

Sri Lanka

Smallholder Tea and Rubber Revitalization Project Supervision Report

Mission Dates: 8 - 23 June 2020

Document Date: 05/08/2020

Project No. 1100001731

Report No. 5471-LK

Asia and the Pacific Division
Programme Management Department

Abbreviations and Acronyms

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

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 Tea and Rubber Revitalization Project Climate Risk Classification: 2
 Project ID: 1100001731 Executing Institution: Ministry of Plantation Industries
 Project Type: Storage, processing and marketing Implementing Institutions: Ministry of Plantation Industries
 CPM: Tarek Kotb
 Project Director: Janaka Amarasinghe
 Project Area: Galle, Matara, Rathnapura, Badulla, Kandy, N'eliya, Monaragala, Ampara

Approval Date: 17/12/2015 Last audit receipt: 31/07/2019
 Signing Date: 26/04/2016 Date of Last SIS Mission: 23/06/2020
 Entry into Force Date: 26/04/2016 Number of SIS Missions: 6
 Available for Disbursement Date: 30/12/2016 Number of extensions: 0
 First Disbursement Date: 24/04/2017 Effectiveness lag: 4 months
 MTR Date: 16/06/2019
 Original Completion Date: 30/06/2022
 Current Completion Date: 30/06/2022
 Financial Closure: not available yet

Project total financing

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

Current Mission

Mission Dates: 8 - 23 June 2020
 Days in the field: Remote supervision mission
 Mission composition: Mr Kees Blok, Mission Leader and Project Management Specialist; Mr Dayananda Ratnasekera, Procurement Specialist; Mr Pratul Dube, Financial Management Specialist, Ms Jenneth Sonntag, Gender and Targeting Specialist; Ms. Evi Wulandari, Environment and Climate Officer, Ms Mehry Ismaili, M&E and KM specialist. Dr Tarek Kotb, Country Director for Sri Lanka and Nepal participated in the Mission's key meetings.
 Field sites visited: Districts of Galle, Matara, Rathnapura, Badulla, Kandy, Nuwera Eliya, Moneragala, Ampara

B. Overall Assessment

Key SIS Indicator #1	Ø	Rating	Key SIS Indicator #2	Ø	Rating
Likelihood of Achieving the Development Objective		4	Assessment of the Overall Implementation Performance		4
Effectiveness and Developmental Focus		4	Project Management		4
Effectiveness		4	Quality of Project Management		4
Targeting and Outreach		4	Knowledge Management		4
Gender equality & women's participation		4	Value for Money		4
Agricultural Productivity		4	Coherence between AWPB and Implementation		4
Nutrition		N/A	Performance of M&E System		4
Adaptation to Climate Change		4	Requirements of Social, Environmental and Climate Assessment Procedures (SECAP)		4
Sustainability and Scaling-up		4	Financial Management and Execution		4
Institutions and Policy Engagement		N/A	Acceptable Disbursement Rate		4
Partnership-building		4	Quality of Financial Management		5
Human and Social Capital and Empowerment		4	Quality and Timeliness of Audit		4
Quality of Beneficiary Participation		5	Counterparts Funds		3
Responsiveness of Service Providers		4	Compliance with Loan Covenants		4
Environment and Natural Resource Management		4	Procurement		4
Exit Strategy		4			
Potential for Scaling-up		5			
Relevance					5

C. Mission Objectives and Key Conclusions

Background and Main Objective of the Mission

A Mid-Term Review (MTR) Mission in 2019 restructured the project, and implementation support missions with respect to M&E, gender and overall management took place in early 2020. A supervision mission was fielded from 8 to 23 June 2020 to review the performance of the restructured Project; assess its adherence to the MTR and subsequent agreed actions; address implementation constraints; and propose agreed actions to increase the likelihood of attaining STaRR development objectives at completion. In light of the restrictions imposed by the global Covid-19 situation, the Mission took place in a remote fashion, using internet-based technology to meet with senior staff of the project and of concerned agencies (including TSHDA, RDD, TRI, RRI, CBSL and PFIs). Meetings were held with H.E. the Minister of Plantation Industries and Export Agriculture (MPI&EA) Dr Ramesh Pathirana. Interactions also took place with the District project management units. A wrap-up meeting was held on 23 June 2020, chaired by Mr Ravindra Hewavitharana, Secretary, MPI&EA. This Aide-Memoire records the outcomes of that meeting.

Key Mission Agreements and Conclusions

Following the 2019 MTR, the Project has improved its performance and entered on a course towards achieving its revised targets. Especially for tea, the charted course constituted a critical pathway, involving replanting according to the conventional method as well as the introduction of novel and swifter systems for replanting. The global Covid-19 crisis has disrupted this critical pathway, as most planned replanting during the Yala season (April – June) could not be realised. The situation is compounded by the postponement (in view of Covid-19) of national elections to August 5, which means that project implementation will remain affected by a restricted Government contribution and by a suspension of recruitment. Because of this, it is unlikely that the second replanting season (Maha, November – January) can be utilised to its full potential. The Project could this year only utilise USD 1.6 million out of its approved Annual Work Plan and Budget (AWPB) of USD 7.0 million (23%).

Given the above and considering the uncertainty of the impact of COVID-19 on future field operations, it is agreed that:

- A budget-neutral time extension of one year would help ensure that STaRR reaches its targets; and helps chart a future course for continued smallholder tea cultivation and for smallholder rubber cultivation in non-traditional areas;
- The PMU will develop a proposal for a one-year project extension until 30 June 2023, including detailed activity budgets with milestones, and will furnish this request to IFAD through the External Resources Department (ERD); and
- Throughout the remaining project period, strong interagency coordination must ensure that milestones and targets are met. Interagency coordination needs to be sustained in all Districts, and with all implementing partners (TSHDA, RDD, research institutions where relevant, DoA, DEA and others) and should possibly be headed by the concerned District authorities. Interagency coordination at national level will continue to ensure national steering and aim for further policy development for smallholder tea and rubber (in non-traditional areas), possibly with participation of prospective development partners.

D. Overview and Project Progress

Component 1: Tea smallholders' development. The purpose of this component is better organised tea smallholders able to more effectively and sustainably produce and market their products. It has three sub-components: (i) Strengthening tea societies in production and marketing; (ii) Market-driven production support in tea; and (iii) Income and market diversification for tea smallholders.

The component's performance remains moderately unsatisfactory, as at the present rate the target for replanting, which was adjusted downwards during MTR, can no longer be met. On a positive note, all Tea Societies have a Society Development Plan (SDP), and another 30 km of farm road have been completed this year, adding 50% to what was already realised; and income and market diversification activities are increasingly taking shape.

Component 1a: Strengthening tea societies performs satisfactorily, with 247 societies having developed their society development plan against a target of 200. These plans are geared towards obtaining the support of the Project for replanting, rural infrastructure, tools & equipment and income and market diversification activities, with the societies acting as a conduit between their members and the Project. Further support to the societies' capacity focusses on making best possible use of the opportunities for income and market diversification (component 1.c). The effect thereof should be visible in the annual performance rating of the societies.

Component 1b: Market-driven production support – which focuses on replanting tea on 4,500 ha and infilling an equivalent of 825 ha – performs moderately unsatisfactory. At the present rate only between 50 – 70% of the replanting target is going to be met by the current completion date of 30 June 2022. This estimate is based on the hectares replanted up to 31 May 2020 (610 ha); plus the 1,256 ha where subsidy 2 is paid and which are on schedule for replanting by the conventional process before project completion; plus an estimated 500 ha which will be supported with either rapid soil regeneration through CO3 Napier grass, or immediate replanting after confirming the Soil Quality Index.

STaRR's 2020 Annual Work Plan and Budget had foreseen to bring an additional 1,200 ha to the stage of subsidy 2 within the first six months of 2020 and the likely achievement at the Project's close would in this case have exceeded 70%. The global covid-19 crisis, however, precluded farmers from obtaining the inputs for soil preparatory work and ruled-out that Tea Inspectors could undertake the site inspections. Postponement of the elections also restricts GoSL's financial contribution and affects the pending recruitment of 21 Tea Inspectors for the project area. In the first 5 months of 2020, subsidy 2 could be processed and paid for only 126 ha. The Yala 2020 manna grass planting season is largely lost and it transpires from the GoSL decision to defer elections to 5 August 2020 that the remaining restrictions will continue for some time, and could hamper activities in preparation to the Maha season.

It is believed that a one-year extension would enable the project to reach its targets in tea replanting, as: (i) TSHDA should be able to make up for the Yala 2020 delay of 1,200ha during Maha 2020 and Yala 2021 by applying GPS-based land measurements henceforth; (ii) the use of unconventional replanting methods should be expected to exceed the 500ha originally foreseen as more time would be available, and (iii) MPI&EA is committed to pursue swift progress and to address any risk of delays by TSHDA.

Despite the disruptive delay in the tea replanting process, described above, the project has been able to make modest progress on a number of activities:

- GPSs to facilitate swifter land measurement by TSHDA Tea Inspectors have been partially distributed, with a refresher training scheduled for July. An explicit TSHDA instruction to the Tea Inspectors to measure land by GPS is pending;
- An investment plan for analysis of the Soil Quality Index (SQI) by the Tea Research Institute (TRI) has been defined and is expected to result by 31 July in the capacity to identify land for immediate replanting. In the three months up to Maha 2020, 35 ha for immediate replanting are expected to be identified;
- Using land on two locations (Ratnapura and Galle) made available for replication of CO3 Napier Grass cuttings by TRI, STaRR expects to initiate soil regeneration with CO3 Napier grass in Maha season. By mid-July, 56 ha will be planted by material bought on the market. STaRR further proposes establishing two more CO3 nurseries (Badulla and to be identified) on land that TSHDA would make available, enabling it to initiate CO3 soil regeneration on an additional 150 ha in Maha 2020;
- The subsidy scheme for conventional replanting has been adjusted in draft for the novel SQI and CO3 methods where these methods are applied.

The above bears witness of improved coordination between TSHDA, TRI and STaRR both at District and national level. The National Steering Committee provides clear directives and District Coordination meetings take place when required; as do trouble-shooting visits such as the one to Ratnapura in March to address a backlog in processing of replanting permits. As mentioned under the key mission agreements, a strong hand continues to be required to ensure continued interagency coordination. Interagency coordination needs to be sustained in all Districts (i.e. also the Rubber Districts), and with all implementing partners (TSHDA, RDD, research institutions where relevant, DoA, DEA and others) and should possibly be headed by the concerned District authorities. At national level, further policy development for smallholder tea and rubber (in non-traditional areas) could be initiated, possibly with participation of prospective development partners.

Component 1c and 2c: Income and market diversification. As both the Tea and the Rubber component have a highly similar sub-component for income and market diversification, this section provides a combined review.

The sub-component perform moderately satisfactory as most targets are met, but with delays. Construction of access roads has covered 90 of 150 km (new target) in Tea growing areas, and 25 of 80 km in the Rubber Districts. During the implementation support mission of February, it was decided that the provisions for road infrastructure can also be used for other relevant infrastructure priorities of the societies (e.g. fencing, collection centres, irrigation) – as long as the same cost sharing arrangement is maintained.

Support to the establishment of input nurseries to produce tea saplings is progressing with growing success in the provision of improved planting material. Thirty-one input nurseries – established for multiplication of planting material for replanting the smallholders own holding – have been selected for assistance to help them continue as local commercial tea nurseries. A support programme for 14 of these has been started. Linkage to commercial nurseries – suggested by earlier missions – was found to add no value to the support already rendered by TSHDA and its nurseries.

Matching grants supporting individual business plans have by mid-June been issued supporting 3,051 beneficiaries (2,650 in tea, 401 in rubber). Since MTR, the activity gained momentum, with several inspiring examples on the ground of production activities well-linked to interested buyers. This includes the certification of Ethundamuwawa Rubber Society as organic producer, links of passion fruit producers to established markets and expansion of vanilla production with support of the Kandy Vanilla producers' association. Enhanced support to income and market diversification is highly relevant:

- Diversification provides alternative income sources during the establishment period for the team and rubber; as well as beyond it. Diverse income streams enhance household resilience;

- Diversification is an essential part of good agricultural practices in Tea and Rubber; especially in the non-traditional rubber areas, where the project is intervening, mid-height crops (maize, banana) contribute to the survival rate of the newly planted rubber trees.

In view of the covid-19 situation, GoSL pursues strategies and programmes to enhance cultivation of seasonal crops and home garden products to prevent food scarcities. Departments, like Agriculture and Export Agriculture encourage farmers to cultivate traditional home garden crops at a larger scale 'beyond the home', and thereby to help reduce dependency on imports from the region. STaRR proposes to dedicate a part of its funds for matching grants in 2020 to supporting poor, young and female project beneficiaries to expand their cultivation of spices and fruits. Vegetables crops should be added to this, for reasons of their short return time. STaRR intends to use LKR 81 million for promoting home garden crops beyond the home, with a beneficiary contribution of 10%; and LKR 7.2 million for establishing 80 commercial nurseries also with a beneficiary contribution of 10%. STaRR proposes to help young farmers establish these nurseries, inter alia by associating them with the aforementioned technical departments and their nurseries. Given the relevance of the proposal for the target group, the programme is integrated in the revised AWPB for 2020. As the cost sharing ratio deviates from the established practice for the matching grant, the Project Implementation Manual must be revised accordingly.

STaRR has been successful in introducing crops along with a linkage to a market partner. The challenge now is to considerably scale-up this by promoting Farm Animators and District Business Development Officers to pursue opportunities for producer – private sector cooperation (with or without involvement of public sector agencies, as the case may be). Development of such partnerships is facilitated by active networking; and by STaRR's matching grants, its infrastructure investment options and its associated rural credit programme (see component 3). To this end, STaRR should continue to develop its network with relevant partners at national level; provide business development training to its District staff; actively expand networks at District level (e.g. business forum); recognise exceptional successes by individual staff members; and organise farmer exchange visits for horizontal learning.

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

Component 2 performs moderately satisfactory with the targeted number of societies being supported, with a likely achievement of at least 80% of the planting target for rubber in non-traditional areas; and with income and marketing activities taking shape.

Component 2a: Strengthening rubber societies performs satisfactory with 62 societies having developed their Society Development Plan against a target of 100. As in Tea, the SDPs structure the involvement of the beneficiaries with STaRR. Further capacity development in the Rubber Societies takes place through their income and market diversification activities, with support from STaRR.

