

## **Sri Lanka**

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### **Smallholder Tea and Rubber Revitalization Project**

#### **Mid-term Review**

#### **Main report and appendices**

Mission Dates: 15 June - 5 July 2019  
Document Date 13/08/2019  
Project No. 1100001731  
Report No. 5112-LK

Asia and the Pacific Division  
Programme Management Department

## Abbreviations and Acronyms

<b><u>AWPB</u></b>	Annual Work Plan and Budget
<b><u>BDO</u></b>	Business Development Officer
<b><u>CBSL</u></b>	Central Bank of Sri Lanka
<b><u>CDO</u></b>	<u>Community Development Officer</u>
<b><u>DPMU</u></b>	<u>District Project Management Unit</u>
<b><u>ERD</u></b>	<u>External Resources Department</u>
<b><u>FA</u></b>	<u>Field Animator</u>
<b><u>GOSL</u></b>	<u>Government of Sri Lanka</u>
<b><u>GIS</u></b>	<u>Geographic Information System</u>
<b><u>IGA</u></b>	<u>Income Generating Activities</u>
<b><u>LogFrame</u></b>	<u>Logical Framework (for project planning, monitoring and evaluation)</u>
<b><u>M&amp;E</u></b>	<u>Monitoring and Evaluation</u>
<b><u>MIS</u></b>	<u>Management Information system</u>
<b><u>MoF</u></b>	<u>Ministry of Finance</u>
<b><u>MPI</u></b>	<u>Ministry of Plantation Industries</u>
<b><u>PMU</u></b>	<u>Project Management Unit</u>
<b><u>PRA</u></b>	<u>Participatory Rapid Appraisal</u>
<b><u>RDD</u></b>	<u>Rubber Development Department</u>
<b><u>RDO</u></b>	<u>Rubber Development Officer</u>
<b><u>RRI</u></b>	<u>Rubber Research Institute</u>
<b><u>SAPP</u></b>	<u>Smallholder Agribusiness Partnerships Programme</u>
<b><u>SDP</u></b>	<u>Society Development Plan</u>
<b><u>SPeNDP</u></b>	<u>Smallholder Plantations Entrepreneurship Development Programme</u>
<b><u>STaRR</u></b>	<u>Smallholder Tea and Rubber Revitalisation Project</u>
<b><u>Thurusawiya Society/Fund</u></b>	<u>Government organisations for Rubber Planting Societies</u>
<b><u>TI</u></b>	<u>Tea Inspector</u>
<b><u>ToR</u></b>	<u>Terms of Reference</u>
<b><u>ToT</u></b>	<u>Training of Trainers</u>
<b><u>TRI</u></b>	Tea Research Institute
<b><u>TSHDA</u></b>	Tea Smallholder Development Agency

## A. Project Overview

Region:	Asia and the Pacific Division	Project at Risk Status:	Potential problem
Country:	Sri Lanka	Environmental and Social Category:	B
Project Name:	Smallholder Tea and Rubber Revitalization Project	Climate Risk Classification:	2
Project ID:	1100001731	Executing Institution:	Ministry of Plantation Industries
Project Type:	Marketing/Storage/Processing	Implementing Institutions:	Ministry of Plantation Industries
CPM:	Tarek Kotb		
Project Director:	Janaka Amarasinghe		
Project Area:	Galle, Matara, Rathnapura, Badulla, Kandy, N'Eliya, Monaragala, Ampara		

Approval Date:	17/12/2015	Last audit receipt:	31/07/2019
Signing Date:	26/04/2016	Date of Last SIS Mission:	05/07/2019
Entry into Force Date:	26/04/2016	Number of SIS Missions:	4
Available for Disbursement Date:	30/12/2016	Number of extensions:	0
First Disbursement Date:	24/04/2017	Effectiveness lag:	4 months
MTR Date:	16/06/2019		
Original Completion Date:	30/06/2022		
Current Completion Date:	30/06/2022		
Financial Closure:	not available yet		

## Project total financing

<b>IFAD Financing breakdown</b>	IFAD	\$25,764,000
<b>Domestic Financing breakdown</b>	Beneficiaries	\$3,610,000
	Domestic Financing Institutions	\$3,251,000
	Private sector local	\$15,000
	National Government	\$32,762,000
<b>Co-financing breakdown,</b>		
<b>Project total financing:</b>		\$65,402,000

## Current Mission

Mission Dates:	15 June - 5 July 2019
Days in the field:	6 days
Mission composition:	The Mission was composed as follows: Mr Kees Blok, Mission Leader and Rural Development/FPOs and Institutions; Mr. Do Thanh Lam, Agronomist; Mr Rauno Zander, Rural Finance Specialist; Mr Daya Ratnasekera, Procurement Specialist; Ms Lilis Suharti; Financial Management Specialist; Ms. Radheeka Jirasinha, Environment and Climate Specialist; Ms Mehry Ismaili, M&E and KM; Ms Sashwati Mishra, Gender, Targeting and Nutrition; and Mr Juan Morelli, Economist. Dr Tarek Kotb, Country Director and Mr Liam Chicca, Lead Portfolio Adviser Asia and the Pacific Region participated in the Mission's key meetings
Field sites visited:	Central agencies at Greater Colombo and the Districts of Matara, Galle, Rathnapura, Badulla, Moneragala and Ampara.

## B. Overall Assessment

Key SIS Indicator #1	Ø	Rating	Key SIS Indicator #2	Ø	Rating
Likelihood of Achieving the Development Objective		4	Assessment of the Overall Implementation Performance		4

<b>Effectiveness and Developmental Focus</b>	<b>4</b>	<b>Project Management</b>	<b>3</b>
Effectiveness	3	Quality of Project Management	4
Targeting and Outreach	4	Knowledge Management	3
Gender equality & women's participation	3	Value for Money	4
Agricultural Productivity	4	Coherence between AWPB and Implementation	3
Nutrition	N/A	Performance of M&E System	3
Adaptation to Climate Change	4	Requirements of Social, Environmental and Climate Assessment Procedures (SECAP)	3

<b>Sustainability and Scaling-up</b>	<b>3</b>	<b>Financial Management and Execution</b>	<b>4</b>
Institutions and Policy Engagement	N/A	Acceptable Disbursement Rate	4
Partnership-building	3	Quality of Financial Management	4
Human and Social Capital and Empowerment	4	Quality and Timeliness of Audit	4
Quality of Beneficiary Participation	4	Counterparts Funds	3
Responsiveness of Service Providers	3	Compliance with Loan Covenants	4
Environment and Natural Resource Management	3	Procurement	3
Exit Strategy	3		
Potential for Scaling-up	3		

<b>Relevance</b>	<b>5</b>
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## C. Mission Objectives and Key Conclusions

### Background and Main Objective of the Mission

Implementation of the Smallholders Tea and Rubber Revitalisation Project (STaRR) started in April 2016 and is scheduled to complete on 30 June 2022. The total cost of STaRR amounts to US\$ 65.4 million, which IFAD finances to the tune of US\$ 25.8 million. Tea smallholder development activities are undertaken in the districts of Galle, Matara, Ratnapura, Badulla, Kandy and Nuwara Eliya. Rubber smallholder development takes place in the districts of Ampara and Monaragala. A total of 144,000 people or 32,000 tea and rubber smallholder households are expected to benefit from the Project by engaging in more profitable, productive and resilient economic activities.

A Mid-term Review Mission took place from 16 June to 5 July with the aim of assessing implementation progress; address constraints; and prepare agreed actions to increase the likelihood of STaRR attaining its development objective at completion. The team interacted intensively with stakeholders in Matara, Galle, Ratnapura, Badulla (Tea) and in Monaragala and Ampara Districts (Rubber). Specific meetings were held with implementation partners and initial conclusions were discussed with MPI, ERD and senior project staff. This culminated in a pre-wrap-up followed by a final wrap-up on 4 July 2019, chaired by Mr J.A. Ranjith, Secretary, MPI. The Aide-Memoire records the outcomes of that meeting.

### Key Mission Agreements and Conclusions

While half of the project lifetime has elapsed, less than 35% of the loan resources have been disbursed. In addition, the Mission has concerns over Monitoring and Evaluation (M&E) and knowledge management; procurement; and environmental and social due diligence. Though the project performance has significantly improved under its new leadership, it is a problem project owing to the lost time in the first year of implementation, which makes achieving the present target for tea replanting impracticable. The principal conclusions of the Mission are:

- 1. Restructuring of the Project.** The Mission concludes that despite the Project's best efforts over the past year, it will be physically impossible to achieve the targets that have been set for the re-planting of tea. Rather than accepting that the Project will not achieve its objectives, the Mission recommends pursuing a lower target for tea, along with a reallocation of resources to: (i) facilitate a new and swifter replanting process that benefits the sector as a whole; and (ii) promote economically significant infrastructure (e.g. micro-irrigation) in the tea areas. Given this restructuring, the Economic and Financial Analyses (EFA) of the Project will be re-run also taking into consideration the delays experienced in the context of the rural finance component. The EFA is expected to confirm the continued viability of the Project.
- 2. Re-allocation between categories.** The above requires a revised allocation of the project's funds between disbursement categories. During the Mission, a new allocation table was prepared (see the table below and the more elaborate discussion in appendix IV.1. The GOSL is advised to request IFAD's concurrence for the same at its earliest convenience, so that changes can still be reflected within the 2019 AWPB and implemented during 2019.
- 3. Acceleration Plan.** Given the situation of the Project, an Acceleration Plan – reflecting the agreements outlined in this Aide Memoire – will be developed and monitored on a monthly basis to ensure that all concerned parties (i.e. IFAD, GOSL implementation partners and the PMU) act swiftly to alter the course of the Project (see Appendix 4.V).

	Categories	Present allocations (SDR)	Proposed allocations (SDR)
I	Civil Works	2,900	3,500
II	Equipment and Materials	3,010	3,200
III	Goods and Services	2,520	2,800
IV	Grants	6,200	5,130
V	Salaries, Allowances and Operating Cost	1,980	1,980
	Unallocated	1,840	1,840

Total		18,450	18,450
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## D. Overview and Project Progress

**Component 1: Tea smallholders' development.** The component performs moderately unsatisfactory, mainly due to the concerns with respect to the progress of replanting (sub-component 1.b). In order to facilitate tea societies to offer a wide range of services to its members to reach the project target in tea replanting, the project has selected 200 tea societies with significant smallholder membership and outreach potential. The societies are expected to have capacity in organising smallholders to receive project inputs, training, mobilise internal lending, initiate linkages with banks for credit, and to initiate business activities. Therefore, based on diagnostic mapping and assessment conducted, 161 (81%) of these societies have developed society development plans (SDP) and received 34 training programmes supported by the project. As a result, the societies have mobilised members to complete marketing infrastructure sub-projects. Most societies visited by the Mission have mobilised membership fees and use these partly as internal lending to their members, while few societies have initiated business activities, e.g. tea leaf collection. However, most of the societies have not started business activities yet as they lack capital, skills and initiative. The project has selected 67 tea societies to receive tools and equipment to the tune of Rs. 200,000 per society, but this intervention is yet to start this year.

*Component 1a: Strengthening tea societies in production and marketing* performs moderately satisfactory, with good progress in planning and training sessions, along with concerns about its potential impact. The Project works with existing Smallholder Tea Societies that have been established under the TSHDA; and which act as functional extensions to this organisation. The Society Development Plans (SDP) have been prepared chiefly to identify the support services that can be rendered by the Project. The societies are therefore neither designed, nor as yet strongly supported to act as independent community development organisations. In addition to the Tea Societies, many other similar rural organisations have been established by other departments. It is therefore not realistic to expect to transform all 200 Tea Societies into robust independent organisations, involved in income and market diversification.

The Society Development Plans are the first ever forward planning attempt by the Societies and are strongly geared towards obtaining the benefits of the Project. The SDPs do not provide a brief analysis on the opportunities for income generating activities (IGA) or business development and lack a pathway towards sustainability of outcomes. Further Project support should focus on those Tea Societies that demonstrate capacity to be involved in income and market diversification.

*Component 1b: Market-driven production support.* This is unsatisfactory, as the present rate of progress is well-below what is required to achieve the full target of 5,500 hectares replanted by the end of the Project. Slow progress has been made in meeting the target of 5,500 ha replantation and 825 ha infilling. So far, permits issued for 3,385 ha in 6 project districts or 62% of the target, and about 808 ha of tea land (15%) are planned to start tea replanting programmes in the Yala and Maha seasons in 2019 involving 4,440 families. Therefore, the MTR expresses concern over the likelihood of achieving the original targets in the remaining project implementation period. The current situation is imputable to the slow start of project activities in the first two years, to the reluctance of tea farmers to join the TSHDA replanting scheme lest they lose their income for the five-year period between uprooting and new harvesting, as well as to procedural delays.

In order to encourage smallholders to join the replanting programme, upfront funding has been introduced by the project together with the subsidy programme supported by the Government. By May 2019, implementation of up-front partial funding for old tea uprooting and land preparation at an amount of Rs 175,000 per ha has been slow, with achievement of 2,819 ha (51%) receiving first upfront payment to-date. The project also worked with TRI to test Soil Quality Index to allow zero-day replanting with potential application on about 60% of the smallholders' land and reduction of technical process length to 18 months. This is an accepted method, but the (laboratory) capacity for the requisite soil testing is severely limited.

The project faces procedural delays in the lengthy process of verification, authorisation and other paper-work currently in practice with TSHDA cooperation. The project succeeded in testing measurement of tea lands through GPS technology, and a performance-based and incentive system should be introduced with tea inspectors (TI) and TSHDA management assistants to apply GPS technology and improve the efficiency of the process.

The project plans to support input nursery smallholders to supply 40% of the total plants required, and the remaining 60% through commercial nurseries. So far, 1092 input nurseries have been established, with a capacity of 2,529,700 plants, equivalent to 3% of the total 75.8 Mn plants required for 5,500 ha, hence this is still far from the expected target. In addition, input nursery owners have difficulty to access quality planting materials, especially from high yielding varieties.

*Component 1c: Income and market diversification for tea smallholders* The component rates moderately satisfactory as road construction has progressed well (60% achieved) and as this shows a clear positive impact. Progress with respect to matching grants for income diversification is, however, low and this is an area for urgent attention.

The sub-component helps tea smallholders to diversify their income sources through profitable farming (including intercropping) and non-farming activities responding to market opportunities; and strengthens existing or new marketing channels for green tea leaf marketing through relationships between tea smallholders and the private sector. So far, good progress has been achieved with marketing infrastructure, with 195 sub-projects identified and 48.32 kms of road constructed (60% of the target) from 127 sub-projects. The construction of these sub-projects has received active participation and contribution from the benefiting societies and smallholders as they are benefiting from higher farm gate

prices for green leaves.

In order to support smallholder and their groups to generate new income sources, a matching grant has recently been introduced and some initial activities are taking place. 45 societies and 8,363 farmers are selected to engage in an intercropping programme with potential companies (e.g. Cargill, Vanilla Trade organisation, Eastern dairy product, Galoya dairy product, Elephant house) and Department of Export Agriculture in all project districts. However, as progress has been slow so far, the PMU will need to strengthen internal capacity in order to accelerate and provide effective support to a greater number of business initiatives from the smallholders, societies, and private actors.

**Component 2: Rubber smallholders' development** aims to enhance rubber production and processing of quality rubber products with advantaged market linkages. It has three sub-components: (i) Strengthening rubber societies including processing and market sensitivity; (ii) Market driven rubber production support; and (iii) Income and markets diversification for Rubber smallholders.

