

Sri Lanka

Smallholder Agribusiness Partnerships Programme

Mid-term Review

Mission Dates: 29 June - 15 August 2020

Document Date: 13/10/2020

Project No. 2000000929

Report No. 5529-LK

Asia and the Pacific Division
Programme Management Department

Abbreviations and Acronyms

4P	Public-private-producer partnership
AEDD	Agriculture Enterprise Development Division (of Department of Agriculture)
ASM	Agricultural Sector Modernization (World Bank project)
CD	Country Director
CBSL	Central Bank of Sri Lanka
CRIB	Credit Information Bureau Sri Lanka
DOA	Department of Agriculture of Ministry of Mahweli, Agriculture, Irrigation, and Rural Development
EB	Executive Board
EOI	Expression of interest
ERD	External Resources Department
ESNP	Environmental and Social Management Plan
FA	Financing Agreement
F/PO	Farmer/Producer Organization
FRA	Feasibility Rapid Appraisal
GHG	Greenhouse Gas
GoSL	Government of Sri Lanka
IG	Incoming Generating
LoC	Letter of Credit
LPA	Lead Project Agency
LtB	Letter to the Borrower
MA	Mahaweli Authority
MAT	Maturity Assessment Tool
MIS	Management Information System
MoA	Ministry of Mahaweli, Agriculture, Irrigation and Rural Development
MoF	Ministry of Finance
MONLAR	Movement for Land and Agrarian Reform
MoU	Memorandum of Understanding
NADeP	National Agribusiness Development (IFAD programme)
NSC	National Steering Committee
NO	No Objection
NRM	Natural Resource Management
P/FO	Producer/ Farmer Organization
PFI	Participating Financial Institution
PIM	Programme Implementation Manual
PMU	Programme Management Unit
RDD	Regional Development Department
SAPP	Smallholder Agribusiness Partnerships Programme
SLA	Subsidiary Loan Agreement
SM	Social Mobilisers
SME	Small and/ or Medium Enterprise (private sector)

TA	Technical Assistance
ToT	Training of Trainers
WA	Withdrawal Application
WFP	World Food Programme

A. Project Overview

Region:	Asia and the Pacific Division	Project at Risk Status:	Not at risk
Country:	Sri Lanka	Environmental and Social Category:	B
Project Name:	Smallholder Agribusiness Partnerships Programme	Climate Risk Classification:	2
Project ID:	2000000929	Executing Institution:	Presidential Secretariat-Sri Lanka
Project Type:	Rural Development	Implementing Institutions:	Presidential Secretariat-Sri Lanka
CPM:	Tarek Kotb		
Project Director:	Yasantha Mapatuna		
Project Area:	National		

Approval Date:	10/04/2017	Last audit receipt:	23/04/2020
Signing Date:	26/06/2017	Date of Last SIS Mission:	15/08/2020
Entry into Force Date:	26/06/2017	Number of SIS Missions:	6
Available for Disbursement Date:	12/10/2017	Number of extensions:	0
First Disbursement Date:	16/10/2017	Effectiveness lag:	2 months
MTR Date:	29/06/2020		
Original Completion Date:	30/06/2023		
Current Completion Date:	30/06/2023		
Financial Closure:	not available yet		

Project total financing

IFAD Financing breakdown	IFAD	\$14,521,652
	IFAD	\$6,178,348
	IFAD	\$33,700,000
Domestic Financing breakdown	Domestic Financing Institutions	\$9,821,000
	Private sector local	\$16,967,000
	National Government	\$19,359,000
	Beneficiaries	\$4,494,000
Co-financing breakdown,		
Project total financing:		\$105,041,000

Current Mission

Mission Dates:	29 June - 15 August 2020
Days in the field:	Remote mission
Mission composition:	Tarek Kotb, Country Director and Mission Leader; Donald Greenberg, Team Leader and Agribusiness Specialist; Anura Herath, Economist; Le Chi Dung, Financial Management Specialist; Jennet Sonntag, Gender and Targeting Specialist; Mehry Ismaili, M&E and Knowledge Management Specialist; Elizabeth Ssendiwala, Institutions Specialist; Dayananda Ratnasekera, Procurement Specialist; Evi Wulandari, Environment, Natural Resources, and Climate Specialist.
Field sites visited:	Remote mission

B. Overall Assessment

Key SIS Indicator #1	Ø	Rating	Key SIS Indicator #2	Ø	Rating
Likelihood of Achieving the Development Objective		3.96	Assessment of the Overall Implementation Performance		3.92

Effectiveness and Developmental Focus	4	Project Management	4
Effectiveness	3	Quality of Project Management	3
Targeting and Outreach	5	Knowledge Management	5
Gender equality & women's participation	4	Value for Money	4
Agricultural Productivity	3	Coherence between AWPB and Implementation	3
Nutrition	4	Performance of M&E System	4
Adaptation to Climate Change	4	Social, Environment, and Climate Standards requirements	4

Sustainability and Scaling-up	4	Financial Management and Execution	4
Institutions and Policy Engagement	4	Acceptable Disbursement Rate	2
Partnership-building	5	Quality of Financial Management	4
Human and Social Capital and Empowerment	5	Quality and Timeliness of Audit	3
Quality of Project Target Group Engagement and Feedback	4	Counterparts Funds	5
Responsiveness of Service Providers	4	Compliance with Loan Covenants	5
Environment and Natural Resource Management	4	Procurement	5
Exit Strategy	4		
Potential for Scaling-up	4		

Relevance	5
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C. Mission Objectives and Key Conclusions

Background and Main Objective of the Mission

The USD 105 million Smallholder Agribusiness Partnerships Programme (SAPP), including an IFAD loan in the amount of USD 39.9 million was approved by IFAD's Executive Board in April 2017 and entered into force in May 2017. The programme completion and closing dates are 30 June 2023 and 31 December 2023 respectively. The original lead programme agency was the Presidential Secretariat but is presently the Ministry of Mahaweli, Agriculture, Irrigation and Rural Development (MoA). In September 2017 the IFAD EB approved the first additional financing and in December 2018, the second additional financing was approved that entirely filled the financing gap. In total, IFAD has allocated USD 54.5 million to SAP through the first loan and two additional financings over six years.

The programme development objective is to sustainably increase the incomes and quality of diet of 57,500 smallholder households involved in commercially oriented production and marketing systems. The main target subgroups are: (i) 35,000 new rural household producers (owning less than 1 ha of land and relying on agriculture for at least 50 per cent of their household income) that will benefit from increased livelihood opportunities through their engagement with 4P schemes – this includes a target of 4,000 households organized in 70 producer/ farmer organizations (P/FOs); (ii) 20,000 households already participating in 4P schemes established under the NADeP programme that will benefit from SAPP continued support in the form of seasonal working-capital loans^[1]; and (iii) 2,500 poor young women and men supported to become entrepreneurs, responding to demand for products or services generated along the value chain and complementing the 4Ps.

This IFAD and Government of Sri Lanka (GoSL) remote Mid-Term Review mission of SAPP took place from 29 June to 10 July 2020. A wrap-up meeting was held in Colombo on 31 July, chaired by the MoA Secretary. Inevitably, provision of missing information and agreement on final conclusions took longer than regular MTR missions. Consultations with the MoA and SAP NSC continued through August, with the Aide Memoire signed in early September. This remote MTR mission will be supplemented by a field validation visit when circumstances permit.

The main objectives of the mission were to: (i) assess the programme implementation progress; (ii) review progress against the 2019 and 2020 AWPB and procurement plan; (iii) identify actual and potential/ emerging operational problems; and (iv) propose solutions, corrective measures or improvements to be done to accelerate programme implementation.

The mission held remote consultations and working sessions with key partners, including CBSL, MoA, two PFIs (Sanasa Development Bank and People's Bank of Sri Lanka), and the service provider Lanka Ventures. Three PMU teams spent two days in the field visiting a representative sample of SAPP-supported ongoing 4Ps, youth projects, and COVID-19 resilience projects (analogous to 4Ps, but implemented in a somewhat different way). During these field visits, the MTR team interacted via Zoom and other means with producer/ farmers, PFI representatives, farmer organization leaders, and 4P project promoters (both private sector and P/FO).

^[1] In an Agreed Action from the November 2019 ISM, the target of 20,000 NADeP follow-on loans was reduced to 6,370..

Key Mission Agreements and Conclusions

The PMU may consider changes in the specific outreach sub-targets set at the appraisal stage, accompanied by an economic and financial analysis. This allows the PMU flexibility to move resources to where the greatest impact will be achieved. No changes are envisioned in the total number of target beneficiaries to be reached (57,500). If this requires any change to the project budget or reallocation of funds among expenditure categories, a proposal to that effect should be submitted to IFAD through ERD, *before* the MTR validation mission that is mandated by IFAD for remote MTRs is undertaken when circumstances permit.

The PMU may consider changes in grant and credit disbursement to further expedite disbursements and increase impact on beneficiaries. The MTR recognizes that slow credit disbursement may be due to factors beyond the commitment or control of the beneficiaries. In some cases 4P beneficiaries may not be initially bankable, at least by partner PFIs. The issuance of a matching grant could allow beneficiaries to begin participation in a 4P. Therefore, the PMU/LPA will have a discussion with relevant stakeholders specifically the MOF, ERD and CBSL, PFIs and may propose a mechanism to further expedite grant and credit disbursements. The mechanism proposed will ensure that 4P beneficiaries demonstrate commitment, so grant resources are used as intended for the 4P business plans. To accommodate these changes, the existing Grant allocation in the FA may be increased up to 30%, with a concomitant decrease in the Credit allocation.

Restructure Covid-19 resilience activities as 4Ps, with a private company or a F/PO to play the role of the 4P leader within the context of a usual 4P business plan. This is to ensure that COVID-19 resilience activities are structured to be commercially sustainable. The COVID-19 activities should have strong buy-back arrangements ensuring access to markets. The total COVID-19 resilience activities represent an exceptional window of opportunity for SAPP funding. The total number of beneficiaries is limited to 9000 HH (this includes the resilience activities with a target of 4135 beneficiaries that have already been given conditional NOC). Government agencies will continue to provide a strong supportive and enabling environment role for these COVID-19 4Ps as well as for all 4Ps, and may act as a buyer where

appropriate.

Introduce value chain finance by allowing PFIs to issue bulk loans to company 4P promoters for the purpose of extending in-kind working capital loans for 4P beneficiaries, who would repay in-kind when delivering the contracted crop or produce. The value chain finance option will enable many beneficiaries to obtain credit for the necessary inputs/services, who otherwise would not be able to obtain a direct bank loan from PFIs. The 4P promoter would take full responsibility for supplying inputs/services on time, and in repaying the loan to the PFI. This value chain finance mechanism will speed up the process of credit disbursement, as the PFI will only undertake due diligence on the company 4P promoter, and will not need to process hundreds or thousands of individual beneficiaries.

Allow PFIs to issue bulk loans to cooperative rural banks and Sanasa society banks for on-lending to 4P beneficiaries. These community financial institutions have pre-existing relationships with their members, and could make credit available to 4P beneficiaries more quickly and efficiently than a PFI commercial bank. The PFI will undertake due diligence of the cooperative/rural and Sanasa society banks, and will not be involved with approval of individual loans issued by these institutions. The CBSL will hold consultations with PFIs and other stakeholders to formulate implementation mechanisms.

D. Overview and Project Progress

The overall assessment of programme implementation performance is moderately unsatisfactory (3). Although substantial progress has been made in 4P mobilization during the 7 months since the 2nd supervision mission in November 2019, disbursement of the key grant and credit inputs that enable mobilized participants to benefit from the 4Ps is well below the MTR targets set at appraisal.

The global COVID-19 pandemic has had a significant impact on the Sri Lanka economy and agricultural activity. Imports of basic food security crops have been restricted (e.g. *dal* from India), urban/rural food marketing structures and systems were disrupted, and SAPP program implementation, especially mobilization and training activities, were impaired.

The PMU has developed COVID-19 resilience projects, which are similar to 4Ps, with the key difference being that resilience activities have the PMU and various MoA agencies and departments playing a leading role as promoters in mobilizing, organizing, training, finding markets for products, etc.

Mobilization 23 4Ps, 2 COVID-19 resilience projects, and youth activities targeted to reach 26,527 beneficiaries have been approved as of 30 June 2020. Another 13 4Ps and 4 COVID-19 resilience projects are in the pipeline and if finalized in 2020, will eventually reach an additional 13,983 beneficiaries. If these pipeline projects are approved, and materialize as planned, a total of 40,510 or 108% of the target 37,500 4P and youth beneficiaries will have been reached.

Impact In terms of concrete impacts on beneficiaries, only 5,793 4P beneficiaries have received SAPP credits from the PFIs until now, and 3,994 of these (69%) are participants in the NAEDP scale-up 4P with Gal Oya Plantations, where the company has provided a corporate guarantee to the PFI. Out of the revised target of 6,370 NADeP second working capital, none have received loans yet.

Only 5,477 4P grants have been disbursed to small holders, and nearly 73% of these have been made to Gal Oya smallholders. The pace of grant disbursement has improved only marginally since the second ISM. Twenty per cent of expected 3rd year 4P loan and grant disbursements have been made.

Although there have been some improvements, there remain two key sets of factors accounting for the low rate of disbursement of grants and loans and thus the achievement of outreach and impact targets of SAPP:

Limitations on *grant* disbursement mechanisms:

1. Continuation of the policy in many 4Ps to hold-up disbursement of matching grants for individual 4P beneficiaries until after PFI credit has been disbursed.
2. No mechanism for 4P promoters to be quickly compensated for provision of in-kind inputs and services that are part of the matching grant package for 4P beneficiaries
3. No mechanism to support start-up grants to P/FOs that are active 4P participants in company-led 4Ps

Limitations on *credit* disbursement mechanisms:

- (i) No mechanism under SAPP that would allow PFIs to issue company 4P promoters with working capital loans, which would be used to provide in-kind input/services on credit to 4P beneficiaries.
- (ii) No mechanism under SAPP that would allow PFIs to issue cooperative banks and Sanasa societies with bulk loans, which would be on-lent to provide credit to individual 4P beneficiaries.

(iii) No mechanism to extend a 2nd round of financing for new or existing 4P beneficiaries, although allowed for former NADeP beneficiaries.

Component 1: Access to Commercial Partnerships (4Ps). This component is rated overall as moderately unsatisfactory (3). This component includes two sub-components: (1.1) Establishing 4Ps and ancillary youth projects to reach 37,500 household beneficiaries (rated 3, moderately unsatisfactory); and (1.2) Institutional strengthening and capacity building of F/PO groups sponsoring or participating in 4Ps (rated 3, moderately unsatisfactory).

C1.1. Establishing 4Ps.

A total of 23 4P and 2 COVID-19 resilience agreements have been approved as of 30 June 2020, which are targeted to support 21,702 households in 2020 (roughly 68% of mid-term projections in the PDR). The NADeP *scale-up* 4Ps have been most successful, expecting to reach 72% of targets; new 4Ps have been slowest with only 12% of target reach; with FO-led 4Ps also relatively slow, expected to reach only 23% of 2019 targets.

The rate of grant disbursements has been low, with 16% of the targeted 2020 beneficiaries of approved 4P projects receiving grants (5,477 out of the appraisal target of 34,000).

The November 2019 SM introduced two grant mechanisms that have had minimal impact to date, but are expected to accelerate as agricultural operations in Sri Lanka are normalized:

a) Matching grant support (50% up to \$10,000) for 4P promoters for market/business development activities that directly benefit 4P beneficiaries. Three applications have been accepted, one was approved but not yet granted, and one requested to re-apply under the matching credit scheme

b) Grant support (up to 5 million LKR/4P) for off-farm rural infrastructure that would deepen impact of 4P activities Seven applications have been received, and one grant has been issued.

C1.2 Institutional strengthening and capacity building of producer groups

At design, sub-component 1.2 was envisaged to support capacity building of producer/farmer organizations to become effective partners under 4P scheme and to be able to take informed decisions about their business. Several challenges have emerged arising from the weak capacities of the F/POs and by the last supervision mission, it was agreed that support to incipient FO/PO 4Ps would be undertaken through their linkage with 4Ps (either private sector or established FO/POs)

SAPP has engaged 5 consultancy firms as service providers to support capacity building of FO/POs. A detailed maturity assessment tool (MAT) has been developed, which so far has been carried out on 8 F/POs. The mission's virtual interactions with project stakeholders indicated that some FOs still have key challenges, particularly in governance and cohesion.

The MTR mission noted the effort to continue strengthening capacity of the FO/POs along a number of technical and business competencies. Cumulatively, 488 training programmes have been conducted for 19,673 beneficiaries. Further, 12 domestic exposure visits have been conducted out of 39 planned. Owing to COVID-19 restrictions, one exposure visit planned for 30 dairy farmers to India has not materialized.

The MTR mission noted that the service provider capacity building activities were largely focused on preparing F/POs to become full-fledged agribusiness leaders of 4Ps. However, even when not 4P leaders, many F/POs can and do play important roles in supporting 4Ps and beneficiaries such as mobilization, training, aggregation, primary processing, and storage. To serve these F/POs, it was agreed that SAPP would develop a program of support through the service providers to help these F/POs build capacity (which could be complemented by access to starter funding as agreed above).

Component 2: Access to rural finance. This component is rated as moderately unsatisfactory (3). The objective of this component is to facilitate access to rural finance and rural financial services to smallholders under the 4P arrangements and for youth in a sustainable manner and at affordable rates.

C.2.1 Financing

The three main types of financing under SAPP envisioned during appraisal have proceeded at different speeds of implementation:

- **New and scale up 4Ps.** Loans have been registered for 17 projects, with 5,333 households receiving loans, 17% of the mid-term target of 32,000 set during appraisal.
- **Youth loans.** 488 loans have been registered, with 243 of these loans disbursed; 12% of the mid-term target of 2,000 set during appraisal.
- **NADeP second,** loans, no loans have been registered or disbursed, This is 0% of the new provisional target of 6,370 households (lowered from the appraisal target of 20,000). During the November 2019 ISM, two actions were

agreed intended to expedite disbursement and deepen impact of the rural finance component: (ii) **Introduction of PFI loans to company 4P promoters and other value chain players that are signatories to 4Ps** (covering 50% of loans up to \$100,000) for equipment/facilities dedicated to benefiting 4P smallholder beneficiaries. The CBSL has not made the necessary modifications to PFI operating instructions; this will be followed up by the PMU. **C.2.2 Institutional strengthening of the financial services sector**

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- (i) **Increase in upper ceilings of PFI loans to 4P beneficiaries to LKRS 500,000** The necessary modifications to PFI operating instructions have yet to be issued by the CBSL, this will be followed up by the PMU.
- A fourth type of financing beneficiaries, income generating (IG) loans, was introduced as an option utilizing the SAPP Revolving Fund (not using the SAPP Line of Credit). IG loans are *not* related to new or existing 4Ps or youth projects, but are targeted to the same category of beneficiaries. In this category, 579 income generating loans have been registered with the CBSL.

A preliminary needs assessment was conducted with the CBSL and PFIs on how to automate and streamline the loan registration and refinance process. A service provider was selected, and a test run of the automated system is expected in the 3rd quarter of 2020.

SAPP has sponsored a number of international and local trainings on agricultural value chain financing, agri lending, 4P project awareness, and financial literacy. The PMU has contracted a service provider to ramp up financial literacy training. A new training plan for the training of PFI staff on agri lending is being done in coordination with the Centre for Banking Studies of CBSL.

Component 3: Programme Management and Policy Dialogue.

C.3.1 Programme Management

Addressed in the Project Management section below.

C.3.2 Policy Dialogue

This sub-component, rated moderately satisfactory 4, supports SAPP to engage in policy studies and direct advocacy, within limited resource allocations. The 2019 IFAD supervision mission highlighted the dairy sector as one such policy area, and the importance has increased as SAPP is currently dealing with 5 ongoing and 5 pipeline dairy 4Ps, the highest number of 4Ps in single sector. Potential policy issues include importation of skim milk powder that affects the prices paid for fresh milk, the requirement for private sector veterinary professionals to have government accreditation, and the reintroduction of the government sponsored dairy cows and heifers supply programme. SAPP conducted a multi-stakeholder workshop in January 2020 to discuss issues of the dairy sector.

The PMU has repeatedly observed the need for an effective and efficient risk mitigation system including insurance for agricultural producers and products, and it has agreed to take steps to research this issue further through research and policy dialogue with key stakeholders (e.g. insurance companies, PFIs, etc) as appropriate.

