

## **Sri Lanka**

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### **Smallholder Agribusiness Partnerships Programme**

### **Supervision Report**

### **Main report and appendices**

Mission Dates: 16 - 26 July 2018  
Document Date: 06/09/2018  
Project No. 2000000929  
Report No. 4858-LK

Asia and the Pacific Division  
Programme Management Department

## Abbreviations and Acronyms

|               |   |
|---------------|---|
| <b>4P</b>     | Public-private-producer partnership               |
| <b>AFA</b>    | Asian Farmers Association                         |
| <b>BDU</b>    | Business Development Unit                         |
| <b>BP</b>     | Business Plan                                     |
| <b>CBSL</b>   | Central Bank of Sri Lanka                         |
| <b>GoSL</b>   | Government of Sri Lanka                           |
| <b>MA</b>     | Mahaweli Authority                                |
| <b>MAT</b>    | Maturity Assessment Template                      |
| <b>MIS</b>    | Management Information System                     |
| <b>MoF</b>    | Ministry of Finance                               |
| <b>MONLAR</b> | Movement for Land and Agrarian Reform             |
| <b>MoU</b>    | Memorandum of Understanding                       |
| <b>MTCP2</b>  | Medium Term Cooperation Programme Phase 2         |
| <b>NADeP</b>  | National Agribusiness Development Programme       |
| <b>P/FO</b>   | Producer/ Farmer Organization                     |
| <b>PFI</b>    | Participating Financial Institution               |
| <b>PIM</b>    | Programme Implementation Manual                   |
| <b>PMU</b>    | Programme Management Unit                         |
| <b>RDD</b>    | Regional Development Department                   |
| <b>SAPP</b>   | Smallholder Agribusiness Partnerships Programme   |
| <b>SLA</b>    | Subsidiary Loan Agreement                         |
| <b>SM</b>     | Social Mobilisers                                 |
| <b>SME</b>    | Small and/ or Medium Enterprise (private sector)  |
| <b>STARR</b>  | Smallholder Tea and Rubber Revitalisation Project |
| <b>TA</b>     | Technical Assistance                              |
| <b>ToT</b>    | Training of Trainers                              |
| <b>WA</b>     | Withdrawal Application                            |
| <b>WFP</b>    | World Food Programme                              |

## A. Project Overview

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

|                                 |                   |                          |                   |
|---------------------------------|-------------------|--------------------------|-------------------|
| Approval Date                   | 10/04/2017        | Last audit receipt       | not available yet |
| Signing Date                    | 26/06/2017        | Date of Last SIS Mission | 30/07/2018        |
| Entry into Force Date           | 26/06/2017        | Number of SIS Missions   | 3                 |
| Available for Disbursement Date | 12/10/2017        | Number of extensions     | 0                 |
| First Disbursement Date         | 16/10/2017        | Effectiveness lag        | 2 months          |
| MTR Date                        | not available yet |                          |                   |
| Original Completion Date        | 30/06/2023        |                          |                   |
| Current Completion Date         | 30/06/2023        |                          |                   |
| Financial Closure               | not available yet |                          |                   |

## Project total financing

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

## Current Mission

|                      |   |
|----------------------|---|
| Mission Dates:       | 16 - 26 July 2018   |
| Days in the field:   | 5   |
| Mission composition: | Mr Hubert Boirard, CPM and mission leader; Ms Tamara Lampe, institutional specialist and team leader; Mr Alok Kumar, rural finance specialist; Ms Shamila Rathnasooriya and Ms Esther Penunia, farmers' organization specialists; Ms Claire Bilski, gender and targeting specialist; Ms Mehry Ismaili, M&E and results management specialist; Mr Dayananda Ratnasekera, procurement specialist; and Ms Firoza Parvin, financial management specialist |
| Field sites visited: | Aruna tea factory; Chello dairy Palmadulla; floriculture Balangoda; kithul Balangoda; tea group Kandy; dairy FO Kandy; MTCP FO Mathale; poultry group Dambulla; moringa Anuradhapura; Mahaweli FOs Huruluwewa   |

