of the number of successful contracts. Success under contract farming was limited to long-established contract farming arrangements with large-scale buyers having established marketing channels, both within and outside programme interventions.	4
Efficiency	In the PCR, the analysis of project's efficiency is mainly drawn on the comparison between the EIRR at appraisal (17.4%) and the EIRR at completion (19.6%), whereby the increase in the EIRR has led to assessing the Programme as efficient. The disbursement rate of IFAD funds at project's completion stood at 99%. However, in assessing project's efficiency, it must also be taken into account that the Programme suffered from an effectiveness lag of 15.9 months and from a delayed start-up, which led to an initial less-than satisfactory implementation performance during the first two years of implementation, when the Program management cost was also found to be abnormally high (at 85%). However, already at the 2009 MTR, the whole situation was assessed to have improved. Another factor which was reported in the supervision mission reports to have affected project's	4

Item	Assessment Remarks	
<b>Country &amp; Project Name</b>	<b>Sri Lanka - Dry Zone Livelihood Support and Partnership Programme</b>	<b>Ratings</b>
	efficiency was the very high turnover of staff with long gaps between appointments which has undermined the continuity of the project, delivery and the build-up of expertise and knowledge.	
Project Performance		4
<b>Partner Performance</b>		
IFAD	IFAD's performance was not assessed in the PCR, neither was any reference made to it in the various WB supervision reports. Update provided from the country office: the CPO's involvement in implementation support, namely review of various technical proposals, review of studies and methodologies, review of FFS methodologies in the development phase, and the CPO's role in providing the IFAD view point by commenting on almost all the supervision reports needs to be highlighted. The CPM too was closely involved in designing the land tenure study, the supervision process and providing no-objections for all required processes.	NA
Cooperating Institution	The World Bank was in charge of Programme's supervision throughout its entire implementation period. Over a period of 7 years, the WB conducted 11 supervision missions, which provided an insight to the issues faced by the Programme and offered guidance at each stage towards improving Programme performance.	5
Government	The Ministry of Agriculture chaired the Policy and Oversight Board which served as the apex decision-making body, with the Provincial Programme Boards providing the link to the regions. This structure effectively served to provide approvals to the various Programme interventions by meeting regularly. The Central Bank of Sri Lanka functioned as the apex body for the Bhagya loan schemes and functioned effectively; the three participating state banks, while effectively implementing the Bhagya scheme, have the potential to reach out to the Programme beneficiaries for further support from their own resources. The Programme management has been effective in adapting to changing circumstances. The strategy of operating from district programme management units enabled direct intervention with the beneficiaries and also facilitated the development of partnerships with other agencies.	5
NGO/Other	The performance of the Service Providers engaged in the FSCs as well as enterprise development component was poor, due to lack of relevant capacity and experience to achieve the targets set at appraisal.	2
Cofinancier(s)	The co-financing organisations envisaged at commencement withdrew from the Programme due to lack of progress during the first two years of implementation.	
<i>Combined Partner Performance</i>	<i>No major issues have been detected in the combined partner performance.</i>	
<b>Rural Poverty Impact</b>		
Household Income and Net Assets	Project's impact on this domain has been quite substantial, through the incremental income generated by the major economic interventions in each DPMU. As a result of the 708 micro irrigation (MI) rehabilitation schemes implemented by the project, it has been estimated an increase of 43% in the average financial gross margin for 17,658 irrigated farmer beneficiaries (compared to the without project situation (WOP)). About 69% of the incremental income has come from expansion in irrigation coverage and 31% from modest improvement in crop productivity following the rehabilitated MI systems. Under upland agriculture, at farm level about 51,961 upland FFS crop farmers, with an average benefitted area of 0.2 ha, have improved their financial gross margin by 24% compared to WOP. Cultivation of crops such as groundnut, papaya, maize, big onion, red onion, ginger and seed potato were some of the crops that yielded substantial benefits. Similarly, about 10,296 livestock FFS farmers have improved their financial gross margin by 69%. Project target group also benefitted from the provision of credit, as the Programme trained and supported credit covering 4,631 beneficiaries, engaged in income generating activities (IGAs), of which 80% are women. A total of USD 2 million has been used as credit support by 962 groups for IGA. A study of the Programme estimated the average annual incremental income as US\$613 per beneficiary per year.	5
Food Security	The PCR does not provide a specific assessment of how the food security situation of project's target groups has improved. The PCR mentions that "the emphasis on improving agricultural productivity seen across the Programme components will have a significant positive impact on food security both within and outside the Programme districts". However, this impact is still to be detected and quantified. Update from country office: IMPACT ON FOOD SECURITY: Due mainly to productivity increases of around 35%, the 708 rehabilitated minor irrigation schemes will produce 12,680 MT of paddy and 5,550 MT of other field crops (OFC) representing a 37% increase over pre-project production levels. The formation of crop FFS has contributed to increasing upland crop productivity by 9% to 27% in the case of major crops like maize, seed paddy, cowpea, groundnut and onion. A 32% increase in milk production is also recorded due to project interventions. Access to the increased food production by the target population is ensured by improved income levels as a result of increases in farm margins, ranging from 24% for FFS crop farmers to 69% for livestock FFS farmers.	NA