Agreed Action	Responsibility	Agreed Date
Introduce matching grant support for company 4P infrastructure/equipment dedicated to supporting 4P beneficiaries This option can be combined with company matching credit facility (e.g. 50% SAPP grant and 50% own contribution, or 50% credit, 25% grant, 25% own contribution). It can be introduced to existing and new 4P projects.	PMU	09/2020
Extend the option of start-up support to all F/POs supported by SAPP. This includes all F/POs important to the 4P, not just F/PO 4P leaders. This may be introduced in existing and new 4P projects as deemed feasible.	PMU	09/2020

<p>Increase the maximum matching grant to 4P beneficiaries to 1500 USD.</p> <p>Although there is no fixed limit specified in the project design, the practice has been to limit grant size to \$500. The PMU will need to manage resources to ensure that outreach targets are met.</p>	PMU	09/2020
<p>Introduce option of 2nd round of finance for all SAPP beneficiaries.</p> <p>This may be applied to direct PFI lending, as well as value chain and bulk financing options. It may be applied to existing and new 4P and youth projects. In all cases, 1st round financing loan must be repaid in full before issuance of 2nd round.</p>	PMU	09/2020
<p>Allow PFIs to issue bulk loans to cooperative rural banks and Sanasa society banks for on-lending to 4P beneficiaries.</p> <p>These community financial institutions have pre-existing relationships with their members, and could make credit available to 4P beneficiaries more quickly and efficiently than a PFI commercial bank. The PFI will undertake due diligence of these institutions, and will not be involved with approval of individual loans. The CBSL will hold consultations with PFIs and other stakeholders to formulate implementation mechanisms.</p>	PMU/MOA/ERD/CBSL	10/2020
<p>Expand size and scope of company 4P matching grant facility.</p> <p>Expand the matching grant facility to include infrastructure and equipment to support 4P beneficiaries,</p>	PMU	11/2020
<p>Expedite delivery of 4P beneficiary matching grant support.</p> <p>All 4P promoters willing to provide inputs/services covered by the 4P beneficiary matching grant program will be compensated immediately upon delivery of inputs/services, up to 50% of value. The balance will be considered an in-kind credit provided to beneficiaries, to be recovered by deductions from farmer payments when deliveries of the contracted produce commence.</p>	PMU	11/2020
<p>Consolidate youth expansion grant category into the youth start-up category.</p> <p>The youth start up and expansion grant budget categories will be consolidated and used solely for youth start-up grants. The average grant size will be approximately 1000 USD and maximum grant will be 1500 USD</p>	PMU	11/2020
<p>Analyze insurance and risk mitigation mechanisms.</p> <p>Undertake a review of insurance/risk mitigation mechanisms available for the agricultural sector and make appropriate recommendations for application to SAPP.</p>	PMU	11/2020

<p>Introduce value chain finance</p> <p>Introduce value chain finance by allowing PFIs to issue bulk loans to company 4P promoters for the purpose of extending in-kind working capital loans for 4P beneficiaries, who would repay in-kind when delivering the contracted crop or produce. The 4P promoter would take full responsibility for supplying inputs/services on time, and in repaying the loan to the PFI. This value chain finance mechanism will speed up the process of credit disbursement, as the PFI will only undertake due diligence on the company 4P promoter, and will not need to process hundreds or thousands of individual beneficiaries. The value chain finance option will enable many beneficiaries to obtain credit for the necessary inputs/services, who otherwise</p>	PMU	12/2020
<p>The PMU may consider changes in the specific outreach targets set at the appraisal stage, accompanied by an economic and financial analysis</p> <p>If this requires any change to the project budget or reallocation of funds among expenditure categories, a proposal to that effect should be submitted to IFAD through ERD before the MTR validation mission that is mandated by IFAD for remote MTRs is undertaken when circumstances permit. No changes are envisioned in the total number of beneficiaries to be reached (57,500).</p>	PMU/MoA	
<p>The PMU may consider changes in grant and credit disbursement to further expedite disbursements and increase impact on beneficiaries</p> <p>The MTR recognizes that slow credit disbursement may be due to factors beyond the commitment or control of the beneficiaries; and in some cases 4P beneficiaries may not be initially bankable, at least by partner PFIs. The issuance of a matching grant could allow beneficiaries to begin participation in a 4P. Therefore, the PMU/LPA will have a discussion with relevant stakeholders specifically the MOF, ERD and CBSL, PFIs and may propose a mechanism to further expedite grant and credit disbursements. The mechanism proposed will ensure that 4P beneficiaries demonstrate commitment, so grant resources are used as intended for the 4P business plan. To accommodate these changes, the existing allocation for Grants in the FA may be increased up to 30%, with a concomitant decrease in the Credit allocation.</p>	PMU/MoA	
<p>Restructure Covid-19 resilience activities as 4Ps, with a private company or buyer or a F/PO with strong buy-back arrangements ensuring access to market, and to play a role of the 4P leader within the context of a usual 4P business plan.</p> <p>The total COVID-19 resilience activities represent an exceptional window of opportunity for SAPP funding. The total number of beneficiaries is limited to 9000 HH (this includes the resilience activities with a target of 4135 beneficiaries that have already been given conditional NOC). Government agencies will continue to provide a strong supportive and enabling environment role for these COVID-19 4Ps as well as for all 4Ps, and may act as a buyer where appropriate.</p>	PMU/MoA	

<p>Expand capacity building support to F/POs that are key participants in 4Ps, regardless of whether they are 4P leaders or not.</p> <p>The contracts with SAPP service providers will be amended to implement this.</p>	PMU	
<p>Utilize the SAPP training budget to hire service providers/consultants to train and provide technical assistance to 4P beneficiaries</p> <p>Utilize the SAPP training budget to hire service providers/consultants to train and provide technical assistance to 4P beneficiaries</p>	PMU	
<p>Introduce one-time process to allow claims for lost produce due to unavoidable causes.</p> <p>Beneficiaries may submit a claim to PMU/MOA, and after review by an independent technical expert, could be paid by SAPP subject to NSC approval. Up to 10% of the ex-NADeP and SAPP beneficiaries committed up to 2020 may be compensated in this fashion, up to a ceiling of \$500/beneficiary. Further support for agricultural risk mitigation must be made through arrangements with the Agricultural Insurance Board or private insurers. SAPP Consultancy and Technical Assistance funds may be used to cover the costs of analyzing and structuring insurance coverage, and SAPP Grant funds may be used to co-finance the relevant premiums charged by the Agricultural Insurance Board (or private insurers).</p>	PMU	
<p>For the purposes of meeting the 20,000 NADeP second loan target, both seasonal working capital loans for existing NADeP beneficiaries and IG loans will be considered.</p> <p>The target for seasonal working capital loans for NADeP beneficiaries is 6370, and for IG loans 13,630. The PMU shall propose measures for the IG loans to ensure that the SAPP targeting criteria are met.</p>	PMU	
<p>Encourage PFI lending to F/POs that are leaders or participants in 4Ps.</p> <p>The funds are to be used for implementation of 4P business plan activities. Although part of design, this has just begun to be implemented.</p>	PMU	
<p>Explore the use of PFI direct long-term credit (3-5 years) to 4P business leaders in the tea sector for the implementation of 4P business plan activities.</p> <p>Explore the use of PFI direct long-term credit (3-5 years) to 4P business leaders in the tea sector for the implementation of 4P business plan activities.</p>	PMU	
<p>Align interest rate policy for all PFI issued loans under SAPP</p> <p>The current agreed interest rate is 6.5%</p>	PMU	

Follow-up with the CBSL to ensure that operating instructions are issued for earlier agreed actions: a) increasing maximum beneficiary loan to 500,000 LKR and b) matching loans to company 4P promoters up to \$100,000.	PMU	
Continue policy dialogue and engagement on the dairy sector Document the outputs of the workshop/consultation and elevated them at decision making level.	PMU	

E. Project implementation

a. Development Effectiveness

Effectiveness and Developmental Focus

Effectiveness

Rating: 3

Previous rating: 4

Justification of rating

There continues to be progress in programme mobilization and outreach, with 25 4Ps and COVID-19 resilience projects targeted to reach 25,273 beneficiaries approved as of 30 June 2020. Another 17 4Ps and resilience projects are in the pipeline. If these approved 4Ps, resilience activities, and youth activities materialize as planned, a total of 40,510 or 108% of the outreach target of 37,500 4P and youth beneficiaries will have been reached.

In terms of concrete impacts on beneficiaries that will achieve programme goals/Development Objective, the pace of implementation remains slow. Less than 6,000 beneficiaries as of the MTR have received either grants or loans from SAPP. Although many beneficiaries receive some technical assistance and training, without the loans and grants they are not able to effectively participate in the 4P or youth activities and thus increase productivity, household incomes, asset ownership, etc.

Log-Frame Analysis & Main Issues of Effectiveness

The low rate of disbursement of beneficiary loans and grants has limited the ability to achieve programme goals and objectives. The key factors accounting for these low disbursements are not due to structural problems with the design, but primarily to limitations in implementation mechanisms, described below:

(a) Limitations on credit disbursement mechanisms

- No mechanism under SAPP that would allow PFIs to issue company 4P promoters with working capital loans, which would be used to provide in-kind input/services on credit to 4P beneficiaries.
- No mechanism under SAPP that would allow PFIs to issue cooperative banks and Sanasa societies with bulk loans, which would be on-lent to provide credit to individual 4P beneficiaries.
- No mechanism to extend a 2nd round of financing for 4P beneficiaries, although allowed for former NADeP beneficiaries.
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(b) Limitations on grant disbursement mechanisms

- Continuation of the policy in many 4Ps to hold disbursement of matching grants for individual beneficiaries until after PFI credit has been disbursed.
- No mechanism for 4P promoters to be quickly compensated for provision of in-kind inputs and services that are part of the matching grant package for 4P beneficiaries
- No mechanism to support start-up grants to P/FOs that are active 4P participants in company-led 4Ps

The SAPP theory of change, which is based on the premise that a market-driven approach will best help smallholder farmers to sustainably increase their income and improve their livelihoods, remains relevant. The theory of change is operationalized through mutually beneficial Public-Private-Producer Partnerships (4Ps) between smallholder farmers, their farm organizations, and private companies in response to clear market opportunities. This strategically combines public and private sector funds as well as technical and business know-how to address smallholders' needs in terms of access to market, technology, organization and scale, good agricultural practices, and affordable credit. There has been strong interest and participation from the private sector, P/FOs, and farmers. PFI interest and participation has been less

strong, and this is largely due to the factors mentioned earlier, which are addressed by the MTR agreed actions. The relevance of the SAPP theory of change has been reinforced by the new *Agricultural Policy (2020-2030)* released by the GoSL, which emphasizes a leading role of the private sector in agricultural development.

While the SAPP core theory of change remains relevant, one key assumption made at the appraisal stage was not. The SAPP programme designers assumed that 20,000 former NADeP 4P beneficiaries would receive second loans, these were to be disbursed by end of the first year of SAPP. As of this MTR, there have been no NADeP loans disbursed, out of the revised NADeP target of 6,370.

Implementation of the key MTR and component specific agreed actions will serve to increase the Development Effectiveness rating.

Development Focus

Targeting and Outreach

Rating: 5

Previous rating: 4

Justification of rating

The programme on track to reach the target number of beneficiaries for 4P projects. 25,950 beneficiaries have committed to the programme from target households. The women beneficiary target of 40% has been met as a whole, but needs to be met in disaggregated categories as well (i.e. 4P, youth, NADeP 2nd loan). The youth beneficiary target of 20% is met. The project works with minorities, and should report on this data (race/ethnicity, religion) under the IFAD indigenous people category. Potential outreach is good, with 17 4P projects in the pipeline and the 35,000 4P beneficiary outreach target will likely be reached. However, the PMU estimates that only 6,370 out of 20,000 households in existing 4P NADeP schemes can be reached for second loans.

Main issues

Of the target number of 25,950 beneficiaries 7799 beneficiaries from HH's have engaged in newly formed 4P partnerships, 9000 are engaging in already existing 4Ps scale up, and 5218 are from F/POs whose capacities have been strengthened to initiate new 4P's. New COVID19 resilience projects have been initiated with 3,933 beneficiaries mobilized. 1,254 poor young men and women have been mobilized to become youth entrepreneurs to meet value chain service demands. Women headed household data is being collected by the project and a women headed household strategy has been developed, which needs to be internalized by the project.

SAPP applies a targeting strategy to systematically reach beneficiaries owning below 1 hectare of land. However total extent of land belonging to all members of the household is not collected. Therefore, the total landholding of a beneficiary household could be in excess of 1 hectare.

Several baseline data surveys have been completed, with more surveys in the pipeline. Leadership data reported in baseline studies need to be sex disaggregated and baseline survey data needs to capture beneficiary data within the youth tier for the project.

<i>Agreed Action</i>	<i>Responsibility</i>	<i>Agreed Date</i>
Report on the IFAD indigenous people category in the log frame	PMU	09/2020
Report on the IFAD indigenous people category in the log frame		

Gender equality & women's participation

Rating: 4

Previous rating: 4

Justification of rating

Sex disaggregated data and Women Headed Households data is captured in reporting systems. Women account for more than 40% of total beneficiaries, but this target needs to be met in all 4P project categories. Gender stereotypes are strong, and SAPP needs to support equal wages for men and women for the same work in 4P and youth projects, and promote women in leadership in all societies/committees. Female beneficiaries stated that they need support with access to markets, time-saving technologies (such as machines) and access to water. The project has developed comprehensive gender training modules and tools and training feedback is collected. Project gender documents need to be streamlined and integrated to ensure that outputs and targets correspond and have synergies.

Main issues

The project needs to further analyze how it impacts on gender, by assessing: (i) women's inclusion in economic activities through 4P schemes; (ii) use of labor saving technologies to free up time and manage workload increase as a consequence of increased engagement in economic activities; and (iii) the degree to which the project helps women's

voice and leadership in economic activities, groups and their communities. Case studies need to be collected regularly to understand impacts.

According to baseline surveys most women and young people are insufficiently represented in the leadership structures of F/POs.

The gender action plan, gender strategy, women headed household strategy and gender tools developed for the project need to be integrated and streamlined to ensure that outputs and targets correspond and have synergies. All gender training tools and manuals need to be made tri-lingual. Project staff need to be familiarized with gender tools. Criteria needs to be developed to select beneficiaries for gender trainings. External resource persons and ToTs can assist with roll out to reach targets.

For sustainability key partnerships with government (Ministry of Women, the Ministry of Agriculture) need to continue to be explored and institutionalized. In developing the SAPP exit strategy, supporting the development of gender-sensitive guidelines for micro-finance institutions will assist in establishing sustainability.

Agreed Action	Responsibility	Agreed Date
Streamline gender action plan, gender strategy and other gender documents to provide clear targets and structure Streamline gender action plan, gender strategy and other gender documents to provide clear targets and structure	PMU	09/2020

Agricultural Productivity

Rating: 3

Previous rating: 3

Justification of rating

With reference to the outcome indicator of percentage of persons / households reporting an increase in production, the mission assessed the productivity improvement of a sample of 4P beneficiaries who are producing pepper, dairy, vegetable, green tea leaf, and cinnamon. A notable percentage of 4P beneficiaries have reported an increase in productivity, and it was attributed to the increased use of agricultural inputs and productivity improvement technologies (pruning of pepper, management of feeds and water for dairy etc). The assured markets and SAPP financial assistance under respective 4P packages also served to encourage producers to invest in these productivity-enhancing technologies and farm inputs.

Main issues

In order to achieve the full potential agricultural production in both crops and livestock, a complete package of technology and farm inputs should be applied by as many 4P producers as possible. Currently only a low proportion of the producers have received the full package of SAPP financial assistance and also technology inputs. The MTR has identified associated bottlenecks and recommended solutions, which are outlined under the description of the 1st and the 2nd components. As demonstrated by the sample of 4P partners who have increased the production, and verified during the virtual field visits, achieving productivity increases during the project period is realistic.

Nutrition

Rating: 4

Previous rating: 4

Justification of rating

The project is implementing nutrition trainings on nutrition education, behavioral change communication, capacity building of extension agents in nutrition, and promotion of nutrition sensitive value chains. Baseline survey data captured for several 4P projects show that although most beneficiaries have three meals a day there is low knowledge of nutrition particularly the intake of protein energy foods. The project needs to work consistently with a nutrition expert and implement nutrition-based interventions and trainings. SAPP beneficiaries need to be supported to deal with COVID-19 related food consumption needs.

Main issues

The project needs to ensure that farmers will get improved nutrition sensitive agricultural production knowledge and skills, and an understanding of how to fill seasonal nutrition gaps, and improve dietary diversity and household food security. To this end, capacity building of value chain mobilizers needs to continue.

SAPP beneficiaries need to be supported to deal with COVID-19 related food consumption needs. Resilience needs to be part of the nutrition strategy. SAPP beneficiaries whose nutritional needs/ number of meals per day were impacted by COVID-19 need to be prioritised for nutrition trainings and support.

Technical as well as sustainability-based partnership building is key for immediate as well as long term behaviour change.

SAPP needs to assess ongoing initiatives, explore synergies and complementarities with other partners (e.g. WFP, FAO, GoSL) for immediate technical support and long-term sustainability.

Agreed Action	Responsibility	Agreed Date
Partnership building for technical knowledge and sustainability Assess ongoing initiatives, explore synergies and complementarities with other partners (e.g. WFP, FAO, GoSL)	PMU	12/2020
Continued support of a Nutrition Expert for SAPP To realign the nutrition strategy and targets on baseline data, and COVID-19 response, and conduct trainings and ToT's	PMU	

Adaptation to Climate Change

Rating: 4

Previous rating: 4

Justification of rating

Adaptation to climate change is not a core objective of SAPP. However, the programme has been able to mainstream climate consideration through identification of climate resilience practices during the feasibility rapid assessment of the 4P project proposals, some of which incorporate climate adaptation measures. Accordingly, several adaptation measures to enhance climate resilience have been implemented by 4Ps on crops cultivation with some operation shortcomings, notably in monitoring the implementation of these measures. Climate mitigation measures have also been introduced by several 4Ps on dairy production and milk processing.

Main issues

The programme mainstreams climate consideration by incorporating one criteria (i.e. incorporation of climate resilience practices) in the feasibility rapid assessment template that is used to assess the 4P proposals. Farmers identify climate risks and potential adaptation measures during the mapping process and incorporate these in their 4P proposals. Climate adaptation measures have been implemented accordingly in several on-going 4Ps. The adaptation measures are mostly related to water conservation practices (i.e. mulching, drip irrigation system) that are implemented to help farmers to cope with extreme climatic events, notably drought and water shortage. The drip irrigation system has been introduced and practiced in at least three on-going 4Ps on chili cultivation, tomato production, and moringa cultivation. Mulching, which is applied for soil moisture conservation as well as weed control, has been implemented in the on-going 4Ps on pepper, chili and moringa cultivation. Additionally, the programme also promotes drought tolerant crops, such as moringa, cow pea, maize, chili and sugarcane that are suitable for dry zones. The costs for implementing these adaptation measures are embedded in the 4P proposals, hence covered by the programme.

Although many adaptation measures have been implemented, the effectiveness of these measures are not yet known. In this regard, PMU has drafted a basic M&E matrix for 15 on-going 4Ps in order to monitor the achievement of proposed mitigation measures on the environmental problems identified, including climate adaptation measures. This M&E matrix has just recently been completed by PMU, and the mission suggested circulating it immediately to 4Ps for operationalization and incorporate it into the programme M&E system.

There is a scope for climate change mitigation under the programme, and some mitigation activities have been implemented by the 4Ps. These include, for example, the use of organic fertilizer in turmeric and traditional rice cultivation. The use of organic fertilizer contributes to a lower greenhouse gas (GHG) emission compared to chemical fertilizers. The 5 on-going 4Ps on dairy production and milk processing have also introduced composting as solid waste management, which contributes to reducing the amount of GHG emission (i.e. methane). The effectiveness of these mitigation measures, however, could not be assessed at this stage since the M&E matrix is not yet operational. The potential reduction of GHG emission from these measures are also not known since such calculation have yet to be undertaken by the programme.

Agreed Action	Responsibility	Agreed Date
Ensure M&E matrix is operational and incorporated in the M&E system mitigation measures (including climate adaptation measures) to be immediately circulated to 4Ps for operationalization, and incorporated in the project M&E system.	PMU	07/2020

b. Sustainability and Scaling up

Institutions and Policy Engagement	Rating: 4	Previous rating: 3
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Justification of rating

The relevant institution and policy areas for SAPP include strengthening P/FOs as institutions; dairy sector development, crop and livestock insurance and rural finance issues and policy dialogue. SAPP has provided both financial and technical support to strengthen FOs and designed a maturity assessment tool to monitor their institutional improvement. The policy dialogue covered the dairy sector, as well as an initial dialogue with PFIs to explore the possibilities of developing more flexible lending products to help SAPP credit disbursement. The outputs of the PMU consultative process was useful as a basis to commence the policy dialogue on dairy. In both cases evidence based and through analyses and well-articulated policy proposals are required to take policy dialogue forward.