Component 2b: Market-driven production support. Progress is moderately satisfactory as 2,094 hectares of rubber in non-traditional areas have been planted, against a target of 3,000. At present, planting permits have been issued for 2,574 hectares, implying that the total area planted by end of project will exceed 80% of the target. The planting of nearly 500 hectares with permit but not yet replanted could not be achieved in Maha 2019 due to heavy rains and is deferred to Maha 2020. The balance of ca. 400 ha has been identified and the release of these lands from the concerned departments is processed with urgency to include them in the replanting campaign of Maha 2020.

Mortality rates of rubber planted in non-traditional areas are high, exceeding 20%. This is in part a consequence of bringing rubber cultivation to non-traditional areas, where rainfall is more scant and solar radiation high. The Rubber Sector as a whole would need to draw lessons in order to make good use of the potential for rubber cultivation in these parts of the country. To this end, policy discussions need to be initiated, possibly with participation of prospective development partners for the sector. Points of attention include nursery management, care during transport and good agricultural practices. Especially the latter differ from the traditional growing areas and a new standard would need to be developed and shared in the sector. New good agricultural practices for rubber in non-traditional areas could include:

- Increased use of organic matter to enhance available soil moisture;
- Use of larger planting holes;
- Careful timing to make plantation coincide with the start of the Maha rains – which implies that soil preparation should take place ahead of the rains;
- Use of irrigation for at least the first year of establishment;
- Intercropping with mid-height plants (banana, maize) to protect the young saplings;

STaRR provides practical support to the Rubber Research Institute's Voluntary Carbon Market Project which aims to obtain carbon credits for the carbon sequestered under STaRR^[1]. STaRR's present role is to geo-reference the lands. Nearly 1,000 ha is entered into a GIS database already, while data for another 600 ha have been collected. Assuming all lands are entered into the GIS by the end of 2020; RRI could proceed with the analysis of the quantity of carbon sequestered per annum and enter the carbon market with its bid in the course of 2021. The ensuing carbon credits would then be made available to the rubber growers as an investment fund for the development of their communities. The latter part of the process is as yet not well-defined, but would need to build on the community reach-out of the Rubber Development Department (RDD) and on the practices developed through STaRR.

If indeed, the carbon credits can be made available to the beneficiary communities of STaRR, then the project investment will have been successfully used for leveraging other resources towards its beneficiaries. Moreover, once the practice of availing carbon credits for smallholder rubber producers has been established, it can be applied more widely in the sector. The carbon sequestration is expected to be especially significant in the non-traditional rubber growing areas.

Component 2c: Income and market diversification for rubber smallholders has been discussed above, along with component 1.c

Component 3: Inclusive rural finance aims to facilitate access of targeted smallholders to available financing. The component has two sub components: (i) facilitating access to financial services; and (ii) supportive implementation arrangements.

In important step forward since MTR 2019, the implementation arrangements for the rural finance have become operative and loans are being issued since early 2020, followed more or less immediately by the disruptions due to covid-19 restrictions. Presently, it is estimated that 50 – 70% of the number of loans targeted at MTR can be realised before the closure of the window for applications by October 2021, making the component's performance moderately unsatisfactory.

Component 3a: access to financial services is moderately unsatisfactory for the simple reason that the commercial banks providing STaRR's credit facility have per 12 June 2020 provided 78 loans against an MTR revised target of 3,666. This low progress must largely be attributed to the fact that the loan implementation arrangements could only be put in place after MTR. In fact, given that the facility has only recently become operative and that since March 2020 public movements were restricted, the progress of the component is commendable. In view of the present pipeline of loan applications and the possibility to intensify support over the coming months, the PMU's projection is that at year's end a total of 500 to 600 loans will have been issued. As more than 800 beneficiaries have already been introduced to the banks, and as presently over 300 have submitted applications, the target appears realistic.

Component 3b: implementation arrangements are satisfactory, as arrangements have been put in place following the MTR, and as the facility offers a relevant niche financial product to smallholders willing to develop their farm enterprise.

Using a GoSL contribution of LKR 4.28 billion, the four participating commercial banks are able to provide loans up to LKR 250,000 at a concessional rate of 6.5% to the beneficiaries of STaRR as 'certified customers'. This window is open for approved loans up to October 2021. Till date, around 30% of the beneficiaries is female and the average loan is slightly less than LKR 220,000. Seventy-five percent of the loans is used for investment in farming, and a quarter for other business activities.

GoSL has, in response to the economic disruption due to Covid-19 introduced a short duration emergency credit programme for loans up to LKR 40,000 at an interest of 4%, while for other existing loan mechanisms for commercial businesses interest rates have been cut. The STaRR loans are, however, expected to remain in demand, as their size is more conducive to investments in smallholder farm business and the interest rate is competitive. Moreover, GoSL is pursuing a macro-economic course based on enhanced agricultural development and is expected to continue policies and programmes favouring smallholder commercialised production.

The Central Bank of Sri Lanka (CBSL) has been supportive in reaching out to commercial banks and in helping conduct financial literacy trainings for the project beneficiaries. The progress of the component can be further expanded with follow-up to a further streamlining of the performance of the participating Financial Institutions (PFI) and by enlisting other PFIs for using the facility.

STaRR is well-engaged with the credit facility and its DPMU and field animators are instrumental in matchmaking between local bank branches and the beneficiaries. The PMU follows up on general progress with the concerned PFIs, together with CBSL. The credit facility is an important addition to the financial support services available to the Societies and their members; i.e. infrastructure and equipment investments and matching grants. As with the other income and market diversification actions, the establishment of linkages between producers, private parties (banks and markets) and, if applicable, public partners is essential and the matchmaking role of the STaRR DPMUs needs to live up to a high expectation.

At MTR, in view of the delayed start of the credit facility the target (15,000 loans) and the amount of interest rate subsidy by GoSL were downsized. However, with the proposed extension of the Project, there is an opportunity to go for a higher target, provided MoF is can be convinced to augment the time slot and the allocated resources.

[1] A rough estimate of the value of the carbon sequestered is USD 100,000 per year. This estimate assumes (i) that approximately 2,500 ha can be demonstrated to have a carbon impact; (ii) that the amount of carbon sequestered is about half of what was found for mature natural latex plantations in Thailand (35 tCO₂/ha/yr.); and (iii) a EU Voluntary Carbon Market price of USD 2.4/tCO₂.

Agreed Action	Responsibility	Agreed Date
GPS measurement Ensure smooth progression of land measurement by GPS for swifter processing of subsidies in tea replanting	TSHDA	06/2020
Revised subsidy schedule Confirm the revised subsidy schedule for novel replanting methods	TSHDA	06/2020
Rural infrastructure Include diverse market and production-related infrastructure options in the revised 2020 AWPB and in subsequent year	PMI	07/2020
Matching grants Include use of matching grants for the 'home garden beyond the home' Program for crop diversification and nurseries during 2020	PMU	07/2020
PIM revision Revise the Project Implementation Manual to reflect the 2020 Home garden beyond the Home-programme	PMU	07/2020
Rubber planting land Support the swift processing and transfer of identified lands for the final rubber planting campaign in Maha 2020	MPI&EA	07/2020
CO3 nurseries Develop two additional nurseries for CO3 Napier grass replication	TSHDA, PMU	08/2020
Engage PFIs Pursue the participation of at least three more PFIs in the credit facility	CBSL / PMU	08/2020
Augmentation credit facility Propose to MoF to augment the amount of interest subsidy and the duration of the credit facility	CBSL / MPI / PMU	10/2020
Rubber planting database Complete the database of rubber planted land for obtaining carbon credits	PMU	02/2021
Carbon credits Enter the market for carbon credits for the eligible lands planted by STaRR	RRI	10/2021
Implementation coordination (all districts) Insist on regular monthly national and district coordination between all concerned implementing partners	MPI&EA	
Implementation guidance (Tea) Scrutinise and support actions related to tea replanting by STHDA, TRI and STaRR	MPI&EA	
Matchmaking Enhance the match-making by DPMU staff between producers, buyers, banks and service departments	PMU	

E. Project implementation

a. Development Effectiveness

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

Justification of rating

STaRR will contribute to its objective of more productive, profitable and resilient smallholders' economic activities in tea and rubber; and component 2 and 3 will achieve 70% or more of the of their main MTR-revised physical output targets. A similar physical progress will not be achieved by Component1, as the restrictions imposed due to Covid-19 preclude its targets to be achieved within the present Project's completion date; and despite mitigation measures (i.e. introduction of alternative replanting procedures) being in place.

Log-Frame Analysis & Main Issues of Effectiveness

The Project's Development Objective is that smallholders' economic activities in tea and rubber become more productive, profitable and resilient. Project interventions continue to be relevant for this objective, but the implementation is now delayed for force majeure.

- The Project outreach at the end of December 2019 was 25,004 household members against the completion target of 32,000 where 12,847 are women;
- The project has engaged with more than its targeted 200 societies (reflecting its drive to meet the outreach targets) and has set-up a system to annually gauge the societies performance. As in the tea sector, STaRR works with existing societies, the expectation now is that STaRR can bring 200 societies to the performance status of 'A';
- As of May 31st, 610 of the targeted 4,500 hectares of tea are replanted; but – based on an assessment of the pipeline and its progress, the expectation is that only 2,500 ha will be replanted by the Project's completion in mid-2022. The shortfall is to a large extent explained by the backlog in processing subsidies 1 and 2 during the first months of 2020 – when operations came to a standstill due to covid-19 restrictions.
- Progress on road infrastructure in tea growing areas is good, with 90 of 150 km (revised target) achieved. The roads show a clear and positive impact on the price of fresh leaves. Moreover, there is anecdotal evidence that the reduction in time for carrying green leaves to the road head especially benefits women;
- STaRR is supporting some 60 Rubber Societies, that are established along with the planting process. The target of 100 will be approached, with the completion of rubber planting. As the Rubber Societies are new, the target for completion could be set at 100 rubber societies performing at either level 'A' or 'B';
- STaRR is poised to achieve the planting of at least 2,500 ha of rubber by the end of this year and it could achieve its full target of 3,000 ha if land allocation is pursued swiftly;

- For both the tea and rubber component, there are important on-the-ground examples of income diversification supported with good market linkages but such good practices need be replicated and built upon more intensively;
- After a 3-year delay, the credit facility has started. Given its late start, the original target of 15,000 loans cannot be achieved in the remaining time, and the Central Bank of Sri Lanka – which is funding this component – has reduced the target to 3,666 loans for smallholder households in the STaRR area. Despite the delays in 2020, due to covid-19, CBSL and the participating PFIs are confident they can reach this target and they expect to be able to overreach it if more time and resources (for interest rate subsidy) were available.

During this supervision mission, the project has been provided with the new IFAD Corporate Outcome Indicators and the indicators were reviewed to better reflect and describe the nature of the project.

Following the Mid-Term Review, and supported by a stronger coordination of the Project and its implementing partners, STaRR has improved its performance and entered on a course towards achieving its revised targets. This course has been disrupted by the global covid-19 crisis. It is no longer conceivable that the Project meets its targets for tea replanting; even more so since the GoSL contribution for the near future is restricted both by absence of a national budget due to the pending national elections, as well as by the financial crisis caused by the covid-19 disruptions.

STaRR can only be brought to a successful completion, if it is allowed more time to perform its tasks and provided the strong coordination among implementing partners is maintained. Actions to support this – including actions to ensure sector-wide replication of STaRR successes – will help secure the effectiveness of the Project.

Agreed Action	Responsibility	Agreed Date
Budget-neutral extension Submit a proposal for a one-year extension of STaRR to IFAD	MPI&EA / ERD	07/2020
AWPB 2020 revision Submit the revised AWPB and PP to 2020 to IFAD for no objection	MPI&EA	07/2020
Rural credit coordination Organise a meeting of concerned banks and branch managers to further streamline the use of the credit facility	CBSL / PMU	08/2020
Sector policy tea and rubber Organise national stocktaking- and policy development conferences for smallholder tea production and for smallholder rubber production in non-traditional areas (possibly with prospective development partners)	PMU	02/2021
Strong coordination Insist on regular monthly national and district coordination between all concerned implementing partners	MPI&EA	

Development Focus

Targeting and Outreach **Rating: 4** **Previous rating: 4**

Justification of rating

STaRR applies a targeting strategy and reaches systematically to beneficiaries with land below 1 ha. The project is delivering on some of the objectives in its targeting strategy, and reaches its target of 30% for female beneficiaries. Sex disaggregated data is available. Project outreach is on course to reach annual and overall targets. Tea and rubber societies are strengthened although not fully in line with the requirements expressed in the society development plans. Age data is not reported on and it is not possible to confirm whether the project reaches its youth target of 10%.

Main issues

STaRR applies a targeting strategy to systematically reach beneficiaries owning below 1 ha of tea growing land. It follows the TSHDA targeting system for its subsidies to reach smallholder tea growers. As the total extent of land belonging to members of the household is not recorded, the household may have other lands and / or other sources of income. The involvement of the Tea Societies in the targeting would help preclude that subsidies and investments reach well-off households.

Age data has not been reported on to date, therefore it is not possible to ascertain the number and percentage of youth participating in the project. Data on Women Headed Households needs to be collected.

Agreed Action	Responsibility	Agreed Date
Special target categories Incorporate data on youth into the M&E system and its query functions	PMU	07/2020
Female-headed households Include data on women-headed households into the M&E system	PMU	10/2020

Gender equality & women's participation **Rating: 4** **Previous rating: 3**

Justification of rating

STaRR has finalised its gender strategy and action plan and delivers on economic empowerment and on voice and decision-making. Women account for 30% of beneficiaries in both the tea and rubber sectors and STaRR has achieved its leadership targets for women in societies. Sex disaggregated data is collected but reporting can be improved.

Main issues

The project is expanding women's access to land, knowledge, capital and technologies through their 30% female beneficiary target, which was made a uniform in February 2020. The project is supporting societies with gender sensitivity trainings, leadership trainings and financial trainings, which strengthen women's roles in communities. These trainings depend on each society's development plans. Currently gender training targets for society strengthening are not achieved.

The project needs to report on activities in the gender strategy. As during the Mission relevant indicators have been adjusted, the project needs to collect and report upon these data. The Project should continue to collect case studies to understand how the project impacts on (i) the sharing of unpaid household tasks between men and women, (ii) increased access to control over resources for women and for women heads of households. Case studies need to be collected regularly. It is recommended that they be collected from each district (at least) each quarter.