Item	Assessment Remarks	
Country & Project Name	Sri Lanka - Dry Zone Livelihood Support and Partnership Programme	Ratings
Ag. Productivity	Programme's impact on this domain has been notable. The interventions on micro irrigation rehabilitated schemes, by increasing the availability of water, contributed to the overall increase in the cultivated area per year. Irrigated area has increased by 1,476 ha (net) (22%) and 2,975 ha (gross) (32%) over the without project (WOP) situation. Through the adoption of the modified FFS concept, there have been possible the adoption of new technologies and new crop varieties, commercialization of agriculture and establishment of an institutional mechanism at village level. More importantly, farmers were able to shift from traditional mixed cropping to mono-cropping with improved varieties and management practices. Cultivation of crops such as groundnut, papaya, maize, big onion, red onion, ginger and seed potato were some of the crops that yielded substantial benefits. The training components such as crop management and post-harvest technology were also highly commended by farmers. Furthermore, the intervention in the dairy component, led to dairy farmers adopting intensive systems which allowed them to introduce improved breeds and management practices, access to veterinary services, and the Agricultural Instructor (AI) programme. The final benefit was a 30% increase in the cattle population and a 32% increase in household milk production. The establishment of dairy FFS and milk collection centers also contributed to regularize the milk collection process at village level and provided stronger linkages with commercial milk processors such as Milco, Nestle, and Pelwatte.	5
Agricultural Productivity and Food Security		5
Natural Resources and Environment	The Programme's impact on this domain has been positive. The best management practices introduced by the Programme in upland and rice farming helped to reduce the agro-chemical inputs to the field. Although, the programme interventions in the production of seed potato have the potential for long-term negative impact, the seed production techniques used by the Programme-assisted farmers were seen to mitigate negative environmental effects where possible. A further positive impact was also linked to the irrigation rehabilitation component, which contributed to the conservation and more efficient utilization of water resources. Most of the interventions in the non-agricultural components of the Programme (enterprise development, microfinance) did not have any negative effects on the environment, since the enterprises were of small scale.	5
Human, Social Capital and Empowerment	With regard to <u>human capital</u> , the project's target group benefitted from the several interventions related to the community infrastructure component (pre-schools, roads, drinking water wells, water harvesting tanks, religious places, cemeteries, school playgrounds). They also benefitted from the technical training programmes they were involved into. In terms of <u>social capital</u> , the Programme promoted several instances of active participation of the beneficiary groups in implementation, through the formation of farmer field schools (FFS) which were organised into federations, as well as through the group lending approach which was adopted for microfinance. With regard to the former, the formation of FFS and their subsequent federations has contributed to improving social cohesion and the FFS served as an entry point to the rural agricultural economy and as a platform for further interventions. Finally, through the microfinance societies and federations, women were provided with independence and confidence in household financial matters.	5
Inst. & Policies	Programme interventions have contributed toward strengthening some of the government organisations that were partners in programme implementation. The Women's Bureau of Sri Lanka, the partner in the Apeksha programme, was able to train and develop its staff. The field staff of the Departments of Agriculture and Animal Production and Health also gained practical exposure to the operation of farmer field schools and federations.	4
Markets	Project's impact on this domain was positive at the rural level, as the roads and market facilities funded by the Programme provided easier access to farmers to sell their produce. The vegetable collection centers provided an opportunity for farmers to obtain a premium price for quality produce, by channelling the produce to urban supermarkets. The Programme-supported milk collection centers also notably improved market access to rural milk producers, and served as a catalyst for a large number of them to become dairy farmers. On the other hand, the Programme's failure to pay adequate attention to link farmers to buyers or to processors in major markets is considered as a major shortfall over its implementation.	4
Project Impact		5
Overarching Factors		
Innovation	Some innovations had been envisaged at project's design level, although not all of them could be successfully implemented. An innovation which needs to be highlighted is the extension delivery by beneficiary-managed FFSs which was based on the participatory identification of issues/themes. The FFSs approach adopted by the project has resulted in the introduction of new crops and good practices into the farming system in the project districts. Conversely, other innovations, such as the improvement of the marketing conditions through the careful combination of forward contracting, inventory credit and the promotion of organic crops, could not be implemented.	4

Item	Assessment Remarks	