## B. Overall Assessment

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

|  |          |   |          |
|--|----------|---|----------|
| <b>Effectiveness and Developmental Focus</b> | <b>4</b> | <b>Project Management</b>   | <b>3</b> |
| Effectiveness                                | 3        | Quality of Project Management   | 3        |
| 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                                       | 3        |
| Nutrition                                    | 4        | Performance of M&E System   | 4        |
| Adaptation to Climate Change                 | 4        | Requirements of Social, Environmental and Climate Assessment Procedures (SECAP) | 3        |

|   |          |   |          |
|---|----------|---|----------|
| <b>Sustainability and Scaling-up</b>        | <b>4</b> | <b>Financial Management and Execution</b> | <b>4</b> |
| Institutions and Policy Engagement          | 4        | Acceptable Disbursement Rate              | 4        |
| Partnership-building                        | 5        | Quality of Financial Management           | 4        |
| Human and Social Capital and Empowerment    | 3        | Quality and Timeliness of Audit           |          |
| Quality of Beneficiary Participation        | 4        | Counterparts Funds                        | 5        |
| 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                    | 4        |   |          |

|                  |          |
|------------------|----------|
| <b>Relevance</b> | <b>5</b> |
|------------------|----------|

## C. Mission Objectives and Key Conclusions

### Background and Main Objective of the Mission

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

The programme development objective is to sustainably increase the incomes and quality of diet of 57,500 smallholder households (initially) involved in commercially oriented production and marketing systems. The main target subgroups are: (i) 35,000 new rural household producers (owning less than 1 ha of land and relying on agriculture for at least 50 per cent of their household income) that will benefit from increased livelihood opportunities through their engagement with 4P schemes – this includes 4,000 households organized in 70 producer/ farmer organizations (P/FOs); (ii) 16,400 households<sup>[1]</sup> already participating in 4P schemes established under the NADeP programme that will benefit from SAPP support in the form of access to seasonal working-capital loans for sustainability of their production systems; and (iii) 2,500 poor young women and men that will be supported in becoming entrepreneurs, responding to demand for products or services generated along the value chain and complementing the 4Ps.

This first IFAD and Government of Sri Lanka (GoSL) supervision mission of SAPP took place from 16 to 26 July 2018; this mission was joined for the first time, by farmer organization representatives. The main objectives of the mission were to: (i) assess the programme implementation progress; (ii) review progress against the 2017 and 2018 AWPB and procurement plan; (iii) identify actual and potential/ emerging operational problems; and (iv) propose solutions, corrective measures or improvements to be done for an acceleration of the programme.

The mission held consultations and working sessions with key partners, including CBSL, PFIs, P/FOs and private-sector 4P partners, as well as development partners such as WFP; five days were spent in the field visiting a representative sample of SAPP-supported ongoing and potential 4Ps, and meeting with producer/ farmers and the private sector. A final wrap-up meeting was held in Colombo on 26 July, chaired by the Secretary to the President.

The mission would like to express its gratitude to the Government of Sri Lanka, the PMU, partners, and beneficiaries for their cooperation and support during the mission. This Aide-Memoire reflects the main mission findings and recommendations, duly endorsed in the wrap-up meeting.

[1] The SAPP design target refers to 20,000 households; in practice, NADeP reached 16,400 households. The balance outreach will need to be covered through new 4Ps.

### Key Mission Agreements and Conclusions

The Smallholder Agribusiness Partnerships Programme (SAPP) is a high visibility national programme under the leadership of the Presidential Secretariat, with confirmed relevance evidenced by its inclusion in Vision 2025, and the institutionalisation of the 4P (public-private-producer partnerships) approach. The Programme is a second phase scaling-up of the National Agribusiness Development Programme (NADeP), leveraging the past experience and consolidating results.

Despite that SAPP was designed to be immediately operational with an accelerated implementation rate, overall performance to-date is considered moderately unsatisfactory. This is due to the delays in implementation, especially against the expected level of progress – at appraisal, the full outreach to 35,000 smallholder households in 4P arrangements was expected to be completed and the 4Ps fully operational by year 3.

In practice, the smooth transition/ continuation from NADeP did not materialise as expected and the Programme implementation progress is lagging. The disbursement level is unsatisfactory at 7% (including the initial advance) and today, financial progress against the AWPB is 0.21%.