Main issues

This sub-component supports SAPP to engage in policy studies and direct policy advocacy. Within the limited loan resource allocation for policy related activities, it is expected that policy issues which are relevant to SAPP will be examined and if important advocacy will be undertaken. The 2019 IFAD ISM highlighted the dairy sector as one such policy area. The MTR mission observes that the importance of the dairy sector has further enhanced as SAPP is currently dealing with 5 ongoing and 5 pipeline dairy 4Ps, the highest number of 4Ps in single sector. The potential policy areas as mentioned during the November 2019 supervision mission include importation of skim milk powder that affects the prices paid for fresh milk; and the requirement private sector veterinary professionals to have government accreditation. The MTR mission another dairy sector policy issue: to evaluate the reintroduction of the government sponsored dairy cows and heifers supply programme. SAPP conducted a multi-stakeholder workshop in January 2020 with the attendance of 116 participants representing the state and the private sector, academia, research institutes, veterinarians and farmer representatives to discuss dairy sector issues. The output of this workshop will be further discussed at a consultative meeting to be organised by SAPP, to distil workshop findings to policy proposals. The PMU plans to hold this consultation process in the last quarter of 2020, or when circumstances permit.

The PMU has repeatedly observed the need for an effective and efficient risk mitigation system including insurance for agricultural producers and products. SAPP beneficiaries and 4P promoters have experienced substantial losses due to natural disasters. The PMU has also emphasized that PFIs would be incentivized to provide agricultural credit if there was an efficient insurance system for coverage of certain risks to crops and livestock. The SAPP will take steps to research this issue further, and initiate a policy dialogue with key stakeholders (e.g. insurance companies, PFIs, etc) as appropriate.

A relevant institutional aspect for SAPP is the Credit Regulatory Authority Act which would support a separate and dedicated regulatory authority to regulate licensed micro-finance institutions, and other lending bodies such as cooperatives etc. The act is still under review and was not available for the mission to comment on its usefulness for SAPP in terms of diversifying its credit delivery mechanisms and arrangements.

Agreed Action	Responsibility	Agreed Date
Analyze insurance and risk mitigation mechanisms. Undertake a review of insurance/risk mitigation mechanisms available for the agricultural sector and make appropriate recommendations for application to SAPP. This should be done by a combination of internal staff and specialized consultant(s).	PMU	11/2020
Policy Advocacy Develop policy and advocacy related work of the project. This includes undertaking work proposed under exit strategy, develop proposals, initiate stakeholders' dialogues, monitor the implementation of such activities including oversee the educational/training programmes among others.	PMU	

Partnership-building	Rating: 5	Previous rating: 4
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Justification of rating

SAPP's Theory of Change is partnership-driven: to structure and support mutually beneficial 4Ps between farmers, FOs/POs, PFIs, and the private sector. With 25 approved 4P and resilience activities, and another 13 in the pipeline, SAPP has been successful in its core mission of building partnerships.

Main issues

There has been strong interest in entering into and implementing 4Ps by private sector companies, P/FOs, and farmers. The PFIs, acting as the financing arm of partnerships, are also interested, but have been stymied in the implementation of their 4P responsibilities by implementation mechanisms which have required them to make individual loans to farmer beneficiaries, many of whom are not bankable at the start of the 4P. To a large degree, this reluctance should be mitigated by the introduction of the value chain and bulk financing loans, which allow PFIs to act as wholesalers of credit to formal sector institutions who themselves have close relationships with 4P beneficiaries.

Human and Social Capital and Empowerment

Rating: 5

Previous rating: 4

Justification of rating

SAPP is advancing human and social capital through awareness raising, technical training, exposure visits and institutional strengthening. Trainings are organized and conducted by SAPP and 4P partners for all SAPP beneficiaries aimed at enhancing skills, knowledge and attitudes on both technical and soft skills including: agronomic practices, technology transfer, farming systems, post-harvest technology, climate adaption technology, financial literacy, entrepreneurial skills, gender and agriculture, leadership, marketing of agriculture products and record keepings. PFI and CBSL staff members have also benefitted from trainings in different relevant areas. The need for continued training on nutrition is emphasized elsewhere in the MTR report.

Main issues

Trainings are based on comprehensive needs assessment which inform development of training curriculums and session plans by subject area specialists/experts. Some trainings have been postponed owing to COVID-19 restrictions. SAPP continues to strengthen the F/POs through capacity building and mentoring processes. The Maturity Assessment Tool (MAT) is used to gauge the capacity of the F/POs as well as identify capacity gaps. The need for F/POs to be inclusive especially in decision making needs to be emphasized. With an outreach of 40% women and a youth specific sub-component, SAPP is making efforts to empower women and youth. Such efforts need to be strengthened under all programme components. In order to ensure sustainability, the need for empowering farmers to improve their socio-economic well-being and build resilience beyond project life remains relevant.

Quality of Project Target Group Engagement and Feedback

Rating: 4

Justification of rating

Diverse consultation methodologies are being used to target different groups in communities. Beneficiaries views are sometimes sought in project implementation. However, beneficiary feedback in project M&E needs to be done in a systematic way, and include programme implementation feedback, in addition to training programme feedback. Feedback, redress and grievance mechanisms need to be embedded in sub-projects. Technical trainings for beneficiaries and supply chain linkages need to be established at the initial stages of all projects, to ensure that beneficiaries have support early on. COVID-19 negatively impacted beneficiary incomes, more COVID-19 resilient activities will support beneficiary upliftment.

Main issues

The establishment of redress guidelines and mechanisms was an agreed action in 2019, with due date of March 2020, this needs to be implemented in addition to the establishment of a beneficiary committee for each sub-project to address concerns and advocate on their behalf.

Responsiveness of Service Providers

Rating: 4

Previous rating: 3

Justification of rating

The five service providers supporting F/PO capacity building appear to be implementing their terms of reference adequately. Several F/POs briefly interviewed during the remote MTR mission field visits were positive about the support they received. However, there was not sufficient evidence obtained by the remote MTR mission to increase the rating higher than moderately dissatisfactory, an increase from the November ISM rating.

Main issues

Five service providers have been recruited by SAPP to support capacity building of F/POs for: i) mobilization, organization, and institutional strengthening; ii) ability to implement and manage 4P business plans, iii) enable the organization to act as a business enterprise after the specified time period.

Justification of rating

The programme has contributed modestly to improve the natural resource base in the target areas and minimize environmental impacts of programme interventions. The Feasibility Rapid Assessment (FRA) for new 4P proposals has incorporated a set of criteria on legal and environmental feasibility, ensuring the proposed programme interventions would not create any adverse impact on the environment. Trainings on environment and natural resource management have been provided to farmer beneficiaries to strengthen their knowledge and capacities in these aspects. Further, environment protection and NRM measures have been undertaken by the on-going 4Ps, including soil conservation and good agricultural practices (i.e. organic fertilizer usage, mulching, and integrated pest management).

Main issues

The programme has undertaken an FRA for the evaluation of all new 4P proposals, within which a set of criteria on legal and environmental feasibility were assessed, as follows:

- Impact on overall protection of public and environmental health;
- Impact on effective reduction of hazardous waste toxicity, mobility and volume;
- Impact of the programme on the environment and the approval of the concerned institutions for license;
- Impact on national heritage, protected areas & natural resources;
- Approval of relevant authorities/legal bodies for implementation;
- Public opinion (general perception of the community); and
- Incorporation of climate resilient practices.

The above assessment has contributed to reducing potential pressure on natural resources base and ensuring that all approved proposals would not create any adverse environmental impact.

In terms of capacity building activities, based on the training records provided during the mission, the programme has conducted at least 14 awareness activities and trainings since last year on ENRM-related topics, including on organic farming, compost making, and adverse effects of excessive usage of agrochemicals. Further, the following ENRM measures have been undertaken by on-going 4Ps: soil conservation practices (notably in the tea, pepper and ground nut projects that are implemented in sloped lands); good agriculture practices, such as organic fertilizer usage, mulching, and integrated pest management; introduction of climate resilient varieties (i.e. moringa cultivation); and crop rotation in annual crop cultivation projects to retain the agro-biodiversity of the targeted localities.

The previous mission highlighted the need to undertake basic climate risks analysis and environmental assessment for the on-going 4Ps using standardized methods (based on the developed Environment Conservation and Climate Change Adaptation and Mitigation Framework), and that the findings should be used to propose specific mitigation activities and include them in the 4P agreements (along with the responsible parties and funding consequences associated with the mitigation activities). In this regard, the MTR mission was informed that such assessments have been delayed due to COVID-19 outbreak situation as well as the absence of environment consultant since about 4 months prior to the MTR mission. The mission recommended PMU to follow up on these actions once the new environment consultant is on-board and the COVID-19 related restrictions have been lifted.

<i>Agreed Action</i>	<i>Responsibility</i>	<i>Agreed Date</i>
Environment and climate assessments of on-going 4P projects Undertake basic climate risk analysis and environmental assessment (as per the developed framework) for on-going 4Ps; propose mitigation measures and incorporate these (along with responsible parties and funding consequences) in the 4P agreements.	PMU	

Justification of rating

SAPP is gaining experience in implementing 4Ps and in observing the business performance of the 4Ps and their sustainability. Through this process it is increasingly evident that SAPP has to identify appropriate exit strategies and implement them to ensure the sustainability of 4Ps after the closer of SAPP. The MTR team, taking cognition of the PMU draft exit strategy submitted during the mission, recommends a set of strategies as follows for SAPP to build on, and if pertinent to expand on them.

Main issues

Capacity building and institutional strengthening: this is required for both F/POs and agribusiness enterprises and should start in the 4th quarter of 2020. This could include:

1. F/POs strengthening to continue business with increasing scale of understanding the nature of business, required technologies, commercial outlook and the producer and buyer interdependency;
2. Adequate knowledge on risk taking behaviours, managing large number of producers in a cohesive model, and commercial advancement for agribusiness;
3. Introducing mutually beneficial systems such as compulsory saving mechanism for beneficiaries to invest and scale-up their farming as a business;
4. Introducing farmer pension schemes, loyalty cards, fair-trade certification, GAP certification etc.
5. A dialogue with the existing Agriculture Enterprise Development Division (AEDD) of DOA to negotiate for a "handing over" process of 4Ps to AEDD so that they could undertake problem solving counselling, advancing market linkages, gender and social inclusion etc that are associated with 4Ps

Transformation of the line of credit The SAPP line of credit (LOC) will be transferred into a revolving fund, which may be called the Farming System Sustainability Revolving Fund to be managed by the Regional Development Department of CBSL. This fund will be endowed from the reflows of SAPP and other LOC as per the mutual agreement of the GOSL and IFAD. The Fund can be operated according to the stipulated guidelines of the SAPP design. A dialogue between SAPP/MOA and the CBSL and Ministry of Finance should start in 2020 to initiate this process.

Agreed Action	Responsibility	Agreed Date
4P sub-project exit strategy All functioning 4Ps that require ongoing assistance after SAPP completion would be handed over to the Agribusiness Unit of the DOA, and a proposal for this should be developed in consultation with the Ministry of Agriculture.	PMU	12/2020
Line of credit exit strategy To be transferred/transformed to a rural development revolving fund within the CBSL, a proposal for this should be developed	PMU	12/2020
4P coordination exit strategy PMU to explore need, feasibility, and modalities of a 4P coordinative function to be taken over by the GoSL, as discussed during the MTR	PMU	12/2020

Potential for Scaling-up

Rating: 4

Justification of rating

The SAPP design has many features to facilitate scaling up process both at the beneficiary level and at a larger geographic level. For beneficiaries, it allows natural scaling up of the 4Ps by way of allowing access to a second loan to expand and deepened the business once firmly established. Effective market linkages and technical support for production improvement are requirements for scaling up and sustainability. The GoSL in general has taken cognizance of the 4P approach pioneered by NADeP, and further refined by SAPP to address the specific country context of Sri Lanka. Thus, there is clear potential for scaling-up within the country.

Main issues

SAPP has facilitated both the private sector and state institutions under the Ministry of Agriculture with technical training. The state institutions are keen to be partners of 4Ps. The seed potato production subproject, still in the pipeline, enlisted FAO and the World Bank through its Agricultural Sector Modernization Program to take steps to collaborate with SAPP to leverage 4P support. These are clear pathways that SAPP is rolling out to scale up its outputs.

The GoSL recently released the "Agriculture Related Policy of Existing Government (2020-2030)", which lays a leading role for the private sector, and specifically mentions a leading role for private/public partnerships.

c. Project Management

Quality of Project Management

Rating: 3

Previous rating: 3

Justification of rating

The core problems of slow implementation, low disbursement, and persistent large variations between budget versus actual expenditures have not yet been adequately addressed. There continues to be considerable staff turnover and absence in certain key positions. The Country team receives frequent no objection requests on new recruitments.

Main issues

Programme management has become more proactively engaged, esp. noted with regard to the many constraints due to the COVID-19 pandemic and adapting to policy changes introduced by the new government. Nonetheless programme management needs to provide stronger guidance and support to component leads, to quickly and efficiently implement agreed actions as well as seizing opportunities and resolving problems as they arise. The overall management of the PMU must demonstrate better personnel management and concentrate on the implementation of the program. This mission and previous missions noted the high turnover of staff and the frequent resignations of sufficiently qualified staff for various reasons. This interrupts the implementation of the program and diverts the focus of staff on their tasks, as well as resulting in a considerable loss of competent staff and consultants. For example, at the time of the mission, the contract of the deputy director was not renewed, the main business development consultant resigned, etc. The mission sensed a tense working atmosphere that required the full attention of the LPA (MoA).

Agreed Action	Responsibility	Agreed Date
LPA (MoA) gets more involved in PMU Strategic staff management MoA establishes stronger links with PMU staff/consultants through which HR issues can be raised and sorted out.	MoA	
All new contracts should be made until SAP completion New recruited staff should have their contracts secured until the remaining implementation period of SAP. Those with renewable contracts must be renewed until SAP completion.	PMU	
Staff/consultants resignation should be examined by the MoA Resignation of staff/consultants must be communicated to the upper authority of the MoA which will review the impartiality of the resignation and provide no objection or otherwise.	MoA	

Knowledge Management

Rating: 5

Previous rating: 5

Justification of rating

A notable amount of Knowledge Management (KM) products have been developed and disseminated through social media and several national media stations, print and electronic. The official website is now being further developed to incorporate the major social media platforms and weekly updates are captured in the web and major lessons are reported to be shared with all partners and stakeholders. Most of the COVID-19 learnings from project sites are incorporated.

Main issues

Subsequent to the supervision mission conducted in November 2019, numerous KM products and initiatives including the rural radio communities have been successfully launched providing high visibility to the programme at national and local level. The project continues producing success stories through documentaries focussing on mainstreaming agenda of women and youth and on 4Ps. In terms of electronic media, eight TV programmes and 1 radio program have been broadcasted, as well as 11 documentaries were produced of which nine have been broadcasted. The location of the information boards in projects sites listing the financiers, number of beneficiaries, and kind of activities/services extended is now completed and the new sites will be soon following this practice. As of today 45 display boards have been established. 11 National and International Promotional events were conducted. One international promotional campaign were got selected as the winner from the competition - under SME pavilion. 60 leaflets have been done and distributed among project partners and beneficiaries and among stakeholders. Three research papers were published on 4P value chains and 26 newspaper articles were published in local newspapers.

During the COVID-19 global pandemic, SAPP has enthusiastically and promptly participated in many Knowledge initiatives launched by IFAD, helping to increase visibility, and emphasizing the support provided despite the COVID-19 pandemic and associated restrictions.

Agreed Action	Responsibility	Agreed Date
Information Board Finalize the location of information boards on new project sites.	PMU	

Value for Money

Rating: 4

Previous rating: 3

Justification of rating

The 4P subprojects virtually visited by the mission are not sufficiently mature to assess financial viability. Therefore, the assessment is based on the utilization of SAPP funds for value generation purposes. The unit rates of loans, grants, all procurements, conducting training and workshops are within the designed unit rates. The AWPB analysis however indicates that SAPP's expenses were disproportionately higher in programme management than in the first and second components, which directly create value for IFAD funds. Thus, SAPP has still not generated value for project investments. At present, only 6,370 NADeP beneficiaries can be reached by SAPP for a 2nd loan within the programme life, as opposed to 20,000 as anticipated at appraisal. Unless financial support is quickly released in proportion to the number of households already reached, the value for money would remain moderately unsatisfactory or even downgraded.

Main issues

The value for money is reviewed (i) on the basis of the unit cost of activities in the design, the unit cost used in the AWPB and for the actual expenditure; (ii) on performance of the AWPB planning and disbursement; and (iii) revisiting the economic and financial analysis (EFA) of SAPP. The unit rates of the AWPB activities of all three components are in line with the project design budget.

The analysis of the AWPB allocation and the actual expenditure for the period 2017-2020 showed that (i) the expenditure for the first component was 24% of the total AWPB value; (ii) 41% for the second; and 35% for the third. This indicates that the project is still in a stage where the project funds are under-mobilised to the activities of the first and second components which bring in value to the project.

The Economic and Financial Analysis (EFA) of the SAPP design was revisited at the MTR to assess its prediction about the value for money of the overall SAPP design. Seven gross margin models that were used for the design EFA are representative of some of the products of SAPP 4Ps that have so far been initiated. The incremental net revenues of these models were scaled for 66,000 households (although the target outreach is 57,500) including the 20,000 NADeP second loan beneficiaries, to reach 52% economic Internal Rate of Return (EIRR) and the Economic Net Present Value (ENPV) of USD 349.71 million over a twenty-year period.

The MTR revision was based on 17 gross margin models representing all 4Ps, IGAs, resilient models and youth projects. The number of beneficiaries included in the revised EFA were 35,000 for 4Ps; 2,500 for youth subprojects; 6,370 NADeP beneficiaries for a second loan; and 13,630 IGA loan subprojects totalling 57,500 HHs. The design project cost was used for the analysis and the economic project cost was generated through the COSTAB programme. The Technical Working Paper #2 in Appendix 4 in the main MTR report presents the assumptions, detailed information of gross margin models, all prices, and the financial profitability of all models. The estimated EIRR of the revised EFA is 30% and the ENPV is USD 84.48 million. Both the indicators have substantial reduction in comparison to that of the design EFA. Most of the difference between the revised and former estimates are due to 1) overestimation of the number of beneficiaries at the design stage, and 2) treating NADeP second loan beneficiaries similar to new SAPP beneficiaries, when the former were already linked into 4Ps and in business, and thus would contribute only marginally to SAPP.

Agreed Action	Responsibility	Agreed Date
IRR for 4P approval Ensure that realistic appraisals of financial viability are part of the 4P appraisal process, and establish a minimum IRR for 4P approval. Modify the relevant sections in the PIM to standardize this.	PMU	06/2020

Coherence between AWPB and Implementation

Rating: 3

Previous rating: 4

Justification of rating

The coherence between AWPBs and actual expenditure was slowly improving during the period from 2017 to 2020, but still there is a significant gap between the two. In 2017, the expenditure was 11% of the AWPB value; 11% in 2018 and 50% in 2019 without taking the initial advances into account. As of 30 June 2020, there were expenditure of USD 0.6 million up to June 2020 out of USD 3.7 million budgeted in the AWPB. Even allowing for disruptions from COVID 19, it

was still expected that SAPP would perform better with the experience of previous years in AWPB planning. The performance of 2018, 2019 and 2020 AWPBs and the corresponding expenditures indicate that SAPP continues to demonstrate a low capacity for AWPB planning and expenditure forecasting.

AWPB Inputs and Outputs Review and Implementation Progress

The overall financial progress of 2020 AWPB is 16% up to June 2020. With this progress, and taking the number and nature of 4P subprojects that are fully ready to implement during next five months in 2020, it is unrealistic to assume that there will be expenditure over 50% of AWPB estimates for full year of 2020 which is USD 8.7 million. This becomes more evident when component progress is examined. For Component 1, access to commercial partnership, which has the highest potential to disburse, had expended only USD 0.4 million, 26% of its AWPB allocation up to 30 June 2020. For Component 2, rural finance, there have been **no** expenditures up to 30 June, against a budget of USD 1.7 million. This is due to the fact that there was a substantial disbursement of IFAD funds to the CBSL for on-lending purpose and there was no demand from CBSL for replenishment). For Component 3, programme management and policy dialogue, expenditures are 34% of AWPB budget.

The decreasing trend in the total AWPB estimates (all financiers) from 2018 to 2020 (USD 45.3 million in 2018; USD 14.8 million in 2019; and USD 8.7 million in 2020) is an indication that the AWPB planning process is increasingly taking the low disbursement rate into account, which is an indication of improved capacity. However, the allocation for the 2020 AWPB is still considerably higher than the capacity to disburse as mentioned above. Recognising the fact that SAPP has disbursed only 17% amounting to USD 9.3 million (without counting the initial deposit of USD 5.3 million as disbursement) from the total IFAD funds available to SAPP by the three loans, which is USD 54.4 million, and the balance to be used as USD 45 million, it will take five years for SAPP with an average AWPB of USD 8.7 million with 100% disbursement to utilize the balance IFAD funds. So far, however, the highest AWPB disbursement rate was 50% in 2019 with an expenditure amount of USD 6.1 million. Therefore, it is essential and crucial that SAPP should implement the agreed actions of this and previous missions, and continue to explore further ways to speed up the AWPB disbursement in the next three years.