*Component 2a: Strengthening rubber societies in production and marketing.* The progress is moderately satisfactory, with a good number of planning and training sessions conducted and concerns about potential impact. Similar to the tea sector, the project aims to diagnose and build capacity in 60 rubber societies. To-date, after information and education campaign activities, the project conducted diagnostic analysis and developed SDP for 66 rubber societies in Monaragala and Ampara districts (110% of the target). These societies received similar capacity building activities as arranged for the tea societies and issues associated with their capacities are similar to those of tea societies.

*Component 2b: Market-driven production support.* Progress is moderately satisfactory as planting has advanced well, while adequate land resources for future planting identified; although the formal release is a crucial step to still be addressed. The project has made good progress since the last supervision mission. In order to achieve target of 3,000 ha of new rubber planting, 3,839 ha of lands have been identified and 1,669 ha received permit, equivalent to 56%. About 1,300 ha has been planted, achieving 43% of the target. However, 1,331 ha has not yet been released by the Forestry Department, Divisional Secretariat Division and Mahaweli Development Authority, which may have implications for the achievement of the project target. As the Padiyathalawa rubber nursery and others have enough capacity to supply the required plants in the next planting season (Maha 2019), this issue needs urgent solution from the concerned agencies.

The process of planting rubber on smallholder land in non-traditional areas has progressed substantially, owing to the Project and RDD securing cooperation from the Forest Department in leasing-out large tracks of degraded forest land for smallholder rubber planting. For the final campaign of Maha 2019, planting of rubber on the remaining 1,300 hectares is planned. The Project is confident that the required land resources will become available timely and has taken steps to secure availability of inputs (seedlings, compost, fertiliser). The Project has however not documented environmental and social due diligence; nor incorporated mitigation measures (if any) for the planting and fencing of forest land larger than 50 ha despite earlier agreed actions on this issue. Urgent action is required to avert that investments become ineligible for IFAD financing.

*Component 2c: Income and market diversification for rubber smallholders* The component rates moderately satisfactory as infrastructure has progressed well, while progress with respect to matching grants for income diversification remains low. Similar to tea, modest progress has been achieved in helping rubber smallholders diversify their income sources and markets. With regard to income diversification, a number of intercrop models has been introduced to Ampara and Monaragala with a small number of smallholders (21) including banana, pineapple, maize and cowpea and cowpea and peanut, passion fruit and sugarcane. In addition, the project has identified 40 marketing infrastructure sub-projects, of which 23 have been constructed (2 kms of road, 3 culverts, 7 causeways, 5.3 kms of motor-grading and 10.4 kms of elephant fences). However, market linkages and product diversification are still at an initial stage.

**Component 3: Inclusive rural finance** aims to facilitate access of targeted smallholders to available financing. The component has two sub components: (i) facilitating access to financial services; and (ii) supportive implementation arrangements. Both are rated unsatisfactory as implementation has not advanced beyond the planning stage.

Preparations for launching financial services activities proceeded after the implementation support mission of January 2019: STaRR PMU has obtained a commitment from MPI and the Ministry of Finance for the Government to support an interest rate leverage to promote Sri Lankan banks' lending to tea and rubber smallholders out of their own resources. The MTR team appreciates the concerted efforts by MPI, ERD, the Central Bank and the PMU, but opines that the commercial banks' uptake of the approach in their lending portfolio remains to be seen. To promote commercial lending operations, capacity development in the PMU and DPMUs is required; as well as two awareness raising events for participating banks and Field animators. An Action Plan for the launch of the credit facility was agreed by the partners (MPI, ERD, CBSL and STARR) and is integrated in the overall Acceleration Plan that emerges from the MTR (see chapter on project management).

MPI projects 3,660 STaRR beneficiaries to apply to the credit facility for financing income generating activities (IGA). In-filling or (re-)planting is not supported by the credit facility; but on-farm and off farm activities are and must be detailed in the Operating Instructions of the Credit Facility. The rate of interest at end user level equals IFAD-financed and approved lines of credit elsewhere in the country, i.e., 6.5%. The differential to the prime lending rate, to be contributed by the Government, is 7.0%, or about half of the overall interest rate.



<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Overview and Project Progress</b>		
<b>Budget reallocation</b> Request IFAD's concurrence for a reallocation between categories on the basis of the restructured project design	Ministry of Finance	07/2019
<b>Memorandum of Agreement</b> Reflect the revised replanting targets in the Memorandum of Agreement between TSHDA and PMU	TSHDA / PMU	07/2019
<b>National Environmental Assessment Procedures</b> Present country framework for EIA to IFAD for assessment against SECAP requirements	PMU	07/2019
<b>Cabinet Paper</b> Follow-up on Cabinet Paper requesting allocation of funds for interest rate subsidy	MPI/PMU	07/2019
<b>Tea Land measurement</b> Use GIS/GPS technology for all land measurements	TSHDA	08/2019
<b>Capacity for ESIA and ESMP</b> Recruit an environmental consultant to conduct the above	PMU	08/2019
<b>PMU rural finance capacity</b> Recruit consultant in PMU to support development and start-up of the credit facility	PMU	08/2019
<b>Operating instructions</b> Support CBSL in drafting of Operating Instructions for the credit facility	PMU/CBSL	08/2019
<b>Tea Research Institute</b> Prepare investment plan for TRI capacity in developing and facilitating alternative replanting systems	PMU	09/2019
<b>Existing rubber tappers</b> Actively involve and support existing smallholder rubber growers in the Rubber Societies supported by STaRR	PMU	09/2019
<b>Environment and Social Impact Assessment (ESIA)</b> Prepare ESIA for project and mitigation plans for all land areas above 50 ha	PMU	09/2019
<b>Private Bank participation</b> Conduct Start Up Workshop for participating Banks	PMU	09/2019

<b>District roll-out</b>  Conduct Awareness and ToT Workshop to prepare credit facility implementation at field level	PMU	09/2019
<b>Acceleration Plan</b>  Report monthly on the progress against the STaRR Acceleration Plan	PMI	
<b>Systematic change</b>  Pursue systemic improvement in the support rendered to smallholder tea re-planting	MPI	
<b>District meetings</b>  Organise monthly progress review meetings at District level to define remedial actions in case of delays and bottlenecks	TSHDA/DPMU	
<b>National meetings</b>  Organise monthly progress review meetings at National level to define remedial actions in case of delays and bottlenecks	MPI	
<b>TSHDA-STARR cooperation</b>  Provide immediate and on-the-spot troubleshooting	TSHDA/PMU	
<b>Tea nurseries</b>  Provide improved cuttings and technical services to input nurseries	TSHDA	
<b>Entrepreneurial tea input nurseries</b>  Facilitate cooperation between entrepreneurial input nurseries and commercial nurseries	PMU	
<b>Income and market diversification in rubber and tea</b>  Speed-up implementation of the matching grants	PMU	
<b>Reduction of high mortality rate in rubber new plantation</b>  Implement different measures to reduce high mortality rate	RDD/PMU	

## E. Project implementation

### a. Development Effectiveness

Effectiveness and Developmental Focus		
Effectiveness	Rating: 3	Previous rating: 4

#### Justification of rating

The project objective is not likely to be met as the implementation of components 1 and 3 will achieve less than 70% of the main physical output targets due to delays in implementation. A revision of the Project output targets combined with a closely monitored acceleration plan may well increase this rating in the near future.

#### Log-Frame Analysis & Main Issues of Effectiveness

The Project's Development Objective is that smallholders' economic activities in tea and rubber become more productive, profitable and resilient. Project interventions continue to be relevant for this objective, but the delayed implementation begs the question as to the extent to which the objective can be achieved. Due to the long establishment period of tea and rubber (combined with delays for tea re-planting), no beneficiaries have yet benefitted from the (re-)planting activities, while Project support to income and market diversification is only slowly taking off. No rural finance available as yet under the Project. Provision of market infrastructure (mainly last mile roads) does contribute to better prices for green tea (perishable!) and greater ease of market access in rubber.

The Project outreach at the end of May 2019 was 19,645 households against the completion target of 32,000. A total number of 87,950 people (61%) have received some – but by far not all – services promoted by the Project. Delays occur in the Tea component (replanting, nursery establishment, income diversification), the Rubber component (income diversification) and in the Rural Finance component. As outlined above, the reasons for the delay include:

- Start-up delays and management issues during the first years of implementation. Present management exerts a much better control over the Project;
- Slow implementation of the tea replanting procedure due to traditional methods of land measurement and slow administrative processes;
- Late and cautious start of activities for income and market diversification in both tea and rubber;
- Differences over the financing of the rural finance component were resolved in principle earlier this year, while formal measures to implement the course of action are planned to be taken shortly; The above issues are addressed under key mission agreements by lowering of the target for tea by 20%, a re-allocation of resources within the tea sector and an acceleration plan (see Appendix 4.V).

The need to provide due diligence for rubber planting in non-traditional areas could possibly cause delays in the planting of the final 1,300 ha of rubber.

The above issues are addressed under key mission agreements by lowering of the target for tea by 20%, a re-allocation of resources within the tea sector and an acceleration plan (see Appendix 4.V).

Development Focus		
Targeting and Outreach	Rating: 4	Previous rating: 4

#### Justification of rating

STaRR appears to generally adhere to its targeting strategy and it reaches beneficiaries with less than 1 ha of land. The targeting strategy is however only partially monitored: (i) it is difficult to assess how many target group members do not partake in project benefits; and (ii) women's participation in (re-) planting is not reported upon. Project outreach is substantial, but delays affect especially the outreach of the tea component and of the rural finance.

#### Main issues

The Project does not systematically review its targeting strategy. While the targeting criteria appear to be generally applied, in some cases beneficiaries have more than 1 of ha land, though they might be using only part of that for the replanting programme. The extent of and reasons for non-participation of eligible smallholders under the programme are not known and the achievements in women's involvement in (re-)planting tea (target: 30%) and rubber (target: 50%) are not reported.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Development Effectiveness</b>		
<b>Targeting strategy</b>  Review the effectiveness of the Project's targeting approach and remedy or modify as required	PMU	12/2019

#### **Gender equality & women's participation**

**Rating: 3**

**Previous rating: 3**

#### **Justification of rating**

STaRR has no explicit gender strategy beyond quantitative criteria in its targeting approach. Despite lack of disaggregated data, women appear to account for a substantial number of beneficiaries (economic empowerment) and some have a voice in decision-making.

#### **Main issues**

The last two supervision missions produced an agreed action to develop a Gender strategy. The Project has not been able to do so, and it is too late to develop one now. In the remaining three years of implementation, STaRR should focus on the following basic gender strategy: (i) pursue the quantitative targets for women's participation in (re-)planting and rural finance (economic empowerment); (ii) promote women's active participation in Tea and Rubber Societies management (voice in decision-making); (iii) understand and document how women are affected by the Project (case studies); and (iv) disseminate positive examples of women's empowerment across Societies.

The case studies – enriched with monitoring data – should help develop an understanding of how the Project impacts on (i) the sharing of unpaid household tasks between men and women; (ii) increase in income; (iii) increase in decision making in public forums and (iv) increased access to and control over resources for women and marginalised farmers.

The DPMU of Ampara, which only includes male FA, finds it relatively difficult to reach out to women. The management is recommended to address the situation while respecting the confines set by present contracts and job conditions.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Development Effectiveness</b>		
<b>Disaggregated monitoring and reporting</b>  Ensure visibility of beneficiary numbers across categories of age and gender	PMU	
<b>Basic gender strategy</b>  Apply the basic Gender Strategy provided at MTR in all Districts	PMU	

#### **Agricultural Productivity**

**Rating: 4**

**Previous rating: 4**

#### **Justification of rating**

Project activities and outputs are leading to a moderate increase in both agricultural productivity or production in the project target area; with a time-lag that is inherent to the choice of crops (tea and rubber). Support to income diversification, including greater attention to intercropping, shows potential but requires acceleration.

#### **Main issues**

Main issues are addressed in the section on 'Overview and Project Progress'

#### **Nutrition**

**Rating: N/A**

<b>Adaptation to Climate Change</b>	<b>Rating: 4</b>	<b>Previous rating: 4</b>
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#### **Justification of rating**

Although adaptation to climate change is not a main element in the STARR project, there are activities within the project that will increase the adaptive capacity of the target group. Well-articulated initiatives are lacking in the PDR, however the SECAP review note includes suggestions on climate change adaptation, and out of these 50% are being implemented with some operational shortcomings including the use of resources and/or reporting.

#### **Main issues**

The components of STARR do not explicitly address adaptation to climate change. However, activities under the sub-components, mainly planting/re-planting of perennial crops that are less susceptible to climate impacts, crop diversification through intercropping, promotion of other income generating activities, awareness of and training on soil and water conservation measures do increase the resilience of beneficiaries to the impacts of climate change.

Most of the farmer societies and individuals have received training and awareness on soil and water conservation methods, such as mulching, growing shade trees, intercropping, trenches and drainage systems. However, not all farmers implement these practices. This could be solved with effective monitoring of farm lands and ensuring that the conditions for upfront/subsidy payments are strictly followed.

Alternative plant varieties (such as the 4000 series for Tea) that are more drought resistant are discussed and farmers are aware that these varieties exist, however these are not readily available to the farmers. Under the infrastructure development activities, the PMU is suggested to consider the viability of using its resources to provide micro-irrigation and water storage facilities for the vulnerable smallholders in the districts that are most prone to drought/receive lower rainfall. In addition, in the identifications of lands for tea replanting, steep slopes in areas that are prone to floods should be avoided.

There is also scope for climate mitigation in the project on a large scale, under the rubber smallholders' component which has a target of 3,000 ha. This component identifies new land in the dry zone (non-traditional rubber areas) for planting of rubber. The conversion of existing Chena cultivation land into production forests would result in the absorption of carbon emissions thereby contributing to the national and global climate targets. However, the project has neither assessed the landscape nor conducted a baseline assessment prior to the planting of rubber, therefore the full impacts (both positive and negative) are not documented and reported. The cooperation with RRI on a project on voluntary carbon credits offers a real opportunity to redress this shortcoming, as well as an opportunity to obtain carbon credits for all stakeholders in the smallholder rubber sector. The GIS expert at the PMU cooperates with this initiative.

## **b. Sustainability and Scaling up**

<b>Institutions and Policy Engagement</b>	<b>Rating: N/A</b>	<b>Previous rating: 4</b>
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<b>Partnership-building</b>	<b>Rating: 3</b>	<b>Previous rating: 4</b>
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#### **Justification of rating**

Especially over the last year, the Project is increasingly meeting expectations in terms of seeking constructive relations with partners, based largely on an implicit strategy. The partnership for the rubber component is effective and appreciated by the partners and leads to unforeseen initiatives (voluntary carbon credits project). A new spirit has been brought to the partnership for the inclusive rural finance but this has to be extended to engaging with the private banks expected to provide credit to smallholders. The cooperation with partners in the tea sector also shows signs of improvement, but has to come from a longer distance. Private sector partnerships are emerging but require further attention, as does using project lessons for sector policy.

#### **Main issues**

The project has emerged from an inward-looking period and is now working on building the requisite partnerships that underpin implementation of the components, that pursue greater engagement with the private sector and that bring lessons learnt to a wider platform.

Income diversification activities – including matching grants for equipment and for input provision, as well as the ongoing work for tea nurseries and processing and marketing of existing smallholder rubber production – are generally supported with little or no involvement of private sector agencies and agents. Potential synergies from linking tea input nursery farmers to commercial nurseries; or from bulking, grading or processing existing products (main and intercrop) in

response to market demands, are insufficiently pursued. Management needs to promote synergies between smallholders and markets as a standard element in the support rendered to the Tea and Rubber Societies by the District and field staff.

A real opportunity for STaRR to improve its partnership with the tea sector is its participation in the Smallholder Tea Extension and Experimentation Forum (E&E Forum) hosted by the TRI (see Knowledge Management). Partnership with private banks requires continued attention as well (Section on Overview and Project Progress).