Agreed actions are included under 'Targeting and outreach'.

Agricultural Productivity **Rating: 4** **Previous rating: 4**

Justification of rating

Project activities and outputs help increase productivity in the project area by replacing old tea bushes and planting new rubber, as well as by supporting crop diversification and market linkages. Tea and rubber productivity effect can only be assessed after the crops are fully established; while the Project has in the year under review intensified its support to

diversification of crops and incomes.

Nutrition	Rating: N/A	
Adaptation to Climate Change	Rating: 4	Previous rating: 4

Justification of rating

While adaptation to climate change is not a main element of the project, most tea and rubber smallholders in the project areas have implemented various adaptation measures to climate change. These include among others: crop diversification through inter-cropping, soil moisture conservation and water saving technologies, planting shade trees, introduce and promote tolerant varieties, and climate resilient infrastructure development and/or rehabilitation. The project has also explored the opportunity for climate change mitigation through a collaboration project with Rubber Research Institute in Sri Lanka (RRISL) on voluntary carbon credit, notably for the rubber plantation in non-traditional areas under Component B.

Main issues

The various climate adaptation measures implemented under the project are as follows:

- Crop diversification through intercropping. The project provides matching grants for farmers to support this activity. Although inter-cropping is mostly done for alternative income generation, it was noted that some farmers use drought tolerant crops, which consume less water. Tea farmers use annual and perennial crops such as vanilla, passion fruit and soursop, whilst rubber farmers use short-term crops such as egg plant (local variety thalana batu) and pulses. Intercropping has been implemented in all project districts;
- Soil moisture conservation and water saving technologies. These practices, which include mulching and water saving irrigation (e.g. drip irrigation and sprinkler irrigation), have been implemented by several farmers in all project districts.
- Planting shade trees. The shade trees (such as *Gliricidia maculata* and *Albizia* sp) provide shade for tea and rubber plants and reduce water evaporation. This will help farmers to reduce the impact of drought particularly during the dry season. This activity has also been implemented in all project districts.
- Introduce and promote tolerant varieties. The project has introduced alternative plant varieties (such as the 4000 series for Tea) that are more drought resistant in the input nurseries supported by the project grant.
- Infrastructure development and/or rehabilitation. The project supported rehabilitation of rural roads that are damaged due to bad weather condition such as damaged/eroded roads due to high rainfalls.

Although most of the farmers are engaged with the above-mentioned climate adaptation measures, it was also noted that lessons learnt from the field on the implementation of these adaptive measures are not captured by the project nor well-documented. The mission recommends PMU to document lessons learnt and success stories on the implementation of climate adaptation measures (using local language), to be shared with other farmers under the project (and broader audiences) to increase the understanding on the benefits of these adaptive measures and to encourage further replication by other farmers.

Improved soil and water management, soil rehabilitation and shade trees are a pre-requisite for the subsidies in tea and rubber (re-)planting; while the project funds further activities, like inter-cropping through the matching grants.

The rubber plantation in non-traditional areas under component B helps mitigate climate change: The conversion from dry lands (existing Chena cultivation) to rubber plantation would contribute to increase sequestration of GHG emissions. In this regard, RRI and STaRR collaborate in a carbon-trading project for voluntary market with the rubber cultivation in Ampara and Monaragala Districts. Through this project, it is expected that carbon sequestered in approximately 2,500 out of the 3,000ha planted can be brought to the carbon market. Based on initial analysis by RRISL, an estimate of 450,000 MtCO₂eq can be sequestered by rubber plantation over 20-22 years of the life of rubber trees for 2,500 ha. To this end, RRI will conduct a baseline emission assessment and an analysis of plantation benefits. Proceeds from the carbon market are intended to be used to fund future community activities of the concerned rubber growers.

Agreed Action	Responsibility	Agreed Date
Climate Adaptation Measures Document good practices of climate adaptation measures implemented by tea and rubber smallholders under the project.	PMU	07/2020

b. Sustainability and Scaling up

Institutions and Policy Engagement	Rating: N/A	
Partnership-building	Rating: 4	Previous rating: 3

Justification of rating

STaRR has greatly improved its engagement in partnerships, most notably in (i) enhanced cooperation and joint actions with TSHDA and TRI in the pursuit of conventional replanting and novel approaches; (ii) in matchmaking between producers, buyers, banks and service departments for making use of the financial facilities for crop and income diversification.

Main issues

With its new, more outward-looking approach, STaRR has successfully engaged its implementation partners (TSHDA, TRI, RDD, RRI, CBSL and commercial banks) in working towards achievement of the project targets. Moreover, as further evidence of the outward orientation, the project engages with various partners in resolving challenges facing the Project. The purchase of CO3 slips from the National Livestock's Development board (NLDB) being a point in case. Two challenges remain:

- Expand the cooperation for smallholder tea cultivation and for rubber cultivation in non-traditional areas beyond a mere focus on project targets to a focus on re-defining approaches within the sector. The wider introduction of the novel tea replanting processes (CO3 and SQI) and of good agricultural practices for rubber cultivation in non-traditional areas are important objectives for making sure the sectors remain relevant to Sri Lanka's smallholder producers;
- For crop and income diversification, good examples of producer – market linkages have been established with strong leadership from the central PMU. The challenge is now to enhance the role and leadership of the DPMU staff in enhanced match-making between producers and markets.

Agreed actions are included under 'Overview and project progress'.

Human and Social Capital and Empowerment	Rating: 4	Previous rating: 4
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Justification of rating

STaRR helps build capacities of Tea and Rubber Societies and their members, which helps them gain limited control over (re-)planting support, road access and market relations. Capacity development training for gender, financial management and leadership are conducted by STaRR for society members based on the Society Development Plans; but actual delivery stays below demand.

Main issues

Over the past years, training delivery has stayed behind the demands from the societies. For example: in 2019 the target for bookkeeping was 58 trainings and 9 were achieved. The leadership training target was 52 and 12 were achieved, the gender training target was 35 and 7 were achieved. As societies have a demand for such support, the DPMUs should cater to this in an efficient and effective manner. This could be done by the FAs, with limited backing of BDOs and CDO, in combination with the interactions they have with the society on the other support activities (i.e. road construction planning, (re-)planting, credit, income and crop diversification activities). Rather than rolling-out a standard curriculum, relevant elements of the gender, leadership and financial management trainings should be incorporated in the regular interactions with the society members.

Agreed Action	Responsibility	Agreed Date
Capacity building Enhance the role of Field Animators in building beneficiary and society capacities in gender-balanced development, leadership and other non-technical fields	PMU/DPMUs	12/2020

Quality of Beneficiary Participation	Rating: 5	Previous rating: 4
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Justification of rating

Beneficiaries are consulted in determining the type of support needed for their society and participate in STaRR activities. CBO's are trained to facilitate meetings and activities and encourage all society members to participate and take leadership in society activities. The project M&E does include some participatory methods for feedback from beneficiaries.

Responsiveness of Service Providers	Rating: 4	Previous rating: 3
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Justification of rating

The services of TSHDA are now better enlisted, with trouble-shooting undertaken as and when required and with an enhanced capacity for land measurement. STHDA management is alert to address staff vacancies, sharing workloads and timely processing of subsidies, but there remains a substantial backlog in processing subsidies 1 and 2. The cooperation with RDD is generally good. Rural credit services have become operational in the period under review. The STaRR credit facility, its eligible amount and interest rate are relevant for the rural clientele.

Main issues

Vigilance is needed to ensure sound coordination between service providers and project; both for achieving project targets as well as for ensuring an impact on the sectors as a whole.

Agreed actions are included under 'Overview and project progress'.

Environment and Natural Resource Management	Rating: 4	Previous rating: 3
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Justification of rating

The Project's ENRM measures contribute to the natural resource base and its management in the project area. All tea farmers and most rubber farmers implement soil and water conservation practices (e.g. mulching, rock terracing, and use of organic fertiliser). These practices are pre-condition for farmers to receive tranches of subsidy payment provided by the project. As agreed during the MTR, PMU has recruited a dedicated Environment Consultant who has been on board since February 2020. The project has established a model of organic certification in rubber mixed-cropping at Ethundamuwawa Village in Monaragala District.

Main issues

With regards to capacity building on ENRM practices, the mission noted that a number of capacity building activities (e.g. in soil rehabilitation) for farmers have been undertaken in 2019. For this year, a training plan has been prepared by the Environment Consultant which includes: awareness on ENRM practices in tea replanting and rubber plantation; training on ENRM practices in tea replanting; training on ENRM practices in new rubber planting in non-traditional area; awareness on innovation practices in tea replanting and in new Rubber planting in non-traditional cultivation area; exposure visit on best practices on organic tea cultivation with innovative ENRM practices; and certified organic rubber mixed cropping cultivation, among others. The training implementation is delayed due to Covid-19 related restrictions in the country.

Although some training and capacity building activities on ENRM practices have been delivered, it is difficult to assess to what extent these practices are implemented by farmers in the field. Therefore, PMU is currently in the process of incorporating a basic monitoring approach into the project's M&E system (currently under development), as well as in the Environment and Social Management Plan (ESMP) matrix of SECAP Review Note. In terms of ENRM planning and monitoring, the mission also noted that PMU has prepared a draft sustainable NRM plans for tea replanting and rubber new planting in non-traditional areas, including the related guidelines. These drafts are currently under finalisation by PMU and are reflected in the draft ESMP matrix.

Agreed Action	Responsibility	Agreed Date
ENRM training Implement the training on ENRM practices based on the developed training plan	PMU	07/2020
ENRM monitoring Implement a basic system to monitor the implementation of ENRM practices	PMU	08/2020

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

Based on the MTR recommendation, exit strategies for each component have been developed and actions contained therein have been set in motion. The strategies pursue greater involvement of sector agencies and of the various stakeholders in connection to income and market diversification. The buy-in of STaRR's partner agencies of the actions in the strategy – especially those related to policy changes and future funding – will be pursued as part of the strategies.

Main issues

The STaRR exit strategies respond to the MTR guidance that "the exit strategy for the Project has to grow from experience. Rather than investing now in a 'perfect' strategy, the Project should develop its exit and scaling-up strategy on an incremental basis. (...) These strategies move directly into implementation and are adjusted and elaborated as needed."

Immediate implementation and the incremental development raise two issues:

- Engagement with the sectors is needed to build a basis for effective implementation of the strategies. This is addressed by agreed actions on stocktaking & policy conferences (see above); as well as by organisation of business forums at District level; and,
- There is a need for periodic review of the combined exit and scaling-up strategies.

Agreed Action	Responsibility	Agreed Date
Exit and scaling-up strategy Review and finetune the combined exit and scaling-up strategy periodically by the NSC and with senior staff	PMU	

Potential for Scaling-up	Rating: 5	Previous rating: 3
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Justification of rating

Lessons from the project (i.e. need for swifter replanting methods in tea; need for good agricultural practices in rubber planting) are now increasingly recognised and supported by concerned sector agencies and will through these be taken up beyond the project area. An \$80 million new additional loan is proposed in ADB's recent Country Operational Business Plan to provide financing instruments for scaling-up tea replanting by smallholders in Sri Lanka. The Project pursues documentation of its key approaches as part of its exit strategy.

Main issues

The growing recognition within the sector for the contribution of the project to smallholder tea and rubber production; and of its potential to contribute to export agriculture for minor crops, is important – not only for the swift joint actions required for successful project completion – but also for the replication of approaches beyond the project. The Sri Lankan Tea Sector is well established but somewhat traditional. The latter, however, may be changing under the growing international competition. The initiative by the sector to quickly establish an online tea auction in face of the Covid-19 restrictions bears witness of a more innovative nature. Sector recognition of STaRR experiences and lessons is essential but its achievements now should also be shared with development partners in view of long-term funding for programmes benefitting smallholder production of high value crops such as tea, rubber and a host of minor (potential) export crops.

The efforts of STaRR towards enhanced rejuvenation of smallholder tea plantations are likely to be complemented by ADB's third additional financing of the Small and Medium-Sized Enterprises Line of Credit Project. With the proposed third trench of USD 80 million, GoSL would expand and deepen its outreach to targeted SME segments, in particular (i) women-

led/owned SMEs, and (ii) tea smallholders as key export-oriented SME cluster. As stated on the project data sheet: *In Sri Lanka, tea sector accounts for 15% of the exports and employs 10% of the workforce, majority of whom are less educated and stuck at the bottom of the social ladder with chronically low wages. The tea sector currently depends for 75% of the total production on over 400,000 tea smallholders, most of which are informal family business with landholdings less than one acre. Despite its brand recognition, the Sri Lanka tea has been recently losing international competitiveness with declining quality and quantity of tea leaves due to aged tea bushes and lack of technological upgradation in agricultural practices, including climate change adaptation. The current replanting rate is only less than 1% while the ideal rate is 2 – 3%. Although tea smallholders are eligible SMEs for the ongoing ADB's credit line, only a few loans have been provided to tea smallholders while tea processing factories have adequately modernized and upgraded their facilities. The underinvestment by tea smallholders in replanting, business upgradation, and other productivity enhancement measures is caused by (i) their limited access to formal long-term financing; (ii) their limited access to trainings, knowledge on good agricultural practices, technology, and market information; and (iii) ineffective enabling policy framework to strengthen international competitiveness of the sector.*

Lessons from STaRR with respect to replanting of smallholder tea, and with respect to a dedicated line of credit are highly relevant for ADB's proposed additional financing. Moreover, given the importance of smallholder tea production, MPI&EA expects to be able to secure further development finance from its international partners.

An agreed action is incorporated with the actions under 'Overview and project progress'.

c. Project Management

Quality of Project Management	Rating: 4	Previous rating: 4
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Justification of rating

Project management is proactive, as seen by its emphasis on developing sound working relations with partner agencies. The National Steering Committee plays a strong role in ensuring synergy between the actions of the implementation partners. All staff vacancies are fulfilled and the level of key processes (finance, procurement, M&E) has been maintained or improved upon. Information analysis and knowledge management are however areas where improvement is still required.

Main issues

The project management has systematically and progressively enhanced its grip over project implementation. This has been done by investing in working relations with the partner agencies and by making use of the role of the National Steering Committee. As a result, STaRR is in a better shape than it was a year ago. Internal management has improved, resulting in a full complement of staff and, spread over the project staff, a good insight in project implementation.