Agreed Action	Responsibility	Agreed Date
Improve planning and budgeting capacity Develop means to realistically prepare the AWPB and PP, and develop ways to monitor implementation and learn lessons from the experience of previous years.	PMU	

Performance of M&E System

Rating: 4

Previous rating: 3

Justification of rating

The position of the M&E Deputy Manager has been filled since 11 March 2020 just at the outset of COVID-19 pandemic. Under the overall guidance of the Programme Director, the M&E tasks are carried out jointly by the newly appointed M&E Deputy Manager and by the Programme Officer, supported by two ICT staff. PMU has requested IFAD to review the terms of reference and the shortlist of candidates. The position of the M & E consultant and ICT officer are still vacant and the recruitment could not be completed since the declaration of the new election which have caused restrictions in recruitment. All M&E activities are included in the AWPB with adequate budget allocated.

M&E System Review

Learning from the experience of NADeP, SAPP has designed an MIS web-based system, which currently contains four modules, which capture information related to programme management; beneficiary management; disbursement management and trainings. This system allows the downloading of basic reports as Excel spreadsheets. The enhancement of the SAPP MIS system follow the good practice of the NADeP MIS, and assigns a unique identifier number to each beneficiary which avoids the problem of double counting and facilitates the monitoring of the services and assistance provided to each. The required further customization could not be completed since the supervision mission carried out in November 2019 due to the mainly two external factors i.e. the change of the implementing agency from the Presidential Secretariat to the Ministry of Mahaweli, Agriculture, Irrigation and Rural Development with a new focal person trying to become familiar with the project; and lockdown caused by the global pandemic which stopped the enhancement of the system by the selected service provider. Although the MIS system is not finalized, what is currently available allows the project to generate reports for the purpose of the analysis and establishing a functional link with KM. In the final customization of the MIS, PMU should consider the inclusion of a module to monitor the performance of the F/POs, communities and farmers, flagging that they are of high or low performance, in order to take appropriate and prompt action or to generate success stories from the field or lessons learned. Disaggregated indicators for gender and youth are properly reported and during the mission the new Corporate Outcomes Indicators (COIs) have been rolled out.

The MTR mission notes that the flow data coming from farmers through Social Mobilizers, and through companies up to

the PMU are now captured through the tablet apps, such as Farmer profiles, M & E data collection, Targeting surveys and AOS Data is entered by the SMs or 4P Partners and is captured directly on the same time and date by PMU staff.

22 tablets have been purchased for social mobilisers and are functioning with the required software. The software installed contains GPS data and can capture geo reference information during their field visits. This allows the PMU to track and report where support and services are provided (harvest records, trainings; grants and asset distribution, access to rural finance etc.), and can help pinpoint areas where further interventions may be required.

Due to the COVID-19 restrictions, the proposed training on the basic concepts on M&E for social mobilizers and companies through which they could understand the importance of reliable data has been postponed and it might be carried out remotely at the end of quarter 3 of the current FY.

Agreed Action	Responsibility	Agreed Date
MIS System Complete the customization to upgrade the MIS system to be fully operational,, submit the TOR to IFAD ASAP, and implement changes to capture GIS reference information and reporting and create direct link to capture field data	PMU	09/2020
Training Provide a training on the basic concept of M&E to social mobilizers and companies	IFAD/OMU	09/2020
Staffing Advertise the position of ICT officer as soon as possible and proceed with immediate recruitment	PMU	11/2020

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

Rating:

Previous rating: 4

SECAP Review

Due to the SAPP project having an environment risk category B, and a moderate climate risk category the following documents needed to be developed – Environment and Social Management Plan (ESMP) and basic climate risk analysis. This was achieved through the development of the Environment Conservation and CC Adaptation and Mitigation Framework (done by the Environment Consultant, PMU), and the framework includes a detailed plan on conducting environment and climate assessments (as part of the baseline study) for every *new* 4P project.

However, the approach and reporting systems need to be standardized. The same level of assessments as planned in the Mitigation Framework for new 4P projects should be conducted for ongoing 4Ps as well, and the mitigation/adaptation measures should be included in ongoing activities.

Agreed Action	Responsibility	Agreed Date
Environment and Climate Assessments of Ongoing 4P Projects Conduct basic climate risk analysis and environment assessments (as per the developed framework) using standardized methods, including ongoing 4P projects; and introduce relevant resilience/mitigation activities.	PMU	03/2020

d. Financial Management & Execution

Acceptable Disbursement Rate

Rating: 2.0

Previous rating: 3

Justification of rating

Automated rating based on IFAD disbursement data

Main issues

IFAD disbursement including the initial advance has increased since the mission in Nov 2019, from US\$ 10.83 mil to US\$14.5 mil, primarily due to additional financing from second and third loans (US\$ 2.5 mil). In spite of this, programme disbursement is still far behind the total allocation. Complications caused by the Covid-19 pandemic have added to the ongoing issues with implementation mechanisms. Thus, the risk of low disbursement continues to be high for the second half of 2020 and coming years unless concerted efforts are taken, especially the implementation of the agreed actions in this MTR.

Agreed Action	Responsibility	Agreed Date
WA submission a. Submit WA12 to IFAD by 20 November b. Send WA13 to IFAD by 31 December	PMU	12/2019

Fiduciary aspects

Quality of Financial Management

Rating: 4

Previous rating: 4

Justification of rating

The overall performance of the programme financial management is satisfactory. FM performance has been gradually improving. The programme's financial staff are fully recruited, taking the advantage of experienced personnel and resource of NADeP. The Programme has addressed the FM issues from previous missions such as revision of PIM-FM, and obtaining No Objection from IFAD for key staff. In addition, improvement in financial reporting, management of AWPB and frequent submission of Withdrawal Application are acknowledged during the mission. Programme's audit was completed, the audit report is however delayed from Auditor General due to the Covid-19 pandemic, the delay has been approved by FMD Director.

Main issues

Organization and Staffing. PMU is fully functioning with qualified finance staff with experience and an FM system from the previous NADeP project. The PMU internal controls are effective with the segregation of duty and proper approval, and the PIM-FM was updated in April 2020.

Internal control and internet audit. The PMU has well defined job responsibilities, DoA, well-defined approval process, with no misappropriations reported so far. NADeP data and assets are retroactively recorded. , obtain IFAD's No-Objection on 15 April, FM/PIM fully addresses the workflow, process of transaction, safeguard of asset and internal control functions. There is an internal auditor who conducts the project operation matter The internal auditor separately reports to the Programme Manager and the Programme committee.

Budgeting. The programme implementation team leads the preparation of the work plan and FM, DFM and Procurement Specialist (PS) take lead in preparation of the respective budgets with the support of the Programme Implantation team. Simultaneously, budgets are submitted to Ministry of Finance in order to incorporate into Annual Government Budget Estimate. AWPB is entered into the software and closely monitored against the expenditure by component and category. The monitoring of actual expenditures is not fully effective, substantial variations against AWPB projects and actuals have been experienced in every year, and are not adequately followed up.

The programme adopts Government financial policies and standards and procedures declared by professional bodies in Sri Lanka which are compatible with International requirements. The reliability of the information is high, with close monitoring of the FM/DFM, programme fully utilizes reporting functions of accounting software with customized reporting function to fit IFAD reporting requirement (WA, SOE).

Supporting documents are submitted for the disbursements above the SoE threshold (USD 50,000). In case of disbursements to the beneficiaries, the programme always provides the detailed schedules and other documents to IFAD even when the disbursement values are below the SoE threshold. Through random checks, WA and SOEs are timely submitted to IFAD through ICP with sufficient supporting documentation, during 1 November 2019 to 30 June 2020, 8 WAs have been submitted to IFAD with the total value of US\$ 4.7 million or 0.587 million per WA in average

Agreed Action	Responsibility	Agreed Date
Revise the AWPB and PP to reflect the delay in project activity due to the Covid-19 pandemic Revise the AWPB and PP to reflect the delay in project activity due to the Covid-19 pandemic	PMU	08/2020

Quality and Timeliness of Audit**Rating: 3****Previous rating: 3****Justification of rating**

The project provides true and fair financial reports providing comprehensive information for assessment but the management letter is missing

Main issues

2018 Audit: Audited report received late by 4 days without the management letter. The project submitted the management letter separately with 2.5 month delay.

IFAD's assessment of the Quality and timeliness of audit work as **moderately unsatisfactory** due to a major delay on the submission of the management letter. IFAD also suggests the following to the auditors and project:

The Auditor is required to examine and assess the internal control, recommend action to the Project management, if any, in the management letter of 2019 audit. We are looking forward to receiving a comprehensive assessment on project's internal control environment in the management letter next year.

- The Project needs to reply to the Auditors recommendation within 30 days after the issuance of the management letter
- The Management is required to prepare Schedule of Fixed Assets for 2019 financial statements to be audited.

2019 Audit: The Audit Report was delayed due to Covid-19 which has been approved by FMD Director. It is expected to receive the Audit Report in Oct 2020

Agreed Action	Responsibility	Agreed Date
Follow up of audit recommendations Auditor confirms completed corrective measures for previous year in audit report	PMU	12/2019
Follow up of audit recommendations Auditor confirms completed corrective measures for previous year in audit report	PMU	12/2019
Submit audit report to IFAD Submit audit report to IFAD submit both audited Financial Statements and management letter on time for fiscal year 2019.	AGDSR/PMU	06/2020
Submit audit report to IFAD Submit audit report to IFAD submit both audited Financial Statements and management letter on time for fiscal year 2019.	AGDSR/PMU	06/2020

Counterparts Funds**Rating: 5****Previous rating: 4****Justification of rating**

As of 30 June 2020, Government contribution is USD 0.89 mil or 5% of total allocation, aslight increase from USD 0.85 million by from 31 October 2019. It's expected significant contribution from government on line credit activity to fill in the gap of GOSL contribution.

Main issues

The mission observed timely counterpart funding channelled to the project from the government. GOSL has contributed USD 1.25 mil out of total commitment of USD 19.36 mil (6%) as of 31 May 2020; although a low contribution rate this is sufficient for project requirements given the low rate of implementation.

Credit disbursements through Revolving Fund and the salaries of the government seconded staff and taxes are funded by GoSL. Counterpart funds are received on request without no delay. All the transactions are recorded in the accounting software which has facility of tracking the expenditure on the basis of Financier, Component, Category etc.

Agreed Action	Responsibility	Agreed Date
Revolving fund Release all commitment of Revolving fund to CBSL	GOSL	03/2020

Compliance with Loan Covenants

Rating: 5

Previous rating: 4

Justification of rating

The financing covenants are generally complied. Finding in previous mission have been addressed and resolved, key management staff have been fully recruited with No-objection with TOR and performance review, updating the PIM-FIM.

Procurement

Procurement

Rating: 5

Previous rating: 4

Justification of rating

The procurement demonstrates significant improvement over last year and in general, is consistent with IFAD Procurement Guidelines, Handbook, National Procurement Guidelines, Financing agreement (FA) and the Letter to the borrower (LTB). Documentation and decisions are generally of good quality. The application of procurement procedures is transparent. Processes, procedures and systems applied exhibit minor shortcomings that have no impact on project implementation and performance. The area that needs special attention is contract management and administration.

Procurement Review

Procurement plan The procurement plan 2020 consists of goods including non-consulting services and consulting services for a total cost of US\$1,174,380. It is in line with the AWPB and updated on 03.05.2020. The Procurement Plan follows IFAD template with reference to the activities in the AWPB. The selection of procurement methods is in compliance with the provisions of the LTB. Generally, time estimates appear realistic and budget is adequate. Procurement activities are systematically and logically grouped according to the categories and packaging done in a way that facilitates application of the most competitive method. During the period under review, six items of procurements (15 activities) have been completed and another six (9 activities) initiated.

Process and procedure from prequalification to bidding Eleven procurements were reviewed. The procurement process conforms largely to the National Procurement Guidelines and are consistent with the IFAD Procurement Guidelines, LTB and other policies and requirements, such as the IFAD Policy on Preventing Fraud and Corruption. Under NCB the Project is using standard bidding documents and publish advertisements in national newspapers and social media. The procurements initiated and completed were in accordance with the procurement Plan and based on requisitions received. Prequalification criteria and schedules of requirements are clearly expressed and measurable. The evaluating methodology is fully disclosed in the bidding documents. When prospective bidders are selected under EOIs, pre-bid meeting are held before calling for RFPs. No late bids were accepted.

Process and procedure for Evaluation to award SAPP has fulfilled all the compliance requirements of the Government and IFAD under this section. The PMU opens quotations/bids same day immediately after the closing of bids in front of the bidders and announce relevant details. The evaluations were done by respective TEC s comprising of at least three members. At least one of them would be a technically qualified person who is competent to advise on the type of procurement. Evaluation were done across 3 steps, Preliminary Examination, Technical Evaluation and Financial Evaluation, consistent with the methods of procurement. Upon the receipt of IFAD, NO s and approval of the relevant authorities, contracts are awarded.

Contract Administration and Management The procurement unit is responsible only for procurement related contracts, and contracts relating to 4P projects are handled by the respective sectional heads. Presently, both contract administration and management relating to consultancy contracts are carried out by the DPM. The updated Contract register was reviewed, and out of randomly selected 22 contracts, 15 had been extended. Documents relating to extensions, terminations, physical and financial progress of the contract were not available in the main procurement files, and the involvement of the procurement specialist in the process of contract administration was minimal.

Procurement filing system and the ease of document retrieval All relevant documents are filed in separate folders and serially numbered in chronological order, except documents relating to contract extension / termination, physical and financial progress and minutes of the meetings had with the consultants, due to the reasons mentioned above.

Agreed Action	Responsibility	Agreed Date
Introduce a system of effective communication and coordination between the Contract Management Unit and Procurement Unit Introduce a system of effective communication and coordination between the Contract Management Unit and Procurement Unit	PMU	

e. Key SIS Indicators

Likelihood of Achieving the Development Objective	Rating: 3.96	Previous rating: 4.0
Assessment of the Overall Implementation Performance	Rating: 3.92	Previous rating: 4.0

F. Relevance

Relevance	Rating: 5	Previous rating: 5
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Justification of rating

The current government places an emphasis on food security, private sector leadership in agricultural, development of rural agriculture, enhancing opportunities for rural employment including youth, and providing low interest credit for small and medium level enterprises. The 4P approach of SAPP can accommodate almost all of these priorities. SAPP provides credit with a lower interest rate than that prevail in the market prior to the current government directive. SAPP will also introduce flexible loan products with MTR recommendations that may further support relevance. Some of the SAPP targeted beneficiaries are not always eligible for bank loans, thus potentially affecting the relevance of the SAPP approach. The MTR recommendations for value chain and bulk financing, if implemented in a timely fashion, will address this issue adequately.

Main issues

The current government policies and the IFAD country policy are in line with the SAPP scope and the development objective. There is heavy emphasis on improving agricultural production in the country for both import substitution and food security as well as exports. The private sector is increasingly considered as a dynamic player in the agriculture development. In referring to such policy objectives of the government, the SAPP development objective, scope and the approach have high relevance. Several government agencies also showed interest in promoting and assisting 4P formulation specially after the COVID-19 pandemic to enhance resilience in food production. However, the implementation of SAPP in terms of credit delivery and associated grant provisions to the beneficiaries have been facing several constraints. As such the SAPP has a slow progress in achieving intended results. Since there is high relevance, it is expected that the MTR proposed changes to the implementation process will deliver the expected programme results.

G. Lessons Learned

Gender Capacity Building should come in early states of implementation

Beneficiaries come from poor rural households where gender stereotyping is strong. Capacity development and technical trainings need to be provided early on in the project, so that male and female beneficiaries are equally empowered at the initial stages of a project and female beneficiaries are confident in their abilities to take on leadership roles to advocate on their behalf in 4P's.

Nutrition Awareness Training should include Resilience Building \

Due to COVID 19 related economic impacts nutrition intakes of poor rural households were impacted. Due to the possible resurgence of COVID-19, nutrition awareness programs need to have a resilience building component as well.

Availability of public goods for effective implementation of 4P business

Availability of public goods such as roads, irrigation facilities, common processing and storage facilities is essential for

effective implementation of some 4Ps. In areas or situations where such facilities are not available, there must be a way of providing such public goods. It is unrealistic to expect that such facilities would be provided by state agencies at the time and place that are required by the 4P operation. Therefore it would have been prudent that SAPP to have a window of dedicated funding to finance such public goods, which is currently missing in the original SAPP design.

Provide support to F/POs that provide an important role in 4P partnerships, even if they are not ready or willing to become leaders of 4Ps and are working under a private sector leader.

F/POs provide mobilization, aggregation, storage and processing services in a 4P partnership, even when they are not the 4P leader. SAPP support for these F/POs is important, and has been adopted in this MTR.

Ensure that the private sector has adequate incentives to sustainably commit to the 4P partnership.

The original SAPP design offered no direct incentive for the private sector to enter into and implement 4P partnerships; this limited the scope and intensity of private sector participation. New private sector incentives have been introduced in the November 2019 ISM and in this MTR.

H. Agreed Actions

<i>Agreed Action</i>	<i>Responsibility</i>	<i>Agreed Date</i>
Overview and Project Progress		
Introduce matching grant support for company 4P infrastructure/equipment dedicated to supporting 4P beneficiaries This option can be combined with company matching credit facility (e.g. 50% SAPP grant and 50% own contribution, or 50% credit, 25% grant, 25% own contribution). It can be introduced to existing and new 4P projects.	PMU	09/2020
Extend the option of start-up support to all F/POs supported by SAPP. This includes all F/POs important to the 4P, not just F/PO 4P leaders. This may be introduced in existing and new 4P projects as deemed feasible.	PMU	09/2020
Increase the maximum matching grant to 4P beneficiaries to 1500 USD. Although there is no fixed limit specified in the project design, the practice has been to limit grant size to \$500. The PMU will need to manage resources to ensure that outreach targets are met.	PMU	09/2020
Introduce option of 2nd round of finance for all SAPP beneficiaries. This may be applied to direct PFI lending, as well as value chain and bulk financing options. It may be applied to existing and new 4P and youth projects. In all cases, 1st round financing loan must be repaid in full before issuance of 2nd round.	PMU	09/2020

<p>Allow PFIs to issue bulk loans to cooperative rural banks and Sanasa society banks for on-lending to 4P beneficiaries.</p> <p>These community financial institutions have pre-existing relationships with their members, and could make credit available to 4P beneficiaries more quickly and efficiently than a PFI commercial bank. The PFI will undertake due diligence of these institutions, and will not be involved with approval of individual loans. The CBSL will hold consultations with PFIs and other stakeholders to formulate implementation mechanisms.</p>	PMU/MOA/ERD/CBSL	10/2020
<p>Expand size and scope of company 4P matching grant facility.</p> <p>Expand the matching grant facility to include infrastructure and equipment to support 4P beneficiaries,</p>	PMU	11/2020
<p>Expedite delivery of 4P beneficiary matching grant support.</p> <p>All 4P promoters willing to provide inputs/services covered by the 4P beneficiary matching grant program will be compensated immediately upon delivery of inputs/services, up to 50% of value. The balance will be considered an in-kind credit provided to beneficiaries, to be recovered by deductions from farmer payments when deliveries of the contracted produce commence.</p>	PMU	11/2020
<p>Consolidate youth expansion grant category into the youth start-up category.</p> <p>The youth start up and expansion grant budget categories will be consolidated and used solely for youth start-up grants. The average grant size will be approximately 1000 USD and maximum grant will be 1500 USD</p>	PMU	11/2020
<p>Analyze insurance and risk mitigation mechanisms.</p> <p>Undertake a review of insurance/risk mitigation mechanisms available for the agricultural sector and make appropriate recommendations for application to SAPP.</p>	PMU	11/2020
<p>Introduce value chain finance</p> <p>Introduce value chain finance by allowing PFIs to issue bulk loans to company 4P promoters for the purpose of extending in-kind working capital loans for 4P beneficiaries, who would repay in-kind when delivering the contracted crop or produce. The 4P promoter would take full responsibility for supplying inputs/services on time, and in repaying the loan to the PFI. This value chain finance mechanism will speed up the process of credit disbursement, as the PFI will only undertake due diligence on the company 4P promoter, and will not need to process hundreds or thousands of individual beneficiaries. The value chain finance option will enable many beneficiaries to obtain credit for the necessary inputs/services, who otherwise</p>	PMU	12/2020