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Sustainability and Scaling up</b>		
<b>Private sector engagement</b>  Establish interaction of smallholder producers to private sector agents as a standard element in income diversification activities	PMU	07/2019

#### **Human and Social Capital and Empowerment**

**Rating: 4**

**Previous rating: 4**

##### **Justification of rating**

The Project builds capacities in existing Tea and new Rubber Societies. The approach closely adheres to the present nature of these organisations (conduits for Government service delivery) and only marginally improves the organisations' control over economic development and the institutional network required for that.

##### **Main issues**

Discussed under Overview and Project Progress. In general, the Project should accept it can have limited impact on the character of most societies and it should prioritise working with those societies that show capacities in and initiative for income diversification.

#### **Quality of Beneficiary Participation**

**Rating: 4**

**Previous rating: 4**

##### **Justification of rating**

Beneficiaries are consulted in determining the project support to their societies. Beneficiaries contribute (so far only in kind) to the activities supported by the Project and even manage to overachieve targets in road construction. M&E does not include participatory methods.

##### **Main issues**

The Project actively engages with beneficiaries in establishing and revamping their Societies and supports a basic planning and consultation exercise on the support to be rendered through the Project. Leadership capacities are supported through training and important decisions are taken in the Societies' general meetings. Road construction shows overachievement of its targets (per Society) due to beneficiaries volunteering more than their original share. (Re-)planting support is generally well directed at targeted beneficiaries and responds to the demand of smallholders for such support.

#### **Responsiveness of Service Providers**

**Rating: 3**

**Previous rating: 4**

##### **Justification of rating**

The responsiveness of service providers varies, with issues especially in components 1 and 3. Tea replanting is affected by the delays in land measurement and administrative processes, as well as by coordination issues between the DPMU and TSHDA. For rural finance, the rating is informed by the late (only recent) agreement of key partners to the modalities of an agreed approach. The Project is addressing these issues.

##### **Main issues**

See section on Overview and Project Progress

#### **Environment and Natural Resource Management**

**Rating: 3**

**Previous rating: 4**

## Justification of rating

High standard environmental norms were not followed and some activities could have led to a negative impact or could have potentially taken place in protected zones. No ESMP/ESIA has been conducted prior to implementation, or thereafter.

## Main issues

As identified in the SECAP note, National environmental authorities list several criteria for the identification of environmentally sensitive areas. For example, under the Flora and Fauna Protection Ordinance, one mile from the boundary, or within, any area declared as National Reserve is considered Environmentally Sensitive Area. Under the Tea replanting component, the project should take precaution as to avoid lands that are already encroached on and for those that are within the classification of environmentally/ecologically sensitive areas, appropriate mitigation measures need to be assessed and implemented.

Although training programs have been conducted and farmers are aware of safe practices of chemical fertiliser/pesticide application, these are not always implemented. Some of the districts include waterways (rivers, streams, lakes) which are prone to contamination through run-off. Therefore, strict monitoring needs to be undertaken in order to ensure farmers are not over-using agrochemicals. Further, under the marketing component, farmers can be linked to private sector companies that are requiring organic production of tea.

In some locations (such as Badulla district) wild animals such as porcupine, wild boar, peacocks and deer damage the plantations. The project is suggested to assess the viability of investing in appropriate fencing for the most vulnerable farmers in the Tea districts.

The rubber new planting component involves the planting of rubber in non-traditional areas. A large section of those are identified on land owned by – and to be leased from – the Forest Department. Their development can have an impact (both positive and negative) on the ecological balance- i.e. plant diversity, water table, soil nutrients, creation of micro-climatic zones. Some of the lands obtained for rubber new planting are more than 50 ha in size, are forested (dry shrub land) and could possibly be classified as buffer zone or wildlife habitat zones. In Ampara plantation was found in 'protected areas under the jurisdiction of the Forest Department'. Electric fences have been erected or are planned and this may cause unwanted impacts on endangered species (e.g. elephant) and their migration routes. For example, if elephant migration routes/corridors are blocked, the habitat becomes fragmented and elephants may be drawn to villages.

Actions are included in the section on 'Overview and Project Progress'.

Exit Strategy	Rating: 3	Previous rating: 4
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## Justification of rating

The Project has no explicit exit strategy and as yet only paid cursory attention to this issue. Elements of an Exit Strategy have, however, been developed with main implementation partners.

## Main issues

As an effect of the effort at catching-up on initial delays, the strategic horizon of the Project does not extend beyond the immediate actions to be taken. As a result, no exit strategy has been made explicit. Nonetheless, elements for sustainability and scaling-out of project successes are emerging: (i) sector cooperation to identify and promote more rapid re-planting processes in tea; (ii) sector cooperation towards a more sustainable smallholder tea sector (environmental concerns, carbon credits); (iii) commodity plans engaging societies/farmer groups, technical service department, local administrations and private sector agencies in varying combinations of income and market diversification initiatives; (iv) CBSL-led initiatives to promote inclusive rural finance with initial ideas on continuation beyond the project period.

The exit strategy for the Project has to grow from experience. Rather than investing now in a 'perfect' strategy, the Project should develop its exit and scaling-up strategy on an incremental basis. This requires the PMU to shortly issue skeleton exit and scaling-up strategies for each component (while not forgetting the synergy of the three components on promoting income diversification). These strategies move directly into implementation and are adjusted and elaborated as needed.

For the credit facility (component 3), the exit strategy would address how (i) additional loan applicants (over and above the target) can be brought to benefit from the loan facilities up to the end of the active project, and (ii) how the facility can be continued beyond the completion of the Project period.

Further guidance on the exit strategy is included in Appendix 4.VI.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Sustainability and Scaling up</b>		
<b>Exit strategy</b>  Develop skeleton exit strategies for each component (with synergies in income and market diversification) for immediate implementation	PMU	08/2019

#### Potential for Scaling-up

**Rating: 3**

**Previous rating: 4**

#### Justification of rating

STaRR is the only externally-funded project in the smallholder tea and rubber sector and successful approaches could, given the importance of these sectors, be scaled-up considerably. The Project is well-positioned within the MPI, but so far Government or development partners have not been exposed to lessons learnt from the Project (e.g. the importance to address road access in smallholder tea production; or the demand for more rapid tea replanting methods) and little interest has been generated.

#### Main issues

Actions are included under Knowledge Management

### c. Project Management

#### Quality of Project Management

**Rating: 4**

**Previous rating: 4**

#### Justification of rating

The new management has had a positive impact on progress of the Project, on relations with TSHDA, made replanting support (in kind) in rubber more efficient, and made a start with private sector involvement. Financial management has been guided towards better performance. Given the need to catch-up on initial delays, the Project management is chiefly driven by output targets and less so by the objective of the Project. The National Steering Committee and MPI management are well-used to support the project management. Key positions are vacant (M&E and KM, procurement) or not timely identified (Rural finance, Environment). Staff continuity has improved.

#### Main issues

Action included under Key Conclusions above.

#### Knowledge Management

**Rating: 3**

**Previous rating: 4**

#### Justification of rating

The Project has not developed a Knowledge Management (KM) Strategy or identified KM activities in a clear plan; and KM activities are not specifically included in the annual work plan and budget. Documentation and learning are rudimentary.

#### Main issues

The Project staff understanding of the role and relevance of knowledge management is limited. KM supports performance through learning lessons from implementation at three levels:

- Beneficiaries – successful practices, such as new income diversification initiatives should be documented and shared between beneficiaries through the intervention of the Project. This includes documentation, but can also include production (and sharing) video documentaries or exchange visits between Societies. Visibility of project interventions is important;
- Project staff – DPMUs and their staff develop methods and skills that potentially are relevant to the other DPMUs and staff therein. The stakeholder matrix for commodity development and the rating system for societies are points in case. A KM strategy includes regular and informal interaction between project staff across units and disciplines to stimulate learning;
- Sector stakeholders – Successful approaches (e.g. investment in last mile connectivity) should be well-documented and show-cased to sector stakeholders to contribute to and promote a dynamic sector dialogue on



how to achieve national objectives.

At present, the Project has neither a KM strategy – which identifies the priority actions on each of the three levels of KM – nor has it identified and budgeted specific KM actions with respect to documentation and dissemination of lessons learnt, interactive events to promote learning from experience, and development of sector policy. Specific attention is needed to capture and share experience with respect to innovations taking place within the project (GPS use for land measurement, introduction of hand-held harvesters). Moreover, a KM strategy should consider how it ensures staff involvement in documentation, dissemination and promotion of learning.

The Project has technical staff for monitoring and planning and for use of information technology, but has not recruited – despite repeated reminders – senior staff to conceptually lead the Project efforts for KM and M&E. Recruitment on a consultancy basis at prevailing market rates is an urgent requirement. Bringing M&E and KM in one hand helps early recognition and flagging of implementation risks for immediate intervention by the management.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Project Management</b>		
<b>information board</b> Install information board with information on the Society, the Project and ongoing activities	PMU	08/2019
<b>Video</b> Prepare a video presentation on project achievements	PMU	08/2019
<b>KM Strategy</b> Prepare a Knowledge Management Strategy and plan and reflect the same in 2020 AWPB (training, communication, stakeholder events, etc.)	PMU	10/2019
<b>Sharing knowledge</b> Organise experience sharing visits and informal exchange between DPMUs and District TSHDA offices	PMU	
<b>E&amp;E Forum</b> Participate actively in the Tea Smallholders' Extension and Experimentation Forum (E&E Forum)	PMU	
<b>Communication</b> Engage advisory services for communication of key lessons	PMU	

**Value for Money**

**Rating: 4**

#### **Justification of rating**

Project progress and outputs confirms the future attainment of the expected impact on targeted smallholders' income in spite of delays in: (i) tea replanting; (ii) the development of market linkages through private sector partnerships; (iii) the intercropping activities; and (iv) the facilitated access to financial services. Updated crop and farm models confirm that the objective to attain more profitable, productive and resilient activities of tea and rubber smallholder production systems is likely to be achieved.

#### **Main issues**

The current expenditure (unit prices) for inputs aligns well to the prices foreseen at design. The financial and economic indicators remain highly positive when compared to the opportunity cost of capital; but are lower than assessed at design due to: (i) to variation in the output-input price relations since 2015: the price of tea leaves did not change much between 2015 and now, while the cost of labour increased by 33%; (ii) a more realistic assessment of expected rubber yields; and (iii) a more realistic projection of the area to be replanted by tea. This is further elaborated in the Economic and Financial

Analysis available under separate cover: Beneficiaries replanting tea or planting rubber will more than duplicate (and in some cases triplicate) their family income. From the country's economy point of view, the economic impact would at least show a 17.8% economic internal rate of return; and an economic net present value of LKR 9.8 billion (US\$ 54 million) when using 10% as the discount rate for the future incremental Project cash flows.

The analysis confirms that the value for money, understood as concerns with economy (cost minimisation), efficiency (output maximisation) and effectiveness (attainment of intended results) remains valid.

#### **Coherence between AWPB and Implementation**

**Rating: 3**

**Previous rating: 2**

#### **Justification of rating**

Eighty percent of the targets in the AWPB 2018 were achieved, but the main output, the tea replantation which represents 38% of the budget, was not completed. 75% of the 1,787ha tea replantation targeted in the AWPB received upfront payment, 73% of 869 ha from 2017 received subsidy 2 while none of the land for subsidy 1 and 2 for 2018 have received payment. The total financial progress for AWPB 2018 was 75%. Progress on the AWPB 2019 is low, with only 17% execution by mid-June 2019.

#### **AWPB Inputs and Outputs Review and Implementation Progress**

The quality and timeliness of the AWPB needs to be improved. AWPB 2018 was submitted to IFAD on 6 November 2017 and AWPB 2019 was on 31 January 2019. Both AWPBs did not consider the seasonal plantation for rubber which will have impact on the payment of subsidies mostly in the last quarter of each year and the first quarter of the following year. IFAD approved the current AWPB in early February 2019 on condition of accelerating the preparation of the ToRs for the consultant services that will also contribute to increasing the PMU implementation capacity.

With regards to AWPB 2019, the budget execution rate as at 21 June 2019 was 17%. Low level of financial execution of AWPB 2019 is in line with the physical progress. A revision has to be made to adjust the current AWPB to be more realistic. As noted in the earlier mission, the project has no reliable system to capture and monitor the physical progress and match it with the financial progress. Financial progress is included in TOMPRO. A separate system should be developed to combine the financial progress data from TOMPRO with the physical progress data from the M&E system.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Project Management</b>		
<b>Comprehensive AWPB</b> Include both physical and financial targets and progress in the AWPB, including annual and overall	PMU	09/2019
<b>Submission dates</b> Keep submitting AWPBs 60 days prior to year's end for IFAD review	PMU	

#### **Performance of M&E System**

**Rating: 3**

**Previous rating: 4**

#### **Justification of rating**

Data are routinely collected with respect to physical and financial output targets but the wider perspective of the LogFrame is not applied. Limited use is made of the monitoring information for management action. Proposed measures (MIS-system, M&E consultant) were accepted but are yet not implemented.

#### **M&E System Review**

The M&E position is vacant and the MIS and Planning Officer is temporarily covering this task, with assistance from the GIS Officer. Terms of Reference have been drafted and a procurement process has been approved, but urgent follow-up is required to fill this vacancy with a consultant at prevailing market rates. The M&E Officer will also address Knowledge Management and play a lead role in addressing the following two issues.

A web-based MIS system has been procured but is as yet not implemented. This system will allow field-level entry of data, data scrutiny and compilation in various reporting formats. It will moreover flag issues for management action. The web-based MIS system should be rolled-out in conjunction with the GIS system that the Project already is using. Once the

system is operational, staff can be provided the requisite training and coaching and the system can be gradually optimised.

No M&E Plan is available, describing which data is to be collected, by whom, how often and how, as well as in which report and with which frequency the data are to be presented. This will provide a better focus to the M&E activities at all levels in the organisation, as well as allow to plan and budget the activities described in the plan.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Project Management</b>		
<b>Social inclusion</b> Propose relevant social inclusion indicators for the M&E system	IFAD	07/2019
<b>MIS System</b> Implement the web-based MIS System to standardise the methodology for measuring results	PMU	09/2019
<b>KM and M&amp;E staffinf</b> Recruit an M&E Specialist (consultant) to strengthen the Project's performance on M&E and KM	PMU	11/2019
<b>Training</b> Combine M&E and gender training	IFAD	11/2019
<b>M&amp;E Plan</b> Develop the Project's M&E plan	PMU	12/2019

#### **Requirements of Social, Environmental and Climate Assessment Procedures (SECAP)**

**Rating: 3**

**Previous rating: 4**

#### **Justification of rating**

The SECAP review note produced at the time of the project design identifies the environmental and social risk as category B, which requires further environmental analysis or an Environment and Social Management Plan (ESMP). To date, the ESMP has not been prepared nor are its procedures operational and this has been raised during previous supervision missions. Further, the SECAP review note only identified the environmental and social risk category and has not identified the climate risk category as per SECAP guidelines (EB 2014 Version).

#### **SECAP Review**

The SECAP related documents i.e. the ESMP has not been produced at this stage of the project as required by the SECAP guidelines (EB 2014 version) for Environmental and Social Category B project. For all environmental and social issues in the SECAP review note the solution is to create awareness, conduct training and coordinate among government issues. This has been achieved to some extent through collective efforts by the relevant agencies, however from discussions with individual farmers and farmer societies it was noted that the adoption of practices from these trainings is low. Environmental and Social category related actions are included in the section for Overview and Project Progress

The SECAP screening exercise has not been carried out for the climate risk classification at project design stage, however a climate vulnerability analysis was conducted. The analysis is detailed, and identifies districts that have a higher exposure to droughts, floods, cyclones or districts are multi-hazardous as well as the adaptive capacity of that district. This demonstrates that four of the districts (Galle, Ratnapura, Badulla, Moneragala) are highly vulnerable, and one of which - Moneragala has a low adaptive capacity. However, one of the districts (Nuwara Eliya) has not been included in the analysis. At this stage of the project, farmers/societies that are most vulnerable to climate change impacts should be identified and further strengthened.