In consideration of the low level of progress, the Programme is today potentially at risk. However, there are indications that some early implementation challenges are being resolved, and if recommended actions are taken, the Programme can recover. In summary, recommendations are the following:

1. **Effectiveness and development focus.** The mission urges the focused attention to developing the 4Ps – including a further two scaling up 4Ps, and ten new 4Ps – to allow for a shifting of attention to the implementation and monitoring of the 4Ps for the remainder of the programme; at least 20,000 households should be reached through the 4Ps by the end of the year. As well: it is urgent that the funds for the line of credit are immediately available in the CBSL account, to be on-lent to the PFIs to facilitate the operationalisation of the signed 4P; refresher training for staff (including social mobilisers) on due diligence, financial analysis and 4P principles is needed; and the Programme Implementation Manual (PIM) should be finalized, incorporating the various strategies related to gender, youth and engagement with small/ medium private sector partners, as well as the financial management section.
2. **Sustainability and scaling up.** Long-term development and sustainability of the partnerships rests with

strong governance, transparency and collaboration amongst and across the 4P actors (producers, P/FOs, the private sector, and commercial banks); therefore, the undertaking due diligence of all potential partners is key and only partners with more than 2 years' experience in the agribusiness should be considered. With regards to P/FOs, sustainability of the institution is dependent on further capacity building support, and continued growth requires ready *access to finance*; this issue needs to be addressed through policy dialogue and reforms.

3. **Programme management.** The strong capacity performance of the NADeP PMU has not been transferred as anticipated into SAPP in a manner to generate the leverage expected. That said, the mission does recognize that largely, the same staff have been responsible for two projects during the overlapping NADeP and SAPP effective period with implication for staff workload. This however, does not fully account for the delays experienced. In view of the situation, the mission recommends an external assessment of the programme management functions, processes and requirements; this will also inform any future staffing needs and changes in structure if required. Today, all staff should also be well-versed with uniform knowledge of the PIM and the principles and concepts of the Programme.

## D. Overview and Project Progress

The overall assessment of programme implementation performance is rated as moderately unsatisfactory (3). Today, the programme is just over one year entered into force; during this timeframe, the focus and majority of progress relates to: (i) fine-tuning, negotiating and finalising the strategies, approaches and in particular, the procedures governing the engagement of 4P actors – though not all of these are yet finalized; (ii) sensitizing and mobilising the would-be 4P actors/partners, including P/FOs; and (iii) assessment of 4P proposals, and further development of the 4P business plans (BPs) with high potential.

In terms of concrete results, three 4Ps have been finalised and recently signed as at end June (though not yet fully operational), and a further seven 4Ps are under negotiation and finalisation. The three 4Ps (two scaling up and one new 4P) implicate 8,500 households, or 15% of the total expected Programme outreach. In complement, subsidiary loan agreements (SLAs) have been signed with 9 PFIs, the revolving fund (consolidating previous IFAD-financed lines of credit) has been established, and the proposal for technical assistance/ support to CBSL/PFIs with an automated system for registration of beneficiary clients has been finalised.

Based on the appraisal document, and owing to the fact that SAPP should have largely leveraged the knowledge, experience and staffing of NADeP (as the precursor project), it was expected that the Programme would be fully operational within the first year of implementation, all 4Ps (new and scaling-up 4Ps) would be operational by year 2, and the original IFAD financing (USD 33.7 million) should have fully disbursed by year 3. All the outreach targets should have also been met by year 3, allowing the subsequent years to be utilized for monitoring results, consolidation and further up-scaling.

With respect to the support to develop farmer organizations, SAPP adopts a two-phased approach over six years (pilot phase from programme years 1-3, and expansion phase from years 4-6), which is requisite for obtaining results and emerging lessons which can be utilized for scaling up approaches in line with Government's policy and development agenda, and to ensure sustainability of supported FOs within 4P partnerships. In the expansion phase (years 4-6), the programme expects to increase outreach to producer/ farmers with additional financing to the 70 P/FOs supported during the pilot phase, but with the expectation that their membership will increase, or to new FOs.

During the NADeP and SAPP overlapping period, 4Ps with the potential to be significantly scaled up and some P/FOs with more tangible 'business' potential (including those registered under the Mahaweli Authority) had been pre-identified; the NADeP PIM was also considered to be largely comprehensive, only requiring some adjustments to incorporate the expected engagement with P/FOs and other fine-tuning to increase efficiency in implementation for a finalized SAPP PIM.

Against the appraisal expectations, SAPP is currently lagging, though there is potential to accelerate implementation to meet the targets if a concerted and joint effort by the PMU and all stakeholders is undertaken. The delays seem to be a combination of the following challenges: deviations<sup>[1]</sup> from the recommended approaches and mechanisms pre-agreed during appraisal; limited leveraging of the previous NADeP experience; new staff with mixed understanding of principles and procedures; and unexpected delays in negotiating institutional arrangements and agreements.

