

Sri Lanka: Matale Regional Economic Advancement Project

| Item | Assessment Remarks | Rating |
|-----------------------------------|--|--------|
| Country & Project Name | Sri Lanka: Matale Regional Economic Advancement Project (MREAP) | |
| Loan No. | 493-LK | |
| Project Id. | 1113 | |
| Board Date | 31st December 1998 | |
| Effectiveness Date | 1st December 1999 | |
| Original Closing Date | 30th June 2005 | |
| Final Closing Date | 31st December 2007 | |
| Total Project Cost USD(M) | 13.051 | |
| IFAD loan USD (M) | 11.707 | |
| Cofinanciers (if any) | - | |
| Implementing Agency | Ministry of Nation Building and Estate Infrastructure Development (MNBEID) | |
| Principal Components | The Project development goal was the raising and sustaining of income of the poor rural and farmer families in Matale District bringing them permanently above the poverty line. The Project objectives intended to contribute towards the realization of the goal enabling 30% of the target group of 30,000 families (i.e. 9,000 families) having access to profitable economic activities in farming, non-farm employment and non-farm enterprises. The Project also expected to benefit another 7,000 poor families indirectly as clients. For the realization of the above objectives, the Project was designed with four main components: (i) Agricultural Commercial Development; (ii) Enterprise Development and Employment; (iii) Rural Financing and Grant Fund; and (iv) Project and Company Management. Each of these had sub- components. | |
| | | |
| Project Performance | | |
| Design | In light of the constraints of poor people in the project area, the project was well designed. This is particularly true for the micro-credit component: having realized that economic investments in rural areas were constrained by lack of credit and incentives to undertake business activities, project designers designed a very flexible and ultimately effective Rural Financing System. | 5 |
| Implementation | Overall, the implementation of the project has been good. The intention of the Appraisal had been that of setting up a joint public-private venture with respect to project management. This aspect did not quite work and after some years of attempts, the PMU went back to being mainly government-led. In addition to this, the project suffered a number of delays especially in the early phase of the Project. Its M&E system was also very weak. In spite of this, the PMU was good at catching up the lost time, and indeed the project reached all its intended targets (but at the expense of sustainability for some components). | 5 |
| Relevance | Traditional subsistence farming levels in the project area are constrained by irrigation water shortages, depleted soil and use of traditional systems in farming that give an inadequate family income, especially in the hilly or drier parts of MREAP command area. The components designed by the project were relevant to these constraints faced by the population of the targeted area. The project reached almost all its targets and none of its components was substantially redesigned, thus proving its initial relevance. | 5 |
| Effectiveness | The project reached all its targets except for only a few (development of big onion seed production, some trainings that were not fully attended and some technologies that were not fully disseminated). Initially, there were some delays in implementing the activities, but after a few years the project was able to catch up. Evidence from the PCR shows that income levels of the targeted households have increased, along with household assets and food security. The Project has also contributed towards increasing empowerment of the beneficiaries including women, youth and estate workers (disadvantaged groups). Furthermore, the Project interventions have increased linkages and partnership (among beneficiaries, between beneficiaries and the private/public sector), enabling the beneficiaries to access sources of technology, credit and competitive markets mostly on their own. | 5 |
| Efficiency | The EIRR (economic internal rate of return) was well calculated by the PCR. It is 23% compared to 18.22% of the Treasury Bill Yield Rate. The cost-benefit ratio is 1:65 which is very good. | 5 |
| Partner Performance | | |
| IFAD | IFAD's performance has been very good. It was very present, and provided all the support that was needed by the project. The MTR (midterm review) Mission of 2004 in particular was very constructive with several recommendations for mid-course changes of the project components. | 5 |
| Cooperating Institution | UNOPS' (UN Office for Project Services) performance is very positively seen by the PCR. During the entire project period UNOPS has been continuously facilitating the management of the Project through various missions, and has been prompt at carrying | 5 |