<p>The PMU may consider changes in the specific outreach targets set at the appraisal stage, accompanied by an economic and financial analysis</p> <p>If this requires any change to the project budget or reallocation of funds among expenditure categories, a proposal to that effect should be submitted to IFAD through ERD before the MTR validation mission that is mandated by IFAD for remote MTRs is undertaken when circumstances permit. No changes are envisioned in the total number of beneficiaries to be reached (57,500).</p>	PMU/MoA	
<p>The PMU may consider changes in grant and credit disbursement to further expedite disbursements and increase impact on beneficiaries</p> <p>The MTR recognizes that slow credit disbursement may be due to factors beyond the commitment or control of the beneficiaries; and in some cases 4P beneficiaries may not be initially bankable, at least by partner PFIs. The issuance of a matching grant could allow beneficiaries to begin participation in a 4P. Therefore, the PMU/LPA will have a discussion with relevant stakeholders specifically the MOF, ERD and CBSL, PFIs and may propose a mechanism to further expedite grant and credit disbursements. The mechanism proposed will ensure that 4P beneficiaries demonstrate commitment, so grant resources are used as intended for the 4P business plan. To accommodate these changes, the existing allocation for Grants in the FA may be increased up to 30%, with a concomitant decrease in the Credit allocation.</p>	PMU/MoA	
<p>Restructure Covid-19 resilience activities as 4Ps, with a private company or buyer or a F/PO with strong buy-back arrangements ensuring access to market, and to play a role of the 4P leader within the context of a usual 4P business plan.</p> <p>The total COVID-19 resilience activities represent an exceptional window of opportunity for SAPP funding. The total number of beneficiaries is limited to 9000 HH (this includes the resilience activities with a target of 4135 beneficiaries that have already been given conditional NOC). Government agencies will continue to provide a strong supportive and enabling environment role for these COVID-19 4Ps as well as for all 4Ps, and may act as a buyer where appropriate.</p>	PMU/MoA	
<p>Expand capacity building support to F/POs that are key participants in 4Ps, regardless of whether they are 4P leaders or not.</p> <p>The contracts with SAPP service providers will be amended to implement this.</p>	PMU	
<p>Utilize the SAPP training budget to hire service providers/consultants to train and provide technical assistance to 4P beneficiaries</p> <p>Utilize the SAPP training budget to hire service providers/consultants to train and provide technical assistance to 4P beneficiaries</p>	PMU	

<p>Introduce one-time process to allow claims for lost produce due to unavoidable causes.</p> <p>Beneficiaries may submit a claim to PMU/MOA, and after review by an independent technical expert, could be paid by SAPP subject to NSC approval. Up to 10% of the ex-NADeP and SAPP beneficiaries committed up to 2020 may be compensated in this fashion, up to a ceiling of \$500/beneficiary. Further support for agricultural risk mitigation must be made through arrangements with the Agricultural insurance Board or private insurers. SAPP Consultancy and Technical Assistance funds may be used to cover the costs of analyzing and structuring insurance coverage, and SAPP Grant funds may be used to co-finance the relevant premiums charged by the Agricultural Insurance Board (or private insurers).</p>	PMU	
<p>For the purposes of meeting the 20,000 NADeP second loan target, both seasonal working capital loans for existing NADeP beneficiaries and IG loans will be considered.</p> <p>The target for seasonal working capital loans for NADeP beneficiaries is 6370, and for IG loans 13,630. The PMU shall propose measures for the IG loans to ensure that the SAPP targeting criteria are met.</p>	PMU	
<p>Encourage PFI lending to F/POs that are leaders or participants in 4Ps.</p> <p>The funds are to be used for implementation of 4P business plan activities. Although part of design, this has just begun to be implemented.</p>	PMU	
<p>Explore the use of PFI direct long-term credit (3-5 years) to 4P business leaders in the tea sector for the implementation of 4P business plan activities.</p> <p>Explore the use of PFI direct long-term credit (3-5 years) to 4P business leaders in the tea sector for the implementation of 4P business plan activities.</p>	PMU	
<p>Align interest rate policy for all PFI issued loans under SAPP</p> <p>The current agreed interest rate is 6.5%</p>	PMU	
<p>Follow-up with the CBSL to ensure that operating instructions are issued for earlier agreed actions:</p> <p>a) increasing maximum beneficiary loan to 500,000 LKR and b) matching loans to company 4P promoters up to \$100,000.</p>	PMU	
<p>Continue policy dialogue and engagement on the dairy sector</p> <p>Document the outputs of the workshop/consultation and elevated them at decision making level.</p>	PMU	
Development Effectiveness		

Ensure M&E matrix is operational and incorporated in the M&E system mitigation measures (including climate adaptation measures) to be immediately circulated to 4Ps for operationalization, and incorporated in the project M&E system.	PMU	07/2020
Report on the IFAD indigenous people category in the log frame Report on the IFAD indigenous people category in the log frame	PMU	09/2020
Streamline gender action plan, gender strategy and other gender documents to provide clear targets and structure Streamline gender action plan, gender strategy and other gender documents to provide clear targets and structure	PMU	09/2020
Partnership building for technical knowledge and sustainability Assess ongoing initiatives, explore synergies and complementarities with other partners (e.g. WFP, FAO, GoSL)	PMU	12/2020
Continued support of a Nutrition Expert for SAPP To realign the nutrition strategy and targets on baseline data, and COVID-19 response, and conduct trainings and ToT's	PMU	
Sustainability and Scaling up		
4P's and youth Ensure that all 4P's and youth project agreements have equitable redress guidelines and mechanisms	PMU	03/2020
Analyze insurance and risk mitigation mechanisms. Undertake a review of insurance/risk mitigation mechanisms available for the agricultural sector and make appropriate recommendations for application to SAPP. This should be done by a combination of internal staff and specialized consultant(s).	PMU	11/2020
4P sub-project exit strategy All functioning 4Ps that require ongoing assistance after SAPP completion would be handed over to the Agribusiness Unit of the DOA, and a proposal for this should be developed in consultation with the Ministry of Agriculture.	PMU	12/2020
Line of credit exit strategy To be transferred/transformed to a rural development revolving fund within the CBSL, a proposal for this should be developed	PMU	12/2020
4P coordination exit strategy PMU to explore need, feasibility, and modalities of a 4P coordinative function to be taken over by the GoSL, as discussed during the MTR	PMU	12/2020

Policy Advocacy Develop policy and advocacy related work of the project. This includes undertaking work proposed under exit strategy, develop proposals, initiate stakeholders' dialogues, monitor the implementation of such activities including oversee the educational/training programmes among others.	PMU	
Environment and climate assessments of on-going 4P projects Undertake basic climate risk analysis and environmental assessment (as per the developed framework) for on-going 4Ps; propose mitigation measures and incorporate these (along with responsible parties and funding consequences) in the 4P agreements.	PMU	
Project Management		
Environment and Climate Assessments of Ongoing 4P Projects Conduct basic climate risk analysis and environment assessments (as per the developed framework) using standardized methods, including ongoing 4P projects; and introduce relevant resilience/mitigation activities.	PMU	03/2020
IRR for 4P approval Ensure that realistic appraisals of financial viability are part of the 4P appraisal process, and establish a minimum IRR for 4P approval. Modify the relevant sections in the PIM to standardize this.	PMU	06/2020
MIS System Complete the customization to upgrade the MIS system to be fully operational,, submit the TOR to IFAD ASAP, and implement changes to capture GIS reference information and reporting and create direct link to capture field data	PMU	09/2020
Training Provide a training on the basic concept of M&E to social mobilizers and companies	IFAD/OMU	09/2020
Develop ESMP Matrix Develop an Environmental and Social Management Plan (ESMP) matrix which is a mandatory requirement for Category B project in coordination with IFAD	PMU	09/2020
Recruit a full-time Environment Consultant Recruit a new Environment Consultant on a full-time basis to oversee the environment, social and climate aspects of project implementation.	PMU	09/2020

Staffing Advertise the position of ICT officer as soon as possible and proceed with immediate recruitment	PMU	11/2020
LPA (MoA) gets more involved in PMU Strategic staff management MoA establishes stronger links with PMU staff/consultants through which HR issues can be raised and sorted out.	MoA	
All new contracts should be made until SAP completion New recruited staff should have their contracts secured until the remaining implementation period of SAP. Those with renewable contracts must be renewed until SAP completion.	PMU	
Staff/consultants resignation should be examined by the MoA Resignation of staff/consultants must be communicated to the upper authority of the MoA which will review the impartiality of the resignation and provide no objection or otherwise.	MoA	
Information Board Finalize the location of information boards on new project sites.	PMU	
Improve planning and budgeting capacity Develop means to realistically prepare the AWPB and PP, and develop ways to monitor implementation and learn lessons from the experience of previous years.	PMU	
Financial Management & Execution		
Follow up of audit recommendations Auditor confirms completed corrective measures for previous year in audit report	PMU	12/2019
Follow up of audit recommendations Auditor confirms completed corrective measures for previous year in audit report	PMU	12/2019
WA submission a. Submit WA12 to IFAD by 20 November b. Send WA13 to IFAD by 31 December	PMU	12/2019
Revolving fund Release all commitment of Revolving fund to CBSL	GOSL	03/2020
Submit audit report to IFAD Submit audit report to IFAD submit both audited Financial Statements and management letter on time for fiscal year 2019.	AGDSR/PMU	06/2020

Submit audit report to IFAD Submit audit report to IFAD submit both audited Financial Statements and management letter on time for fiscal year 2019.	AGDSR/PMU	06/2020
Revise the AWPB and PP to reflect the delay in project activity due to the Covid-19 pandemic Revise the AWPB and PP to reflect the delay in project activity due to the Covid-19 pandemic	PMU	08/2020
Introduce a system of effective communication and coordination between the Contract Management Unit and Procurement Unit Introduce a system of effective communication and coordination between the Contract Management Unit and Procurement Unit	PMU	

Sri Lanka

Smallholder Agribusiness Partnerships Programme

Mid-term Review

Logical Framework

Mission Dates: 29 June - 15 August 2020

Document Date: 13/10/2020

Project No. 2000000929

Report No. 5529-LK

Asia and the Pacific Division
Programme Management Department

Smallholder Agribusiness Partnerships Programme

Logical Framework

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2020)	Cumulative Result (2020)	Cumulative Result % (2020)	Source	Frequency	Responsibility	
Outreach	1.a Corresponding number of households reached							RIMS	Annual		
	Women-headed households				25	914					
	Non-women-headed households				2 720	12 637					
	Households			57 500	2 745	13 551	23.6				
	1 Persons receiving services promoted or supported by the project										
	Females				1 528	6 709					
	Males				1 217	6 842					
	Young				1 117	5 489					
	Not Young				1 628	8 062					
	Indigenous people				2 034	2 034					
	Non-Indigenous people				11 517	11 517					
	Total number of persons receiving services				2 745	13 551					
	1.b Estimated corresponding total number of households members										
	Household members			230 000	10 980	54 204	23.6				

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2020)	Cumulative Result (2020)	Cumulative Result % (2020)	Source	Frequency	Responsibility	
Project Goal Contribute to Sri Lanka's smallholders poverty reduction and competitiveness	% of households with improvements in asset ownership							RIMS; Impact surveys; National database	baseline/ completion	LPA / Programme	Political commitment - Stable macro-economic conditions
	Households		30	70	3	14	20				
	Prevalence of childhood malnutrition in the programme area reduced							RIMS; Impact surveys; National database	Yearly	LPA / Programme	
	Childhood malnutrition		5	10							
Development Objective Sustainably increase the income and quality of diet of smallholders (57,500 hhs) involved in commercially-oriented production and marketing systems	% of supported households reporting an increase in income (60% on average)							RIMS; AOS, IP reports	Year	Programme; IPs	Availability and uptake of GAP and technologies - Steady market demand and conditions
	Households		40	70							
Outcome Improved access of smallholder farmers and their organizations to markets in partnership with the private sector	% of 4P partnerships/ agreements in operation after 3 years										Commitment and willingness of beneficiaries and their institutions
	% of partnerships with 4Ps		50	75	4	50	66.7				
	1.2.4 Households reporting an increase in production							RIMS	Annual		
	Households		40	70		18	25.7				
	2.2.4 Supported rural producers' organizations members reporting new or improved services provided by their organization							RIMS	Annual		
	Percentage of POs members		33	55	37	77	140				
	Number of POs				1 473	3 093					
	Total size of POs				1 473	3 093					
	Males				881	1 547					
	Females				592	1 546					

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2020)	Cumulative Result (2020)	Cumulative Result % (2020)	Source	Frequency	Responsibility	
	Indigenous people										
	Non-Indigenous people				1 473	3 093					
	Women in leadership position					252					
	% increase in average volume and value of sales through 4P agreements							AOS; market studies	Bi-annually	IPs; Programme	
	% of average volume and value of sales		15	40							
Output 4P business arrangements in place	No. of farming households engaged in 4Ps implemented							Progress Reports	Bi-annually	Programme	Willingness and mutual benefits to producers and companies; Mature institutions
	Farming households engaged	20 000	45 000	57 500	2 745	13 551	23.6				
Output Organizational strengthening and capacity development of producer organizations and their members	% of programme-supported producer groups registered							AOS; particip. Surveys; Progress reports	Yearly	Programme	Commitment and willingness of beneficiaries and their institutions; Favourable and stable market conditions and demand
	% supported producers groups		40	70		8	11.4				
	1.1.3 Rural producers accessing production inputs and/or technological packages							RIMS	Annual		
	Females		18 000	23 000	1 528	6 709	29.2				
	Males		27 000	34 500	1 217	6 842	19.8				
	Young				1 117	5 489					
	Not Young				1 628	8 062					
	Indigenous people					0					

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2020)	Cumulative Result (2020)	Cumulative Result % (2020)	Source	Frequency	Responsibility	
	Non-Indigenous people					0					
	Total rural producers				2 745	13 551					
Outcome 57,500 households supported under SAP have access to rural financial services in a sustainable manner and at affordable rates	1.2.6 Partner financial service providers with portfolio-at-risk ≥30 days below 5%							RIMS	Annual		CBSL and PFI commitment
	Percentage		3	5							
	1.2.5 Households reporting using rural financial services							RIMS	Annual		
	Households		70	100							
	Males				310	3 806					
	Females				191	3 608					
	Young				151	3 069					
	Not Young				350	4 345					
	Indigenous people										
	Non-Indigenous people										
	Women-headed households				25	691					
	Non-women-headed households				476	6 723					
Output Small producers access targeted and pro-poor financial products	Funds leveraged through PFI own-resources (as % of total loans outstanding funded from the LOC)							CBSL/PFI reports; Progress Reports	Bi-annually	Programme; CBSL; PFIs	Willingness of PFIs and enabling regulatory framework
	% Funds leveraged through PFI		25	45							

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2020)	Cumulative Result (2020)	Cumulative Result % (2020)	Source	Frequency	Responsibility	
	1.1.5 Persons in rural areas accessing financial services							RIMS	Annual		
	Total number of accesses to financial services				3 727	10 640					
	Women in rural areas accessing financial services - savings		18 000	23 000	3 417	6 834	29.7				
	Men in rural areas accessing financial services - savings		27 000	34 500	310	3 806	11				
	Total persons accessing financial services - savings				3 727	10 640					
	Number of rural youth (40% female) receiving credit to finance their income generating activity (disaggregated by sex and age)*							CBSL/PFI reports; Progress Reports	Bi-annually	Programme	
	Males		600	1 500	63	201	13.4				
	Females		400	1 000	46	207	20.7				
	Young				108	408					
	Not Young										
Output Institutional strengthening and capacity building of Central Bank and PFIs	Share of agricultural loans in total loan portfolio							CBSL/PFI reports	Bi-annually	CBSL; PFIs	Stable macro-economic conditions
	% agri loans in total loan portfolio		1	2							
Outcome Improved policy environment for equitable and sustainable smallholder farmer-sourced agribusiness development	Policy 3 Existing/new laws, regulations, policies or strategies proposed to policy makers for approval, ratification or amendment							RIMS and Progress Reports	Annual	Programme; CCC	Quality, relevance and acceptability of recommendations of analysis
	Number		3	6		1	16.7				

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2020)	Cumulative Result (2020)	Cumulative Result % (2020)	Source	Frequency	Responsibility	
Output Analysis conducted on prioritised policy issues/constraints and programme models/lessons learned	Policy 1 Policy-relevant knowledge products completed							RIMS and Progress Reports	Yearly	Programme	Focus of PMU on policy agenda maintained
	Number		8	18	1	1	5.6				

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

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Appendix 1

Sri Lanka
Smallholder Agribusiness Partnerships Programme (SAPP)
Supervision report aide memoire - Mission dates: 29th June to 10th July 2020

Financial: Actual financial performance by financier; by component and disbursements by category

Table 3A: Financial performance by financier (30 June 2020)

Financier	Appraisal (USD '000)	Disbursements (USD '000)	Per cent disbursed
IFAD loan*	54 400	9 178	17%
Government	19 360	1 253	6%
Pvt Sector	16 967	1 455	9%
Domestic FI	9 821	0	0%
Beneficiaries	4 494	1 835	41%
Total	105 042	13 721	13%

* USD 5.3 million of Authorized allocation is not included, **disbursement rate is 27% including the advance**

Table 3B: Financial performance by financier by component (USD '000) 30 Jun 2020

Component	IFAD loan			Government			Private Sector			PFIs			Beneficiaries			Total		
	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%
1. Access to commercial partnerships	36,323	1,312	4	185	2	1	16,967	1,455	9							53,475	2,769	5
2. Access to rural finance	12,641	7,106	56	18,470	745	4	-			9,821	-		4,494	1835	41	45,426	9,686	21
3. Programme Management & policy dialogue	5,436	886	16	705	506	72	-									6,141	1,392	23
Total	54,400	9,304	17	19,360	1,253	6	16,967	1,455		9,821	-		4,494	1835	41	105,042	13,847	13

Note: This file should be shared as an editable word file with the IFAD Finance Officer by email and uploaded in FMDB in PDF in the Missions tab.

Table 3C: IFAD loan disbursements (USD, as at 30.06.2020)

Category	Category description	Original Allocation	Revised Allocation	Disbursement	W/A pending	Balance	Per cent disbursed
I	Consultancies & Non Consultancy Services	8,630,000		68,408		91,486.50	4
II	Equipment & Material	850,000		70,344.09		(1,450.30)	8
III	Credit	11,790,000		7,054,275		2.00	60
IV	Grants	25,360,000		1,038,767		39,629.93	4
V	Recurrent Costs	2,310,000		585,891		98,416.52	23
	Initial deposit			5,300,000			
	Total	54,400,000		14,477,518		228,084.65	27

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

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Appendix 2: Physical progress measured against AWP&B

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Appendix 2: Physical progress measured against AWP&B

Component / Sub component	Indicator	Units	PHY - 1		PHY - 2		PHY - 3		Cumulative		
			2018		As at 30th Oct 2019		31st May 2020				
			AWPB	Actual	AWPB	Actual	AWPB	Actual	Actual	Appraisal	%
Component 1 - Access to Commercial Partnerships	New 4Ps - Individual financed private sector-led (project)	Number of beneficiaries	150	-	1,580	291	1,710	1,064	1,355	18,000	8%
	Scaled up Individual NadeP 4Ps (project)[Gal-Oya Project - 3994; Cargills dairy - 891; Chello dairy - 350; Kitul - 171]	Number of beneficiaries	-	-	1,134	-	1,526	1,190	5,406	20,000	27%
	Start Up funds involving FO s (on farm development)	Number of beneficiaries	-	-	613	612	5,102	-	612	4,000	15%
Youth Start Up Fund and Expansion	Youth Start Up Fund	Number of beneficiaries	-	-	500	-	1,640	171	171	1,000	17%
Farmer Organization-led 4Ps: FO Start-Up Funds	New 4Ps private sector led with FOs	Number of 4Ps	-	-	3	2	16	9	11	10	110%
FO led 4Ps - Coops in business	FO led 4Ps - Coops in business	Number of 4Ps	-	-	5	4	4	-	4	10	40%
FO led 4Ps - new Fos (Mahaweli + incipient FO)	FO led 4Ps - new Fos (Mahaweli + incipient FO)	Number of 4Ps	-	-	2	1	-	-	-	28	0%
Sensitization	Sensitization workshop/ training on 4P principals and cross cutting (e.g. CC, Youth): Workshops were conducted as demanded hence exceeding the target	Workshops	-	-	40	17	50	30	47	2	2350%
	4P advertisement	Number of adds	1	1	1	1	1	1	3	2	150%
	4P consultation workshop process (one national, four field level)	Workshops	-	-	-	-			-	2	0%
	4P development process	Workshops							-	2	0%
	4P Biannual review workshop	Workshops					1	1	1	2	50%
	Farmer Training (VC awareness)	Workshops							-	2	0%
Institutional Strengthening of Farmer Organizations	For Coops in business								-		
	Technical assistance - Service Providers [target is for staff months - Manager and Accountant, instead service providers are used]	Service providers	-	-	3	3	1	1	4	25	16%
	New 4Ps private sector led with FOs								-		
	Technical assistance - Service Providers [same as above]	Service providers	-	-	-	-	-	-	-	30	0%
	For new FOs (Mahaweli + incipient FO)								-		
	Technical assistance - Service Providers [same as above]	Service providers	-	-	-	-			-	60	0%
Training and exchange visits for all FOs (under all categories)	Exchange visit at domestic level [4P partners were taken on visits on demand]	Nb visits	-	-	6	3	30	9	12	2	600%
	Exchange visit in the Asia Region	Nb visits	-	-	-	-			-	3	0%
	Training [number of trainings SAPP conducted for FOs under all categories. In the PDR there is only 5 no. of trainings]	Nb training	10	4	40	22	187	50	76	3	2533%
	Business advisory services (TA for all Fos)	Nb TA s	-	-	-	-			-	6	0%
Social mobilizers and equipment	Tablets for data entry by SMs/k	Units	-	-	24	20	20	-	20	45	44%
	Training of SMs [more training required than in the design]	Nb training	4	3	5	3	6	1	7	2	350%
	Social Mobilizers	Person	20	20	24	19	40	22	61	80	76%
	Record keeping books	Books	-	-	15,000	14,830	10,000	-	14,830	30,000	49%