Despite good progress in the collection of data, its review and its storage; retrieval of information on project progress is not easy. While progress data are used inter alia to support decisions in the National Steering Committee, not much analysis is as yet applied to the data; neither for flagging issues for mitigation nor for identifying areas of success:

- The PMU has access to a vast wealth of data on Society Development Plans, beneficiary profiles, society performance, training sessions imparted, unit costs, overall financial spending and so on. The analysis of these data – and the cross referencing of data sets – will help management better understand the operational details of the Project. This will bring issues to light such as e.g. the backlog in capacity building and the regional differences in crop diversification activities. Looking at information with an analytical lens will help improve programme performance;
- Lessons learned and success stories are an important input for replication of good practices and for development of new more conducive policies and regulations. But it requires that these lessons and practices are prepared with a clear understanding of objective and target group. Management should closely engage in the preparation of knowledge products in order to develop strong arguments for stimulating smallholder replication of good practices, as well as for influencing sector policy.

A second management issue is that, with the proposed budget-neutral extension, the resources allocated to project management need to be reviewed to ensure adequate staffing against a reasonable expenditure until the completion and subsequent closure of the Project.

Agreed Action	Responsibility	Agreed Date
Staff deployment Prepare a staffing plan to ensure project continuity up to the new completion and closure dates	PMU	12/2020
Management control Use project information systems and knowledge management to exert a more strategical influence over project implementation, replication and scaling-up	PMU	06/2021

Knowledge Management	Rating: 4	Previous rating: 3
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Justification of rating

77. The Project has a knowledge management strategy and workplan and KM activities form part of the Exit Strategy as well. KM activities are included in the AWPB. The KM plan is developed with involvement of DPMUs and senior staff and is owned by the project organisation. KM products are documentary in nature rather than being an analysis of lessons learnt; and the intended target audience is not explicitly identified, involved or addressed.

Main issues

The KM team is composed by the M&E and KM Consultant, the Communication Consultant, MIS Planning Officer, GIS Specialist and Institutional Development Officer. With the development of the KM plan, the KM activities are now included in the AWPB and adequate budget is allocated. The full roll-out of the MIS system should ensure more synergies and linkages between M&E and KM in order to capture success stories, lesson learned and case studies from the field. This cohesion can help the project to up-scale success stories and leverage at national level and eventually influence governmental policies and approaches on smallholder tea production and on smallholder rubber production in non-traditional areas. Moreover, the linkage between KM and M&E can be used to better flag areas or themes at risk for immediate intervention and mitigation by project management.

With the appointment of the M&E and KM Specialist and Communication Specialist, the project has started producing knowledge products. Four videos describing best performing cases are finalised and disseminated. The Project also provides documentary evidence of how it continued working during the Covid-19 restrictions in response to the campaign #IFADatwork.

Many knowledge products are planned to be in production, including a monthly newsletter, a flagship publication on best performing beneficiaries and their practices, a knowledge sharing workshop at national level and case studies. A biannual Knowledge, Attitudes and Practices (KAP) study is planned to assess the effectiveness of KM strategies. A Community of Practice is established and stimulated among the field animators.

The Project has conducted initial training for introducing GIS technology to Tea Inspectors and Field Animators in all Tea Districts, comprising one day of theory and one day of practice. This is supported by a GPS Manual and a video document for GIS mapping. Moreover, the PMU has customised software for capturing geo-referenced information and has integrated this in the MIS system. This will be used to generate maps showing locations of interventions, intervention types and quantities.

All knowledge products are available through the STaRR website, so that they are accessible for all implementing partners, stakeholders and societies. The Project is an active member of the IFADASIA FB community with information, photos and posts uploaded regularly.

Agreed action with respect to KM is addressed under project management.

Value for Money	Rating: 4	Previous rating: 4
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Justification of rating

Though progress of the project has slowed down due to the impact of Covid-19 and the low disbursement from the GOSL, the project investments represent satisfactory value for money. Further delays will, however, prevent the project from attaining the expected impact on targeted smallholders' income.

Main issues

The current expenditure (unit prices) for inputs aligns well to the prices foreseen at design. During MTR, the economic and financial analysis of the crop and farm models confirmed that the objective to attain more profitable, productive and resilient activities of tea and rubber smallholder production systems is likely to be achieved. Inputs provided by the project are

likely to substantially increase the household income of the beneficiaries replanting tea and rubber.

Coherence between AWPB and Implementation	Rating: 4	Previous rating: 3
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Justification of rating

The project achieved 85% of the budget of the revised AWPB during the year 2019. The revised AWPB was submitted to IFAD within the stipulated time and reflected most of the agreed actions reached at MTR. For 2020, however, at midway, the financial progress against the AWPB is less than 20%.

AWPB Inputs and Outputs Review and Implementation Progress

The target for the year 2019 was revised to LKR 1,439 million. The project utilised LKR 1,224 million during the year 2019 of which the utilisation was highest under the component Project Management which was 115% and the lowest achievement was 2% under Component 3 – Inclusive Rural Financing. For the year 2020 the AWPB has been revised during the Mission to reflect the slackening of project activities on account of Covid-19. The component wise achievement against the budget for the year 2019 and 2020 (June 30 2020 revision!) is shown in Table 1A and the year wise achievement is reflected in Table 1B below.

Table 1A: Financial Progress by Component (LKR' mn)

Components	2019 (Revised)			2020 (draft revised dd 30/6)		
	AWPB	Actuals	% utilised	AWPB	Actuals	% utilised
Tea Smallholder Development	1,041.98	958.54	91.99%	897.19	228.58	25.48%
Rubber Smallholder Development	302.81	180.47	59.60%	367.04	88.26	24.05%
Inclusive Rural Financing	20.31	0.43	2.12%	93.36	12.65	13.55%
Project Management	73.53	84.69	115.18%	103.61	35.98	34.73%
Total	1,438.63	1,224.13	85.09%	1,461.20	365.47	25.01%

Table 1B: Year wise summary (LKR' mn)

Year	AWPB	Actuals	% achieved
2016		26.88	
2017	1,571.33	303.69	19.33%
2018	1,225.73	916.22	74.75%
2019	1,438.63	1,224.13	85.09%
Total	4,235.69	2,466.70	58.24%

An agreed action with respect to the AWPB revision is included under 'effectiveness', while the country contribution is addressed under counterpart funds.

Performance of M&E System	Rating: 4	Previous rating: 3
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Justification of rating

The M&E system reports on outputs and activities. The MIS system is under development, with 7 modules completed and the remaining planned for completion by August 31 2020, i.e. before the validation mission. The Project management uses progress figures to support decision-making on coordinated actions in the National Steering Committee.

M&E System Review

Since the Mid-Term Review Mission (MTR) of June 2019, the project has substantially improved the performance of M&E: i.e. seven modules of the MIS have been completed and are operational while the remaining four will be rolled out by the end of August and before the validation mission. The system i) assigns a unique identifier to each beneficiary helping the project avoid double counting and ii) generates reports that can be downloaded in different formats for further analysis.

STaRR M&E Team is now composed of the M&E Officer, M&E Specialist and GIS Specialist, representing a stronger team than observed during the MTR. The position of the M&E and KM Officer is filled on a short-term consultancy basis. Extension or renewal of the contract is desirable. The contract of the M&E Specialist will be extended till the completion of the project. The project has completed entry of the backlog of data for the seven completed modules and has cleaned some of the data from 2017. In addition, the project has finalised a M&E and KM Management Plan, which contains a detailed Action Plan and Matrix for the M&E activities and for KM activities. The revised AWPB 2020 should include the activities contained in the Action Plan and allocate adequate budget.

The final customisation of the MIS system will support Project Management by i) flagging areas at risk in order to help the Project Director initiate remedial action or ii) by flagging and capturing activities that can be leveraged as success stories for influencing tea and rubber practices and policies.

In October 2019, IFAD in collaboration with UNOPS conducted a two-day training on the Basic Concept of M&E for Field Animators, DPMU and PMU staff. The quality of the results report has improved since this training. Before roll-out of the MIS system, the transfer of data to the PMU was manual and without data cleaning. Once the MIS system is fully operational, each field animator will be provided with a mobile application to capture and insert data from the field and transfer the information to the DPMU in real time. Each DPMU has been provided with access rights for data entry to the web-based MIS system, which should reduce the reporting time. The Central M&E Team continues periodic visits to the districts for field monitoring and field validation.

The Project timely submitted the results report through ORMS combining achievements against Corporate Indicators with achievements against the Logical Framework. Reporting has been disaggregated by gender and age. During the remote supervision mission, guidance was provided on restricting and restructuring the total number of indicators incorporated into the system, to maintain its operational focus. A remaining point – to be looked into by a next mission – is the exact formulation and the method of assessment of the indicator for project goal / improved household assets. The baseline data need to be reviewed to confirm that the percentage of households above a to-be-defined threshold value can be ascertained.

STaRR is one of the few projects with a GIS Specialist using a professional software (ARCGIS) in locating the assisted geographical areas. All (re-)planting activities in the districts have been geo-referenced. IFAD has proposed the project for the geo-spatial pilot references that will be conducted by the Research and Impact Assessment Division (RIA). IFAD's Geo-M&E phase 2 is interested in collecting geo-referenced M&E data especially for infrastructure and land brought under climate-resilient practices.

Action with respect to staff continuity is included under Project Management.

Requirements of Social, Environmental and Climate Assessment Procedures (SECAP)	Rating: 4	Previous rating: 3
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Justification of rating

Based on the SECAP Review Note, the project has been identified as Category B in terms of environmental and social risks. This entails the need to produce an Environmental and Social Management Plan (ESMP) which will guide project implementation in mitigating the identified environmental, social and climate risks. An advanced draft of the ESMP was produced during the mission. Several mitigation measures as identified in the SECAP Review Note are being implemented.

SECAP Review

The ESMP, which is an integral part of the SECAP Review Note (for a category B project), was produced as an advanced draft during the Mission. The delay can be attributed to the

fact that there was no environmental personnel within the PMU team until the end of January 2020 to follow up on this matter. Now that the Environmental Consultant is on board, the PMU was able to develop the draft ESMP matrix with adequate information on the environment and climate risks encountered by the project with recommended mitigation measures. The social risks, however, will need further inputs, for example the risks related to labour notably for the infrastructure works under the project. The ESMP matrix should also provide clarity on the estimated costs (and budget sources) to implement the proposed mitigation measures, since this information is currently missing from the draft ESMP matrix. Following the submission of the draft ESMP matrix, IFAD will further review and provide feedback to the PMU, and organise follow-up discussion if necessary, for the finalisation of the ESMP matrix.

The following mitigation measures (as identified in Table 1 of SECAP Review Note) have been implemented by the project: conduct land preparation activities during the dry period, establishing drains and terraces to control soil erosion, intercropping (for soil erosion control and production of organic crops), tea infilling to maintain good ground cover, and establishment of life fences. Intercropping is supported by the matching grants.

Further, there is a need to undertake Environmental and Social Impact Assessment (ESIA) for government lands released by the Forest Department for new rubber planting in non-traditional areas of more than 50 ha. An official communication has been sent by the (Acting) Secretary of the MPI&EA to the DG of the Central Environment Authority (CEA) requesting for environmental clearance for project implementation under the STaRR project. The CEA response will confirm whether ESIA need to be undertaken for project activities under STaRR, as per country framework for ESIA.

<i>Agreed Action</i>	<i>Responsibility</i>	<i>Agreed Date</i>
ESMP Finalise and apply the Environmental and Social Management Plan (ESMP) matrix in coordination with IFAD	PMU	07/2020
Due diligence Pursue and adhere to CEA guidance on environmental due diligence	PMU	

d. Financial Management & Execution

Acceptable Disbursement Rate	Rating: 4	Previous rating: 4
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Justification of rating

The project is in its 4th year of implementation and its disbursement rate is 56% taking into consideration Withdrawal Application 22 (WA) for May 2020 which has been approved in the ICP. The disbursement profile for year 4 in an agricultural project is 60%, meaning that disbursement is in the upper reaches of moderate satisfaction. This rating is also attained without factoring in WA22. There have not been any extensions so far.

Main issues

The disbursement of around 56% includes the Authorized Allocation without which the disbursement rate is only 48%. According to the disbursement profiles for agricultural projects, disbursement should have been about 60%. The shortfall is on account of the initial delay and partly of the low expenditure during the current year, caused by the Covid-19 restrictions. The project has been regular in submission of its WAs, which have been submitted till the end of May 2020. The unallocated funds have not yet been reallocated. The disbursement in respect of Works in already about 89% of the allocation and that of Salaries & Allowances are about 79%. The project needs to prepare a realistic budget till the end of the project and request IFAD to allocate the unallocated portion (including reallocations if required). The authorized allocation is adequate to meet with the project needs and there have been no shortages in respect of availability of IFAD funds till now.

<i>Agreed Action</i>	<i>Responsibility</i>	<i>Agreed Date</i>
GoSL allocation Request additional GoSL resources against the revised 2019 AWPB	PMU	07/2019

Fiduciary aspects

Quality of Financial Management	Rating: 5	Previous rating: 4
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Justification of rating

The finance team is adequately staffed. The project uses TOMPRO accounting software through which reports are generated and withdrawal applications are submitted regularly. The Ministry has nominated an internal auditor to conduct quarterly internal audit of the project activities.

Main issues

Organization and Staffing. The project is adequately staffed with a Finance Manager at the PMU, supported by the Project accountant and accounts assistants. All accounting and reporting is done from the PMU and there are only petty cash transactions at the DPMUs, which an assistant manages and the expenditure statement is submitted along with an indent for further petty cash.

Budgeting. The financial budgets are available for project activities annually based on the approved AWPBs. The budgets segregate the costs based on the components, categories and financiers. The expenditure incurred is compared with the budgets for its utilization. The budgets prepared initially have undergone revisions in the years 2018, 2019 and 2020 midway to suitably reflect the activities undertaken during the year. The Government allocates a budget for the project in its National Budget which is not necessarily based on the AWPB. The amount available to the project is therefore based on the allocation and not on the AWPB. The project has to manage with the funds allocated and seek supplementary allocation in case of shortfall.