The programme will have to significantly accelerate the implementation rate to ensure that physical and financial progress is on track with initial projections, in order to be able to have sufficient time to observe tangible results. Going forward, financial progress is very much linked to progress in finalizing and operationalizing the 4Ps, notably the disbursements for the grant and credit linked to the 4P business plan. In terms of financial progress, SAPP's disbursement rate on the IFAD loan stands today at 7% which includes the initial advance. Financial progress against the AWPB is limited at 0.21%, rising to 45% with commitments in the amount of USD 11.6 million for the three signed 4Ps (grant and credit).

Today, the expected targets to be met are ambitious, though feasible in view of the past strong performance and experience of the PMU under NADeP. For this reason, the mission urges the focused attention to developing the 4Ps – including a further two scaling up 4Ps, and ten new 4Ps – within a short period, to allow for a shifting of attention to the operationalisation/ implementation and monitoring of the 4Ps for the remainder of the programme lifetime. It is expected that at least 20,000 households will be reached through the 4Ps by the end of the year.

### Component 1: Access to commercial partnerships

This component is *rated as moderately unsatisfactory* (3). The expected results is that a total of 35,000 households will be directly reached through 4P schemes (scaled-up, new and FO-led) and institutional strengthening interventions. A further 2,500 poor young women and men will be supported to become entrepreneurs responding to demand for products or services generated by the 4Ps. As a key principle, the first point of entry is the assurance of the market – i.e. a confirmed market-demand.

#### 1.1 Establishing 4Ps

To-date, the programme has finalised and signed three 4P sub-projects – cut flower (new 4P), Cargill dairy (scaled-up 4P with credit only), and sugarcane (scaled-up 4P based on the good results previously experienced with groundnut intercropping and resulting in high profits) – committing USD 8.9 million in credit and a further USD 2.4 million in grants for 8,500 households. A further seven 4Ps are at final stages of development (e.g. moringa production, chello dairy, fruit and vegetable production), and are expected to be sent for IFAD no objection by mid-August. Despite these advances, implementation is lagging in aggregate when considering that more than one implementation year has elapsed. Of the signed 4Ps, none are fully operational, and only 93 of the expected 8500 farmers are registered with CBSL/RDD. In view of

the need to accelerate progress, by end September, the following targets should be met: the credit for the three signed 4Ps should have disbursed; and ten new 4Ps and two scaled-up 4Ps should be finalised for IFAD no objection (in sum, a total of 20,000 households should be implicated in 4Ps by end 2018).

The mission does however recognize the delay related to the signing of the tripartite agreements between the PFI, private sector and SAPP, with the PFI requiring clearance from their legal units and their Board. Nevertheless, involving the PFI in the agreement is important, in order to clearly define the role and responsibility of the bank. In some instances as experienced under NADeP, PFIs had diverted the funds to settle previous dues, there were delayed transfers to service providers or equipment suppliers, and sales proceeds were not always paid into farmers' bank accounts; these isolated incidents could be well addressed under the tripartite agreement. The mission therefore recommends discussion and brokering with all the parties on the agreement once the business proposal is finalized and ready for submission to the business evaluation committee, so as to avoid delays in signing. In terms of implementation, the Programme holds twice-monthly meetings with MoF, CBSL and PFIs to ensure that the credit element of the 4P is disbursed on time, so as not to serve as a bottleneck to the 4P arrangement. All PFIs will be evaluated by the September to ensure that they are fully committed to the Programme and deliver as agreed – their contribution to the Programme will also be assessed.

On the issue of the tripartite agreements, the mission also notes the clause under which the private sector can back out of the 4P arrangement by paying 20% of the total cost. This clause requires more clarity as there could be some serious implications from the private sector pulling out, especially for the smallholder household. The mission recommends that if the private sector no longer purchases from the producer at the agreed price, then the private sector bears the full responsibility for the loans before the completion of the loan term.