Component / Sub component	Indicator	Units	PHY - 1		PHY - 2		PHY - 3		Cumulative		
			2018		As at 30th Oct 2019		31st May 2020				
			AWPB	Actual	AWPB	Actual	AWPB	Actual	Actual	Appraisal	% out of appraisal
Component 2: Credit Lines	Line of Credit: Number of loans to be given [loans for total beneficiaries]	Number of loans	7,737	2,119	7,951	5,853	8,880	339	8,311	57,500	14%
	Revolving Fund (GOSL): Loans given for NADeP beneficiaries using Revolving Fund - App target is 20,000 [registered with CBSL - 579]	Number of loans	634	-	666	-	1,336	-	547	20,000	3%
	Private Financial Institutions (PFIs): Nb of PFIs contributed to credit	Nb PFIs	-	-	-	-				7	0%
	Farmer Organization Contribution: Nb FOs contributed to credit	Nb Fos	-	-	-	-			-	4	0%
Institutional Strengthening to CBSL and PFI /	Central Bank of Sri Lanka								-		
	Technical Assistance in formulating the MF guidelines (International TA)	TA months	-	-	-	-			-	24	0%
	Technical Assistance in formulating the MF guidelines [Policy level MF guidelines training was not conducted. To be conduct in 2020 after discuss with CBSL]	TA months	-	-	-	-			-	48	0%
	Workshops with stake holders	workshop	-	-	-	-			-	9	0%
	Conferences for stake holders	Number	-	-	-	-			-	1	0%
	Training of MFIs on new policies	Sessions	-	-	-	-			-	2	0%
Technical assistance to PFIs	Training of PFIs on agriculture/ micro / group finance/c	Sessions	5	13	8	-			13	13	100%
	Training on systems development for MFIs /d	Sessions	-	-	-	-			-	3	0%
	PFI training on Technical Issues, including appraisal /e	Sessions	-	-	-	-			-	13	0%
	ITA on systems development & Training of Staff	TA months	-	-	-	-			-	5	0%
	Sensitisation workshops with PFIs	workshop	1	1	-	-			1	4	25%
	PMU- CBSL-PFI reviews of procedures/f	workshop	6	6	-	-			6	8	75%

Component / Sub component	Indicator	Units	PHY - 1		PHY - 2				Cumulative		
			2018		As at 30th Oct 2019						
			AWPB	Actual	AWPB	Actual	AWPB	Actual	Actual	Appraisal	%
Component 3 - Programme Management and Policy Dialogue									-		
M&E and Knowledge Management	Start up workshop	workshop	-	-	-	-			-	1	0%
	Sensitisation & Education Workshops	Number	-	-	2	-			-	1	0%
	Annual Stakeholder Planning/ Review Workshops	workshop	-	-	1	-	6	2	-	2	0%
	Annual Business Forums	number	-	-	-	-	1		-	2	0%
Studies and Surveys	Baseline/ Annual Outcome/Impact Surveys/PCR: 4P baseline surveys	4P surveys	3	3	10	6	20	8	17	6	283%
	Technical Studies	Studies	-	-	4	-	3	-	-	4	0%
	External Audit	Audits	-	-	-	-			-	2	0%
	No of Information and Communication Materials [no design target]	Nb material	-	-	10	16	60	44	16		
	No of Training Manuals [4P projects had training material that are counted]	manuals	-	-	6	3			3	1	300%
	Development of environmental/climate change manual	manuals	-	-	1	1			1	1	100%
	Gender strategy - as a manual	manuals	-	-	1	1			1	1	100%
Youth	Youth strategy	manuals	-	-	-	-	1	1	-	1	0%
	Training package - financial literacy	Nb youth	-	-	40	30	64	6	30	1,000	3%
	Technical training /i	Nb youth	-	-	8	3			3	1,000	0%
Policy Dialogue /k	Stakeholder meetings [National level Stakeholders in the Dairy Sector]	meetings	-	-	-	-		1	1	3	33%
	Research studies, policy issues	studies	-	-	1	-			-	4	0%
	Publications	Papers	-	-	-	-			-	2	0%
	Policy advocacy /n	Papers	-	-	-	-			-	1	0%
	Exposure visits /o	person	-	-	-	-			-	5	0%
	Support for policy design and implementation /p	Seminars	-	-	-	-	1	1	-	1	
	Dialogue, R&D/private sector /q	Seminars	-	-	-	-			-	1	

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Appendix 3: Compliance with legal covenants: status of implementation

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Appendix 3: Compliance with legal covenants: status of implementation

Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
Section 4.02	PCU to open and maintain a Project Account		24.07.2017 Completed	PMU has opened a Designated Account at Central Bank of Sri Lanka on 24th July 2017 (A/c No. 733313) in USD. Both PMU and IFAD agreed to use this account for having the initial advances of three loans. Initial Advances received.
Section 4.02	GOSL to replenish Project Account quarterly in advance		On going	Withdrawal Applications have been submitted to IFAD Quarterly (in several occasions funds were replenished before ending the quarter also.
Section 4.03	Procurement of goods, works and services carried out in accordance with the procedures laid down in Schedule 3		On going	As per Schedule 3 para 3 SAPP has procured the accounting software meeting IFAD's requirements for financial reporting. The system is in place and trained the finance staff. System is in operation up to date.
Section 4.04	Insurance of vehicles, equipment and civil works financed from the loan proceeds to be consistent with sound commercial practice.		Completed	Insurance of vehicles are done in accordance with Government rules and regulations.

Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
Section 4.05, section 11.10(b)	Audit report submitted to IFAD.	30/06/2020	Ongoing	Audit report delayed to COVID-19, IFAD FMD approved for 3 months delay, new due date is 30 Sep 2929
Section 4.06	Progress reports to be submitted to IFAD on a quarterly basis.		Ongoing	Yes, submitted to IFAD on time .
Schedule 4, para 7	AWPB to be submitted to the Fund, for its review and comments	Nov 2019	Completed	
Schedule 4, para 8(a)	A Mid-Term Review (MTR) to be carried out jointly by the Borrower and IFAD.	June 2020	Completed	
Schedule 4, para 16	Project to be exempted from all import duties, excise taxes and value added tax (VAT) on investment expenditures		On going	PMU is liable to pay VAT on expenditures

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Appendix 4: Technical background analysis

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Appendix 4: Technical Working Paper: Revised Economic and Financial Analysis of SAPP at the MTR – July 2020

I. Introduction and methodology

1. The USD 105 million Smallholder Agribusiness Partnerships Programme (SAPP), including an IFAD loan in the amount of USD 39.9 million was approved by IFAD's Executive Board in April 2017 and entered into force in May 2017. The programme completion and closing dates are 30 June 2023 and 31 December 2023 respectively.

2. The programme development objective is to sustainably increase the incomes and quality of diet of 57,500 smallholder households involved in commercially oriented production and marketing systems. The main target subgroups are: (i) 35,000 new rural household producers (owning less than 1 ha of land and relying on agriculture for at least 50 per cent of their household income) that will benefit from increased livelihood opportunities through their engagement with 4P schemes – this includes 4,000 households organized in 70 producer/ farmer organizations (P/FOs); (ii) 20,000 households already participating in 4P schemes established under the NADeP programme that will benefit from SAPP continued support in the form of seasonal working-capital loans¹; and (iii) 2,500 poor young women and men supported to become entrepreneurs, responding to demand for products or services generated along the value chain and complementing the 4Ps.

3. This IFAD and Government of Sri Lanka (GoSL) remote Mid-Term Review mission of SAPP took place from 29 June to 10 July 2020. The main objectives of the mission were to: (i) assess the programme implementation progress; (ii) review progress against the 2019 and 2020 AWPB and procurement plan; (iii) identify actual and potential/ emerging operational problems; and (iv) propose solutions, corrective measures or improvements to be done for an acceleration of the programme. This remote MTR mission will be supplemented by a field validation visit when circumstances permit.

4. The MTR mission revised the Economic and Financial Analysis (EFA) that was undertaken at the design stage to assess the relevance of its financial and economic parameters at the time of the mid term. This technical annex presents the methodology, assumptions and the results of the MTR EFA.

5. **Methodology and Approach of EFA.** The revision of the EFA was based on the following changes to the design EFA:

- (a) the number of beneficiaries was reduced from 66,000 households (HH), which was an overestimation at the design, to 57,500. They have been grouped into (i) 35,000 new HH with SAPP support for 4P subprojects; (ii) 2,500 youth loans subprojects; and (iii) 20,000 previous NADeP beneficiaries. The 1st two groups were treated as having 4P new business models starting from 2018 with SAPP assistance and would contribute with full incremental benefits to the revised EFA. The third group of 20,000 has two sub-groups: 6,370 who have established business and assumed to be in operation, and SAPP would support to expand their business – they will have only a marginal incremental benefit to the SAPP EFA since there are already in business with NADeP support; and the balance 13,630 with income generating loans and not necessarily the partners of 4P subprojects with full incremental benefit to the SAPP EFA, represented by tea nurseries.
- (b) The design EFA was based on 6 representative gross margin models. The revision used the gross margins models of almost all the 4P business models that were supported by SAPP as well as those in the pipeline, and the youth models, and the COVID-19 resilient type of models that SAPP has already supported. Table 1 provides the details.

Table 1: Type of gross margin models included in the EFA

Gross Margins included in the EFA – represent the business models	Number of Beneficiaries: Either already in approved 4Ps including COVID resilient subprojects, IGA Loans, youth subprojects, or 4Ps in the pipe lines				Total
	2018	2019	2020	2021	
SAPP Beneficiaries					

¹ In the November 2019 ISM, the target of 20,000 NADeP follow-on loans has been reduced to 6,370..

Sugarcane	1998	2002	0	0	4000
Dairy	83	2325	4561	3479	10448
Tea	493	522	500	2022	3537
Poultry	405	95	0	0	500
Cinnamon	0	350	0	0	350
Turmeric	0	124	50	0	174
Ground Nut	0	0	2268	0	2268
Chili	0	0	2189	211	2400
Cowpea	0	0	1256	0	1256
Maize	0	0	6340	0	6340
Pepper	400	530	2500	260	3690
Gherkin	0	0	1020	172	1192
Fisheries	0	0	280	0	280
Milk Collection	96	334	0	70	500
Seed Chili	0	0	65	0	65
Floriculture	172	68	0	260	500
Tea Nursery (IGA Loans)	0	0	0	13630	13630
Youth subprojects	0	1064	135	1301	2500
Total	3647	6350	21029	20104	51130
FO Aggregators		1	2		
NADeP Beneficiaries - with SAPP Business started prior to 2018					
Sugarcane (Scaled-up)	3994				
Dairy (Cargill's + Chello)	1241				
Tea [assumed to be scaled up]	170				
Turmeric [assumed to be scaled up]	17				
Pepper [rep kitual]	171				
Gherkin [assumed to be scaled up]	277				
Passion Fruits [assumed to be scaled up]	500				
Total NADeP	6370				6370
Project Total					57500

6. Table 1 shows the number beneficiaries distributed by the year of commencing their business and the type of business models. The numbers and their distribution are based on the approved 4P models, COVID resilient models, both types that are in the pipeline, and the type of youth projects. SAPP record provided the information. The beneficiaries in 2018 and 2019 have already commenced the business. Those who are in 2020 and 2021 would assume to be commencing business in these two years with approval for the business proposals. The NADeP beneficiaries are distributed by the type of business models that they were typically involved with during the NADeP project period and already commences business with NADeP support. One additional model was used to represent the F/POs who are operating as aggregators of produces of the beneficiaries.

7. The revision of the gross margin models used two approaches: (i) the 6 models which were included in the design, namely dairy, seed chili, gherkin, milk collection, passionfruit, and aggregators were updated to 2020 prices; (ii) all other models presented in Table 1 were derived using the 2020 prices. The cost of production, technical level of inputs, and prices were gathered using the financial budgets that were included in the 4P proposals of SAPP. Those models which are not in the 4Ps were based on various data sources that are cited in the EFA excel sheets.

8. The full benefits of the 4P models or any other model will not be realised in the first year of the business operation. This is because of two main reasons: (i) adoption of many technical recommendations will take some time and also vary with beneficiaries – there are early adopters and late adopters; (ii) SAPP experiences demonstrate that the beneficiaries take several months before they get the access to full amount of grants and credit that SAPP is providing which also hampers the full use of farm inputs to get the maximum production level. Realization of the full benefits of the

business models thus takes time and also increases gradually. The typical rates assumed in the revised EFA are: 1st and the 2nd project years (2018 and 2019): 60%, meaning only 60% of the beneficiaries reached by SAPP in 2018 would get the full benefits of the business models; 3rd and 4th years: 70%; 5th year: 70%; 6th year: 80%. The design EFA has not taken this practical assumption. Programme Cost and assumptions

9. The estimated cost of the SAPP, generated from design COSTAB, was used as the project cost for the revised EFA. These costs were derived in 2018 and thus converted to 2020 price levels using the GDP deflator.

10. The revised EFA was based on the following **general assumptions**:

- The current gross margin models that were elicited using the process highlighted above represent the “with project - WP” scenarios. The corresponding “without project (WOP)” situations were represented by either existing cost and production levels of the same enterprises or forgone labour cost. For 6,370 NADeP beneficiaries, only a marginal increase of the relevant model is assumed as the incremental cost and benefits attributable to SAPP. The assumption is 5% increase in the incremental gross margins for the period from 2018-2020 and 10% increase from 2021-2023. EFA excel sheets provide details.
- All benefits were estimated using 2020 prices. The incremental costs and benefits of the SAPP-supported enterprises will continue for a 20-year period which include the 6-year programme implementation period. For the enterprises which started in 2018 and 2019, both cost and benefit streams were adjusted to reflect 2018 and 2019 prices by deflating the 2020 costs and benefits using the GDP deflator. The project cost too was adjusted using the same process. Details of the conversion process is in the EFA excel sheets.
- For all activities which used labour, a financial rural daily wage rate of Sri Lankan Rs 1,200 per person-day (imputed cost of family labour too) were used. These are the prevailing rates in the project areas.
- Full production of the crops, livestock and fisheries models have been valued. It is possible that a part of the production is domestically consumed. This portion is also valued at the same farm-gate price to reflect the full financial and economic value of the production models.
- The financial discount rate is assumed at 6.5% which is the interest rate that the beneficiaries are paying for the credit that they access from SAPP.

II. Financial Analysis

a. Gross margin models

11. **The gross margin models** that were used for the EFA analysis are summarised in Table 2. The net benefits and return to labour of all the models have increased in the “With Project” case. The size of the enterprise unit is the typical size that was observed in business models supported by SAPP. The EFA will be developed on the basis of these gross margin models and with the assumption that one HH would practice one enterprise among those that are listed below. All the information about costs and returns are presented in the EFA excel sheets. The EFA excel sheets also presents other financial profitability indicators such as the benefit-cost ratios and switching values, and of those indicators also indicate the viability of the enterprises.

Table 2: Financial profitability of all gross margin models used in the EFA

Gross Margin Model	Unit of production & volume	Production: WOP	Net Benefits: WOP (Rs)	Production: WP	Net Benefits: WP (Rs)	FIRR	NPV (Rs, 6.5%, 20Yrs)	Return to Family Labour (Rs, WP)
Sugarcane	mt/1 ha	50	152,000	95	179,063	29%	185,034	2,158
Dairy: 2 cow, Yd improve	Lt/ (2 cow)	3,672	112,267	6,480	148,538	33%	600,483	1,485
Tea [low productive tea]	Kg/1 ha	2,500	22,000	18,000	643,500	23%	3,277,063	2,393
Poultry	Birds/1500	4,030	1,780,125	7,875	1,861,875	36%	540,808	3,786
Cinnamon: low yd farm	Kg/1 ha	75	48,900	1,000	644,000	24%	2,527,881	3,003
Turmeric	kg/1 ac	13,500	1,163,550	18,000	1,491,150	268%	3,187,128	9,869
Ground Nut	kg/1 ac	300	15,460	500	26,330	120%	101,039	1,820
Chili	kg/1 ac	2,000	99,522	2,100	154,726	92%	2,051,286	2,652
Cowpea	kg/1 ac	300	10,460	580	22,700	152%	214,796	3,628
Maize	kg/1 ac	1,000	12,440	2,300	47,760	755%	351,615	3,254
Pepper	kg/0.5 ac	875	27,875	1,750	68,150	31%	267,219	4,644
Gherkin	kg/1 ac	3,673	296,181	11,018	347,917	12%	106,030	8,361
Fisheries	kg/1 ha pond	3,200	305,200	6,000	339,385	36%	255,508	12,513
Milk Collection: 2 cows-WOP	Li/2 cow	6,570	305,200	20,805	957,210	29%	3,279,359	4,079
Seed Chili	kg/600 Sq mt	1,120	249,220	1,520	390,200	71%	772,160	2,958
Floriculture	Flws/1000sq Ft		135,000	5,082	878,850	35%	5,408,550	16,077
Tea Nursery (IGA Loans)	Plants/100,000		180,000	76,000	502,000	36%	2,976,840	2,810
Passion Fruits	kg/1 ha		202,800	5,000	730,343	54%	1,975,688	62,597

b. Production increase in enterprises

12. The programme direct beneficiaries would be expected to increase their production with technical advice, financial assistance, and marketing support. The EFA estimated the annual production levels of all enterprises at full development. As Table 2 summarises, the production levels of all enterprises at full development have increased in comparison to the levels prior to the project.

c. Treatment of Grants and Loans in the EFA

13. SAPP provides grants to finance the initial capital costs of the 4P subprojects and participatory Banks with coordination of SAPP provides loans to finance both capital costs and working capital. The amount of the loan is based on the demand of the producer and the amount of the grants is determined by SAPP subject to a ceiling. The SAPP grants do not cover working capital and also there are no input subsidies provided by SAPP. All the gross margin analyses do not include the grant, and this was because the EFA analysis focused on assessing the financial viability of the production models that are included in the 4Ps. The EFA analysis considered grants and loans as sources of funds to initiate and encourage the producers to participate with the 4P subprojects. Table 2 above shows that all production models are financially viable without grants and thus worthwhile to be included in 4Ps for receiving SAPP financial assistance.

d. Overall Financial Analysis

14. The cashflows of all the gross margin models that were populated with appropriate targets over the project period were aggregated to compute the total gross benefit flow of the project. The total cost is comprised of (i) the SAP project cost derived during design, based on 2017 prices; and (ii) the incremental cost, which is the difference between the "WOP" production cost and "WP" production cost of all enterprises. The project cost was converted to 2020 prices using the GDP deflator. In order to remove double counting of the project costs, the cost of the grants and credits included in the project cost has been removed. The project cost net of grants and credit in the 1st and the 2nd component was used in the EFA. The incremental benefits (same as the difference between "WOP" and "WP") of all gross margin models provided the benefit flow. The EFA excel sheets present the details. The Financial Internal Rate of Return (FIRR) is 29%. The net benefit flow was discounted at 6.5%, which is the current interest rate for the credit provided by SAPP to all types of beneficiaries. The Financial Net Present Value (NPV) of the project is USD 118 million.

III. Economic analysis

15. The economic analysis was carried out by adjusting the cost and benefits flows that were used in the financial analysis of the project to reflect economic values. In addition to the assumptions made in the financial analysis, the following assumptions were used in the economic analysis.

- The economic investment cost is based on the design project cost generated by COSTAB programme, which deducts the amounts payable for taxes and provisions for price contingencies from the financial costs and applies the shadow exchange rate to convert the cost portion in foreign exchange into local currency. Both taxes and duties are transfer payments which are excluded from the economic analysis.
- The following procedure was used to convert all prices of farm, livestock and fisheries production to economic prices:
 - For all non-tradable goods, standard conversion factor (SCF) of 0.98 was used to adjust the prices because of the market distortion including some degree of protection, high inefficiency of commodity transport and over valuation of the real exchange rate. The SCF was computed taking the ratio between the Official Exchange Rate (OER) and Estimated Shadow Exchange Rate (SER) [$SCF = ER/SER$] and the EFA excel sheets presents details. The same SCF is used for the conversion of the wage rate as well, since there is an effective labour market in the country;
 - For all tradable goods including inputs and outputs which have either import or export potential respectively, the shadow exchange rate factor, SERF (SER/OER) was used to convert the financial price to economic price.²
- The economic discount rate of 8.06%³, which is the Opportunity Cost of Capital representing the Average Weighted Deposit Rate was used.