Funds flow & Disbursement Arrangements. The project has a Designated Account (DA) for IFAD funds which are under the control of the Foreign Debt Division. The account is maintained in the Central Bank of Sri Lanka. From the DA funds are transferred to the project account under the MPI which is being operated by the Project Director jointly with the Finance Manager/ Project Accountant. The amount is withdrawn from the project account for project activities. The project submits WA to IFAD regularly for replenishment of the DA from which funds are transferred to the project account depending on the fund requirement. The project has another project account within the Ministry for GOSL funds. The counterpart share of the project is met out of this account. As far as IFAD funds are concerned, the project has not experienced any cash shortage so far but shortfall as compared to the AWPB exists under counterpart funding. The counterpart fund is provided based on the request from the project. Funds are transferred from the Treasury to the GOSL project account on the basis of the budgetary allocation each year. Funds are transferred directly to the project beneficiaries and to the vendors from the PMU. Funds to the DPMUs are only for petty cash expenses.

Internal Controls The remote verification of the expenditure revealed that the payments are supported by adequate documents. The DPMUs have been provided with safe boxes for maintaining petty cash. Surprise cash count is conducted by the internal auditor. At the PMU there is proper segregation of duties. The accounts assistants prepare the vouchers and make entries in the books of accounts which is approved by the project accountant and then the Finance Manager/ Project Director. The project does not follow a PIM but adheres to the Government financial regulations and circulars issued in respect of financial management. Fixed asset register has been maintained and physical verification is conducted annually.

Accounting. The project uses TOMPRO accounting software for its accounting. The accounting is a double entry cash system of accounting. The financial reports are either generated from the system or from data exported into excel is used for such reports. The system allows feeding of budget and comparison thereof with the actual expenditure. Accounts are classified based on components, categories and financiers. During the MTR, certain expenses were reclassified from the Project Management to Components 1 and 2. However it is noticed that the same has not been reclassified in the books of accounts. This must be adjusted by reclassifying expenses under Project Management in the books of accounts by way of journal entries for earlier years and regularly for the current year so that the books of accounts, the audited financial statements and the reports submitted to IFAD match with each other.

Financial Reporting and Monitoring. The project prepares quarterly financial reports. The project submits IFR within 45 days after the end of the quarter and the unaudited financial statement within four months after the fiscal year ended to IFAD. Unaudited financial statements for the year 2019 have been prepared and submitted to IFAD in March 2019. The report contains the expenditure by components and financiers besides a comparison with the budgeted figures. Reconciliation of the Designated account is done every month.

Internal Audit. The Secretary MPI has assigned an internal auditor for the project. The auditor reports directly to the secretary MPI with a copy to the Project Director. The internal auditor is assigned with the portfolio based on a work plan besides some specific field visits. The workplan covers activities in the project AWPB, including the procurement and finance

functions. The internal audit is carried out quarterly in a way that each DPMU is covered at least twice in the year. The report for Q1 of the year 2019 has been submitted.

Agreed Action	Responsibility	Agreed Date
Internal Control Include the updated contract register in the next IFRs Create a project bank account for each DPMU Open bank account for each DPMU Purchase safe box for each DPMU	PMU	09/2019
Adjust the reclassification of expenses based on the MTR recommendation in the books of accounts Adjust the reclassification of expenses based on the MTR recommendation in the books of accounts	PMU	06/2020
Apply the MTR 2019 revised cost tables in the accounts system Apply the MTR 2019 revised cost tables in the accounts system	PMU	06/2020
Ensure the budget provision in the National Budget reflects the AWPB to prevent shortage of funds for planned activities. Ensure the budget provision in the National Budget reflects the AWPB to prevent shortage of funds for planned activities.	MPI&EA	09/2020

Quality and Timeliness of Audit	Rating: 4	Previous rating: 4
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Justification of rating

Audit report generally meeting requirements but received late

Main issues

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

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

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

Agreed Action	Responsibility	Agreed Date
Recruit adequate officers for the effective implementation of project activities ML#4.3. (b-ii) 47 2324 hectares of tea planting were unable to obtain 2nd and 3rd instalment for continuous cultivation due to lack of Tea Inspectors' recommendations even after the required 18 months from the date of Mana planting. Management replies: All lands were cultivated Mana in Dec 2017, thus became eligible for 3rd subsidy at May-June 2019. Inspections are now in progress.	PMU	07/2019
Improve internal control and procurement for better fund uses - ML#4.4: 10 motor cars were procured on 04 September 2018 for Rs 85 million (USD 482 460) but remained unused for 04 months due to delays in recruiting drivers and project had to pay Rs 2.64 million (about USD 15 000) to hire motor vans. - Audit report #1.3: A baseline survey and M&E system were completed at the cost of Rs. 6.5 million (about USD 36 894) but not used yet due to delays in recruiting M&E Officer.	PMU	09/2019
Detailed follow-up on prior year's audit recommendations to be included	National Audit Office/PMU	12/2019
Statement of fixed assets to be included as annex to FS	PMU	12/2019
cash management - ML #4.3.(a-iv): 15 farmers with 12.135 ha of rubber planting and upfront payment of Rs 849 317 had abandoned their cultivation. Management replies: The project will take action to re-organize these farmers to continue their rubber new planting progress. - ML#4.3. (b-i) It was observed that 109 tea smallholders who obtained permits and upfront payment of Rs. 3.58 million (USD 20 320) for tea replanting of 23.86 hectares in Kandy district had not continued their cultivation. Management replies: These lands are now being prepared up to the minimum standard to qualify for the first subsidy.	PMU	12/2019
Follow-up actions to be taken after utilizing funds for project activities to ensure its effectiveness and efficiency ML #4.3.(a-ii, iii): - Crops in the areas regularly experienced wild elephants and cattle destroying crops (Maha Oya and Uhana) with upfront payment of Rs 2 890 699 (USD 16 375.83) for rubber planting had no protection measures from wild elephants. As a result, the entire cultivation were destroyed. Management replied: an elephant protective power fence of 10.5km was constructed covering 300 beneficiary land plots. Rehabilitation and refilling of destroyed lands are in progress and will be completed in Maha season. - 10.54 hectares of rubber planting in Damana and Lahugala were destroyed by severe drought. Upfront payments of Rs 737 947 were wasted. Management replies: the project will take measures to rehabilitate these lands during the Maha season by providing planting materials	PMU	12/2019
Planned activities should be carried out within targeted period ML#4.3(b) 3 875 hectares of lands were planned to be prepared for tea planting during 2016-2018. However, no work had been carried out in 2016; 2 382 hectares/total 3 875 hectares had been issued with permits; only 738 hectares had been prepared in 02 years (2017-2018)	PMU	12/2019

Counterparts Funds	Rating: 3	Previous rating: 3
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Justification of rating

The budget allocation by the GOSL is less than 60% of the funds needed in the current fiscal year and implementation is likely to be affected. Project actively pursues release and, where needed, the augmentation of the allocation.

Main issues

During the current year the Government contribution reflected in the AWPB is LKR 700.26 million. However, the allocation by the GOSL to the project is only LKR 176 million. The Mission was informed that the shortfall is due to funds being made available on the basis of a 'Vote on Account' and not a regular Government budget during the year. In the likelihood of elections in the country in August 2020, the new Government will have a regular budget. During the year 2019 about 83% of the budget was allocated to the project. Beneficiary contribution is 'in kind'. The project has devised a format to collect data for beneficiary contribution and the same needs to be recorded in the financial statements.

Agreed Action	Responsibility	Agreed Date
Ensure sufficient counterpart funds are available to the project to timely carry out its planned activities Ensure sufficient counterpart funds are available to the project to timely carry out its planned activities	PMU	

Compliance with Loan Covenants	Rating: 4	Previous rating: 4
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Justification of rating

The loan covenants have been complied with except for delayed submission of audited financial statements.

Main issues

The project complies with the loan covenants. There have been delays in the past in submission of AWPB and of audited financial statements. The AWPB for the year 2020 was submitted timely. Submission of audited financial statements for the year 2018 was delayed and though efforts are being made by the project to submit the 2019 by 30th June 2020 there is a likelihood of some delay on account of the pandemic.

An agreed action is included under 'Counterpart funds'.

Procurement		
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Procurement	Rating: 4	Previous rating: 3
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Justification of rating

In a marked improvement over last year's moderately unsatisfactory rating, procurement now complies largely with the established procedures; and sound procurement decisions are made. The process can be traced well, with minor observations on correct documentation. This reflects the new procurement team has been well-instructed and works committedly.

Procurement Review

Procurement Planning: STaRR has established dedicated Procurement Unit headed by a Procurement Coordinator with the support of two Management Assistants. The procurement plan for the year 2020 includes goods, works, consulting services and non-consulting services for a total cost of US\$3.89 M. It is in line with AWPB. Basically, Procurement Plan follows IFAD template with reference to the Activity in the AWPB. Out of 37 items of the PP, PMU has initiated action on 7 and completed one procurement during the first five months of the year. The procurements that are in progress are at varying stages of completion. Five procurements that were initiated in the previous year have been completed in the current year. Most of the procurements are behind the schedule; largely due to the unsettled situation of the country during the last three months. The mission advised the PMU to accelerate the process and catch-up the backlog in coming period of the year as the country situation is normalising. This aspect rates *moderately satisfactory*.

Prequalification to bidding: Mission reviewed all procurements completed during the period commencing from the last mission and noted that the procurement process conforms largely to the Government Procurement Guidelines and are consistent with the IFAD Procurement Guidelines, Procurement Handbook and LTB with one exception where method of procurement advertised was different from the method actually adopted. In this case invitation for recruitment of five short-term consultants under the method of QCBS; but the method adopted in selection was ICS which actually is more appropriate. The mission strongly advised the PMU not to deviate from the published method of procurement and criteria when selecting successful bidders / consultants in future. This aspect rates *moderately satisfactory*.

Evaluation to award: STaRR has complied with most of the requirements of the Government and IFAD Procurement Guidelines, FA and LTB. Mission reviewed all outstanding tasks in the system of NOTUS. Out of 20 tasks 16 can be completed immediately by uploading necessary documents. Four tasks also can be completed in a month's time. Another issue observed is that the STaRR has not complied with the requirement of obtaining NOL for draft contracts via NOTUS before signing them. The mission recommends to complete all outstanding tasks and update the system and obtain IFAD No-objection for the Draft contracts that are subject to prior review. This aspect rates *moderately satisfactory*.

Contract Management and Administration: Contract administration is performed by the Procurement Coordinator and contract management is entrusted to respective sectional heads of the PMU. The sectional heads are expected to review the deliverables and invoices based on the terms and conditions of the contract and refer any defects or defaulted contractors and suggest remedial action to the management. No procurement is on hold for reasons including unresolved issues with contractors. STaRR is using the IFAD template for contract payment monitoring in line with the LTB and the forms are submitted along with the WAs regularly. Contract Register has been submitted along with WAs instead of submitting directly to the Country Director. It was requested to submit updated Contract Register to Country Director on a quarterly basis. This aspect rates *moderately satisfactory*.

Record retention: Almost all relevant documents are filed in separate folders and serially numbered in chronological order. In addition, progress payments, copies of invoices and copies of NOL granted should also be filed in relevant files. This aspect rates *moderately satisfactory*.

Agreed Action	Responsibility	Agreed Date
Contract register Submit updated Contract Register to the Country Director on quarterly basis commencing from June 2020	PMU	06/2020
NOTUS Complete all outstanding tasks in NOTUS and update the system	PMU	06/2020
Procurement plan update Update the current procurement plan after the approval of the revised AWPB and continue the practice of updating as needed	PMU	07/2020
Draft contracts Obtain IFAD No-objection for draft contracts that are subject to prior review	PMU	

e. Key SIS Indicators

Likelihood of Achieving the Development Objective	Rating: 4	Previous rating: 4
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Justification of rating

128. As indicated above – and throughout this report – the project is somewhat below target with respect to the realisation of outcomes. Even so, it is expected to partially meet its objective of more productive, profitable and resilient smallholders' economic activities in tea & rubber at completion. As all sustainability indicators are presently moderately satisfactory, it is likely that the project benefits will sustain beyond the project's duration.

Assessment of the Overall Implementation Performance	Rating: 4	Previous rating: 4
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Justification of rating

126. The implementation of STaRR is below target, with a little above 50% expected to be reached by component 1, but a full achievement expected in component 2 (rubber). Also, for component 3 (rural finance) indications are that most of the revised MTR target can be achieved. This supports an assessment that at the current rate, the project is expected to achieve some 70% of most major outputs within some, but not all, Components. At the same time, the overall project management and the financial management are efficient and sufficiently organised.