Suggestions for climate change adaptation have been made in the review note (page 11) and the project has been successful in achieving a number of these including: the improvement of existing rural roads prone to floods, awareness

raising and training on soil conservation practices, and promoting alternative income sources. The positive outcomes of the project, in terms of using Chena cultivation land for rubber plantation and reducing carbon emissions have been recognised but not yet documented. This will be useful for reporting the impact of the project on national climate targets and on IFAD mainstreaming objectives.

The climate risk category is newly assessed and defined as medium (see G. project modification plus supporting evidence in appendix 4).

Actions are included in the section on Environment and Natural Resource management.

## d. Financial Management & Execution

### Disbursement by financier

Type	Name	Current Amount	Disbursed Amount	Actual Rate
Domestic Financing breakdown	Beneficiaries	\$3,610,000		
	Domestic Financing Institutions	\$3,251,000		
	Private sector local	\$15,000		
	National Government	\$32,762,000		

### Acceptable Disbursement Rate

Rating: 4

Previous rating: 3

### Justification of rating

The Project is in its 3rd year of implementation. As of 21 June 2019, total cumulative disbursement was USD 11.7 million (18%) with USD 9.8 million (38%) for IFAD loan, including USD 2 million initial deposit and 0.5 million expenses that have yet to be claimed to IFAD; USD 1.7 million (5%) from GoSL contribution, and USD 0.3 million from the beneficiary contribution. Budget execution for all financiers of FY 2018 was 75% and for FY 2019 as of 21 June 2019 is 17% and both due to the delay in implementation of tea and rubber plantation. The disbursement status for all financiers is summarized in appendix 1

### Main issues

### Main issues

**Delay in project implementation/budget reallocation among activities / sub-activities.** The one-year delayed project start, staffing issues and issues in implementation of tea and rubber replanting are reflected by a low disbursement of the project. The rural finance activity (component 3) has not yet commenced. Cumulative disbursement for components 1 and 2 is low considering the time. Given the restructuring of the Project, a budget reallocation is necessary at this stage with the scheme as follow:.....

**Overspending in Project Management Component.** As of 21 June 2019, project management component has disbursed up to 99% of total financing of IFAD and GoSL. This is mainly because the shift of implementation responsibility from the TSHDA / RDD to the DPMUs, as the Project coordination expenses designed to be recorded under components 1 and 2 were now accounted for under Project Management. The project will reallocate the disbursement for these activities of approx. USD 1.7 million back to component 1 and component 2 under the original sub component. After adjustment the disbursement for project management component is expected to be reduced to 37% as seen in the table below:

Component	Current Figure			After Adjustment		
	Appraisal	Actual	%	Appraisal	Actual	%

1. Tea smallholder Development	44,442	5,780	13%	44,442	7,045	16%
2. Rubber Smallholder Development	14,783	1,302	9%	14,783	1,689	11%
3. Inclusive Rural Financing	3,502	3	0%	3,502	3	0%
4. Project Management	2,674	2,635	99%	2,674	982	37%
Advance	-	2,000	0%	-	2,000	0%
<b>Total</b>	<b>65,401</b>	<b>11,719</b>	<b>18%</b>	<b>65,401</b>	<b>11,719</b>	<b>18%</b>

**Budget restriction for GoSL fund 2019.** The Government imposed a budget restriction of LKR 200 million on the GoSL allocation of LKR 175 million in the approved AWPB. However, the Project can propose for a higher allocation at the end of quarter 3 latest, if required. As of 21 June 2019, LKR 100 million of GoSL fund has been received by the project. Considering the project activity load mainly in quarter 3 and 4, the project needs to develop a achievable budget for the remainder of the year in a revised AWPB 2019 and propose for an additional allocation from the Government.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Financial Management &amp; Execution</b>		
<b>GoSL allocation</b> Request additional GoSL resources against the revised 2019 AWPB	PMU	07/2019
<b>AWPB Revision</b> Revise AWPB 2019 based on the agreed action during MTR	PMU	07/2019
<b>Overspending in Project Management</b> Adjust cost entries to allocate the DPMU cost to the respective component	PMU	07/2019
<b>Budget reallocation</b> Request IFAD agreement for a reallocation between budget categories on the basis of the restructured project design	Ministry of Finance	07/2019
<b>Project management expenses</b> Close monitoring of operating costs/ project management expenses to avoid overspending	Project Director and Finance Manager	
<b>Withdrawal applications preparation</b> <ul style="list-style-type: none"> <li>- Correction of categorization errors in the next WA</li> <li>- Proper completion of all fields in Form 102 and inclusion of explicit/ detailed descriptions</li> <li>- Indication of the correct AWPB activity codes in Form 102 (matching the approved AWPB)</li> </ul>	Finance Manager	
<b>Supporting documentation</b> <ul style="list-style-type: none"> <li>- Provision of all relevant information on the manual vouchers</li> <li>- Proper supporting documents for consultancy fees and incentive payments to TSHDA/RDD</li> <li>- Reconciliation of bank transfer amounts with bank statements for each payment by bank transfer (salaries, upfront payments, etc.)</li> <li>- Systematic use of purchase orders for small value goods, works and non-consulting services</li> </ul>	Finance Manager, Procurement Coordinator	
<b>Designated account reconciliation</b> Monthly monitoring and justification of exchange rate differences	Finance manager	

### **Fiduciary aspects**

**Quality of Financial Management**

**Rating: 4**

**Previous rating: 4**

### **Justification of rating**

Project financial management system has been improved since the last mission. Since the finance staffs full on board in January 2019, improvement has been made including the utilization of TOMPRO for finance processing, accounting and reporting, submission of project financial report, an adequate internal audit framework which reflected in the annual workplan and reporting, and submission and follow up of audit report. Some minor shortcomings and delays remain.

## Main issues

**Organization and Staffing.** The project staffing at PMU and DPMU complies with the PIM, including for fiduciary function. Finding adequate financial management staffing has been a challenge for the project. Turnover was quite high and had impact on the quality of the project financial management. Since early 2019, however, all FM staff are on board. The Mission noted improved internal control, better functionality of the project accounting software (TOMPRO), submission of the project financial reports including unaudited financial statements of 2018 and the Interim Financial Report for the 1<sup>st</sup> quarter of 2019, and better project financial management control in general. When the procurement coordinator position was vacant from January 2019 to 17 June 2019, Management Assistant and Finance Manager took charge of the procurement function.

**Budgeting.** The financial budgets are available for project activities annually based on the approved AWPBs. The proportion of cost allocation between co-financiers in the budget 2018 and 2019 for several sub-activities were not as stated in the project design costing, including the procurement for vehicles and project staff salary. The Project agree to include the correct percentage of cost allocation in the revised AWPB 2019.

**Funds flow & Disbursement Arrangements.** The project has not experienced any cash shortage so far. Withdrawal applications (WAs) are submitted based on quarterly disbursement. The latest WA was submitted through IFAD Client Portal with the Statement of Expenditure data extracted from TOMPRO for the period of January – March 2019. The counterpart fund is provided based on the request from the project, but in 2019, the Government put budget restriction of LKR 200 million for its contribution (see under disbursement). The fund flow to the community level, for the infrastructure activity is divided in to 4 instalments. Each instalment requires 2-3 weeks to process the documents and approvals. Based on the discussion the project agree to revise it in to 3 instalments.

**Internal Controls.** Payment/SOE review were conducted in PMU and in DPMU Matara, Galle and Ratnapura. In general, the payments are supported by adequate documents. Petty cash is managed well at PMU and the visited districts. District petty cash and advance are issued by PMU with cheque. Petty cash is managed by the account assistant while advances are managed by BDO and CDO. No safe are available in district visited. Surprise cash count is conducted by the internal auditor. The project agrees to have a project bank account and purchase a safe box for each district to reduce the risk of the cash management at the DPMU. Signatories of the DPMU Accounts will be BDO or CDO with the Accounts Officer.. Running chart is maintained for the vehicles managed at PMU and DPMU, following the government circular. Contract register has been maintained and updated by the procurement team but is not submitted regularly to IFAD. The team shall include the updated contract register in the next IFR. The implemented financial processes are slightly different from the PIM. The Project shall revise the PIM accordingly.

**Accounting.** TOMPRO accounting system has been fully implemented for the 2019 financial processes. The transaction of 2017-2018 has been imported to the system. Most of project financial reports have been produced through the system. Fixed asset register is maintained properly. Asset survey conducted annually by the government. The survey report of 2018 arrived with clear notes, except for several items that has been broken, mostly calculators).

**Financial Reporting and Monitoring.** The project managed to produce and submit a financial report for 2018 on March 2019 to the General Audit. The delayed submission to IFAD of the unaudited financial statement (20 May 2019) as well as the IFR (11 June 2019) was caused by the limited understanding of the new Finance Manager and Accountant on this requirement and its dateline. The project shall submit IFR within 45 days after the end of the quarter and the unaudited financial statement within four months after the fiscal year ended to IFAD.

**Internal Audit.** The Secretary MPI has assigned one internal auditor for the project. The auditor is reporting directly to the secretary MPI and shares the report with the Project Director, Audit General Department and Management Audit Department. For 2019 the internal auditor commits 74 days for the project in his workplan. The workplan covers 8 sub activities in the project AWPB, including the procurement and finance functions. The internal audit report for Q1 has been submitted. All finance related recommendations from the report have been followed up by the finance team. The project shall share the internal audit report to IFAD on or before 15 July 2019 and include the quarterly internal audit report in the next IFRs.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Financial Management &amp; Execution</b>		
<b>Administrative management</b> - Assignment of HR management function to Finance Manager - Preparation of comprehensive performance evaluations and setting of a minimum grade for contract extension - Completion of assets register and revision of inventory procedure - Implementation of MIS policy and backup procedures	Project Director , Finance Manager, MIS Coordinator	08/2018
<b>Financial management</b> - Recruitment of Project Accountant - Operationalization of the accounting software - Preparation of monthly financial reports and quarterly cash forecasts - Revision of PIM to reflect new workflows and organization of unit	Project Director , Finance Manager	08/2018
<b>Internal Audit</b> Share the quarterly audit report ( internal audit report) with IFAD and included in the IFR submission	PMU	09/2019
<b>Financial Reporting &amp; Monitoring</b> To submit IFR & unaudited financial statement 45 days after end of quarter & 4 months after end of fiscal year	PMU	09/2019
<b>Internal Control</b> Include the updated contract register in the next IFRs Create a project bank account for each DPMU Open bank account for each DPMU Purchase safe box for each DPMU	PMU	09/2019
<b>Organisation and Staffing</b> Revise the PIM to reflect the current processes for IFAD no objection	PMU	09/2019
<b>Internal audit</b> - Sharing of IA annual work plan and quarterly reports with IFAD - Functional reporting line of IA to Chief Internal Auditor MPI	MPI	

**Quality and Timeliness of Audit**

**Rating: 4**

**Previous rating: 4**

#### **Justification of rating**

Audit report generally meeting requirements but received late

#### **Main issues**

The 2018 audit report provided opinions for the Financial Statement, Statement of Expenditure and Designated Account. Management Letter was submitted in July 31 ,2019 with replies from the PMU.



Audit report was submitted slight late ( July 14, 2019)

In Auditor Report #2.1, the auditor notes that action has been taken to rectify prior year audit observations, but no detail is provided. There are no follow-up on prior year audit recommendations in the Management Letter though.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Financial Management &amp; Execution</b>		
<b>Recruit adequate officers for the effective implementation of project activities</b>  ML#4.3. (b-ii) 47 2324 hectares of tea planting were unable to obtain 2nd and 3rd instalment for continuous cultivation due to lack of Tea Inspectors' recommendations even after the required 18 months from the date of Mana planting. Management replies: All lands were cultivated Mana in Dec 2017, thus became eligible for 3rd subsidy at May-June 2019. Inspections are now in progress.	PMU	07/2019
<b>Improve internal control and procurement for better fund uses</b>  - ML#4.4: 10 motor cars were procured on 04 September 2018 for Rs 85 million (USD 482 460) but remained unused for 04 months due to delays in recruiting drivers and project had to pay Rs 2.64 million (about USD 15 000) to hire motor vans. - Audit report #1.3: A baseline survey and M&E system were completed at the cost of Rs. 6.5 million (about USD 36 894) but not used yet due to delays in recruiting M&E Officer.	PMU	09/2019
<b>Detailed follow-up on prior year's audit recommendations to be included</b>	National Audit Office/PMU	12/2019
<b>Statement of fixed assets to be included as annex to FS</b>	PMU	12/2019
<b>cash management</b>  - ML #4.3.(a-iv): 15 farmers with 12.135 ha of rubber planting and upfront payment of Rs 849 317 had abandoned their cultivation. Management replies: The project will take action to re-organize these farmers to continue their rubber new planting progress. - ML#4.3. (b-i) It was observed hat 109 tea smallholders who obtained permits and upfront payment of Rs. 3.58 million (USD 20 320) for tea replanting of 23.86 hectares in Kandy district had not continued their cultivation. Management replies: These lands are now being prepared up to the minimum standard to qualify for the first subsidy.	PMU	12/2019

<b>Follow-up actions to be taken after utilizing funds for project activities to ensure its effectiveness and efficiency</b>  ML #4.3.(a-ii, iii): - Crops in the areas regularly experienced wild elephants and cattle destroying crops (Maha Oya and Uhana) with upfront payment of Rs 2 890 699 (USD 16 375.83) for rubber planting had no protection measures from wild elephants. As a result, the entire cultivation were destroyed. Management replied: an elephant protective power fence of 10.5km was constructed covering 300 beneficiary land plots. Rehabilitation and refilling of destroyed lands are in progress and will be completed in Maha season. - 10.54 hectares of rubber planting in Damana and Lahugala were destroyed by severe drought. Upfront payments of Rs 737 947 were wasted. Management replies: the project will take measures to rehabilitate these lands during the Maha season by providing planting materials	PMU	12/2019
<b>Planned activities should be carried out within targeted period</b>  ML#4.3(b) 3 875 hectares of lands were planned to be prepared for tea planting during 2016-2018. However, no work had been carried out in 2016; 2 382 hectares/total 3 875 hectares had been issued with permits; only 738 hectares had been prepared in 02 years (2017-2018)	PMU	12/2019

#### Counterparts Funds

Rating: 3

Previous rating: 5

#### Justification of rating

In 2018 the Project received LKR 208 million from the Government as the counterpart fund. It was 65% from the amount budgeted in the AWPB. For 2019, however, the GoSL only provide a budget of LKR 200million or 28% of the GoSL fund allocated in the AWPB 2019.

#### Main issues

The Project executed LKR 165 million of its GoSL budget in 2018 and refunded the balance of LKR 45 million at the end of the fiscal year. The Project agree to propose for additional budget for 2019 based on the revised AWPB 2019 before end of quarter 3 2019. The limitation of LKR 200 budget will have major impact for the Project to achieve the target for the year.