Past experience has confirmed that a strong private sector is a pre-requisite for a successful 4P; hence the due diligence of the private sector is fundamental prior to brokering and negotiation. The challenge for the PMU is to work with small and medium private sector partners (or SMEs), whilst also avoiding engaging with aggregators or collectors that have limited experience or understanding of 4P principles, and may not be fully committed partners. The mission did observe that some 'potential' partners were in fact aggregators (Whespo); the risk of engaging with these actors is that smallholder farmers are likely to be exploited and would not receive fair price for their produce. The mission therefore recommends thorough due diligence on the SMEs<sup>[2]</sup> and a minimum of 2 years of business operations as an eligibility criteria. The mission recommends a two-day training for the Business Development Unit to be conducted by the specialist IFAD consultant on due diligence and financial analysis.

In addition, the mission recognizes that SMEs may face shortages in working capital and limited extension networks, thus limiting their ability to participate under the 4P arrangement. For such SMEs, the mission recommends that SAPP bear the cost of extension support; however, this support should be led and guided by the SME, providing TOT to lead farmers or promoting the Farmer Field School methodology. SAPP may also use the network of PFIs to introduce the SME for debt financing on market terms.

### *1.2 Institutional strengthening and capacity building of producer groups*

From its inception, SAPP has undertaken a number of steps to identify and promote the engagement of P/FOs in 4P arrangements. SAPP has conducted a two-day workshop for the Development Officers of the Mahaweli Authority (MA), orienting them on the Programme and building awareness and their capacity to support development of business plans (BPs). Despite multiple discussions with the Mahaweli Authority, and earlier identification of (36) P/FOs with 'business potential', only one BP proposal has been submitted by MA. As a key partner, there is need for demonstrated commitment by the Mahaweli Authority, and the mission urges the leadership of MA to mobilise its network of Development Officers to reassess business opportunities in the 'lead' performing P/FOs.

The mission also observed that in general, P/FOs and cooperative societies (both Mahaweli Authority registered and all other) have limited awareness and understanding of the Programme (as well as expected results and outcomes) and their role or opportunities in business 'partnerships'. This suggests that the communication and calls for EOI might be ineffectual, by-passing key channels and institutions that could potentially mobilise and identify 4P opportunities in favour of P/FOs. Additional consultations with other institutions working with P/FOs and cooperatives would be appropriate going forward; these include the Department of Agriculture, Ministry of Agriculture, Cooperative Development Department, National Cooperative council, MTCP2, Strategic Enterprise Management Agency, UNDP, etc. The mission also recommends that some of the P/FOs identified in the appraisal document be revisited to see if there is scope for their inclusion in the Programme.

The mission has also confirmed that P/FO governance and capacities (especially to deliver services to members) is a substantial challenge going forward, and vis-à-vis the intention to promote FO-led 4Ps. Multiple instances of lapses in governance was observed, deviating from P/FO principles of empowerment, etc. As with private sector-led 4Ps, choosing the right P/FO partner is critical, and for this, there is need for the PMU itself, and the social mobilisers especially, to be well-versed in understanding P/FO governance and mechanisms; subsequently, engaging with P/FOs does require a reliable assessment of the P/FO maturity and status. Whilst the Maturity Assessment Template (MAT) has been well-developed by the PMU, the capacity to assess the P/FOs is seemingly weak. The MATs should include remarks, and ratings/ assessment should be complemented with supporting evidence. To better engage with P/FOs, the mission recommends further training of the PMU on P/FO governance, organization and principles of empowering P/FOs, which will also aid in the categorization of P/FOs, support identification of those with potential to become responsible actors in 4Ps, and will support the due diligence process. Furthermore, the criteria for selection of P/FOs needs to be finalized and included in the PIM.

Following discussions with the PFIs, and noting the difficulties expressed by P/FOs with regards to accessing finance, the mission strongly recommends that the PMU advocate for and promote policy discussions around the issue of P/FO access to finance, as a consequence of the ambiguities around the recognition of their legal status. This policy dialogue should also take place in partnership with the CBSL and other partners such as IFC, working on developing the strategy on financial inclusion.