F. Agreed Actions

Agreed Action	Responsibility	Agreed Date
Overview and Project Progress		
GPS measurement Ensure smooth progression of land measurement by GPS for swifter processing of subsidies in tea replanting	TSHDA	06/2020
Revised subsidy schedule Confirm the revised subsidy schedule for novel replanting methods	TSHDA	06/2020
Rural infrastructure Include diverse market and production-related infrastructure options in the revised 2020 AWPB and in subsequent year	PMI	07/2020
Matching grants Include use of matching grants for the 'home garden beyond the home' Program for crop diversification and nurseries during 2020	PMU	07/2020
PIM revision Revise the Project Implementation Manual to reflect the 2020 Home garden beyond the Home-programme	PMU	07/2020
Rubber planting land Support the swift processing and transfer of identified lands for the final rubber planting campaign in Maha 2020	MPI&EA	07/2020
CO3 nurseries Develop two additional nurseries for CO3 Napier grass replication	TSHDA, PMU	08/2020
Engage PFIs Pursue the participation of at least three more PFIs in the credit facility	CBSL / PMU	08/2020
Augmentation credit facility Propose to MoF to augment the amount of interest subsidy and the duration of the credit facility	CBSL / MPI / PMU	10/2020
Rubber planting database Complete the database of rubber planted land for obtaining carbon credits	PMU	02/2021
Carbon credits Enter the market for carbon credits for the eligible lands planted by STaRR	RRI	10/2021
Implementation coordination (all districts) Insist on regular monthly national and district coordination between all concerned implementing partners	MPI&EA	
Implementation guidance (Tea) Scrutinise and support actions related to tea replanting by STHDA, TRI and STaRR	MPI&EA	
Matchmaking Enhance the match-making by DPMU staff between producers, buyers, banks and service departments	PMU	
Development Effectiveness		
Budget-neutral extension Submit a proposal for a one-year extension of STaRR to IFAD	MPI&EA / ERD	07/2020
AWPB 2020 revision Submit the revised AWPB and PP to 2020 to IFAD for no objection	MPI&EA	07/2020
Special target categories Incorporate data on youth into the M&E system and its query functions	PMU	07/2020
Climate Adaptation Measures Document good practices of climate adaptation measures implemented by tea and rubber smallholders under the project.	PMU	07/2020
Rural credit coordination Organise a meeting of concerned banks and branch managers to further streamline the use of the credit facility	CBSL / PMU	08/2020

Female-headed households Include data on women-headed households into the M&E system	PMU	10/2020
Sector policy tea and rubber Organise national stocktaking- and policy development conferences for smallholder tea production and for smallholder rubber production in non-traditional areas (possibly with prospective development partners)	PMU	02/2021
Strong coordination Insist on regular monthly national and district coordination between all concerned implementing partners	MPI&EA	
Sustainability and Scaling up		
ENRM training Implement the training on ENRM practices based on the developed training plan	PMU	07/2020
ENRM monitoring Implement a basic system to monitor the implementation of ENRM practices	PMU	08/2020
Capacity building Enhance the role of Field Animators in building beneficiary and society capacities in gender-balanced development, leadership and other non-technical fields	PMU/DPMUs	12/2020
Exit and scaling-up strategy Review and finetune the combined exit and scaling-up strategy periodically by the NSC and with senior staff	PMU	
Project Management		
ESMP Finalise and apply the Environmental and Social Management Plan (ESMP) matrix in coordination with IFAD	PMU	07/2020
Staff deployment Prepare a staffing plan to ensure project continuity up to the new completion and closure dates	PMU	12/2020
Management control Use project information systems and knowledge management to exert a more strategical influence over project implementation, replication and scaling-up	PMU	06/2021
Due diligence Pursue and adhere to CEA guidance on environmental due diligence	PMU	
Financial Management & Execution		
GoSL allocation Request additional GoSL resources against the revised 2019 AWPB	PMU	07/2019
Recruit adequate officers for the effective implementation of project activities ML#4.3. (b-ii) 47 2324 hectares of tea planting were unable to obtain 2nd and 3rd instalment for continuous cultivation due to lack of Tea Inspectors' recommendations even after the required 18 months from the date of Mana planting. Management replies: All lands were cultivated Mana in Dec 2017, thus became eligible for 3rd subsidy at May-June 2019. Inspections are now in progress.	PMU	07/2019
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Detailed follow-up on prior year's audit recommendations to be included	National Audit Office/PMU	12/2019
Statement of fixed assets to be included as annex to FS	PMU	12/2019

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Ensure the budget provision in the National Budget reflects the AWPB to prevent shortage of funds for planned activities. Ensure the budget provision in the National Budget reflects the AWPB to prevent shortage of funds for planned activities.	MPI&EA	09/2020
Draft contracts Obtain IFAD No-objection for draft contracts that are subject to prior review	PMU	
Ensure sufficient counterpart funds are available to the project to timely carry out its planned activities Ensure sufficient counterpart funds are available to the project to timely carry out its planned activities	PMU	

Sri Lanka

Smallholder Tea and Rubber Revitalization Project Supervision Report

Logical Framework

Mission Dates: 8 - 23 June 2020
Document Date: 05/08/2020
Project No. 1100001731
Report No. 5471-LK

Asia and the Pacific Division
Programme Management Department

Smallholder Tea and Rubber Revitalization Project

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.b Estimated corresponding total number of households members										
	Household members			144 000	11 889	123 954	86.1				
	1.a Corresponding number of households reached							RIMS	Annual		
	Women-headed households			2 080		1 650	79.3				
	Non-women-headed households			29 920		25 987	86.9				
	Households			32 000	2 642	27 646	86.4				
	1 Persons receiving services promoted or supported by the project										
	Females			14 400	1 772	14 619	101.5				
	Males			33 600	870	13 027	38.8				
	Young			4 800	405	405	8.4				
	Not Young			43 200		0	0				
	Total number of persons receiving services			48 000	2 642	27 646	57.6				

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 Enable poor rural people to improve their food security, increase their incomes and strengthen their resilience	Number of households (HH) benefiting from project services							RIMS impact surveys at baseline and completion - Special impact evaluation studies by external agencies	Year 1 - At the end of 4th project year	M&E Coordinator/ Project Manager	Government will continue to have favorable policies towards tea and rubber sub-sectors - The economy in general will have favorable growth and low cost escalations - Less or no natural calamities affecting tea and rubber community
	Number of HHs		7 300	27 600	2 642	27 626	100.1				
	Improved HH assets							RIMS impact surveys at baseline and completion - Special impact evaluation studies by external agencies	Year 1 - At the end of 4th project year	M&E Coordinator/ Project Manager	
	% improved HHs assets		30	40							
	Improved food security							RIMS impact surveys at baseline and completion - Special impact evaluation studies by external agencies	Year 1 - At the end of 4th project year	M&E Coordinator/ Project Manager	
	No. of HHs not experiencing hunger period of more than 1 year			27 600							
	Reduction in prevalence of child malnutrition							RIMS impact surveys at baseline and completion - Special impact evaluation studies by external agencies	Year 1 - At the end of 4th project year	M&E Coordinator/ Project Manager	
	% of prevalence of child malnutrition reduced			20							

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2020)	Cumulative Result (2020)	Cumulative Result % (2020)	Source	Frequency	Responsibility	
Development Objective Smallholders' economic activities in tea & rubber become more productive, profitable and resilient	Increased productivity							M&E reports - Records of rubber societies - Reports of service providers, BDOs, pvt sector linkage coordinator	Monthly	M&E Coordinator/ Community Development Officer as the field-level M&E supported by Business Development Officers (BDOs)	Price recovery over next five-year economic/price cycle - Lands be timely available for planting
	Average of production kg/ha										
Outcome Better organized tea & rubber smallholders able to sustainably produce & market their products	Societies organised and selling members' tea & rubber							M&E reports - Records of tea & rubber societies	Monthly	M&E Coordinator to coordinate with originators of reports	No holdups of the project tea replanting incentive and the TSHDA subsidy paid to the beneficiaries
	No. of societies		50	70							
	2.2.6 Households reporting improved physical access to markets, processing and storage facilities							RIMS	Annual		
	Households reporting improved physical access to markets										
	Size of households										
	Males										
	Females										
	Young										
	Not Young										
	Women-headed households										
	Non-women-headed households										

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2020)	Cumulative Result (2020)	Cumulative Result % (2020)	Source	Frequency	Responsibility	
	Households reporting improved physical access to processing facilities										
	Size of households										
	Males										
	Females										
	Young										
	Not Young										
	Women-headed households										
	Non-women-headed households										
	Households reporting improved physical access to storage facilities										
	Size of households										
	Males										
	Females										
	Young										
	Not Young										
	Women-headed households										

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2020)	Cumulative Result (2020)	Cumulative Result % (2020)	Source	Frequency	Responsibility	
	Non-women-headed households										
Output Tea societies capacity built including gender	Number of tea societies diagnosed & capacity built							M&E reports - Records of tea societies - Reports of service providers, BDOs	Monthly	M&E Coordinator to coordinate with originators of reports	MPI use a scheme to pay the “target related incremental payment” to participating TSHDA staff - TSHDA will continue with the proposed modified infilling scheme
	No, of tea societies		100	200	8	200	100				
Output Smallholder tea replanted in 5 districts	Tea replanted extent							M&E reports - Records of tea societies - Reports of service providers, BDOs	Monthly	M&E Coordinator to coordinate with originators of reports	MPI use a scheme to pay the “target related incremental payment” to participating TSHDA staff - TSHDA will continue with the proposed modified infilling scheme
	Ha of tea replanted extent		2 250	5 500							
Output Overhauling farm roads in tea areas	2.1.5 Roads constructed, rehabilitated or upgraded							M&E reports - Records of tea societies - Reports of service providers, BDOs	Monthly	M&E Coordinator to coordinate with originators of reports	MPI use a scheme to pay the “target related incremental payment” to participating TSHDA staff - TSHDA will continue with the proposed modified infilling scheme
	Length of roads		50	230	27	91.74	39.9				

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 Rubber society capacity built including gender	Number of rubber societies diagnosed & capacity built							M&E reports - Records of rubber societies - RReports of service providers, BDOs	All months	M&E Coordinator to coordinate with originators of reports	MPI resolves at earliest the scheme to pay the “target related incremental remuneration” to participating RDD staff
	No. of societies		40	60							
Output Smallholder rubber planted in 2 districts	Rubber planted extent							M&E reports - Records of rubber societies - RReports of service providers, BDOs	All months	M&E Coordinator to coordinate with originators of reports	MPI resolves at earliest the scheme to pay the “target related incremental remuneration” to participating RDD staff
	HA of rubber planted		900	3 000							
Output Overhauling farm roads in rubber areas	2.1.5 Roads constructed, rehabilitated or upgraded							RIMS	Annual	M&E Coordinator to coordinate with originators of reports & RIMS	MPI resolves at earliest the scheme to pay the “target related incremental remuneration” to participating RDD staff
	Length of roads		50	70		25	35.7				
Outcome Tea & rubber smallholders get increased access to credits	Number of tea & rubber growers got loans							Partner bank monitoring reports; progress reports of facilitators	Partner bank reports quarterly and others monthly	BDOs at the field level and M&E Coordinator at PMU level	Commitment of banks in financing tea and rubber sub-sectors - Political uncertainties and special initiatives related to agricultural finance do not affect credit culture
	No. of tea & rubber growers		1 450	16 000							
	1.2.5 Households reporting using rural financial services							RIMS	Annual		
	Households										
	Total number of household members			16 497	61	61	0.4				
	Males			11 548	43	43	0.4				

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	
	Females			4 949	18	18	0.4				
	Young			1 650							
	Not Young			14 847							
	Women-headed households			238							
	Non-women-headed households										
	2.2.5 Rural producers’ organizations reporting an increase in sales							RIMS	Annual		
	Percentage of rural POs										
	Number of Rural POs				9	9					
	Rural POs wtih women in leadership position										
	Rural POs - crop										
	Rural POs - fisheries										
	Rural POs - forestry										
	Rural POs - livestock										
Output Persons in rural areas accessing financial services	1.1.5 Persons in rural areas accessing financial services							RIMS	Annual		
	Total number of accesses to financial services					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	
	Women in rural areas accessing financial services - savings					0					
	Young people in rural areas accessing financial services - savings					0					
	Not young people in rural areas accessing financial services - savings					0					
	Men in rural areas accessing financial services - savings					0					
	Men in rural areas accessing financial services - credit					0					
	Women in rural areas accessing financial services - credit					0					
	Young people in rural areas accessing financial services - credit					0					
	Not young people in rural areas accessing financial services - credit					0					
	Total persons accessing financial services - savings					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	
	Total persons accessing financial services - credit					0					
Output Rural producers members of rural producers' organizations	2.1.4 Supported rural producers that are members of a rural producers' organization							RIMS	Annual	PMU	
	Total number of persons					4 676					
	Males					4 676					
	Females					0					
	Young					0					
	Not Young					0					
	Women in leadership position					0					
	Village community plans formulated							RIMS	Annual	PMU	
	No. of plans fomulated										
	1.1.4 Persons trained in production practices and/or technologies							RIMS	Annual	PMU	
	Total number of attendances to training sessions					17 498					
	Men trained in crop			17 488		11 359	65				
	Women trained in crop					6 139					
	Young people trained in crop					0					
	Not young people trained in crop					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	
	Total persons trained in crop					17 498					
	Government officials and staff trained							RIMS	Annual	PMU	
	Males										
	Females										
	People trained in community management topics										
	Men trained in bookkeeping										
	Women trained in bookkeeping										
	Men trained in gender										
	Women trained in gender										
	Men trained in health										
	Women trained in health										
	Men trained in leadership										
	Women trained in leadership										
	Men trained in literacy										
	Women trained in literacy										

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	
	Men trained in planning										
	Women trained in planning										
	Men trained in other										
	Women trained in other										
	Persons trained in book-keeping										
	Persons trained in gender										
	Persons trained in health										
	Persons trained in leadership										
	Persons trained in literacy										
	Persons trained in planning										
	Persons trained in other										
1.1.3 Rural producers accessing production inputs and/or technological packages							RIMS	Annual	PMU		
Females					0						
Males					0						
Young					0						
Not Young					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	
	Total rural producers					4 676					
	3.1.4 Land brought under climate-resilient practices							RIMS	Annual	PMU	
	Hectares of land		3 750	7 500	1 163	4 912	65.5				

Sri Lanka

Smallholder Tea and Rubber Revitalization Project

Supervision Report

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

Mission Dates: 8 - 23 June 2020
Document Date: 05/08/2020
Project No. 1100001731
Report No. 5471-LK

Asia and the Pacific Division
Programme Management Department

Table 1A: Financial performance by financier 31 May 2020 (amount in USD' 000)

Financier	Approval	Disbursements (upto May 2020)	% disbursed
IFAD Loan	25 764	13 758	53.40%
Government	32 762	3 238	9.88%
Beneficiary Contribution	3 610	840	23.26%
Bank contribution	3 251	65	2.00%
Private Sector	15	-	-
Total	65 401	17 900	27.37%