Agreed Action	Responsibility	Agreed Date
<b>Financial Management &amp; Execution</b>		
<b>Budgeting</b>  Request additional GoSL resources against the revised 2019 AWPB	PMU	09/2019
<b>Beneficiary contributions</b>  Monitoring and submission to PMU of beneficiary contributions in kind on a regular basis	DPMUs	

#### Compliance with Loan Covenants

Rating: 4

Previous rating: 4

#### Justification of rating

Most legal components are complied with. Some covenants have been complied with albeit slightly delay (AWPB 2019, Interim Finance Report, unaudited financial statement and audit report for 2017 and 2018)

#### Main issues

Barring minor delays in submission of documents, all covenants are complied with. The situation has not changed from the previous supervision report. As in previous supervision missions, attention is drawn to the requirement to insure key

Project personnel against health and accident risks to an extent consistent with sound commercial practice or customary practice in the national civil service.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Financial Management &amp; Execution</b>		
<b>Health and Accident insurance for Project Staff</b>  Enable provision of health and accident insurance for project staffs	Ministry of Finance	09/2019

## Procurement

<b>Procurement</b>	<b>Rating: 3</b>	<b>Previous rating: 4</b>
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### Justification of rating

The delays experienced in procurements including submission of Procurement Plan (PP) to IFAD, lead to a low level of execution of the Procurement Plan in relation to the previous year. Out of 26 items of procurements of the current PP, only two procurements have been finalised. Entire allocation for Consultancies and Services remain unspent, though IFAD requested to expedite preparation of TORs and the hiring of consultants when NOL was issued for the AWPB and PP

### Procurement Review

All documents and transactions relating to procurements were available for review and the Mission reviewed procurements completed during latter part of the year (since the last mission) and the current year and observed that out of the two procurements (procurement of one SUV and 845,000 Rubber plants) finalised during the year, one (Tender for the SUV) has to be re-advertised as the offer exceeded the ceiling approved by the Treasury.

IFAD approved the current Procurement Plan on 2<sup>nd</sup> February 2019 with the condition of accelerating the preparation of TORs for the consultancy services that will contribute to increasing PMU implementation capacity and progress. However, entire allocation for consultancies remains unspent even at the end of second quarter of the year.

The post of Procurement coordinator is vacant since the beginning of the year and the work is overseen by the Finance Manager with the assistance of a Management Assistant who needs close supervision and guidance of a competent Procurement Coordinator. This arrangement is not satisfactory, as one and the same person may be compelled to make both payment and payment for recommendation. The mission was informed that an arrangement has been made to obtain the services of an officer attached to another government institution on part-time basis until the vacancy is filled. Since the project is expected to accelerate its activities to catch-up initial delays, the recruitment of a competent Procurement Coordinator on fulltime basis is strongly recommended.

The procurement plan has been prepared in line with the AWPB but there was a delay in submission of the same to IFAD by three months. A centralised system of procurement is in operation and Government Procurement Guidelines, which are basically in line with IFAD guidelines, are followed with slight modifications to suit to IFAD requirements. TOR and Specifications are drawn by government officials who possess relevant expertise and experience and are vetted by relevant Technical Committees and approved by the Procurement Committees. Procurement initiation is based on the Annual Procurement Plan and project priorities. Contract solicitation documents are prepared by the PMU using formats / samples from the procurement guidelines. Based on the review made, the Mission emphasises the need of obtaining comprehensive Technical / work completion reports before recommending final payments for works and services. The Contract Register is maintained satisfactorily and no procurements on hold including unresolved issues with contractors. In order to minimise delay, as last mission suggested, all preparatory work such as drafting tender documents, appointment of Procurement Committees and Technical Evaluation committees etc. should be done in advance.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Financial Management &amp; Execution</b>		
<b>Procurement Coordinator</b> Fill the vacancy of Procurement Coordinator on a permanent basis, reporting directly to the Project Director, until the Project's closure	PMU	07/2019
<b>Procurement plan</b> Submit revised Procurement Plan along with revised AWPB	PMU	07/2019
<b>Up-to-date procurement system</b> Review procurement processes and up-date the Procurement Plan at least quarterly	PMU	07/2019
<b>Submission date</b> Continue submitting future annual Procurement Plan 60 days prior to the commencement of the financial year	PMU	10/2019
<b>Contract Register</b> Submit updated Contract Register to the IFAD CD monthly	PMU	

## F. Relevance

**Relevance**

**Rating: 5**

### **Justification of rating**

The current design is mostly consistent with the needs of the target groups as well as IFAD and Government policies and national priorities. Proposed interventions and implementation modalities are largely appropriate given the context and the internal project logic is coherent.

### **Main issues**

The Project Design – enabling smallholders to invest in permanent plantation crops (with a large time lapse between investment and productivity) while simultaneously investing in diversification of their incomes and markets – is relevant today. The above Theory of Change is, however not well reflected in the project as implemented, as income diversification is delayed; as is the provision of rural finance. Action to rectify this situation is included in the key conclusions

## G. Project Modifications

Responsibility	Modification type	Description
PMU	Climate Risk Classification	The SECAP screening questions had not been used for climate risk analysis at the time of the project design. Upon completing the risk screening at MTR stage, the project is classified as medium climate risk. The questionnaire is included in appendix 4.VII.
PMU	Logical Framework	See justification under "reallocation among categories". The replanting target for component 1 has been lowered, while more economically relevant infrastructure will be provided.
PMU	Reallocation	The target for tea replanting under component 1 is physically impossible to achieve, given earlier delays, the minimum duration of the standard replanting procedure and the remaining time in the Project. The target has been reduced by 20% and resources are proposed to be reallocated within the component to (i) support development of alternative re-planting systems; and (ii) financing economically relevant activities for tea smallholders. A reallocation table is included in Appendix 4.I and shall be submitted shortly.

## H. Lessons Learned

### Need for enhancement sector engagement

The Project has had little formal interaction with the sector agencies, beyond the bare necessities for project implementation. However, both issues emerging during implementation as well as opportunities identified in the field warrant that the Project does interact at a strategic level with the tea and rubber sector. One issue is the slow development of alternative (swifter) replanting methods. The application thereof would benefit the degree to which the project can reach its replanting target. Opportunity to address would include provision of improved varieties to input nurseries (tea) and the development of a decision-making procedure for rubber plantation in forest areas. In short, even a project with a strong implementation focus requires to take part in and benefit from strategic decision-making at sector level.

## I. Agreed Actions

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Overview and Project Progress</b>		
<b>Budget reallocation</b> Request IFAD's concurrence for a reallocation between categories on the basis of the restructured project design	Ministry of Finance	07/2019
<b>Memorandum of Agreement</b> Reflect the revised replanting targets in the Memorandum of Agreement between TSHDA and PMU	TSHDA / PMU	07/2019
<b>National Environmental Assessment Procedures</b> Present country framework for EIA to IFAD for assessment against SECAP requirements	PMU	07/2019
<b>Cabinet Paper</b> Follow-up on Cabinet Paper requesting allocation of funds for interest rate subsidy	MPI/PMU	07/2019
<b>Tea Land measurement</b> Use GIS/GPS technology for all land measurements	TSHDA	08/2019
<b>Capacity for ESIA and ESMP</b> Recruit an environmental consultant to conduct the above	PMU	08/2019
<b>PMU rural finance capacity</b> Recruit consultant in PMU to support development and start-up of the credit facility	PMU	08/2019
<b>Operating instructions</b> Support CBSL in drafting of Operating Instructions for the credit facility	PMU/CBSL	08/2019
<b>Tea Research Institute</b> Prepare investment plan for TRI capacity in developing and facilitating alternative replanting systems	PMU	09/2019

<b>Existing rubber tappers</b>  Actively involve and support existing smallholder rubber growers in the Rubber Societies supported by STaRR	PMU	09/2019
<b>Environment and Social Impact Assessment (ESIA)</b>  Prepare ESIA for project and mitigation plans for all land areas above 50 ha	PMU	09/2019
<b>Private Bank participation</b>  Conduct Start Up Workshop for participating Banks	PMU	09/2019
<b>District roll-out</b>  Conduct Awareness and ToT Workshop to prepare credit facility implementation at field level	PMU	09/2019
<b>Acceleration Plan</b>  Report monthly on the progress against the STaRR Acceleration Plan	PMI	
<b>Systematic change</b>  Pursue systemic improvement in the support rendered to smallholder tea re-planting	MPI	
<b>District meetings</b>  Organise monthly progress review meetings at District level to define remedial actions in case of delays and bottlenecks	TSHDA/DPMU	
<b>National meetings</b>  Organise monthly progress review meetings at National level to define remedial actions in case of delays and bottlenecks	MPI	
<b>TSHDA-STARR cooperation</b>  Provide immediate and on-the-spot troubleshooting	TSHDA/PMU	
<b>Tea nurseries</b>  Provide improved cuttings and technical services to input nurseries	TSHDA	
<b>Entrepreneurial tea input nurseries</b>  Facilitate cooperation between entrepreneurial input nurseries and commercial nurseries	PMU	
<b>Income and market diversification in rubber and tea</b>  Speed-up implementation of the matching grants	PMU	
<b>Reduction of high mortality rate in rubber new plantation</b>  Implement different measures to reduce high mortality rate	RDD/PMU	



Development Effectiveness		
<b>Targeting strategy</b> Review the effectiveness of the Project's targeting approach and remedy or modify as required	PMU	12/2019
<b>Disaggregated monitoring and reporting</b> Ensure visibility of beneficiary numbers across categories of age and gender	PMU	
<b>Basic gender strategy</b> Apply the basic Gender Strategy provided at MTR in all Districts	PMU	
Sustainability and Scaling up		
<b>Private sector engagemetn</b> Establish interaction of smallholder producers to private sector agents as a standard element in income diversification activities	PMU	07/2019
<b>Exit strategy</b> Develop skeleton exit strategies for each component (with synergies in income and market diversification) for immediate implementation	PMU	08/2019
Project Management		
<b>Social inclusion</b> Propose relevant social inclusion indicators for the M&E system	IFAD	07/2019
<b>information board</b> Install information board with information on the Society, the Project and ongoing activities	PMU	08/2019
<b>Video</b> Prepare a video presentation on project achievements	PMU	08/2019
<b>Comprehensive AWPB</b> Include both physical and financial targets and progress in the AWPB, including annual and overall	PMU	09/2019
<b>MIS System</b> Implement the web-based MIS System to standardise the methodology for measuring results	PMU	09/2019
<b>KM Strategy</b> Prepare a Knowledge Management Strategy and plan and reflect the same in 2020 AWPB (training, communication, stakeholder events, etc.)	PMU	10/2019

<b>KM and M&amp;E staffinf</b>  Recruit an M&E Specialist (consultant) to strengthen the Project's performance on M&E and KM	PMU	11/2019
<b>Training</b>  Combine M&E and gender training	IFAD	11/2019
<b>M&amp;E Plan</b>  Develop the Project's M&E plan	PMU	12/2019
<b>Sharing knowledge</b>  Organise experience sharing visits and informal exchange between DPMUs and District TSHDA offices	PMU	
<b>E&amp;E Forum</b>  Participate actively in the Tea Smallholders' Extension and Experimentation Forum (E&E Forum)	PMU	
<b>Communication</b>  Engage advisory services for communication of key lessons	PMU	
<b>Submission dates</b>  Keep submitting AWPBs 60 days prior to year's end for IFAD review	PMU	
<b>Financial Management &amp; Execution</b>		
<b>Administrative management</b>  - Assignment of HR management function to Finance Manager - Preparation of comprehensive performance evaluations and setting of a minimum grade for contract extension - Completion of assets register and revision of inventory procedure - Implementation of MIS policy and backup procedures	Project Director , Finance Manager, MIS Coordinator	08/2018
<b>Financial management</b>  - Recruitment of Project Accountant - Operationalization of the accounting software - Preparation of monthly financial reports and quarterly cash forecasts - Revision of PIM to reflect new workflows and organization of unit	Project Director , Finance Manager	08/2018
<b>Procurement Coordinator</b>  Fill the vacancy of Procurement Coordinator on a permanent basis, reporting directly to the Project Director, until the Project's closure	PMU	07/2019
<b>Procurement plan</b>  Submit revised Procurement Plan along with revised AWPB	PMU	07/2019

<b>Up-to-date procurement system</b> Review procurement processes and up-date the Procurement Plan at least quarterly	PMU	07/2019
<b>GoSL allocation</b> Request additional GoSL resources against the revised 2019 AWPB	PMU	07/2019
<b>AWPB Revision</b> Revise AWPB 2019 based on the agreed action during MTR	PMU	07/2019
<b>Overspending in Project Management</b> Adjust cost entries to allocate the DPMU cost to the respective component	PMU	07/2019
<b>Budget reallocation</b> Request IFAD agreement for a reallocation between budget categories on the basis of the restructured project design	Ministry of Finance	07/2019
<b>Recruit adequate officers for the effective implementation of project activities</b> ML#4.3. (b-ii) 47 2324 hectares of tea planting were unable to obtain 2nd and 3rd instalment for continuous cultivation due to lack of Tea Inspectors' recommendations even after the required 18 months from the date of Mana planting. Management replies: All lands were cultivated Mana in Dec 2017, thus became eligible for 3rd subsidy at May-June 2019. Inspections are now in progress.	PMU	07/2019
<b>Health and Accident insurance for Project Staff</b> Enable provision of health and accident insurance for project staffs	Ministry of Finance	09/2019
<b>Budgeting</b> Request additional GoSL resources against the revised 2019 AWPB	PMU	09/2019
<b>Internal Audit</b> Share the quarterly audit report ( internal audit report) with IFAD and included in the IFR submission	PMU	09/2019
<b>Financial Reporting &amp; Monitoring</b> To submit IFR & unaudited financial statement 45 days after end of quarter & 4 months after end of fiscal year	PMU	09/2019
<b>Internal Control</b> Include the updated contract register in the next IFRs Create a project bank account for each DPMU Open bank account for each DPMU Purchase safe box for each DPMU	PMU	09/2019

<b>Organisation and Staffing</b>  Revise the PIM to reflect the current processes for IFAD no objection	PMU	09/2019
<b>Improve internal control and procurement for better fund uses</b>  - ML#4.4: 10 motor cars were procured on 04 September 2018 for Rs 85 million (USD 482 460) but remained unused for 04 months due to delays in recruiting drivers and project had to pay Rs 2.64 million (about USD 15 000) to hire motor vans. - Audit report #1.3: A baseline survey and M&E system were completed at the cost of Rs. 6.5 million (about USD 36 894) but not used yet due to delays in recruiting M&E Officer.	PMU	09/2019
<b>Submission date</b>  Continue submitting future annual Procurement Plan 60 days prior to the commencement of the financial year	PMU	10/2019
<b>Detailed follow-up on prior year's audit recommendations to be included</b>	National Audit Office/PMU	12/2019
<b>Statement of fixed assets to be included as annex to FS</b>	PMU	12/2019
<b>cash management</b>  - ML #4.3.(a-iv): 15 farmers with 12.135 ha of rubber planting and upfront payment of Rs 849 317 had abandoned their cultivation. Management replies: The project will take action to re-organize these farmers to continue their rubber new planting progress. - ML#4.3. (b-i) It was observed that 109 tea smallholders who obtained permits and upfront payment of Rs. 3.58 million (USD 20 320) for tea replanting of 23.86 hectares in Kandy district had not continued their cultivation. Management replies: These lands are now being prepared up to the minimum standard to qualify for the first subsidy.	PMU	12/2019
<b>Follow-up actions to be taken after utilizing funds for project activities to ensure its effectiveness and efficiency</b>  ML #4.3.(a-ii, iii): - Crops in the areas regularly experienced wild elephants and cattle destroying crops (Maha Oya and Uhana) with upfront payment of Rs 2 890 699 (USD 16 375.83) for rubber planting had no protection measures from wild elephants. As a result, the entire cultivation were destroyed. Management replied: an elephant protective power fence of 10.5km was constructed covering 300 beneficiary land plots. Rehabilitation and refilling of destroyed lands are in progress and will be completed in Maha season. - 10.54 hectares of rubber planting in Damana and Lahugala were destroyed by severe drought. Upfront payments of Rs 737 947 were wasted. Management replies: the project will take measures to rehabilitate these lands during the Maha season by providing planting materials	PMU	12/2019
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<b>Beneficiary contributions</b>  Monitoring and submission to PMU of beneficiary contributions in kind on a regular basis	DPMUs	
<b>Project management expenses</b>  Close monitoring of operating costs/ project management expenses to avoid overspending	Project Director and Finance Manager	
<b>Withdrawal applications preparation</b>  - Correction of categorization errors in the next WA - Proper completion of all fields in Form 102 and inclusion of explicit/ detailed descriptions - Indication of the correct AWPB activity codes in Form 102 (matching the approved AWPB)	Finance Manager	
<b>Supporting documentation</b>  - Provision of all relevant information on the manual vouchers - Proper supporting documents for consultancy fees and incentive payments to TSHDA/RDD - Reconciliation of bank transfer amounts with bank statements for each payment by bank transfer (salaries, upfront payments, etc.) - Systematic use of purchase orders for small value goods, works and non-consulting services	Finance Manager, Procurement Coordinator	
<b>Designated account reconciliation</b>  Monthly monitoring and justification of exchange rate differences	Finance manager	
<b>Internal audit</b>  - Sharing of IA annual work plan and quarterly reports with IFAD - Functional reporting line of IA to Chief Internal Auditor MPI	MPI	
<b>Contract Register</b>  Submit updated Contract Register to the IFAD CD monthly	PMU	