In the context of synergies across the IFAD-financed portfolio in Sri Lanka, the mission has also identified opportunities for SAPP to be supported in its engagement with P/FOs, through the collaboration with the STARR project and Medium Term Cooperation Program Phase 2 (MTCP2), a grant-funded project to build and strengthen capacities of farmers organizations to engage in policy work and deliver services to their members (implemented in 17 countries across Asia and Pacific, including in Sri Lanka, with the Asian Farmers Association (AFA) as regional grant recipient and Movement for Land and Agrarian Reform (MONLAR) as national implementing agency in Sri Lanka). The potential for partnership and collaboration between the three projects are in the areas of : (i) capacity building – strengthening FO leaders and technical staff to efficiently manage their organizations and cooperatives, as well as their enterprises and businesses; (ii) policy reforms, especially on access to finance, recognition of FOs, and promotion of sustainable agriculture, responsible agro investments through policy consultations, ideally with federated organizations either geographic or commodity-wise as the voice of the farmers; and (iii) knowledge management – capturing experiences and lessons learned in strengthening FOs and their enterprises, as well as in engaging with other sectors for their businesses. The mission recommends that a joint Action Plan is elaborated to outline priorities and activities to be pursued, as well as responsibilities.

## **Component 2: Access to rural finance**

This component *is rated as moderately unsatisfactory (3)*. The objective of this component is to facilitate access to rural finance and rural financial services to smallholders under the 4P arrangement in a sustainable manner and at affordable rates.

### **2.1 Financing of 4Ps**

Under this sub-component, a credit line of USD 30.3 million has been set up in CBSL/ RDD, with fresh inflows of USD 11.8 million under IFAD financing to SAPP and USD 18.5 million as government contribution through the consolidation of previous IFAD-financed lines of credit (Dry-Zone, SPEnDP and NADeP projects). As at 30 June 2018, only LKR 1.26 billion (equivalent to USD 7.9 million) is available in the consolidated revolving fund account, as some loans are still outstanding to borrowers under the previous lines of credit and which will only be fully paid back by 2020.

The line of credit is available at 6.5% to smallholders, with an interest spread of 3.5% for the 9 PFIs that have already signed the SLAs with CBSL. The facility is available for smallholders, including their organizations (P/FOs) to leverage private financing as their own investment under 4P arrangements (as working capital and/ or capital investment loans), and for a loan term ranging from 6 months to 36 months. The default risk is borne by the PFIs in conformity with employing their own loan appraisal standards and procedures.

To ensure that even PFI branch level officers are aware and have the clearly communicated information, SAPP in collaboration with RDD has carried out sensitization workshops at the district level on the purpose and operational modalities of the SAPP line of credit.

To date, SAPP has signed three 4Ps, proposed to benefit 8,500 smallholder households, and which comprises and commits USD 8.9 million under the line of credit. However, of the 8,500 beneficiaries, only 93 loan applications have been sent to the RDD for registration and an additional 1071 loan applications are being processed by the PFIs prior to sending out for RDD registration. The expectation is that by the end of July, loan disbursements will commence; subsequently the mission strongly recommends the following: (i) expediting farmer's appraisal and registration; and (ii) the urgent request (through submission of a WA) for a direct payment to CBSL in the minimum amount of USD 9 million to finance these loans.

As the consolidated revolving fund has also incorporated the line of credit financed by IFAD under the now closed SPEnDP project, the May 2018 supervision mission of the IFAD-financed STARR project (a second phase to SPEnDP) recommended that USD 4 million from the revolving fund be allocated to STARR beneficiaries (for income-generating loans), formalised by an MoU between STARR and SAPP. Whilst STARR has already started introducing and facilitating the linkages of clients to the SAPP PFIs, the PFI branches are requesting a formal communication from CBSL or SAPP with regards to this MoU. The mission therefore recommends for SAPP to formally communicate this arrangement/ collaboration with STARR to all the PFIs and CBSL.

Finally, considering the expected acceleration of the programme with the identification and finalisation of new 4Ps, liquidity (of the credit line) needs to be closely monitored. As of today, only USD 2.7 million from the 'fresh' IFAD financing for the credit line remains uncommitted, and less than USD 3.9 million from the consolidated revolving fund is available (after allocation to STARR) for any new or scaled-up 4Ps. The mission therefore recommends that SAPP prepare quarterly liquidity plans, based on the inflows from loan repayments, available cash balance and outflows with respect to the planned 4Ps.

### **2.2 Institutional strengthening of the financial services sector**

This sub-component is intended to support the institutional strengthening of CBSL and PFIs, to create an enabling environment for smallholder's access to finance. One of the priority areas identified at appraisal, was the automation of

RDD operations to reduce the turnaround time from the first introduction of farmers to PFIs, through to registration and finally loan disbursement, requiring on 4-7 weeks on average. Through SAPP support, RDD and MIS departments within CBSL, and PFIs, have now developed the MIS system requirements, and a proposal has been developed for the automated system. The mission recommends submission of the proposal to IFAD for no objection and subsequently, formalization through an MoU between SAPP and CBSL, for financing of the MIS system.