16. After making the required adjustments to the cash flows of the financial analysis on the basis of the above assumptions, the economic analysis for the SAPP was carried out. The Economic Internal Rate of Return (EIRR) for the 20-years period is 30% with benefit cost ratio of 1.41 and the economic net present value (ENPV) of US \$ 84.48 million for a 20-year period (Table 3). The design EFA has generated an EIRR of 52% and an ENPV of USD 349.71 million over a twenty-year period with a 9% discount rate. The detailed analysis at the MTR revealed that the design EFA had substantially high values for the economic viability indicators. The difference is mainly due to the overestimation of the number of beneficiaries at the design stage, and treating the NADeP beneficiaries similar to SAPP beneficiaries when the former was already in business and as such would contribute only marginally to SAPP supports.

17. **Sensitivity analyses** were carried out to assess whether the project is economically viable to face possible risks that it will face during the next three years. Several changes are made to the benefit and the cost flow to represent the effect of the risk factors. Such changes are also listed in Table 3. **Error! Reference source not found.** These include increasing the economic cost of the programme, decreasing the benefits of all enterprises, and one-year delay in realising programme benefits.

The results of the sensitivity analyses are presented in

18. Table. Both cost increase by 10% and 20%; benefit decrease by 10% and 20%; and both scenario taking place together yield EIRRs that are higher than the opportunity cost of capital and therefore indicate that the enterprise models and the programme as a whole are quite stable to face risky scenarios.

Table 3: Results of the Economic Analysis

Sensitivity Analyses	EIRR	B/C Ratio	NPV (Rs mn)	NPV (USD mn)
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² SCF is based on the OER and SER that were used have been derived using export and import statistics. The SERF ($1/SERF$ is the SCF) = $(M + T_m - S_m) + (X - T_x + S_x) / (M + X)$; Where M and X are the total value of imports and exports respectively in foreign currency converted to domestic currency at the Official Exchange Rate (OER), and T_m and T_x are total taxes on imports and exports respectively and S_m and S_x are the total subsidies on imports and exports, respectively. Central Bank Annual Review, Sri Lanka for several years provided information.

³ Average Weighted Deposit Rate (AWDR) is calculated by Central Bank monthly, based on the weighted average of all outstanding interest-bearing deposits of commercial banks and the corresponding interest rates (Ref: Monthly Bulletin, March 2020)

Base Case	30%	1.41	15,360	84.48
All cost increase by 10%	24%	1.28	11,576	64
All cost increase by 20%	19%	1.17	7,792	43
All benefits decrease by 10%	23%	1.27	10,040	55
All benefits decrease by 20%	16%	1.12	4,720	26
Cost increase by 10% and benefits decrease by 10%	17%	1.15	6,256	34
1 year delay in getting benefits	19%	1.35	9,593	53

19. In order to make a comparison between the design EFA and the MTR EFA in terms of the structure and the results, type of gross margin models and key results of the two analyses are presented in the Table below. It is noteworthy that all financial indicators of the design are considerably higher than the indicators of the MTR analysis, which explains the significant difference in the two sets of results.

Table 4: Results of the Economic Analysis

Type of Value Chains (VC) included	Nb of beneficiaries		Return to family labour (Rs)		Financial NPV (Rs 1000)		Financial IRR	
	Design	MTR	Design	MTR	Design (9.16% DR)	MTR (6.5% DR)	Design	MTR
FO / Aggregator	10	3						
Passion Fruit-Pumpkin	10,000		29,562		1,333,985		100%	
Gherkin-Maize-Jalapeno	15,000	7,532	15,018	8,361	869,641	106,030	177%	12%
Milk Collection Centre	20,000	500	1,841	4,079	712,799	3,279,359	136%	29%
Vegetable seeds-poly tunnel	1,000	65	2,717	2,958	844,727	772,160	136%	71%
Dairy Improved Feed	10,000	10,448	2,619	1,485	1,752,055	600,483	135%	33%
Chilli-Maize-Sesame	10,000	2,400	8,857	2,652	2,250,511	2,051,286	>50%	92%
Sugarcane		4,000		2,158		185,034		29%
Tea		3,537		2,393		3,277,063		23%
Poultry		500		3,786		540,808		36%
Cinnamon		350		3,003		2,527,881		24%
Turmeric		174		9,869		3,187,128		268%
Ground Nut		2,268		1,820		101,039		120%
Cowpea		1,256		3,628		214,796		152%
Pepper		3,690		4,644		267,219		31%
Fisheries		280		12,513		255,508		36%
Floriculture		500		16,077		5,408,550		35%
Tea Nursery (IGA Loans)		13,630		2,810		2,976,840		36%
NADeP								
Sugarcane [Gal-Oya Project]		3,994		2,158		185,034		29%
Dairy [Cargills (891)+Chello Dairy (350)]		1,241		1,485		600,483	135%	33%
Tea [assumed to be scaled up]		170		2,393		3,277,063		23%
Turmeric [assumed to be scaled up]		17		9,869		3,187,128		268%
Pepper [also approx. represents Kitul]		171		4,644		267,219		31%
Gherkin [assumed to be scaled up]		277		8,361		106,030	177%	12%
Passion Fruits [assumed to be scaled up]		500		29,562		1,333,985	100%	100%
Total Beneficiaries	66,000	57,500						

20. The EFA Excel sheets, both for financial and economic values, provide the detail tables listed below.

[GDP Implicit price deflator!A1](#)

GDP for deflating / inflating prices to 2020 prices

[SCF+SER!A1](#)

Conversion factors

[Ben!A1](#)

Number and type of beneficiaries

[Prices!A1](#)

All prices

[Fin&EcoAnalysis!A1](#)

Aggregates for Financial and Economic Analyses and the results

[Summary!A1](#)

Viability indicators of all enterprises

[Sugar!A1](#)

Gross margin model for Sugar

[DairyFarm!A1](#)

Gross margin model for Dairy farming

[TeaRP!A1](#)

Gross margin model for Tea replanting

[Poultry!A1](#)

Gross margin model for commercial poultry

[Cinamon!A1](#)

Gross margin model for cinnamon replanting

[Turmeric!A1](#)

Gross margin model for turmeric planting

[GroundNut!A1](#)

Gross margin model for ground nut cultivation

[Chili!A1](#)

Gross margin model for commercial chili

[Cowpea!A1](#)

Gross margin model for cowpea cultivation

<u>Maize!A1</u>	Gross margin model for maize
<u>PPProdImp!A1</u>	Gross margin model for productivity improvement of pepper
<u>Gherkin_Jalap!A1</u>	Gross margin model for commercial cultivation of Gherkin to represent veg
<u>FishFarmModel!A1</u>	Gross margin model for small fish pond
<u>Milk_Collec_Cen!A1</u>	Gross margin model for milk collection center
<u>SeedChili!A1</u>	Gross margin model for commercial seed chili
<u>P Fruit_Pumpkin!A1</u>	Gross margin model for passion fruit
<u>FO_PORepresent!A1</u>	Gross margin model for FO/PO as an aggregator
<u>Orchid!A1</u>	Gross margin model for Floriculture
<u>TeaNursery!A1</u>	Gross margin model for Tea nursery as an IGA
<u>Comp1!A1</u>	Financial and economic cost of project component 1
<u>Comp2!A1</u>	Financial and economic cost of project component 2
<u>Comp3!A1</u>	Financial and economic cost of project component 3

Sri Lanka

Smallholder Agribusiness Partnerships Programme

Mid-term Review

Appendix 5: Mission preparation and planning, TORs, schedules, people met

Mission Dates: 29 June - 15 August 2020
Document Date: 13/10/2020
Project No. 2000000929
Report No. 5529-LK

Asia and the Pacific Division
Programme Management Department

Appendix 5: Mission preparation and planning, TORs, schedules, people met.

Mission Preparation and Planning. The COVID-19 pandemic and restrictions imposed to mitigate it did not allow for a field MTR mission for SAPP. Instead, a remote mission was planned whereby all mission meetings were carried out via electronic communication, primarily using the Zoom platform. Mission members participated from their home offices. The PMU staff organized and were able to participate physically in meetings of a smaller size. An MTR field mission will be scheduled to validate results when circumstances permit.

Terms of Reference for Consultants and other persons hired by IFAD to participate in missions under a non-staff contract

COUNTRY OF ASSIGNMENT/LOCATION: Sri Lanka

MISSION NAME: Smallholder Agribusiness Partnerships Programme (SAPP) Remote Mid-Term Review Mission

MISSION START AND END DATES: 29 June – 10 July 2020

REPORT TO: Tarek Kotb, Country Director, APR/PMD

MISSION COMPOSITION:

Tarek Kotb, Country Director and Mission Leader

Donald Greenberg, Team Leader, Value Chain and Institutions

Elizabeth Ssendiwala, Institutions Specialist

Anura Herath, Economist

Jennet Sonntag, Gender and Targeting Specialist

Mehri Ismaili, M&E and Results Management Specialist

Dayananda Ratnasekera, Procurement Specialist

Le Chi Dung, FM Specialist

Evi Wulandari, Environment and Climate Programme Officer

BACKGROUND:

The USD 105 million Smallholder Agribusiness Partnerships Programme (SAPP), including an IFAD loan in the amount of USD 39.9 million (blend terms) was approved by IFAD's Executive Board in April 2017 and entered into force in May 2017. The programme completion and closing dates are 30 June 2023 and 31 December 2023 respectively. The lead programme agency is the Ministry of the Mahaweli, Agriculture, Irrigation and Rural Development. In September 2017 the EB approved the first additional financing and in December 2018, the IFAD EB approved a second additional financing to entirely fill the financing gap. The programme development objective is to sustainably increase the incomes and quality of diet of 57,500 smallholder households (initially) involved in commercially oriented production and marketing systems. This would be achieved through three components:

Component 1: Access to commercial partnerships. This component includes two subcomponents: (1.1) establishing 4Ps; and (1.2) institutional strengthening and capacity-building of producer groups (within a market-driven model).

Component 2: Access to rural finance. This component will have two subcomponents: (2.1) financing of 4Ps; and (2.2) institutional strengthening of the financial services sector. The component follows the strategies, modes of intervention and investment opportunities that emerge under component 1, and aims to facilitate sustainable access to rural financial services at affordable rates.

Component 3: Programme management and policy dialogue. This component comprises two subcomponents: (3.1) programme and knowledge management; and (3.2) policy dialogue.

The programme target group comprises 57,500 poor rural households (representing 230,000 individuals), with the potential to become active economic players in a diverse array of value chains. Essentially, there are three target subgroups: (i) 35,000 new rural household producers (owning less than 1 ha of land and relying on agriculture for at least 50 per cent of their household income) that will benefit from increased livelihood opportunities through their engagement with 4P schemes – this includes 4,000 households organized in 70 producer/ farmer organizations (P/FOs); (ii) 20,000 households already participating in 4P schemes established under the NADeP programme that will benefit from SAPP support in the form of access to seasonal working-capital loans to ensure the sustainability of their production systems; and (iii) 2,500 poor young women and men that will be supported in becoming entrepreneurs, responding to demand for products or services generated along the value chain and complementing the 4Ps – they are either unemployed, landless or own less than 1 ha of land. The MTR mission will also focus on the recommendation of the previous supervision mission and specifically to the effectiveness and development focus to the 4Ps, to the sustainability and scaling up and to the programme management.

MISSION OBJECTIVES AND OUTPUTS:

The main objectives of the Mid-Term Review Mission for SAPP will be to: (i) assess the progress made in the

implementation of the project; (ii) review progress against the 2019 and 2020 AWPBs and procurement plans;

(iii) identify actual and potential/emerging operational problems; and (iv) propose solutions, corrective measures or improvements to be done for an acceleration of the programme. In preparation for the mid-term review exercise, the PMU is expected to prepare and submit a brief progress report – this will reflect the latest physical and financial progress, performance data and M&E data (outreach, targeting, BP progress). The PMU will also prepare the documentation required for the review of fiduciary issues ahead of the mission (including procurement records, etc.). In addition, the PMU will prepare the draft field itinerary for the mission.

INDIVIDUAL RESPONSIBILITIES, EXPECTED OUTPUTS AND REQUIRED COMPLETION DATES

Mr Tarek Kotb, Country Director and Mission Leader

The mission leader will assume the overall coordination of the mid-term review mission, review the aide memoire, the MTR report and management letter, prior to their finalization. He will lead all wrap-ups meetings with the SAPP team and the Government.

Ms Donald Greenberg: Team Leader Institutions and Value Chain Specialist; Component 1 & 2

overview and programme management

You will be responsible for coordinating the mission members (and their inputs into the written deliverables), reviewing overall project implementation progress and assessing the general coherence and complementary linkages across components and activities. More specifically, you will assume responsibility for oversight and delegation of component 1 (access to commercial partnerships), programme management and institutional issue and component 2 (access to rural finance); you will as well provide technical support and input on sub-component 1.1 (establishing 4Ps). Specifically, you will be tasked to undertake the following:

- (i) Based on appraisal targets, the 2019/2020 AWPBs and the last implementation support mission, review implementation progress related to component 1 and the promotion of 4P business arrangements; you will as well identify actual and potential/emerging operational problems, and propose solutions for corrective measures or improvements to be made;
- (ii) Supported by the rural finance specialist, review progress under sub-component 1.1 – implementation of the approved 4P proposals (BPs) and identify new BPs to be selected;
- (iii) Review the progress under sub-component 1.2 and review the strategy, approach and outreach materials that can integrate the P/FOs into 4P schemes;
- (iv) Assess the ongoing 4P model, including the evaluation and approval process, guiding principles and approach that are being scaled-up under SAPP;
- (v) Assess the quality of programme management and effectiveness/ efficiency of other institutional arrangements in place;
- (vi) Assess the priority activities carried out in the roll-out of SAPP;
- (vii) Based on appraisal targets, the 2019/2020 AWPBs and the last implementation support mission, review implementation progress related to component 2 and the establishment of 4P business arrangements; you will as well identify actual and potential/emerging operational problems, and propose solutions for corrective measures or improvements to be made;

- (viii) Review progress under sub-component 1.1 – implementation of the approved 4P proposals (BPs); as well, provide technical input in the review of new 4P BP proposals for recommendation;
- (ix) Assess the quality and effectiveness of the 4P technical evaluation process currently in place and the achievements;
- (x) Assess the effectiveness and efficiency of the consolidated revolving line of credit, including a review of the appropriateness of the financial products and services;
- (xi) Assess the level of cooperation with PMU, CBSL and PFIs, towards ensuring smooth and complementary delivery of services to the target group;
- (xii) Consolidate all mission member inputs and provide written inputs related to your component/activities for the aide-mémoire and mid-term review report, including: (a) overall assessment; (b) outputs and outcomes; (c) implementation progress; (d) sustainability issues; and (e) updated recommendation table with clear assignments, responsibilities and due date.

Deliverables: Provide written inputs related to your component/activities for the aide-mémoire and mid-term review report, including: (i) overall assessment; (ii) outputs and outcomes; (iii) implementation progress; (iv) sustainability issues; and (v) updated recommendation table with clear assignments, responsibilities and due date.

Elizabeth Ssendiwala, Institutions Specialist

You will be responsible for reviewing implementation progress under F/POs and specifically, you will be tasked to undertake the following:

- (i) Support the agronomist in the assessment and review of the mechanisms and tools for engaging and working with producer/ farmer organizations;
- (ii) Assess the appropriateness and effectiveness of P/FO diagnostics and appraisal procedures, and the selection and identification of the P/FOs having the best potential for engaging in a 4P scheme;
- (iii) Support the Agronomist in the Review the Action Plan for accelerating and operationalising the organizational strengthening and capacity building of selected P/FOs;
- (iv) Review the preparatory materials and guidelines for progressively integrating potential P/FOs into 4P schemes.

Deliverables: Provide written inputs related to your component/activities for the aide-mémoire and mid-term review report, including: (i) overall assessment; (ii) outputs and outcomes; (iii) implementation progress; (iv) sustainability issues; and (v) updated recommendation table with clear assignments, responsibilities and due date.

Mr Anura Herath, Economist

Under the overall direction of the Country Director and Task Team Leader you will work with the other mission team members in light of the MTR mission overall objective; including but not limited to:

- (i) Assessment of outreach and physical targets;
- (ii) Assess the status of implementation of the 2019 supervision mission recommendations;
- (iii) Assess overall progress against overall targets by the project.
- (iv) With the help of the different team members, assess progress under different subcomponents and whether there is need for any redesign.
- (v) Provide recommendations on how to improve implementation and, as needed, how to adjust activities for the remaining project period;
- (vi) If needed, update the costab for the project to reflect any changes and re-run if needed;
- (vii) Perform the EFA at MTR, incorporating the initial findings to be included in the aide-memoire. The final and full details has to be included in the supervision report.
- (viii) Any other related duties that might be requested by the Country Director and the mission leader.

Deliverables: Provide written inputs related to your component/activities for the aide-mémoire and mid-term review report, including: (i) overall assessment; (ii) outputs and outcomes; (iii) implementation progress; (iv) sustainability issues; and (v) updated recommendation table with clear assignments, responsibilities and due date. Any other related duties that might be requested by the Country Director and Team Leader.

Ms Jennet Sonntag: Gender and Targeting Specialist

In close collaboration with the M&E and results management specialist, you will be responsible for assessing and providing technical support and assistance on all issues and aspects related to gender and targeting. Specifically, you will be tasked to undertake the following:

- (i) Based on appraisal targets and the 2019/2020 AWPBs, review output and outcome level progress, specifically from a gender and targeting perspective;
- (ii) Assess the progress in preparation of the gender and targeting strategy(ies) (under private-led AND FO-led (iii) 4Ps), and the means by which to operationalise these strategies;
- (iv) Provide technical guidance on developing gender and targeting tools, methodologies, options, etc. to enhance gender and targeting delivery;

(v) Assess progress in the promotion of youth entrepreneurship and training activities;

(vi) Review the methodology and the progress in undertaking the baseline survey;

(vii) Any other related duties that might be requested by the Country Director and the mission leader.

Deliverables: Provide written inputs related to your component/activities for the aide-mémoire and mid-term review report, including: (i) overall assessment; (ii) outputs and outcomes; (iii) implementation progress; (iv) sustainability issues; and (v) updated recommendation table with clear assignments, responsibilities and due date. Any other related duties that might be requested by the Country Director and Team Leader

Mehri Ismaili: M&E, KM and Results Management Specialist

You will be responsible for reviewing the efficiency and effectiveness of the M&E system and reporting mechanisms, including the quality of the reporting. Specifically, you will be tasked with reviewing and providing guidance to the PMU, on the preparations required, and the quality expected for effective M&E reporting and results management. You will be tasked with the following:

- (i) Based on appraisal targets and the 2019/2020 AWPBs, review overall output and outcome level progress;
- (ii) Assess and review the current M&E system in place (including responsibilities, arrangements, compliance across project actors), especially its effectiveness in capturing bottom-up information/ data for reporting and as a management tool, and more especially vis-à-vis results measurement for impact (outcome and towards impact level monitoring and reporting);

Assess project achievements/ results and the M&E data and information from both a gender and youth specific perspective;

- (iv) Assess the quality of M&E systems and reporting, and provide training and guidance to the PMU for improved reporting;
- (v) Identify and recommend options/ opportunities for effective knowledge management and dissemination; linked to this, provide guidance on development of a knowledge and communications strategy/ plan;

- (vi) With the gender and targeting specialist, review the methodology and the progress in undertaking the baseline survey;

(viii) Prepare an information session and brief presentation of updated IFAD M&E requirements and reporting;

(viii) Provide guidance in setting up the system for undertaking the annual outcome surveys; support development of tools, etc. that may be required;

(ix) Provide written inputs related to your component/activities for the aide-mémoire and mid-term review report, including: (a) overall assessment; (b) outputs and outcomes; (c) implementation progress; (d) sustainability issues; and (e) updated recommendation table with clear assignments, responsibilities and due date.

(x) Any other related duties that might be requested by the Country Director and the mission leader.

Deliverables: Provide written inputs related to your component/activities for the aide-mémoire and mid-term review report, including: (i) overall assessment; (ii) outputs and outcomes; (iii) implementation progress; (iv) sustainability issues; and (v) updated recommendation table with clear assignments, responsibilities and due date. Any other related duties that might be requested by the Country Director and Team Leader.