# Smallholder Tea and Rubber Revitalization Project

## Logical Framework

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2018)	Cumulative Result (2018)	Cumulative Result % (2018)	Source	Frequency	Responsibility	
Outreach	1.b Estimated corresponding total number of households members										
	Household members			144 000	38 333	75 993	52.8				
	1.a Corresponding number of households reached							RIMS	Annual		
	Non-women-headed households										
	Women-headed households										
	Households			32 000	8 518	16 988	53.1				
	1 Persons receiving services promoted or supported by the project										
	Females				2 726	6 091					
	Males				5 792	10 897					
	Young										
	Not Young										
	Total number of persons receiving services			32 000	8 518	16 988	53.1				

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2018)	Cumulative Result (2018)	Cumulative Result % (2018)	Source	Frequency	Responsibility	
<b>Project Goal</b> Enable poor rural people to improve their food security, increase their incomes and strengthen their resilience	Number of households (HH) benefiting from project services							RIMS impact surveys at baseline and completion - Special impact evaluation studies by external agencies	Year 1 - At the end of 4th project year	M&E Coordinator/ Project Manager	Government will continue to have favorable policies towards tea and rubber sub-sectors - The economy in general will have favorable growth and low cost escalations - Less or no natural calamities affecting tea and rubber community
	Number of HHs		7 300	27 600	8 518	16 988	61.6				
	Improved HH assets							RIMS impact surveys at baseline and completion - Special impact evaluation studies by external agencies	Year 1 - At the end of 4th project year	M&E Coordinator/ Project Manager	
	% improved HHs assets		30	40							
	Improved food security							RIMS impact surveys at baseline and completion - Special impact evaluation studies by external agencies	Year 1 - At the end of 4th project year	M&E Coordinator/ Project Manager	
	No. of HHs not experiencing hunger period of more than 1 year			27 600							
	Reduction in prevalence of child malnutrition							RIMS impact surveys at baseline and completion - Special impact evaluation studies by external agencies	Year 1 - At the end of 4th project year	M&E Coordinator/ Project Manager	
	% of prevalence of child malnutrition reduced			20							

Results Hierarchy	Indicators							Means of Verification			Assumptions			
	Name	Baseline	Mid-Term	End Target	Annual Result (2018)	Cumulative Result (2018)	Cumulative Result % (2018)	Source	Frequency	Responsibility				
<b>Development Objective</b> Smallholders' economic activities in tea & rubber become more productive, profitable and resilient	Increased productivity							M&E reports - Records of rubber societies - Reports of service providers, BDOs, pvt sector linkage coordinator	Monthly	M&E Coordinator/ Community Development Officer as the field-level M&E supported by Business Development Officers (BDOs)	Price recovery over next five-year economic/price cycle - Lands be timely available for planting			
	Average of production kg/ha													
<b>Outcome</b> Better organized tea & rubber smallholders able to sustainably produce & market their products	Societies organised and selling members' tea & rubber							M&E reports - Records of tea & rubber societies	Monthly	M&E Coordinator to coordinate with originators of reports	No holdups of the project tea replanting incentive and the TSHDA subsidy paid to the beneficiaries			
	No. of societies		50	70										
	2.2.6 Households reporting improved physical access to markets, processing and storage facilities							RIMS	Annual					
	Size of households													
	Households reporting improved physical access to markets													
	Males													
	Females													
	Young													
	Not Young													
	Women-headed households													
	Non-women-headed households													



Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2018)	Cumulative Result (2018)	Cumulative Result % (2018)	Source	Frequency	Responsibility	
	Households reporting improved physical access to processing facilities										
	Size of households										
	Males										
	Females										
	Young										
	Not Young										
	Women-headed households										
	Non-women-headed households										
	Households reporting improved physical access to storage facilities										
	Size of households										
	Males										
	Females										
	Young										
	Not Young										
	Women-headed households										

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2018)	Cumulative Result (2018)	Cumulative Result % (2018)	Source	Frequency	Responsibility	
	Non-women-headed households										
<b>Output</b> Tea societies capacity built including gender	Number of tea societies diagnosed & capacity built							M&E reports - Records of tea societies - Reports of service providers, BDOs	Monthly	M&E Coordinator to coordinate with originators of reports	MPI use a scheme to pay the “target related incremental payment” to participating TSHDA staff - TSHDA will continue with the proposed modified infilling scheme
	No, of tea societies		100	150	110	110	73.3				
<b>Output</b> Smallholder tea replanted in 5 districts	Tea replanted extent							M&E reports - Records of tea societies - Reports of service providers, BDOs	Monthly	M&E Coordinator to coordinate with originators of reports	MPI use a scheme to pay the “target related incremental payment” to participating TSHDA staff - TSHDA will continue with the proposed modified infilling scheme
	Ha of tea replanted extent		2 250	5 500	1 344	2 346.95	42.7				
<b>Output</b> Overhauling farm roads in tea areas	2.1.5 Roads constructed, rehabilitated or upgraded							M&E reports - Records of tea societies - Reports of service providers, BDOs	Monthly	M&E Coordinator to coordinate with originators of reports	MPI use a scheme to pay the “target related incremental payment” to participating TSHDA staff - TSHDA will continue with the proposed modified infilling scheme
	Length of roads		50	80		0	0				

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2018)	Cumulative Result (2018)	Cumulative Result % (2018)	Source	Frequency	Responsibility	
<b>Output</b> Rubber society capacity built including gender	Number of rubber societies diagnosed & capacity built							M&E reports - Records of rubber societies - RReports of service providers, BDOs	All months	M&E Coordinator to coordinate with originators of reports	MPI resolves at earliest the scheme to pay the “target related incremental remuneration” to participating RDD staff
	No. of societies		40	60		35	58.3				
<b>Output</b> Smallholder rubber planted in 2 districts	Rubber planted extent							M&E reports - Records of rubber societies - RReports of service providers, BDOs	All months	M&E Coordinator to coordinate with originators of reports	MPI resolves at earliest the scheme to pay the “target related incremental remuneration” to participating RDD staff
	HA of rubber planted		900	3 000	640	986.17	32.9				
<b>Output</b> Overhauling farm roads in rubber areas	2.1.5 Roads constructed, rehabilitated or upgraded							RIMS	Annual	M&E Coordinator to coordinate with originators of reports & RIMS	MPI resolves at earliest the scheme to pay the “target related incremental remuneration” to participating RDD staff
	Length of roads		50	70		0	0				
<b>Outcome</b> Tea & rubber smallholders get increased access to credits	Number of tea & rubber growers got loans							Partner bank monitoring reports; progress reports of facilitators	Partner bank reports quarterly and others monthly	BDOs at the field level and M&E Coordinator at PMU level	Commitment of banks in financing tea and rubber sub-sectors - Political uncertainties and special initiatives related to agricultural finance do not affect credit culture
	No. of tea & rubber growers		1 450	16 000							
	1.2.5 Households reporting using rural financial services							RIMS	Annual		
	Total number of household members										
	Households										
	Males										

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2018)	Cumulative Result (2018)	Cumulative Result % (2018)	Source	Frequency	Responsibility	
	Females										
	Young										
	Not Young										
	Women-headed households										
	Non-women-headed households										
	2.2.5 Rural producers' organizations reporting an increase in sales							RIMS	Annual		
	Number of rural POs										
	Percentage of rural POs										
	Rural POs with women in leadership position										
	Number of rural POs - crop										
	Number of rural POs - fisheries										
	Number of rural POs - forestry										
	Number of rural POs - livestock										
Output Persons in rural areas accessing financial services	1.1.5 Persons in rural areas accessing financial services							RIMS	Annual		

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2018)	Cumulative Result (2018)	Cumulative Result % (2018)	Source	Frequency	Responsibility	
	Women in rural areas accessing financial services - savings										
	Young people in rural areas accessing financial services - savings										
	Not young people in rural areas accessing financial services - savings										
	Men in rural areas accessing financial services - savings										
	Men in rural areas accessing financial services - credit										
	Women in rural areas accessing financial services - credit										
	Young people in rural areas accessing financial services - credit										
	Not young people in rural areas accessing financial services - credit										
<b>Output</b> Rural producers members of rural producers' organizations	2.1.4 Supported rural producers that are members of a rural producers' organization							RIMS	Annual	PMU	
	Females										

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2018)	Cumulative Result (2018)	Cumulative Result % (2018)	Source	Frequency	Responsibility	
	Males					4 676					
	Young										
	Not Young										
	Women in leadership position										
	Village community plans formulated							RIMS	Annual	PMU	
	No. of plans fomulated				175	227					
	1.1.4 Persons trained in production practices and/or technologies							RIMS	Annual	PMU	
	Women trained in crop				2 520	4 975					
	Men trained in crop				3 645	9 206					
	Young people trained in crop										
	Not young people trained in crop										
	Total persons trained in crop				6 165	14 181					
	Government officials and staff trained							RIMS	Annual	PMU	
	Males				159	647					
	Females				49	562					
	People trained in community management topics										
	Men trained in bookkeeping				68	68					

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2018)	Cumulative Result (2018)	Cumulative Result % (2018)	Source	Frequency	Responsibility	
	Women trained in bookkeeping				26	26					
	Men trained in gender				25	25					
	Women trained in gender				12	12					
	Men trained in health										
	Women trained in health										
	Men trained in leadership				123	123					
	Women trained in leadership				65	65					
	Men trained in literacy				105	105					
	Women trained in literacy				89	89					
	Men trained in planning										
	Women trained in planning										
	Men trained in other				107	10 260					
	Women trained in other				60	6 453					
	Total persons trained in book-keeping				94	94					

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2018)	Cumulative Result (2018)	Cumulative Result % (2018)	Source	Frequency	Responsibility	
	Total persons trained in gender				37	37					
	Total persons trained in health										
	Total persons trained in leadership				188	188					
	Total persons trained in literacy				194	194					
	Total persons trained in planning										
	Total persons trained in other				167	16 713					
	1.1.3 Rural producers accessing production inputs and/or technological packages							RIMS	Annual	PMU	
	Females										
	Males										
	Young										
	Not Young										
	Total rural producers					4 676					
	3.1.4 Land brought under climate-resilient practices							RIMS	Annual	PMU	
	Hectares of land				1 344	2 347					



## **Sri Lanka**

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### **Smallholder Tea and Rubber Revitalization Project**

#### **Mid-term Review**

#### **Appendix 1: Financial: actual financial performance; by financier by component and disbursements by category**

Mission Dates: 15 June - 5 July 2019  
Document Date 13/08/2019  
Project No. 1100001731  
Report No. 5112-LK

Asia and the Pacific Division  
Programme Management Department

## Appendix 1: Financial: actual financial performance by financier; by component and disbursements by category

**Table 2A: Financial performance by financier**

Financier	Appraisal (USD '000)	Disbursements (USD '000)	Per cent disbursed
IFAD Loan *	25,764	9,774	38%
GOSL	32,762	1,696	5%
Beneficiaries	3,610	249	7%
Banks	3,251	-	0%
Private Sector	15	-	0%
<b>Total</b>	<b>65,401</b>	<b>11,719</b>	<b>18%</b>

\*including USD 2,000,000 initial advance and USD 582,7608.72 disbursement has not yet claimed to IFAD

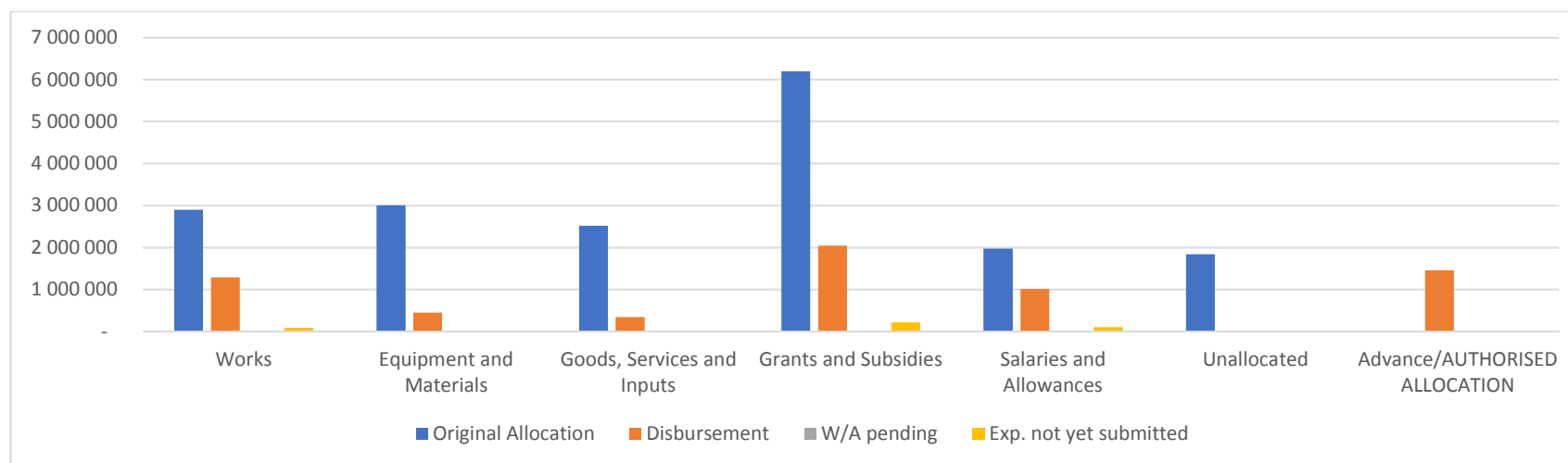
**Table 2B: Financial performance by financier by component (USD '000)**

Component	IFAD loan			GOSL			Beneficiaries			Banks			Private Sector			Total		
	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%
1. Tea smallholder Development	16,380	4,749	29	26,107	805	3	1,955	225	12	-	-	-	-	-	-	44,442	5,780	13
2. Rubber Smallholder Development	7,635	931	12	5,480	347	6	1,654	24	1	-	-	-	15	-	-	14,783	1,302	9
3. Inclusive Rural Financing	50	2	3	201	1	1	-	-	0	3,251	-	-	-	-	-	3,502	3	0
4. Project Management	1,699	2,092	123	974	543	56	-	-	0	-	-	-	-	-	-	2,674	2,635	99
Advance		2,000														-	2,000	0
<b>Total</b>	<b>25,764</b>	<b>9,774</b>	<b>38</b>	<b>32,762</b>	<b>1,696</b>	<b>5</b>	<b>3,610</b>	<b>249</b>	<b>7</b>	<b>3,251</b>	<b>-</b>	<b>-</b>	<b>15</b>	<b>-</b>	<b>-</b>	<b>65,401</b>	<b>11,719</b>	<b>18</b>