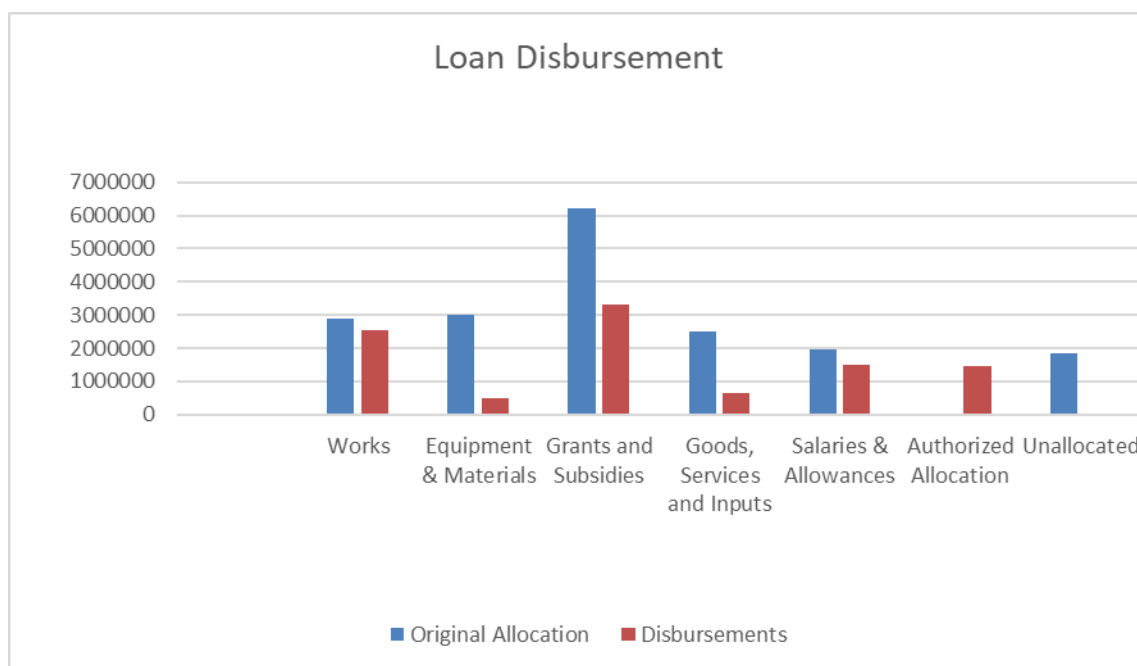
Table 1B: Financial performance by financier by component upto 31-05-2020**(Amount in USD '000)**

	Component	IFAD Loan			Government			Beneficiaries			Banks			Private Sector			Total		
		Approval	Actual	%	Approval	Actual	%	Approval	Actual	%	Approval	Actual	%	Approval	Actual	%	Approval	Actual	%
1	Market led Sustainable Agriculture Production	16 380	9 322	57%	26 107	2 308	9%	1 955	816	42%	-	-	-	-	-	-	44 442	12 446	28%
2	Value Chain Development and Marketing Support	7 635	2 073	27%	5 480	588	11%	1 654	24	1.45%	-	-	-	15	-	-	14 784	2 684	18%
3	Institutional Support & Policy Development	50	2	5%	201	7	0.03	-	-	-	3 251	65	2%	-	-	-	3 502	74	2%
4	Project Management, Co-ordination and M&E	1 699	1 163	68%	974	335	34%	-	-	-	-	-	-	-	-	-	2 673	1 499	56%
	Total	25 764	12 561	49%	32 762	3 238	10%	3 609	840	23%	3 251	65	2%	15			65 401	16 703	26%

Table 1C: IFAD Loan Disbursements (SDR as at 31-05-2020) - 2000001447

Code	Categories	Original Allocation	Disbursements	WA pending	Balance	% disbursed
200003	Works	2 900 000	2 544 828	23 340	331 832	88.56%
200011	Equipment & Materials	3 010 000	481 598	546	2 527 856	16.02%
200012	Grants and Subsidies	6 200 000	3 313 395	307 601	2 579 004	58.40%
200013	Goods, Services and Inputs	2 520 000	635 730	17 259	1 867 011	25.91%
200018	Salaries & Allowances	1 980 000	1 483 248	76 112	420 640	78.76%
270001	Authorized Allocation	-	1 461 636	-	(1 461 636)	100%
290001	Unallocated	1 840 000	-	-	1 840 000	0%
	Total	18 450 000	9 920 435	424 859	8 104 707	56.07%

Note: The Balance Column takes into consideration the disbursal of WA pending and the disbursed % includes the WA pending figures



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Smallholder Tea and Rubber Revitalization Project Supervision Report

Appendix 2: Physical progress measured against AWP&B

Mission Dates: 8 - 23 June 2020
Document Date: 05/08/2020
Project No. 1100001731
Report No. 5471-LK

Asia and the Pacific Division
Programme Management Department

Appendix 2: Physical progress measured against AWP&B

Key Activity / Sub Activity	Indicator	Unit	2017	2018	2019	Period 2020.01.01 -2020.05.31			Cumulative Actual	Appraisal Target	%
						AWPB Target	Actual	%			
Component 1 : Tea Smallholder Development											
(a) Strengthening Tea Societies in Production and Marketing											
1.1.1. Information & Education Campaigns (IEC) program	No. of IEC Campaigns Conducted & capacity developed /people trained in community management topics	Programs /beneficiaries	549	230	491	0	0	0	1270	N/A	0
1.1.2. TOT Programme for field animators on PRA techniques /tools	No of programmes conducted/no of staff trained	No of programs	43	0	0	0	0	0	43	N/A	0
1.1.3. Participatory Rural Appraisal (PRA) for preparation of Society Strengthening Plan	Society Strengthening Plans prepared/community Development plans prepared	Societies	57	0	0	0	0	0	57	200	28,5
1.1.4. Conducting Diagnostic studies	No of societies diagnosed	societies	205	0	72	0	0	0	277	200	138,5
1.1.5.Strengthening of Tea Society Member on Business Development & other subjects	Number of society Programmes capacity built/	no of programs/persons	0	24	26	0	0	0	50	N/A	0
1.1.6. Tools and Equipment for 110 Nos. Best performing Tea Societies for all aspects of project intervention	No of societies provided with Tools and Equipment	no of societies	0	0	0	0	0	0	0	200	0
1.1.7. Development of SDP for matured tea societies	Nos. of Plans developed	no of societies	0	112	82	0	0	0	194	200	97

Key Activity / Sub Activity	Indicator	Unit	2017	2018	2019	Period 2020.01.01 -2020.05.31			Cumulative Actual	Appraisal Target	%
1.1.1.B.2Develop management & business capacity through Internal lending with IGA linkages	Number of society Programmes capacity built/	no of programs/persons	0	0	0	206	39	19	39	N/A	0
(b) Replanting of low productive tea lands											
1.2.1.0. Identification of lands for Tea Replantation	Extent Identified	ha	2635,52	2449,13	1854	0	158,6		7097	4500	157,7
1.2.1.1.0 upfront 1 -2017	Extent upfront paid	ha	1037,62	1344,27		0	0	0	2382	4500	52,9
1.2.1.1.1 upfront 1 -2018	Extent upfront paid	ha	0	0	269	0	0	0	269	4500	6,0
1.2.1.1.2 upfront 1- 2019	Extent upfront paid	ha	0	0	1133	500	156	31	1289	4500	28,6
1.2.1.1.2 upfront 1- 2020	Extent upfront paid	ha	0	0	0	916	315	34	315	4500	7,0
1.2.1.2.1 upfront 2 2017	Extent upfront paid	ha	0	0	311	606	95	16	406	4500	9,0
1.2.1.2.2 upfront 2 2018	Extent upfront paid	ha	0	0	76	521	0	0	76	4500	1,7
1.2.1.2.3 upfront 2 2019 (advance for input nursery)	Extent upfront paid	ha	0	0	3,3	0	0	0	3	4500	0,1
1.2.1.3.1. Subsidy1: 2017	Extent Subsidy paid	ha	18,83	718,87	234	204	135	66	1107	4500	24,6
1.2.1.3.2 Subsidy 2 :2017,	Extent Subsidy paid	ha	0	340,29	409	317	128	40	877	4500	19,5
1.2.1.3.3: Subsidy 3 :2017	Extent tea replanted	ha	0	0	215	606	105	17	320	4500	7,1
1.2.1.3.4: Subsidy 4 :2017	Extent tea replanted	ha	0	0	119,4	685	44	6	163	4500	3,6
1.2.1.3.5: Subsidy 5 :2017	Extent tea replanted	ha	0	0	9,86	585	0	0	10	4500	0,2
1.2.1.3.6 Subsidy 1 : 2018	Extent Subsidy paid	ha	0	0	342	744	0,7	0	343	4500	7,6

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Key Activity / Sub Activity	Indicator	Unit	2017	2018	2019	Period 2020.01.01 -2020.05.31			Cumulative Actual	Appraisal Target	%
1.2.1.4 .6 Subsidy 2 :2017,	Extent Service payment made	ha									
1.2.1.4 .7 Subsidy 3 :2017	Extent Service payment made	ha									
1.2.1.4 .8 Subsidy 1 : 2018	Extent Service payment made	ha									
1.2.1.4 .9 Subsidy 2 : 2018	Extent Service payment made	ha									
1.2.1.4 .10 Subsidy 3 2018	Extent Service payment made	ha									
1.2.1.4 .11 Subsidy 1 2019	Extent Service payment made	ha									
1.2.1.4 .12 Subsidy 2 2019	Extent Service payment made	ha									
1.2.2.7 Service Payment to TSHDA agreed under the MoU											
1.2.2.7.1 Subsidy 4 2017	Extent Service payment made	ha	0	0	0	0	0	0	0	4500	0
1.2.2.7.2 Subsidy 4 2018	Extent Service payment made	ha	0	0	0	0	0	0	0	4500	0
1.2.2.7.3 Facilitate to develop training materials, Modules etc	No of modules developed	No	0	0	0	3	0	0	0		
(c) support for nurseries & Training											
1.2.3.1. Technical training for commercial Nursery Growers on Nursery Management, Technical Know How, marketing, accounting,(Discussions and coordination)	No. of Training Programmes conducted on nursery management & no of people trained	Programmes /persons	0	50	16	25	19	76	85	N/A	0
1.2.3.2 Assisting to provide inputs to nurseries	No. of Ha	ha	0	236,9	105	220	12,04	5	353,94	1800	20
1.2.3.3 Technical training for input nursery Growers	No training Program conducted	programs	0	0	150,82	25	0	0	150,82	N/A	0

Key Activity / Sub Activity	Indicator	Unit	2017	2018	2019	Period 2020.01.01 -2020.05.31			Cumulative Actual	Appraisal Target	%
(d) Technical Support for Smallholders											
1.2.4.1 Extension support for tea growers on Land Preparation/Soil conservation/Grass Cultivation and Shading under NRM practices	Extent of Land improved under management practices/NRM/HA	programs	0	212	200	23	0	0	412	N/A	0
1.2.4.2 Piloting on Immediate day Replanting (Farm Development to reduce Soil rehabilitation period (Months 18->0)	No. of 1/4 acre lots Developed	plots /1/4 acre/	0	0	21	42	0	0	21	N/A	0
1.2.4.3. Tea Infilling with 18 months old plants (0.5 acre)	No of plots/ha infilled	Plots/ha	0	0	0	0	0	0	0	N/A	0
1.2.4.4 Tea Replanting with Micro Irrigation (1ha/0.5-acre plot per district)	No of plots/ha replanted with drip irrigation	Plots/ha	0	0	11	0	0	0	11	N/A	0
1.2.4.5 Tea with mechanise Harvesting (2ha/0.5 acre 5 plots Per district)	No of plots/ha grown with new technology	Plots/ha	0	1	0	38	0	0	1	N/A	0
1.2.4.6 Show Cases for replanting 18 months old plants preparing farmers themselves at the line of uprooting	No of Models grown with new technology (1/4 ha)	nos	0	0	1	12	1	8	2	N/A	0
1.2.4.7 Replication of best practices	No of best practices identified	nos	0	0	0	0	0	0	0	N/A	0
1.2.4.8 Preparation of Video Clip on Tea Replanting	No of best practices identified	nos	0	0	1	12	4	0	0	N/A	
(e) Upgrading Extension Services											
1.2.5.1 Technical Service providers capacity building for TSHDA	No of trained for capacity building	nos	0	12	0	12	3	25	15	N/A	0

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Key Activity / Sub Activity	Indicator	Unit	2017	2018	2019	Period 2020.01.01 -2020.05.31			Cumulative Actual	Appraisal Target	%
a) Diagnostic Analysis											
2.1.1.1 Information & Education Campaigns/ program	No. of IEC Campaigns Conducted & capacity developed /people trained in community management topics	Programmes	138	127	250	70	7	10	522	N/A	0
2.1.1.2. TOT Programme for Filed Animators on PRA Techniques/Tools	Society Strengthening Plans prepared/community Development plans prepared	programs	0	5	0	0	0	0	5	N/A	0
2.1.1.3. Participatory Rural Appraisal (PRA) for preparation of Society Strengthening Plan	no of programs conducted	programs	0	5	0	0	0	0	5	N/A	0
2.1.1.4. Conducting Diagnostic studies	Number of rubber societies diagnosed & capacity built	societies	35		15	22	9	0	59	100	59
2.1.1.5 Development of SDP for matured Rubber societies	Developed 10 matured rubber societies	nos	0	63	15	22	9	0	87	100	87
b) Capacity Building Process											
2.1.2.1.Organizing and Developing rubber growers in to Thrusaviya societies along with capacity building to form VRDCs	Number of beneficiaries' capacity built/trained programme	Programs/persons	0	0	17	0	0	0	17	N/A	0
2.1.2.2. Tools and Equipment for rubber Societies	No of societies provided with Tools and Equipment	societies	0	0	0	35	0	0	0	100	0
(b) Planting rubber in new lands											
2.2.1.1 Land identification, regularization & Surveying	Extent of Rubber lands identified/Surveyed/regularized	ha	0	1075	3359	906	44,9	5	4478,9	3000	149

Key Activity / Sub Activity	Indicator	Unit	2017	2018	2019	Period 2020.01.01 -2020.05.31			Cumulative Actual	Appraisal Target	%
2.2.1.1.1 Land Regularization	land extent regularized	ha	0	0	905,75	797,55	26	3	931,75	N/A	0
2.2.1.2. Up Front for Rubber Small Holder											
2.2.1.2.1 Upfront payment - 2016	Rubber planted extent	ha	260,48	51	0	0	0	0	311,48	3000	10
2.2.1.2.2 1st fertilizer upfront -2016 Plantation	Rubber planted extent	ha	0	0	165	0	0	0	165	3000	6
2.2.1.2.3. 2 nd fertilizer upfront -2017 Plantation	Rubber planted extent	ha	0	0	428	0	209	0	637	3000	21
2.2.1.2.4 Upfront payment - 2018	Rubber planted extent	ha	0	242	630	0	0	0	872	3000	29
2.2.1.2.5 Upfront payment – 2019 farmers	Rubber planted extent	ha	0	0	40	1370	403,19	29	443,19	3000	15
2.2.1.2.6 1st Fertilizer upfront - 2018	Rubber planted extent	ha	0	0	552	0	0	0	552	3000	18
2.2.1.2.7 3rd Fertilizer upfront – 2016 farmers	Rubber planted extent	ha	0	0	217	0	0	0	217	3000	7
2.2.1.2.8 1st Fertilizer upfront - 2019	Rubber planted extent	ha	0	0	0	1570	0	0	0	3000	0
2.2.1.2.9. 2 nd fertilizer upfront -2018 Plantation	Rubber planted extent	ha	0	0	0	631	0	0	0	3000	0
2.2.1.3 Government Subsidies for Small Holder Farmers											
2.2.1.3.1 1,2& 3rd subsidy payment -2016	Rubber planted extent	ha	0	122	0,81	0	0	0	122,80972	3000	4
2.2.1.3.2. 1, 2 & 3 subsidy payment -2017	Rubber planted extent	ha	0	281,5	10,60	0	0	0	292,102227	3000	10