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| | out in-depth analyses and at pointing out any aspects of the project that needed revisions. However, the frequent turnover of UNOPS staff and the loss of continuity of institutional memory thereby, appear to have caused some difficulties to the PMO (project management office) and project partners in working with frequently changed UNOPS visiting officials. Generally however, UNOPS review reports have been the guiding light for IFAD to properly manage the release of project funds. | |
| Government | The Project aimed to make its development goal largely a private sector-led development effort with the participation of the beneficiaries and relevant public sector development functionaries and NGOs. However, in this respect the Government was not very supportive: indeed the lack of policies enabling the transfer or management of government owned assets to the private sector institutions and project sponsored producer companies has constrained the implementation of some recommendations of IFAD/UNOPS, such as the establishment of a private sector-led company type institution/organization for sustaining project services after the closure of MREAP. | 4 |
| NGO/Other | N/A | |
| Cofinancier(s) | - | |
| Combined Partner Performance | <i>Overall partners performed quite well. Considering the importance of the private sector for the project designers, it may have been useful to spend more time during appraisal/formulation to get the Government on board in terms of having a more private sector-led project. In spite of this, all partners seem to have worked well together (though information on NGOs and other partners is missing).</i> | 4 |
| Rural Poverty Impact | | |
| Physical Assets | The project contributed to building poor people's household assets: renovation of minor irrigation schemes, rural income generation sub-component has led people to spend for household improvements and durables. It has also made a good contribution to the development of community infrastructure, some aimed specifically at poor people, such as the improvement and construction of community dwellings for estate workers, the construction of public toilets, the development of 2 mini hydro-electricity generation schemes. It has also renovated rural roads and bridges and built 3 marketing centres for women societies. All of these community structures were very much appreciated. Maintenance of some of these structures is the only aspect of concern. | 5 |
| Financial Assets | The rural financing component was the largest of all the components of the project. While the enterprise development sub-component was partly successful, the credit fund went very well. 2/3 of the loans were targeted at poor families, and a sample study shows that 63% of farmers who borrowed reported increases in their income levels. The sustainability of this system however is not too clear. There is evidence that, if not provided with proper training, 50% of the low income beneficiaries will not be able to merge with market lending schemes operated by banks once the project ends. | 4 |
| Food Security | The PCR claims that through the project income has increased for the target group by 36%. There is no evidence of improved nutritional standards, though it may be a bit too early to judge this. The agricultural commercial development has led to an increase in cultivable area and cropping intensity, but there is no data on the increase in production, although this must have presumably occurred. | 4 |
| Environment | The soil and water conservation sub-component was rated as highly satisfactory by the PCR. Indeed, the technologies introduced by the project were taken up by a good number of farmers and increased the coverage of conserved land. O&M is the only aspect that needs to be further developed as well as M&E, as the impact of these measures has not been ascertained yet. | 4 |
| Human Assets | Under its Enterprise Development component, the project facilitated the conduct of a wide range of vocational trainings as well as trainings on management. The PCR tells us that the "provision of this training has sharpened the available skills of the beneficiaries and acquisition of new skills enabling them to be productive and gainful in competitive job market with a reasonably high degree of empowerment", and rates it as highly satisfactory. The construction of 50 public toilets was also a contribution to the improvement of health facilities. Under the vegetable seed production sub-component, two reputed seed producer companies provided training in quality vegetable seed production. Over 200 farmer-seed producers benefited from these training programmes, and the PCR Mission's field investigations showed a significant positive impact on vegetable cultivation though it was difficult to ascertain the increase in volume. | 5 |
| Soc. Cap. & Emp. | The project has helped set up a number of farmer organizations and has supported their strengthening through training and business advice. This has helped farmers increase linkages and partnership between themselves and with the private/public sector thus enabling them to access sources of technology, credit and competitive markets mostly on their own. In this way the Project has contributed towards increasing empowerment of the beneficiaries including women, youth and estate workers (disadvantaged groups). There is evidence that in some cases more training and legal guidance will be needed to ensure sustainability. | 4 |