**Table 2C: IFAD loan disbursements (SDR, as at 21 June 2019)**

	Category	Original Allocation	Disbursement	W/A pending	Exp. not yet submitted	Balance	%
1	Works	2,900,000	1,292,065.84		83,795.37	1,524,139	47%
2	Equipment and Materials	3,010,000	448,987.93		-	2,561,012	15%
3	Goods, Services and Inputs	2,520,000	337,956.89		17,660.41	2,164,383	14%
4	Grants and Subsidies	6,200,000	2,047,099.00		215,604.87	3,937,296	36%
5	Salaries and Allowances	1,980,000	1,012,890.52		101,315.11	865,794	56%
6	Unallocated	1,840,000	-			1,840,000	0%
7	Advance/AUTHORISED ALLOCATION		1,461,635.72		-	(1,461,636)	
	<b>Total</b>	<b>18,450,000.00</b>	<b>6,600,635.90</b>	<b>0.00</b>	<b>418,375.77</b>	<b>11,430,988.33</b>	<b>38%</b>

**Figure 1: IFAD loan/grant disbursement, comparisons between original and revised allocations and actual disbursement**



## **Sri Lanka**

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### **Smallholder Tea and Rubber Revitalization Project**

#### **Mid-term Review**

#### **Appendix 2: Physical progress measured against AWP&B**

Mission Dates: 15 June - 5 July 2019  
Document Date 13/08/2019  
Project No. 1100001731  
Report No. 5112-LK

Asia and the Pacific Division  
Programme Management Department

## Appendix 2: Physical progress measured against AWP&B

Key Activity / Sub Activity	Indicator	Unit	2017	2018	Period 2019.01.01 -2019.05.31			Cumulative Actual	Appraisal Target	%
					AWPB Target	Actual	%			
Component 1: Tea Smallholder Development										
(a) Strengthening Tea Societies in Production and Marketing										
1.1.1. Information & Education Campaigns (IEC) program	No. of IEC Campaigns Conducted & capacity developed /people trained in community management topics	Programs /beneficiaries	549	230	277	229	83	1008	N/A	0
1.1.2. TOT Programme for field animators on PRA techniques /tools	No of programmes conducted/no of staff trained	No of programs	43	0	0	0	0	43	N/A	0
1.1.3. Participatory Rural Appraisal (PRA) for preparation of Society Strengthening Plan	Society Strengthening Plans prepared/community Development plans prepared	Societies	57	0	0	0	0	57	200	28,5
1.1.4. Conducting Diagnostic studies	No of societies diagnosed	societies	205	0	95	51	54	256	200	128
1.1.5. Strengthening of Tea Society Member on Business Development & other subjects	Number of society Programmes capacity built/	no of programs/persons	0	24	94	10	11	34	N/A	0
1.1.6. Tools and Equipment for 110 Nos. Best performing Tea Societies for all aspects of project intervention	No of societies provided with Tools and Equipment	no of societies	0	0	110	0	0	0	200	0
1.1.7. Development of SDP for matured tea societies	Nos. of Plans developed	no of societies	0	112	95	49	52	161	200	80,5
(b) Replanting of low productive tea lands										
1.2.1.0. Identification of lands for Tea Replantation	Extent Identified	ha	2635,52	2449,13	2659	780,67	29	5865,32	5500	106,6
1.2.1.1.0 upfront 1 -2017	Extent upfront paid	ha	1037,62	1344,27	0	0	0	2381,89	5500	43,3
1.2.1.1.1 upfront 1 -2018	Extent upfront paid	ha	0	0	1166	209,76	18	209,76	5500	3,8
1.2.1.1.2 upfront 1- 2019	Extent upfront paid	ha	0	0	1527	227,09	15	227,09	5500	4,1

1.2.1.2.1 upfront 2 2017	Extent upfront paid	ha	0	0	350	13,41	4	13,41	5500	0,2
1.2.1.2.2 upfront 2 2018	Extent upfront paid	ha	0	0	190	9,8	5	9,8	5500	0,2
1.2.1.2.3 upfront 2 2019 (advance for input nursery)	Extent upfront paid	ha	0	0	390	0,25	0	0,25	5500	0,0
1.2.1.3.1. Subsidy1: 2017	Extent Subsidy paid	ha	18,83	718,87	255	111,7989	44	849,4989	5500	15,4
1.2.1.3.2 Subsidy 2 :2017,	Extent Subsidy paid	ha	0	340,29	480	153,2362	32	493,5262	5500	9,0
1.2.1.3.3: Subsidy 3 :2017	Extent tea replanted	ha	0	0	269	18,966	7	18,966	5500	0,3
1.2.1.3.4 Subsidy 1: 2018	Extent Subsidy paid	ha	0	0	942	119,8209	13	119,8209	5500	2,2
1.2.1.3.5: Subsidy 2: 2018	Extent tea replanted	ha	0	0	1009	125,7	12	125,7	5500	2,3
1.2.1.3.6: Subsidy 3 2018 (Completion of 18 months SR)	Extent tea replanted	ha	0	0	71	16,35	23	16,35	5500	0,3
1.2.1.3.6.1: Subsidy 3 2018 (for Input Nursery)	Extent tea replanted	ha	0	0	270	0	0	0	5500	0,0
1.2.1.3.7 Subsidy 1 2019	Extent Subsidy paid	ha	0	0	400	47,84	12	47,84	5500	0,9
1.2.1.3.8 Subsidy 2 2019	Extent Subsidy paid	ha	0	0	110	1,5246	1	1,5246	5500	0,0
1.2.1.4. Service Payment to TSHDA agreed under the MoU										
1.2.1.4 .1 upfront 2018	Extent Service payment made	ha	0	373,45	719	0	0	5500	373,45	7
1.2.1.4 .2 upfront 2019	Extent Service payment made	ha	0		801	0	0			
1.2.1.4 .3 upfront 2 2017	Extent Service payment made	ha	0		638	0	0			
1.2.1.4 .4 upfront 2 2018	Extent Service payment made	ha	0		368	0	0			
1.2.1.4 .5. Subsidy1: 2017	Extent Service payment made	ha	0		255	0	0			
1.2.1.4 .6 Subsidy 2 :2017,	Extent Service payment made	ha	0		850	0	0			
1.2.1.4 .7 Subsidy 3 :2017	Extent Service payment made	ha	0		920	0	0			
1.2.1.4 .8 Subsidy 1: 2018	Extent Service payment made	ha	0		840	0	0			
1.2.1.4 .9 Subsidy 2: 2018	Extent Service payment made	ha	0		734	0	0			
1.2.1.4 .10 Subsidy 3 2018	Extent Service payment made	ha	0		71	0	0			
1.2.1.4 .11 Subsidy 1 2019	Extent Service payment made	ha	0		350	0	0			
1.2.1.4 .12 Subsidy 2 2019	Extent Service payment made	ha	0		50	0	0			
(b) Rehabilitation -Infilling of Replanted tea										
1.2.2.1 Subsidy 4 2017	Extent tea replanted	ha	0	0	274	0	0	0	5500	0

1.2.2.2 Subsidy 5 2017	Extent tea replanted	ha	0	0	0	0	0	0	5500	0
1.2.2.3 Subsidy 4 2018	Extent tea replanted	ha	0	0	61	0	0	0	5500	0
1.2.2.4 Subsidy 5 2018	Extent tea replanted	ha	0	0	0	0	0	0	5500	0
1.2.2.5 Subsidy 4 2019	Extent tea replanted	ha	0	0	0	0	0	0	5500	0
1.2.2.6 Subsidy 5 2019	Extent tea replanted	ha	0	0	0	0	0	0	5500	0
1.2.2.7 Service Payment to TSHDA agreed under the MoU										
1.2.2.7.1 Subsidy 4 2017	Extent Service payment made	ha			155	0	0	0	5500	0
1.2.2.7.2 Subsidy 4 2018	Extent Service payment made	ha			50	0	0	0	5500	0
<b>(c) support for nurseries &amp; Training</b>										
1.2.3.1. Technical training for commercial Nursery Growers on Nursery Management, Technical Know How, marketing, accounting, (Discussions and coordination)	No. of Training Programmes conducted on nursery management & no of people trained	Programmes /persons	0	50	32	5	16	55	N/A	0
1.2.3.2 Assisting to provide inputs to nurseries	No. of Ha	ha	0	236,9	390	0	0	236,9	2200	11
1.2.3.3 Technical training for input nursery Growers	No training Program conducted	programs	0	0	102	1	1	1	N/A	0
<b>(d) Technical Support for Smallholders</b>										
1.2.4.1 Extension support for tea growers on Land Preparation/Soil conservation/Grass Cultivation and Shading under NRM practices	Extent of Land improved under management practices/NRM/HA	programs	0	212	257	51	20	263	N/A	0
1.2.4.2 Piloting on Immediate day Replanting (Farm Development to reduce Soil rehabilitation period (Months 18->0)	No. of 1/4 acre lots Developed	plots /1/4 acre/	0	0	100	7	7	7	N/A	0
1.2.4.3. Tea Infilling with 18 months old plants (0.5 acre)	No of plots/ha infilled	Plots/ha	0	0	21	0	0	0	N/A	0
1.2.4.4 Tea Replanting with Micro Irrigation (1ha/0.5-acre plot per district)	No of plots/ha replanted with drip irrigation	Plots/ha	0	0	14	0	0	0	N/A	0

1.2.4.5 Tea with mechanise Harvesting (2ha/0.5 acre 5 plots Per district)	No of plots/ha grown with new technology	Plots/ha	0	1	11	0	0	1	N/A	0
1.2.4.6 Show Cases for replanting 18 months old plants preparing farmers themselves at the line of uprooting	No of Models grown with new technology (1/4 ha)	nos	0	0	24	1	4	1	N/A	0
1.2.4.7 Replication of best practices	No of best practices identified	nos	0	0	12	0	0	0	N/A	0
<b>(e) Upgrading Extension Services</b>										
1.2.5.1 Technical Service providers capacity building for TSHDA	No of trained for capacity building	nos	0	12	24	0	0	12	N/A	0
<b>a) Smallholder Income Diversification</b>										
1.3.1.1. TOT Training on BUSINESS PLAN Dev. and Financial Modelling (for BDOS)	No. of Programmes conducted/officers trained	Programs/persons	0	0	0	0	0	0	N/A	0
1.3.1.2 4Ps model between tea factory and out grower farmers	No. of 4P Models established	nos	0	0	4	0	0	0	N/A	0
1.3.1.3 Smallholder Income Diversification through Farming (including animal husbandry)	No of Society	model	0	0	20	3	15	3	30	10
1.3.1.4 Smallholder Income Diversification through Non-Farming	No of Society	model	0	0	9	0	0	0	20	0
1.3.4 Exposure learning visits to learn best harvesting and post harvesting methodologies	No of Visit	nos	0	1	0	0	0	1	N/A	0
1.3.8. Business Plan preparation to develop new nurseries/marketing and 4P linkage program for existing nursery development (some of are taken inputs nurseries promoted as commercial nurseries)	No of Plans Developed	nos	0	24	0	0	0	24	N/A	0
<b>b) Market Linkages and Product Diversification</b>										
1.3.2.1. Private sector linkages for Tea leaves and other related crops.	No. of Private Sector Linkages built	PP linkages	0	0	10	0	0	0	40	0
1.3.2.2 Product Diversification (Organic Tea)	No. of Society	PP Linkages	0	0	6	0	0	0	0	0



1.3.2.3 Capacity Building for Beneficiaries on Market Linkages and Product Diversification	No. of Programs	Nos.	0	0	25	0	0	0	80	0
<b>c) Market Infrastructure Development</b>										
1.3.3.1. Identification of Marketing infrastructure with beneficiary participation, (Roads/culverts/footpath/others)	No of Market infrastructure identified	No of items	0	121	89	25	28	146	N/A	0
1.3.3.2 Preparation of bills of quantities, Technical Drawing, Quality Assurance, Construction supervision, Maintenance & follow up (Technical Assistance)	No. of BOQs prepared for infrastructure activities	no of BOQs	0	127	89	1	1	128	N/A	0
1.3.3.3. Rehabilitation of village Farm Roads/structures/culverts and other infrastructures among matured tea societies	No. of farm road length /km)/ structures constructed/Rehabilitated	KM/nos	0	127	89	0	0	127	N/A	0
1.3.3.4. Capacity building on Contract management for societies	Number of programmes conducted in infrastructure management	Programs	0	127	89	0	0	127	N/A	0
<b>1.3.3 Sub Total for Market Infrastructure Development</b>										
1.4.1 Progress Review monthly meetings/ Staff meetings/ Stake holder meetings and other Direct Programme expenditure for Tea Smallholder development	No of progress meeting conducted / no of officers trained in project services	months /DPMUs	12	36	72	37	51	85	N/A	0
<b>Component 2: Rubber Smallholder Development</b>										
<b>(a) Strengthening Tea Societies in Production and Marketing</b>										
<b>a) Diagnostic Analysis</b>										
2.1.1.1 Information & Education Campaigns/ program	No. of IEC Campaigns Conducted & capacity developed /people trained in community management topics	Programmes	138	127	164	94	57	359	N/A	0
2.1.1.2. TOT Programme for Filed Animators on PRA Techniques/Tools	Society Strengthening Plans prepared/community Development plans prepared	programs	0	5	0	0	0	5	N/A	0

2.1.1.3. Participatory Rural Appraisal (PRA) for preparation of Society Strengthening Plan	no of programs conducted	programs	0	5	0	0	0	5	N/A	0
2.1.1.4. Conducting Diagnostic studies	Number of rubber societies diagnosed & capacity built	societies	35		0	11	0	46	100	46
2.1.1.5 Development of SDP for matured Rubber societies	Developed 10 matured rubber societies	nos	0	63	0	7	0	70	100	70
<b>b) Capacity Building Process</b>										
2.1.2.1. Organizing and Developing rubber growers in to Thrusaviya societies along with capacity building to form VRDCs	Number of beneficiaries' capacity built/trained programme	Programs/persons	0	0	32	8	25	8	N/A	0
2.1.2.2. Tools and Equipment for rubber Societies	No of societies provided with Tools and Equipment	societies	0	0	30	0	0	0	100	0
<b>(b) Planting rubber in new lands</b>										
2.2.1.1 Land identification, regularization & Surveying	Extent of Rubber lands identified/Surveyed/regularized	ha	0	1075	1794	1903,1	106	2978,1	3000	99
2.2.1.1.1 Land Regularization	land extent regularized	ha	0	0	400	346	87	346	N/A	0
<b>2.2.1.2. Up Front for Rubber Small Holder</b>										
2.2.1.2.1 Upfront payment - 2016	Rubber planted extent	ha	260,48	51	0	0	0	311,48	3000	10
2.2.1.2.2 1st fertilizer upfront -2016 Plantation	Rubber planted extent	ha	0	0	0	0	0	0	3000	0
2.2.1.2.3. 2 <sup>nd</sup> fertilizer upfront -2017 Plantation	Rubber planted extent	ha	0	0	350	209	60	209	3000	7
2.2.1.2.4 Upfront payment - 2018	Rubber planted extent	ha	0	242	283	183,78	65	425,78	3000	14
2.2.1.2.5 Upfront payment – 2019 farmers	Rubber planted extent	ha	0	0	1050	0	0	0	3000	0
2.2.1.2.6 1st Fertilizer upfront - 2018	Rubber planted extent	ha	0	0	631	0	0	0	3000	0
2.2.1.2.7 3rd Fertilizer upfront – 2016 farmers	Rubber planted extent	ha	0	0	252	0	0	0	3000	0
<b>2.2.1.3 Government Subsidies for Small Holder Farmers</b>										
2.2.1.3.1 1,2& 3rd subsidy payment -2016	Rubber planted extent	ha	0	122	55	0	0	122	3000	4
2.2.1.3.2. 1, 2 & 3 subsidy payment -2017	Rubber planted extent	ha	0	281,5	0	0	0	281,5	3000	9
2.2.1.3.3. 1 & 2 subsidy payment for 2018 farmers	Rubber planted extent	ha	0	162	631	136,01	22	298,01	3000	0