Mr Dayananda Ratnasekera: Procurement Specialist

You will be responsible for undertaking the procurement review, which should address the following guiding

questions and issues: is access to all procurement transactions and documentations of the period available during mission; provide a brief description of the review of the procurement actions according to the following aspects - structure of the Procurement Unit, Procurement Plan, Procurement Initiation, Terms of Reference/Specifications, Solicitation documents, Procurement Processes/methods, Contract Drafting, Contract Awards, Record Keeping, Contract Management, and any procurement on hold including unresolved issues with contractors; describe in detail if there are any issues of non-compliance in any of the procurements completed or in progress. Specifically, you will also be tasked with the following:

(i) Summarize main progresses, issues and constraints in the current procurement process of the project;

(ii) Review bidding documents (goods, works, and services) and bid evaluation reports prepared by the projects to ensure quality control;

(ii) Undertake spot checks of procurement related documentation of projects;

(iv) Review quality and progress in implementation of the procurement plan; provide guidance for updating the

procurement plans (in conjunction with the AWPB) as required;

(v) Assess the procurement capacity of the Implementing Agencies and Projects as may be necessary;

(vi) Undertake performance checking of projects on procurement, contract management, disbursement, and safeguards and preparing score cards;

(vii) Identify means for streamlining and improving existing procurement processes to ensure consistency and measures to minimize malpractices during bid submission;

(viii) Any other related duties that might be requested by the Country Director and the mission leader.

Deliverables: Provide written inputs related to your component/activities for the aide-mémoire and mid-term review report, including: (i) overall assessment; (ii) outputs and outcomes; (iii) implementation progress; (iv) sustainability issues; and (v) updated recommendation table with clear assignments, responsibilities and due date. Any other related duties that might be requested by the Country Director and Team Leader.

Le Chi Dung, Financial Management Specialist; Fiduciary aspects

Under the guidance of IFAD/FMD, you will be responsible for all fiduciary aspects and specifically for the tasks listed below:

1. Based on the financial reports prepared by the project, review the financial performance by expenditure category and component to assess the project's overall financial performance to date against (i) appraisal and (ii) approved AWPBs since project start. Review the cumulative status of funds by category of expenditure, approved AWPB and the project commitments (contracts signed not paid) in order to estimate the adequacy of funds and the potential need for category reallocations.

Summarize the reasons for significant variances between expected and actual disbursement rates.

Identify actual or potential problems and bottlenecks;

2. Assess the project performance and fiduciary risk and describe major changes since project's inception;

3. Assess regularity of WA preparation. Recommend concrete measures to ensure faster and more efficient disbursements;

4. Review Project disbursement and flow of funds from IFAD. Identify any issues in disbursement and fund flow; Assess the project's treasury planning; analyse adequacy of DA authorised allocation, with respect to projected expenditure requirements;

5. Describe banking arrangements. Examine utilization and status of the Special Account and Project Accounts. Summarize financial progress by expenditure categories and by component in line with the required Aide Memoire formats. Ensure that the bank reconciliations and DA account reconciliations are correctly prepared on a monthly basis. Validate the closing balances from copies of the bank statement and clarify the status of the reconciliation items (if any); Provide support to the appropriate Project staff as required;

6. Identify financing agreement covenants and verify project's compliance;

7. Describe internal audit arrangements including reporting lines, methodology/procedures, audit work plan and status/follow up on past recommendations; review IA reports [if the Borrower is willing to share them], describe findings;

8. Provide guidance to the Project on preparing financial statements and withdrawal applications in line with IFAD procedures and requirements;

9. Review functionality of accounting and financial reporting system, identify accounting standards used and report differences with IFRS/IPSAS. Assess timeliness of recording transactions, budget posting and reconciliations. Assess suitability of the chart of accounts;

10. Review the system for Statement of Expenditures (SOE), including the utilisation of funds and spot checking of the documentation of expenditures claimed under SOE, the need for reallocations and compliance with financial covenants. Provide support and guidance to the Project as required;

Document findings on individual SOE items, noting down any ineligible expenditures. Provide recommendations on any internal controls weakness noted.

11. Review the expenditure process from the District offices in terms of quality, completeness, timeliness and compliance;

12. Review functioning of the Borrower's record-keeping and accounting systems, including ensuring that the accounting records are kept updated;

13. Review availability of counterpart funds (government and beneficiaries), identifying bottlenecks if any. Verify that the value of in kind contributions from government and beneficiaries, if any, are estimated and recorded by the project;

14. Review the issue of payment of taxes. Review compliance on the repayment of taxes;

15. Review latest external audit report and project's audit log; assess status of implementation of

management letter recommendations. Verify status of preparation of upcoming audit and make recommendations as appropriate for extending the scope of audit to specific implementing entities, physical checks, performance audit, transaction list or other;

16. Review action taken to address recommendations of previous FM-related mission; and

17. Identify current risks arising from material deficiencies and propose practical recommendations for

improving financial management functions and/or capacity of staff for financial operations needed to

mitigate risks. Prepare the current Summary Risk Analysis;

18. Reporting: Prepare a technical note on the above areas and a relevant section for the Aide Memoire by the date agreed, and submit technical report no later than 2 days after the last day of the field mission; Input to Main body of the aide-memoire: - Section E. Fiduciary Aspects covering : (a) financial management; (b) disbursement; (c) counterpart funds; (d) loan covenants; (6) external Audit; and the summary Risk Analysis table specifying, as relevant, the agreed actions, responsibilities and dates in respect of fiduciary mitigation actions;

19. Any other related duties that might be requested by the Country Director and Team Leader

Evi Wulandari, Environment and Climate Programme Officer

Under the overall direction of the Country Director and Task Team Leader you will work with the other mission team members in light of the MTR mission overall objective; including but not limited to:

Responsible for the analysis and drafting of two sections of the MTR report (Requirements of SECAP, Adaption to Climate Change)

2) Track progress on agreed actions relevant to climate and environment from the November ISM. I believe that you have already received a copy of the ISM report from Mehri. I've also attached the PMU's update on these agreed actions.

3) Analysis of the degree to which SAPP has adhered to commitments on climate/resilience environment, not covered above.

Any other actions requested by the Country Director or Team Leader.

DOCUMENTATION

The following documentation will be made available to consultants prior to the assignment:

- Financing Agreement

- 2019 and 2020 AWPB and PP

- Updated physical and financial progress report from the PMU

Click here and type country name

Click here and type project name

Supervision report - Mission dates: [click here and insert mission dates](#)

SAPP MTR MISSION

AGENDA & ITINERARY 29 JUNE – TBD JULY 2020

Date	Programme	Responsibility
Monday 29- June	<p>07:30 – 11:00 Progress report: C1 including youth C2 Status of Agreed Actions COVID-19 Assessment and Recommendations Key MTR recommendations</p> <p>11:00 – 13:00 Progress report FM/HR & Admin Procurement Targeting/gender M&E</p> <p>14:00 – 15:00 Bi-Lateral Meeting Gender</p> <p>16: 00 – 18:00 Bi-lateral Zoom meeting Youth</p> <p>19:00 – 20:00 MTR team meeting/debrief (daily)</p>	<p>Anura/ Niwantha/Wije/Augustine/Nilushana Bandara/ Kumaran PD - Dr Yasantha Anura PD – Dr Yasantha</p> <p>Thamara/Dilani/Geeth/PD Dr Yasantha Jagath Amila/Kapila Nalaka/Amila</p> <p>Kapila</p> <p>PD – Dr Yasantha Nalaka/Niwantha/Wijesinghe/Jayamini Nilushana/Amila/Augustine (Arranged by Jenneth)</p> <p>SAPP Staff</p>
Tuesday 30 – June	<p>Bi-Lateral Meeting</p> <p>8.00 – 9:00hrs - Agri. Business Dev. & Imp.</p> <p>9:00 – 9:30 - Courtesy Call to Secretary Ministry of Agriculture</p> <p>9:30 – 11:00 - Rural Finance</p> <p>11:00 – 12:00 - Bi-Lateral Meeting</p> <p>Targeting/Outreach/Nutrition</p> <p>16:00 – 17:00hrs. Courtesy call to ERD</p>	<p>Anura/Nilushana/Sajith/Indika/Niwantha/Kapila/ Wijesinghe</p> <p>PD – Dr Yasantha, Secretary MOA, Addl.Sec. Bandara/Kumaran/Anthony</p> <p>Amila</p> <p>PD –Dr Yasantha/Geeth (PMU)</p> <p>ERD</p>
01 July	<p>Field Visit (Team 1) Southern Province & North Western Province 8:30 – 10:00 Cinnamon 9uthsahaya – F/PO) (A)</p>	<p>Anura/Nalaka/Nishantha/Rohitha/ Amila/Indika</p>
02 July	<p>7:30 – 9.00 Dairy Farming (Chello – Pvt. Company (B) 9:00 – 10.30 Maize Cultivation (COVID Response Project (C)</p>	<p>Anura/Nalaka/Nishantha/Rohitha/ Amila/Indika</p>
01 July	<p>Field Visit (Team 2) Sabaragamua & Uva Provinces)</p>	

[Click here and type country name](#)

[Click here and type project name](#)

Supervision report - Mission dates: [\[click here and insert mission dates\]](#)

	7:30- 9:00 Youth Project(Green Veg-Pvt. Company)(D) 9:00 – 10:30 Pepper Project (Raththota Co-op)	Niwantha/Bandara/Nishantha/Anil/ Kapila/Sajith
02 July	7:30 – 9:00 Dairy Farming (Richie Dairies) (F) 9:00 – 10:30 Dairy Farming (Bandarawela MPCs) (G)	Niwantha/Bandara/Nishantha/Anil/ Kapila/Sajith
01 July	Field Visit (Team 3) Western Province & Eastern Province 8:00 – 9:30 Tea Infilling – Aruna Tea Pvt Company (H)	Wijesinghe/Kumaran/Ashoka/Anthony
02 July	7:30 – 9:30 Turmeric Cultivation- Coop (I) 9:00 – 10:30 Cowpea Cultivation – COVID Response Project (J)	Wijesinghe/Kumaran/Ashoka/Anthony
03 July	Field Visit Wrap ups, Q&A 8.00 – 11.00 11.30 – 12.30 Other Meetings	Anura/Nalaka/Amila/Indika/Niwantha/ Kumaran/Sajith/Anthony/Anil/Wijesinghe/ Bandara/Kapila/Ashoka/Nishantha(PMU) 05 Service Providers 08 PFIs 23 Promoters Anura/Wijesinghe/Kumaran/Bandara/Nalaka/ Niwantha/Amila/Ashoka/Sajith/Indika/Sajith
Saturday & Sunday 04-05 July (Asalha Puja)	Drafting of AM	
06 July	9.00 – 11.00 Central Bank of Sri Lanka	PD – Dr Yasantha/Bandara/Kumaran (PMU) Director RDD/Dilhan/Vijitha (CBSL) Don/Anura (IFAD)
08 July	Pre-wrap up & Technical discussion PMU 8:00 – 12.00 14:00 – 16:00 Finalization – wrap up	SAPP Staff & MTR Mission
Date yet to be confirmed	Review with Ministry/NSC/ERD	PD Dr Yasantha/SAPP HODs/SAPP Consultants Secretary – Ministry of Agriculture Addl.Sec – Ministry of Agriculture NSC Members ERD Officers Dr Tarek/Don/Anura/Mehri - IFAD

Sri Lanka

Smallholder Agribusiness Partnerships Programme

Mid-term Review

Appendix 6: Procurement

Mission Dates: 29 June - 15 August 2020
Document Date: 13/10/2020
Project No. 2000000929
Report No. 5529-LK

Asia and the Pacific Division
Programme Management Department

Appendix 6: Procurement

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Annex 1

i. Review of Procurement Plan

The procurement plan (PP) for the year 2020 includes goods (including non-consulting services) and consulting services for a total cost of **US\$1,174,380**. It is in line with the AWPB and updated on 03.05.2020 by adding recruitment of three Regional Coordinators as recommended by the February 2020 implementation support mission and reducing the number of junior consultants by three. Updating the PP was completed before the MTR Mission. The nature of activities, quantity of goods and services in PP appear consistent with activities referenced in the 2020 AWPB. Basically, Procurement Plan follows the IFAD template with reference to the activities in the AWPB. The selection of procurement methods is in compliance with the provisions of the LTB (Letter to the Borrower). Generally, time estimates appear realistic and procurement budget is adequate. Procurement activities are systematically and logically grouped according to the categories and packaging done in a way that facilitates application of the most competitive method. Out of 52 items of procurements, only six items are subject to prior Review. During last six months of 2020, six items of procurements (15 activities) have been completed and six items of procurements (9 activities) were initiated. This level of performance in the midst of COVID-19 pandemic is commendable. Ongoing procurements are at varying stages of completion. The PP does not exhibit major shortcomings that have impact on project implementation. In order to catch-up on the backlog, the implementation process need to be accelerated in the rest of the year. Recommended rating for this section is **Satisfactory (5)**.

ii. Review of Ongoing/Completed Procurement Activities and Documentation

Process and procedure from prequalification to bidding:

The mission reviewed 11 completed activities of procurements (Annex 1) and observed that the procurement process conforms largely to the Government Procurement Guidelines and are consistent with the IFAD Procurement Guidelines, Procurement Handbook; LTB and other policies and requirements, such as the IFAD Policy on Preventing Fraud and Corruption. The procurements initiated and completed were in accordance with the procurement Plan and based on requisitions received. Prequalification criteria and schedules of requirements (i.e. technical specifications, quantities or terms of reference, etc.) are clearly expressed and measurable. Evaluation methodology is fully disclosed in the bidding documents. No late bids were accepted. The project has applied Shopping method mostly for Goods and Services and QCBS or CQS for selection of Consultants. Under NCB the Project is using standard Bidding documents and publish advertisements in national newspapers and social media. If any prospective bidder requiring clarifications of the bidding documents, is entitled to contact the entity in writing at the entity's address specified in the invitation. The entity responds in writing to such requests for clarifications with copies to all bidders without reference to the bidder who requested clarification. When prospective bidders are selected under EOIs usually pre bid meeting are held before calling for RFPs. Bids are deposited in the Tender Box until Bid opening Committee meeting is held. The documentary evidence were available showing that more than the minimum number of bids were received, as per method requirements; and, competition was maximised. **Mission recommends Satisfactory (5) rating for this section.**

Process and procedure for Evaluation to award.

SAPP has complied with most of the requirements of the Government and IFAD's Procurement Guidelines including provisions of the Financing Agreement and Letter to the Borrower (LTB) under this section too. Based on the review, the PMU open quotations/bids same day immediately after the closing of bids in front of the bidders announce relevant details / prices as relevant. The evaluation process was done by respective Technical Evaluation Committees appointed by the appropriate authority comprising of at least three members. At least one of them would be technically qualified person who is competent to advise on the type of procurement and two members from the project. Evaluation done across 3 steps, Preliminary Examination, Technical Evaluation and Financial Evaluation, consistent with the methods of procurement. Upon the receipt of IFAD, NO s and approval of the relevant Procurement Committee the contract is awarded. In all other cases, contracts are awarded with approval of the Procurement Committee. Rating recommended for this section is **satisfactory (5)**.

iii. Review of Contract Administration and Management

The procurement unit is responsible for all procurement contracts other than contracts relating to 4P projects. Contracts relating to 4Ps are handled by the respective sectional heads of Divisions. Although the contract administration is the responsibility of the procurement specialist, at present, both contract administration and management relating to consultancy contracts is carried out by the Deputy Program Manager. The project is using IFAD contract register template in line with the LTB. It provides information on all awarded contracts for the whole life of the project. The updated Contract register as at 16.06.2020 was made available to the mission for review and the mission reviewed 22 randomly selected contracts out of 57. Out of 22 contracts, 15 had to be extended and some of them have not yet been extended. As a

result of this situation documents relating to extensions, terminations, physical and financial progress of the contract etc. are not available in main procurement file and involvement of the procurement specialist in the contract administration process is minimal.

Contract payment monitoring form review. The project is using the IFAD template for contract payment monitoring (C11) in line with the LTB, and the contract management officers are responsible for monitoring the progress and recommending payments. Mission reviewed all C11 forms relating to consultancy contracts. The mission observed that there is not proper coordination between contract administration and management. Once the Procurement Unit informs about the award, and sends the contract to the Contract Management Division, the Contract management Division works in isolation. They do not liaise regularly with the Procurement on the progress/payments/terminations and extension of contracts. The successful completion of a contract mainly depends on the joint effort of both divisions. In principle, the Procurement unit is responsible for contract administration i.e. termination extensions and any changes to the terms of contract and close etc. Based on the above the Mission recommends introduction of effective system of communication between functions of contracts administrations and management. Rating recommended for this section is **Moderately Satisfactory (4)**.

iv. Review of project's procurement filing system and the ease of document retrieval

Record retention: All relevant documents are filed in separate folders and serially numbered in chronological order. Each file includes requisition, bidding documents, minutes of the bid opening also signature of the bidders, bids, proposals/quotations, evaluation documents, Procurement Committee decisions, copy of bid security, advance security guarantees, signed contracts and IFAD No Objections in case of prior review cases as relevant. Due to reasons mentioned in D above, documents relating to contract extension / termination, physical and financial progress and minutes of the meetings held with consultants are not available in the main procurement files. The project's record retention exhibits minor shortcomings that have no material impact on project implementation and performance. Rating recommended for this section is **Satisfactory (5)**.

v. Review of issues identified in the previous procurement supervision and aide-mémoire and procurement related issues identified in project audit reports

As recommended by the November 2019 ISM the PMU has submitted an updated procurement plan up to the end of second quarter 2020. The contract Register is submitted to CD regularly as requested. Only pending issue is recommendation to strengthen the system of communication and coordination between the functions of Contract Management and Administration.

vi. Assessment of further procurement staff training needs

Training may be provided only when the current systems and procedures are revised and updated.

vii. Review of any significant changes in the Borrower/Recipient's procurement system and practices

No significant changes in procurement system and practices were observed.

viii. Key findings and conclusions from the PRM assessment update

There was no need to update the PRM already made available to IFAD in March, 2020 as no significant changes were occurred during the period under review. Some temporary relaxations to the current procurement arrangements were made with regard to medical supplies due to COVID pandemic.

SAP has established a dedicated Procurement Unit headed by a competent Procurement Specialist and functioning satisfactorily. No major mitigation measures such as revision of prior review threshold is recommended.

ix. Procurement performance indicator rating and justification

Pillars	Rating	Justification
A. Review of Procurement planning	5	Procurement planning exhibits minor shortcomings that have no impact on project implementation and performance.
B. Process and Procedures: from prequalification to bidding	5	Processes and procedures applied exhibit minor shortcomings that have no impact on project implementation and performance.
C. Process and Procedures: from evaluation to awards	5	Processes and procedures applied exhibit minor shortcomings that have no impact on project implementation and performance.
D. Contract management	4	Processes, procedures and systems for administration, supervision and management of contracts exhibit some weaknesses. Continued implementation support from IFAD and local consultants is required, however, prompt resolution of issues/constraints is likely
E. Record Retention	5	The project's record retention exhibits minor shortcomings that have no impact on project implementation and performance.
Overall	5	Processes, procedures and systems applied exhibit minor shortcomings that have no impact on project implementation and performance.

x. Recommendations for improvement and follow-up actions for the Borrower/Recipient and/or IFAD

Agreed Action	Responsibility	Agreed Date
Introduce a system of effective communication and coordination between the Contract Management Unit and Procurement Unit.	PMU	Immediately.

Randomly Selected Procurements (representing a cross section of the ongoing and completed procurements during the year):

SN	PP Item Ref	Procurements of Services including consulting services	Selection Method	Procurement Status	Total amount in LKR '000
1	6(1)	1. Baseline Survey - Badulla District Green House Grower's Cooperative Society Ltd	QCBS	Completed	782.98
2	6(2)	2. Baseline Survey - Badarawela Milk Producer's Cooperative Society	QCBS	Completed	780.89
3	6(3)	3. Baseline Survey - Ranliya Entrepreneurship Development Foundation	QCBS	Completed	703.29
4	6(4)	4. Baseline Survey - Richie Dairies (Pvt) Ltd	QCBS	Completed	795.00
5	16(1)	Institutional Strengthening (IS) and Capacity Building of Badulla District Greenhouse Grower's Cooperative Society	QCBS	Completed	3200.00
6	16(2)	Institutional Strengthening (IS) and Capacity Building of Bandarawela Milk Producers' Cooperative Society	QCBS	Completed	3200.00
7	16(3)	Institutional Strengthening (IS) and Capacity Building of Parabowa Eco Farmers Organization	QCBS	Completed	2363.00
8	16(4)	Institutional Strengthening (IS) and Capacity Building of Ranliya Entrepreneurship Development Foundation	QCBS	Completed	3212.00
9	16(5)	Institutional Strengthening (IS) and Capacity Building of Sustainable Agriculture and Farmer Entrepreneurs Foundation (SAFE Foundation)	QCBS	Completed	2782.00
10	19(1)	Selection of Regional Project Coordinators - Mr. L.P.A.S. Jayawardhana	CQS	Completed	1500.00
11	19(2)	Selection of Regional Project Coordinators - Mr.R.L.K.G.N.U. Gunasena	CQS	Completed	1500.00
12	19(3)	Selection of Regional Project Coordinators - Mr. Rohitha Welihindage/	CQS	Completed	1500.00

		Procurements of Goods			
13	2	Tablet PCs	NS	Completed	149.50
14	6	Multimedia projectors	NS	Complete	346.00
15	16	Information and communication materials	NS	Completed	101.25