<b>Country &amp; Project Name</b>	<b>Sri Lanka - Dry Zone Livelihood Support and Partnership Programme</b>	<b>Ratings</b>
Replicability and Scaling-up	The PCR considers the strategies and approaches adopted by the Programme as replicable in other projects, with some caution on establishing realistic target numbers that are compatible with the implementation capacities of the agencies involved. For example, the women's credit component (the Apeksha credit programme), financed and developed since the 2009 MTR, is ready for further scaling up in the Programme area and replication elsewhere, as long as key parameters are continued. The introduction of FFS during implementation and the Programme capacity to develop and support farmer federations have allowed both the seed producers and small dairy units to move towards both a sustainable model and a basis for future scaling up. Finally, there is scope for scaling up across a spectrum of initiatives, including seed production for other vegetables (e.g. tomatoes) and the abilities to produce cattle feed supplements within the districts.	5
<i>Innovation, Replicability and Scaling-up</i>		5
Sustainability and Ownership	On the sustainability of project's interventions some issues need to be considered. The FFS established under the rain-fed upland agriculture component are sustainable to some extent, as only those who have encountered substantial demand and prices for their produce will continue, while others expect continued support from the Programme. Another main factor for their sustainability is the stability for the revolving fund established. On the other hand, the FFS established with the construction of milk collection centers are sustainable due to the evident viability of small scale dairy production at present as well as thanks to the well-established market linkages with private milk processors. The restoration of tanks and anicuts undertaken are highly sustainable. Since the rehabilitation process was participatory, farmers have a sense of belonging and appear determined to continue operation and maintenance (O&M) activities by themselves. For the community infrastructure, arrangements have been made to maintain the renovated roads by linking the users with local administrations to ensure participation maintenance. However, the schemes operating successfully at present have been reported as 449 which are only 16% of the total facilities developed. On the sustainability of the microfinance schemes (Apeksha and Bhagya), the main issues for sustainability concern, respectively, the availability of the revolving fund established and the adequacy of the funds available to meet the demand. The beneficiaries of both schemes will eventually have to move on to standard loan schemes available with the banks, and the participating banks should take initiatives to attract the beneficiaries to such facilities.	4
Targeting	For the selection on Programme area, four districts (Anuradhapura, Kurunegala, Monaragala and Badula) were identified by considering some selection criteria. Within each district, the project aimed at covering 44 District Secretary (DS) Divisions, which were identified on the basis of both the Vulnerability Assessments carried out by the WFP, and previous IFAD presence. Within each DS Division, the poorest half of all Grama Nilhadari (GN) divisions was selected on the basis of poverty and remoteness indicators. The programme target group included all persons living in the selected poor and remote GN divisions. Within these GN divisions, the Programme was meant to focus on the needs and capabilities of the poorest, without excluding the more prosperous members of these communities. According to the 2009 MTR, selection of project villages/communities was effective, as the project has intervened in areas which are poor, remote and inaccessible. The PCR also mentions that overall the Programme targeting has been appropriate to the country context, despite some inappropriate targeting in the enterprise development component, whereby enterprises which were larger than the accepted microenterprise size norm were eligible for Programme assistance.	4
Gender	At appraisal, the Programme envisaged a well-defined gender strategy including some key elements, as well as some well-defined gender-related targets were established. Women were an integral part of the target group, and some activities were to be undertaken nearly exclusively by them. As mentioned by the PCR, the involvement of women in the implementation of Programme's activities is demonstrated in the success of the Apeksha loan scheme, which was specifically targeted at women and a total of 2,714 beneficiaries (70%) of target were provided with funds which revolved among members of societies formed for the purpose. The Apeksha scheme also improved social cohesion in rural areas and resulted in well-developed women's federations, thus leading to an increased confidence and independence among the female beneficiaries. The improvement of the dairy marketing chain has also benefitted women since many dairy farmers are women. Finally, women also benefitted from the rural infrastructure provided by the Programme, such as roads and pre-schools.	5
<b>Overall Performance</b>		<b>5</b>
Estimated number of beneficiaries		
<b>PCR Quality</b>		
Scope	The PCR is fully in line with the 2006 Guidelines for PCR preparation. Almost all the requested annexes have been provided.	6

Item	Assessment Remarks	
Country & Project Name	Sri Lanka - Dry Zone Livelihood Support and Partnership Programme	Ratings
Quality	The quality of the PCR is good, as notable efforts can be noted in conducting a fairly robust analysis of the project's main achievements and shortfalls.	5
Lessons	The PCR has drawn some important lessons learned, although there is a sense that this section - given the tremendous amount of inputs provided by the project's analysis - could have benefitted from further reflection.	5
Candour	The PCR is consistent with the other project's information sources (WB supervision mission reports and Project Status Report (PSRs)).	5