[illegible]

2.2.2.3.1. Strengthening the Padiyathalawa Rubber Nursery with providing basic infrastructure (Balance Part)	Padiyathalawa Nursery Strengthened	nursery	0	0,5	1	0	0	0,5	N/A	0
2.2.2.3.2. capacity building for Field Staff of RDD/STARR	No of trained for capacity building	programs	0	7	5	5	100	12	N/A	0
<b>a) Smallholder Income Diversification</b>										
2.3.1.1 ToT Training on Business Plan and Financial Modelling	No. of TOT Programmes conducted	Programmes	0	0	0	0	0	0	N/A	0
2.3.1.2 Development of Strategic paper for rubber smallholder income diversification	Nos of papers Developed	Nos.	0	0	1	0	0	0	N/A	0
2.3.1.3 Matching grant as a seed capital for 4Ps	NO of business plan prepared for Marching grant activity	BPs	0	0	0	0	0	0	450	0
2.3.1.4. Workshop on Business Promotion in Rubber industry	No. of Programmes/workshops conducted	Programmes	0	0	1	0	0	0	25	0
2.3.1.5 Smallholder Income Diversification through Farming (including animal husbandry)	No of Beneficiaries	Nos.	0	0	80	0	0	0	30	0
2.3.1.6 Smallholder Income Diversification through Non-Farming	No of Beneficiaries	Nos.	0	0	0	0	0	0	20	0
<b>b) Market Linkages and Product Diversification</b>										
2.3.2.1 Undertake the study of Rubber production under SPeNDP (Demand Feasibility Study for existing GRPC Calling EOI & development of proposal	study done	study	0	0	0	0	0	0	N/A	0
2.3.2.2. Development of Business Plans for society members including (Group Rubber Processing Centres)	No of business plans developed	BPs	0	0	0	0	0	0	N/A	0
2.3.2.3. Capacity Building for Beneficiaries on Market Linkages and Product Diversification	People trained in Business & Entrepreneurship	Visits	0	0	14	0	0	0	N/A	0
2.3.2.4 Establishment of Rubber Processing Units (GRPCs)	No of RPU s established	units	0	0	0	0	0	0	N/A	0
2.3.2.5. Selection of best farming practices of new rubber farming	No of programme conducted	programs	0	0	2	0	0	0	N/A	0

2.3.2.6 Selection of best performing Thurasawiya society 2019	No of programme conducted	programs	0	0	2	0	0	0	N/A	0
<b>c) Market Infrastructure Development</b>										
2.3.3.1. Identification of Marketing Infrastructure with participatory approach	No of Marketing infrastructure identified (Roads, Elephant Fences, culverts etc.)	nos	0	52	40	0	0	52	0	0
2.3.3.2. Preparation of Bills of Quantities, Technical Drawing, Quality Assurance, Construction supervision (Technical Assistant)	no of BOQs developed for community infrastructures	NO OF BOQs	0	27	40	0	0	27	N/A	0
2.3.3.3. Rehabilitation of Community infrastructure (roads)	Length of farm road length (km) Number of structures constructed/rehabilitated	Nos	0	24	30	0	0	24	80	30
2.3.3.4. Construction of Elephant Fences	length of elephant fences constructed	KM/nos	0		11	0	0	0	Nos	0
2.3.3.5. Capacity building on process and Contact management	Number of beneficiaries trained in infrastructure management	programmes	0	3	40	0	0	3	80	4
2.4.1. Progress Review monthly meetings/ Staff meetings/ Stake holder meetings	No of meetings conducted / no of attended	Nos	12	21	32	20	63	53	Nos	0
<b>Component 2: Rubber Smallholder Development</b>										
3.1. 1 Introducing potential beneficiaries to PFIs	No of beneficiaries identified	persons	0	152	1600	0	0	152	16000	1
3.1.2. Developing & Printing Manual & promotional materials	Nos of hand books printed	hand books	0	0	0	0	0	0	N/A	0
3.1.3 Nos. of Loans for Farming and Non-Farming IG Activities Tea Small Holders	Number of tea growers got loans /no of saving groups formed	no of loans	0	0	920	0	0	0	N/A	0
3.1.4 Nos. of Loans for Farming and Non-Farming IG Activities Rubber Small Holders	Number of rubber growers got loans /no of saving groups formed	no of loans	0	0	400	0	0	0	N/A	0

3.2.1 District Level awareness Programme on Rural Financing Component for PFIs & project staff	number of beneficiaries trained in Income generation activities	Programmes	0	0	8	0	0	0	N/A	0
3.2.2. National Level awareness Programme on Rural Financing Component for PFIs & stakeholders	workshop conducted	workshop	0	0	1	1	100	1	1	100
3.2.3. Specific Training for selected IGA beneficiaries	No of specific training conducted	programs	0	0	81	7	9	7	N/A	0
<b>Component 4: Project Management</b>										
4.1.1. Annual Outcome Survey	survey conducted	survey	0	1	1	0	0	1	N/A	0
4.1. 2. Results Impact & Management System (RIMS)	RIMS conducted	report	0	0	0	0	0	0	N/A	0
4.1. 3. Mid Term Survey/ Assessment	MTR conducted	Assessment	0	0	1	0	0	0	N/A	0
4.1.4. Thematic studies (Tea Sector, Rubber Sector, Procurement)	no of thematic studies conducted	studies	0	0	3	0	0	0	N/A	0
4.1.5. International study on Tea Value Chain Development in SL	value chain study conducted	studies	0	0	0	0	0	0	N/A	0
4.1.6. Consultancy for Monitoring & Evaluation	Consultants appointed	Months	0	1	12	0	0	1	N/A	0
4.1.7. Consultancy for Agronomists (Tea & Rubber)	Consultants appointed	Months	0	0	24	0	0	0	N/A	0
4.1.8. Consultancy for MIS	Consultants appointed	Months	0	0	12	0	0	0	N/A	0
4.1.9. Consultancy for 4P Strategies & Value chain Development	Consultants appointed	Months	0	0	12	0	0	0	N/A	0
4.1.10. Consultancy for Technical Service provider for Marketing Infrastructure	Consultants appointed	Resource persons	0	0	0	0	0	0	N/A	0
4.1.11 Consultancy for Social Mobilization	Consultants appointed	consultant	0	0	0	0	0	0	N/A	0
4.1.12. Hiring resource persons for SDP preparation	Consultants appointed	Resource persons	0	0	0	0	0	0	N/A	0
4.1.13. Consultancy for Environment & Social safe guard	Consultants appointed	Months	0	0	12	0	0	0	N/A	0
4.1.14 Main Consultancy for Zero -Soil Rehabilitation (Immediate day planting)	Consultants appointed	Months	0	0	12	0	0	0	N/A	0

4.1.15. Agriculture officers for immediate day pilot projects	Agri-officers appointed	No of officers	0	0	84	0	0	0	N/A	0
4.1.16 Consultancy for Financial Management & Good Governance	Consultants appointed	Months	0	0	0	0	0	0	N/A	0
4.1.17. Consultancy for Rural Finance	Consultants appointed	Months	0	0	6	0	0	0	N/A	0
4.1.18. Resource person for translation of Sinhala version to English & English to Sinhala/Tamil	Resource Persons appointed	No of documents	0	0	12	0	0	0	N/A	0
4.1.19. Preparation of Audio/video & Documentation for project visibility.	Nos. of items	Nos.	0	0	10	0	0	0	N/A	0
4.1.20 Awareness of field staff both project & line agencies regarding the development GIS & MIS network	No of persons aware	programs/persons	0	0	8	0	0	0	N/A	0
4.1.21 Capacity building of project staff	No of officers' capacity Built		0	2	12	0	0	2	N/A	0
4.1.22. Baseline Survey	Baseline Survey completed	study	0	1	0	0	0	1	N/A	0
4.1.23. Project Start workshop	workshop conducted	workshop	0		0	0	0	0	N/A	0
4.1.24 Monitoring & Evaluation of project activities (Mission programs/Progress review/NSC Meetings/field monitoring & TSP review & documentation)	Number of officers trained in M&E & related activities	programs /persons	0	0	14	0	0	0	N/A	0
4.1.25. Exposure visit/training/ sharing experiences on project implementation (Domestic & Foreign)	Number of officers trained regarding exposure visits/training & sharing experiences	visits	0	0	7	0	0	0	N/A	0
<b>4.2. Purchasing of Goods, Equipment's &amp; vehicles</b>										
4.2.1. Installation of GIS/MIS/GPS network (Continuation)	Established GIS/MIS Network	network	0	4	24	0	0	4	N/A	0
4.2.2. Accounting Software	Account software developed	software	0	1	1	0	0	1	1	100
4.2.3. Purchasing of 4wheel double cab	No of vehicles purchased	Nos	0	10	0	0	0	10	10	100
4.2.4. Purchasing of Motor bikes	No of motor bikes purchased	Nos	0		0	0	0	0	84	0
4.2.5. Purchasing of desk top computers	No of desk top computers purchased	Nos	0	22	0	0	0	22	33	67
4.2.6. Purchasing of lap top computers	No of lap top computers purchased	Nos	0	22	0	0	0	22	39	56
4.2.7. Purchasing of printers, photocopiers, UPS inverters, Multimedia projectors, Fax, Web Cam, External Hard Disk & Furnitures	No of items purchased	Nos	0		2	0	0	0	0	0

4.2.8. Purchasing of Jeep	Jeep Purchased	Nos	0	0	1	0	0	0	1	0
4.2.9. Purchasing of one Video Camera & three Digital Cameras	No of video & digital Cameras purchased	Nos	0	1	0	0	0	1	0	0
4.3.0 Salaries, allowances and related payments	amount paid	Rs.	6	12	12	0	0	18	0	0
4.3.1. Office Operating & Maintenance Cost	amount paid	Rs.	0	12	12	0	0	12	1865	1
4.3.2. Bike Operating & Maintenance Cost	amount paid	Rs.	0	12	12	0	0	12	462	3
4.3.3 Other vehicle Operating & Maintenance Cost	Amount spent	Rs.	0	12	12	0	0	12	330	4
4.3.4 Health Insurance	Amount spent	Months	0	0	12	0	0	0	0	0
4.3.5 Hiring of Vehicles	Amount spent	Rs.	12	6	6	0	0	18	0	0



## **Sri Lanka**

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### **Smallholder Tea and Rubber Revitalization Project**

#### **Mid-term Review**

### **Appendix 3: Compliance with legal covenants: status of implementation**

Mission Dates: 15 June - 5 July 2019  
Document Date 13/08/2019  
Project No. 1100001731  
Report No. 5112-LK

Asia and the Pacific Division  
Programme Management Department

### Appendix 3: Compliance with legal covenants: status of implementation

Section	Covenant	Target / Action Due Date	Compliance Status / Date	Remarks
<b>Financing Agreement</b>				
B 6	There shall be (i) a Designated Account at the Central Bank of Sri Lanka and (ii) 2 Project Accounts in a commercial bank acceptable to IFAD and the Borrower for funds from IFAD and GoSL.	Program launch	Complied	Programme Accounts in USD (at CBSL) and LKR (at BOC) have been opened.
B 7	The Borrower shall provide counterpart financing to the project in the approximate amount of USD 32.8 million, to cover the subsidies for the tea and rubber replanting program, taxes and other expenditure defined in the AWPBs.	Continuous	On-going	Disbursement of the counterpart financing as of 21 June 2019 is USD 1.7 million or 5%
E 1	Opening of Designated Account and 2 project Accounts Appointment of Project Director and Finance Manager with IFAD no objection Draft PIM with IFAD no objection	Conditions precedent to withdrawal	Complied	Project Accountant played the role of Finance Manager from project start until May 18. Finance Manager recruited on 15/05/18
Schedule 1, Section 5 para 2	The Borrower shall establish a National Steering Committee that shall meet at least once a year to approve the AWPB	Continuous	Complied	NSC meetings held 27/11/17 and 09/03/18
Schedule 1, Section 5 para 3	The Lead Programme Agency shall establish a Programme Management Unit (PMU).	Program launch and on-going	Complied	
Schedule 1, Section 5 para 5	The Lead Programme Agency jointly with IFAD, shall carry out a midterm review no later than Project Year 3	By 30/06/19	Complied	Midterm review is conducted on 16 June – 5 July 2019
GC Section 7.01 (b) (ii) AWPB	The Lead Project Agency shall submit the draft Project AWPB to the Fund for comments no later than sixty (60) days before the beginning of the relevant Project Year.	31 October of each year	Complied with delay	2019 AWPB submitted to IFAD on 31 Jan 2019 approved by IFAD on 2 Feb 2019
GC Section 7.08	Insurance of all goods and buildings used in the Project against such risks and in such amounts as shall be consistent with sound commercial practice.	Continuous	Partially complied	Insurance available for vehicles.
GC Section 7.11.	Health and accident insurance for project personnel	Continuous	Not complied	The request was not approved by the NSC
GC Section 8.01	Maintenance of records and documents adequate to reflect project operations until project completion date and for at least ten years thereafter.	Continuous	Complied and on-going	
GC Section 8.02	Establishment and maintenance of information management system	Continuous	Complied and on-going	

GC Section 8.02	Submission of periodic progress reports to IFAD	Continuous	Complied and on-going	
GC Section 8.04.	After the Project Completion Date but before Financing Closing Date, submission to IFAD of the project completion report	31 December 22	Not yet due	
GC Section 9.01	Maintenance of separate accounts and records until the Financing Closing Date, and at least ten (10) years thereafter.	Continuous	Complied and on-going	
GC Section 9.02	Submission to IFAD of detailed financial statements for each Fiscal Year within four (4) months of the end of each Fiscal Year.	30 April each year	Complied with delay	2017 financial statements sent to Auditors on 28/03/18 and to IFAD on 17/05/18 2018 unaudited financial statement sent to Auditors on 29/03/2019 and to IFAD on 20/5/2019
GC Section 9.03	Audit of accounts for each Fiscal Year and submission to IFAD of audit report and management letter within six (6) months of the end of each Fiscal Year	Continuous	Complied with slightly delay	2017 audit report is submitted to IFAD on 11/7/2019 2018 audit report is still on-going
GC Section 11.01 (a)	Financing shall be exempt from all taxes	Continuous	Complied	
<b>Letter to Borrower</b>				
Para 32	List of all contracts in the Register of Contracts to be submitted monthly to the CPM	Continuous	Complied	
Para 34	Submission of interim financial reports within 45 days of the end of each quarter	Continuous	Complied with delay	IFR Q1 2019 is submitted to IFAD on 11/6/2019
Para 37	Maintenance and regular update of log of Audit Observations.	Continuous	Complied	
Para 39	Implementation of adequate Internal Audit arrangements	Continuous	Complied	Arrangement is satisfactory. Report will be shared with IFAD to quarterly financial reporting package