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| Ag. Productivity | As mentioned above, the agricultural commercial development has led to an increase in cultivable area and cropping intensity, but there is no data on the increase in production, although this must have presumably occurred. The project's seed production component had benefited the farming communities in number of ways. The use of quality seeds – paddy and vegetables has been well accepted by the farmers. Though there were setbacks in initial seed production of farmers individually, farmers in association with companies and companies all by themselves progressed well later in quality seed production. The project has also helped introducing new technology for several farming activities – mushroom cultivation, hybrid maize and other vegetable cultivation. | 5 |
| Inst. & Serv. | N/A | |
| Markets | The project's main thrust was that of linking up farmers to the market and to the private sector. Under its "SME Promotion and private sector linkages" sub-component, the Project has provided advisory services to 852 persons exceeding the target of 200, initiated market linkages for SMEs (small and medium enterprises) with 20 large companies meeting AR target and established 12 fresh milk sales centres in place of 10. It has also helped the formation of 8 farmer companies and has linked producers with buyers through formal contracts. Also, 3 marketing centres have been established for women societies. Here the women society members sell agricultural produce and handicrafts made locally. Each of these centres has an office, sales centres and a communication centre. In addition to the above, the improvement and construction of roads may have helped marketing, although there are no data on that. | 5 |
| Project Impact | <i>The impact of the project has been strong in certain aspects and weaker in others. It has been good at making communal infrastructure available, especially for estate workers, at increasing productivity and at building people's human capital. In terms of the availability of financial services in the areas, there is still some consolidation work to be done.</i> | 4 |
| Overarching Factors | | |
| Innovation | N/A | |
| Replicability and Scaling-up | N/A | |
| Innovation, Replicability and Scaling-up | N/A | |
| Sustainability and Ownership | Some of the activities promoted by the Project are more sustainable than others: individual micro-enterprises, some of the marketing associations, some WUAs (water user associations). The sustainability of activities initiated by MREAP however depends on the degree of required service provision by the private service providers and line agencies. The activated revolving fund would facilitate the enterprises already in place, while women's organizations have their own revolving funds which would sustain the activities of the societies. | 4 |
| Targeting | The targeting of poor and women has significantly improved since 2005, largely due to the efforts of the Enterprise Development and Employment Division of the MREAP. The loans provided under the Credit Fund were very small and were thus mainly taken up by poorer families. Some funds were reallocated in 2004 and used to carry out activities that could only be carried out by the not-so-poor households, such as seed production by quality farmers, water-tank rehabilitation and infrastructure investments, with the idea that part of the benefits would trickle down to the poorest. However, this analysis was not carried out. | 4 |
| Gender | The MTR recommended that women and youth should comprise at least 30% of the target group. The project made a commendable effort at trying to reach out to women. The following are only some of the initiatives undertaken by the project to benefit women: gender awareness creation among the project staff and stakeholders; increased participation of women, both in general and technical training; organization of job oriented training (e.g. nursing-aides training); promotion of women to get involved in micro-credit programmes; supporting the strengthening of about 20 Women Community Based Organizations (WCBOs); and the provision of equity capital or total grant funds to the poorest women to start IGAs. In particular, seed money provision of MREAP to women societies is a significant step taken towards strengthening the organizational capacity of women in their societies. 200 women societies with 7,397 members have received over LKR 8.7 million as seed money. They are now revolving the seed money providing loans to the society members. | 5 |
| Overall Performance | <i>The project's overall performance has been good: it has reached all of its targets and has reached the number of beneficiaries, as foreseen. Its impact however was mixed, as was its targeting. The Enterprise Development and Marketing sub-component disbursed only half of its funds, and the sustainability of some of the more successful components is unsure.</i> | 4 |
| Estimated number of beneficiaries | In the agricultural commercial component benefits have gone to 11,000 households whereas the expected target was 9,000 households. | |

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| PCR Quality | | |
| Scope | The PCR covers all the project components and it does so in detail too, but it does not follow the PCR template. The section on "impact" is therefore missing as are those on relevance, innovation and upscaling. | 4 |
| Quality | Well written but not always to the point. | 4 |
| Lessons | Some of the lessons in this section are in fact recommendations. More analysis would have been useful, but overall they are good. | 5 |