Key Activity / Sub Activity	Indicator	Unit	2017	2018	2019	Period 2020.01.01 -2020.05.31			Cumulative Actual	Appraisal Target	%
2.2.1.3.3. 1 & 2 subsidy payment for 2018 farmers	Rubber planted extent	ha	0	162	562,95	0	136,01	0	860,96	3000	0
2.2.1.3.4. 1 & 2 subsidy payment for 2019 farmers	Rubber planted extent	ha	0	0	0,00	1570	0	0	0	3000	0
2.2.1.3.5. 3rd subsidy for 2017 farmers	Rubber planted extent	ha	0	0	167,96	0	82,01	0	249,97	3000	0
2.2.1.3.6. 4th subsidy for 2016 farmers	Rubber planted extent	ha	0	0	66,91	0	0	0	66,91366	3000	0
2.2.1.3.7 Subsidy 3 - 2018 Farmers	Rubber planted extent	ha	0	0	0,00	631	0	0	0	3000	0
2.2.1.3.8. 4th subsidy for 2017 farmers	Rubber planted extent	ha	0	0	0,00	352	0	0	0	3000	0
2.2.1.3.9 Subsidy 5 - 2016 Farmers	Rubber planted extent	ha	0	0	0,00	305	0	0	0	3000	0
2.2.1.4 Service payments to RDD agreed under the MOU											
2.2.1.4.1 Payment 2017	Rubber planted extent	ha	0	0	0	0	0	0	0	3000	0
2.2.1.4.2 Payment - 2018	Rubber planted extent	ha	0	0	0	0	0	0	0	3000	0
2.2.1.4.3 Payment 2016	Rubber planted extent	ha	0	0	0	0	0	0	0	3000	0
2.2.1.4.3 Payment 2019	Rubber planted extent	ha	0	0	0	24	0		0	3000	0
2.2.1.5 Purchasing of budded rubber plants	Nos. of Plant Purchased	nos	0	403338	480.060	489.240	31180	6	914578	N/A	0
2.2.1.6 Transportation of budded rubber plants	Nos. of Plant Purchased	nos	0	403338	480.060	370.513	31180	8	914578	N/A	0

Key Activity / Sub Activity	Indicator	Unit	2017	2018	2019	Period 2020.01.01 -2020.05.31			Cumulative Actual	Appraisal Target	%
2.2.1.7 Compost Fertilizer for 2019 Growers	Nos. of fertilizer Purchased	KG	0	0	1.569.672	1113940	263000	24	1832672	N/A	0
2.2.1.8 Planting materials for Intercropping for 2019 Farmers (maize, banana, ground nuts, cocoa etc	Nos. of Plant Purchased	nos	0	0	-	1200	27,5	0	27,5	N/A	0
2.2.1.9 Developing and printing of booklet on tapping instructions, intercropping and processing including resource person fee	No of booklet developed	nos	0	0	-	3500	0	0	0	N/A	0
2.2.1.10 Display of visual Boards on each farmer lands	No of Display board displayed	nos	0	0	-	3800	0	0	0	N/A	0
2.2.1.11 Developing individual field monitoring card	No of CARDS developed	nos	0	0	-	3000	0	0	0	N/A	0
b) Extension support & assistance to develop the rubber nursery											
b-1) Advisory Support and upgrading of Extension Service											
2.2.2.1.1 Extension support for rubber growers 2018/programs -2nd Farmer Training	no of extension programs conducted	programs	0	169	86	70	18	26	273	N/A	0
2.2.2.1.2 Establishment of pilot drip irrigation system (ha)	no of established DIS	Nos	0	0	2	0	0	0	2	N/A	0
2.2.2.1.3 Soil suitability testing for rubber growing areas/plots	no of plots tested	No of plots	0	11		0	0	0	11	N/A	0
2.2.2.1.4 Extension support for rubber 2019 growers by RDD	no of extension programs conducted	Nos.	0	0		0	0	0	0	N/A	0

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Key Activity / Sub Activity	Indicator	Unit	2017	2018	2019	Period 2020.01.01 -2020.05.31			Cumulative Actual	Appraisal Target	%
2.3.2.5. Selection of best farming practices of new rubber farming	No of programme conducted	programs	0	0	0	0	0	0	0	N/A	0
2.3.2.6 Selection of best performing Thurusawiya society 2019	No of programme conducted	programs	0	0	0	0	0	0	0	N/A	0
c) Market Infrastructure Development											
2.3.3.1. Identification of Marketing Infrastructure with participatory approach	No of Marketing infrastructure identified (Roads, Elephant Fences, culverts etc.)	nos	0	52	0	0	0	0	52	0	0
2.3.3.2. Preparation of Bills of Quantities, Technical Drawing, Quality Assurance, Construction supervision (Technical Assistant)	no of BOQs developed for community infrastructures	NO OF BOQs	0	27	8	0	0	0	35	N/A	0
2.3.3.3 .Rehabilitation of Community infrastructure (roads)	Length of farm road length (km) Number of structures constructed/rehabilitated	Nos	0	24	0	6	0	0	24	80	30
2.3.3.4 .Construction of Elephant Fences	length of elephant fences constructed	KM/nos	0	0	1		0	0	1	Nos	0
2.3.3.5. Capacity building on process and Contact management	Number of beneficiaries trained in infrastructure management	programmes	0	3	0	43	0	0	3	80	4
2.4.1. Progress Review monthly meetings/ Staff meetings/ Stake holder meetings	No of meetings conducted / no of attended	Nos	12	21	24	0	20	0	77	Nos	0
Component 2 : Rubber Smallholder Development											
3.1. 1 Introducing potential beneficiaries to PFIs	No of beneficiaries identified	persons	0	152	0	0	0	0	152	16000	1

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Key Activity / Sub Activity	Indicator	Unit	2017	2018	2019	Period 2020.01.01 -2020.05.31			Cumulative Actual	Appraisal Target	%
4.1.18. Resource person for translation of Sinhala version to English & English to Sinhala/Tamil	Resource Persons appointed	No of documents	0	0	0	0	0	0	0	N/A	0
4.1.19. Preparation of Audio/video & Documentation for project visibility.	Nos. of items	Nos.	0	0	0	0	0	0	0	N/A	0
4.1.20 Awareness of field staff both project & line agencies regarding the development GIS & MIS network	No of persons aware	programs/persons	0	0	0	0	0	0	0	N/A	0
4.1.21 Capacity building of project staff	No of officers' capacity Built		0	2	0	0	0	0	2	N/A	0
4.1.22. Baseline Survey	Baseline Survey completed	study	0	1	0	0	0	0	1	N/A	0
4.1.23. Project Start workshop	workshop conducted	workshop	0		0	0	0	0	0	N/A	0
4.1.24 Monitoring & Evaluation of project activities (Mission programs/Progress review/NSC Meetings/field monitoring & TSP review & documentation)	Number of officers trained in M&E & related activities	programs /persons	0	0	0	0	0	0	0	N/A	0
4.1.25. Exposure visit/training/ sharing experiences on project implementation (Domestic & Foreign)	Number of officers trained regarding exposure visits/training & sharing experiences	visits	0	0	0	0	0	0	0	N/A	0
4.2. Purchasing of Goods, Equipment & vehicles											
4.2.1. Installation of GIS/MIS/GPS network (Continuation)	Established GIS/MIS Network	network	0	4	0	0	0	0	4	N/A	0
4.2.2. Accounting Software	Account software developed	software	0	1	0	0	0	0	1	1	100

Key Activity / Sub Activity	Indicator	Unit	2017	2018	2019	Period 2020.01.01 -2020.05.31			Cumulative Actual	Appraisal Target	%
4.2.3. Purchasing of 4wheel double cab	No of vehicles purchased	Nos	0	10	0	0	0	0	10	10	100
4.2.4. Purchasing of Motor bikes	No of motor bikes purchased	Nos	0		0	0	0	0	0	84	0
4.2.5. Purchasing of desk top computers	No of desk top computers purchased	Nos	0	22	0	0	0	0	22	33	67
4.2.6. Purchasing of lap top computers	No of lap top computers purchased	Nos	0	22	0	0	0	0	22	39	56
4.2.7. Purchasing of printers, photocopiers, UPS inverters, Multimedia projectors, Fax, Web Cam, External Hard Disk & Furnitures	No of items purchased	Nos	0		0	0	0	0	0	0	0
4.2.8. Purchasing of Jeep	Jeep Purchased	Nos	0	0	1	0	0	0	1	1	100
4.2.9. Purchasing of one Video Camara & three Digital Camaras	No of video & digital Camaras purchased	Nos	0	1	0	0	0	0	1	0	0
4.3.0 Salaries, allowances and related payments	amount paid	Rs.	6	12	12	12	5	0	35	0	0
4.3.1. Office Operating & Maintenance Cost	amount paid	Rs.	0	12	12	12	5	0	29	1865	2
4.3.2. Bike Operating & Maintenance Cost	amount paid	Rs.	0	12	12	12	5	0	29	462	6
4.3.3 Other vehicle Operating & Maintenance Cost	Amount spent	Rs.	0	12	12	12	5	0	29	330	9
4.3.4 Health Insurance	Amount spent	Months	0	0	0	0	0	0	0	0	0
4.3.5 Hiring of Vehicles	Amount spent	Rs.	12	6	3	0	0	0	21	0	0

Sri Lanka

Smallholder Tea and Rubber Revitalization Project Supervision Report

Appendix 3: Compliance with legal covenants: status of implementation

Mission Dates: 8 - 23 June 2020
Document Date: 05/08/2020
Project No. 1100001731
Report No. 5471-LK

Asia and the Pacific Division
Programme Management Department

Appendix 3: Compliance with legal covenants: status of implementation

Section	Covenant	Target / Action Due Date	Compliance Status / Date	Remarks
Financing Agreement				
B 6	There shall be (i) a Designated Account at the Central Bank of Sri Lanka and (ii) 2 Project Accounts in a commercial bank acceptable to IFAD and the Borrower for funds from IFAD and GoSL.	Program launch	Complied	Project Accounts in USD (at CBSL) and LKR (at BOC) have been opened.
B 7	The Borrower shall provide counterpart financing to the project in the approximate amount of USD 32.8 million, to cover the subsidies for the tea and rubber replanting program, taxes and other expenditure defined in the AWPBs.	Continuous	On-going	Disbursement of the counterpart financing as of 31 May 2020 is USD 3.23 million or 10% of the allocation
E 1	Opening of Designated Account and 2 project Accounts Appointment of Project Director and Finance Manager with IFAD no objection Draft PIM with IFAD no objection	Conditions precedent to withdrawal	Complied	
Schedule 1, Section 5 para 2	The Borrower shall establish a National Steering Committee that shall meet at least once a year to approve the AWPB	Continuous	Complied	
Schedule 1, Section 5 para 3	The Lead Programme Agency shall establish a Programme Management Unit (PMU).	Program launch and on-going	Complied	
Schedule 1, Section 5 para 5	The Lead Programme Agency jointly with IFAD, shall carry out a midterm review no later than Project Year 3	By 30/06/19	Complied	
GC Section 7.01 (b) (ii) AWPB	The Lead Project Agency shall submit the draft Project AWPB to the Fund for comments no later than sixty (60) days before the beginning of the relevant Project Year.	31 October of each year	Complied with delay	2020 AWPB submitted to IFAD on 31 October 2019 approved by IFAD on 2 Nov 2019
GC Section 7.08	Insurance of all goods and buildings used in the Project against such risks and in such amounts as shall be consistent with sound commercial practice.	Continuous	Partially complied	Insurance available for vehicles and not for other assets
GC Section 7.11.	Health and accident insurance for project personnel	Continuous	Not complied	The proposal was not approved by the NSC

Section	Covenant	Target / Action Due Date	Compliance Status / Date	Remarks
GC Section 8.01	Maintenance of records and documents adequate to reflect project operations until project completion date and for at least ten years thereafter.	Continuous	Complied and ongoing	
GC Section 8.02	Establishment and maintenance of management information system	Continuous	Complied and ongoing	
GC Section 8.02	Submission of periodic progress reports to IFAD	Continuous	Complied and ongoing	
GC Section 8.04.	After the Project Completion Date but before Financing Closing Date, submission to IFAD of the project completion report	31 December 22	Not yet due	
GC Section 9.01	Maintenance of separate accounts and records until the Financing Closing Date, and at least ten (10) years thereafter.	Continuous	Complied and ongoing	
GC Section 9.02	Submission to IFAD of detailed financial statements for each Fiscal Year within four (4) months of the end of each Fiscal Year.	30 April each year	Complied with delay	Submission of 2018 financial statements was delayed. For 2019 unaudited financial statement submitted to IFAD in March 2020.
GC Section 9.03	Audit of accounts for each Fiscal Year and submission to IFAD of audit report and management letter within six (6) months of the end of each Fiscal Year	Continuous	Complied with slightly delay	Submission of 2018 audit report was delayed. Audited financial statements for 2019 are yet to be submitted, due date being 30 th June 2020
GC Section 11.01 (a)	Financing shall be exempt from all taxes	Continuous	Complied	No exemption available but taxes are not being claimed
Letter to Borrower				
Para 32	List of all contracts in the Register of Contracts to be submitted monthly to the CPM	Continuous	Complied	
Para 34	Submission of interim financial reports within 45 days of the end of each quarter	Continuous	Complied	IFR Q1 2020 is submitted to IFAD
Para 37	Maintenance Observations, and regular update of Audit log	Continuous	Not Complied	Audit Log not being maintained
Para 39	Implementation of adequate Internal Audit arrangements	Continuous	Complied	MPI has appointed an internal auditor to conduct internal audit and submit quarterly reports