In addition, SAPP has also invited proposals from PFIs to pilot or scale up non-traditional financial services or delivery channels that go beyond standard lending and savings; this is intended to improve the engagement with smallholder farmers, private investors and entrepreneurs in 4P arrangements, offering a broader range of bundled services. Three PFIs have submitted the proposal and SAPP is in the process to review these by constituting a committee. The mission recommends for SAPP to adopt an approach similar to that being used in brokering the partnerships with the private sector under component 1.

Finally, at the policy level (and already mentioned under sub-component 1.2 above), the mission held discussions with the PFIs and CBSL on P/FOs access to finance. At present, none of the PFIs are lending to farmer-based organizations, citing their legal status – which does not assume obligations, incur and pay debts, sue and be sued in its own right, and to be held responsible for its actions. The mission recommends formation of a working group comprising the SAPP legal retainer, CBSL, PFIs and MTCP2 to discuss the road map that will lead to the enabling policy for P/FOs to have access to debt financing through PFIs. Moreover, the mission also recommends to discuss the possibility, of allocating at least 5% of the 10% agriculture sector-lending requirement, for smallholder farmers.

[1] The mission has observed: a repeated reference to 'value chain development' instead of 4P in key documents; mis-interpretation of the type, scope and role of service providers; etc.

[2] SME as defined by the National Policy Framework for SME Development by the Ministry of Industry and Commerce

| <b>Agreed Action</b>   | <b>Responsibility</b> | <b>Agreed Date</b> |
|--|-----------------------|--------------------|
| <b>Overview and Project Progress</b>   |                       |                    |
| <b>Tri-partite agreements</b><br>Maintain the practice of (4P) tripartite agreements   | PD                    | 08/2018            |
| <b>Financial sector collaboration</b>  | PD                    | 08/2018            |
| <b>Staff training on due diligence</b><br>Undertake due diligence and financial analysis training of PMU staff                                     | PMU                   | 08/2018            |
| <b>Collaboration with Mahaweli Authority</b><br>Reassess opportunities for leading MA P/FOs and present BP proposals                               | Mahaweli Authority    | 08/2018            |
| <b>P/FO selection criteria</b><br>Develop P/FOs selection criteria for inclusion in the PIM  | PMU                   | 08/2018            |
| <b>Revision of the EOIs and communication plan</b><br>Revise the call for EOIs and communication/ sensitization plan; link proposals to MIS system | PMU                   | 08/2018            |
| <b>P/FO stakeholder consultations</b><br>Organize additional P/FO stakeholder consultations with wider audience                                    | PMU                   | 08/2018            |
| <b>Staff training on P/FOs</b><br>Undertake additional training of PMU staff (include SMs) on P/FO governance, principles, etc.                    | PMU                   | 08/2018            |

|  |                           |         |
|--|---------------------------|---------|
| <b>Social mobiliser TORs</b><br>Revise SM TORs vis-à-vis P/FO assessment   | PD                        | 08/2018 |
| <b>LoC liquidity plan</b><br>Develop liquidity plan for the Line of Credit   | PMU                       | 08/2018 |
| <b>Direct payment to CBSL for LoC</b><br>Request USD 9 million as direct payment to CBSL/RDD to IFAD by RDD as direct payment for the line of credit   | RDD/SAPP<br>PMU           | 08/2018 |
| <b>STARR communication to PFIs</b><br>Formally communicate the STARR allocation to PFIs and CBSL   | PD                        | 08/2018 |
| <b>P/FO access to finance working group</b><br>Establish a working group on FOs access to loans and road map; ensure participation in discussions around the financial inclusion strategy  | SAPP/ RDD/<br>MTCP2       | 08/2018 |
| <b>4P proposals</b><br>Submit the first 6 (3+3) advanced 4P proposals for IFAD no objection  | PD                        | 09/2018 |
| <b>PFI evaluation/ assessment</b><br>Assess PFI commitment to 4Ps  | PMU                       | 09/2018 |
| <b>Collaboration with small/ medium private sector partners</b><br>Clarify and finalise strategies or approach related to: working with small/ medium private sector partners or SMEs; and private sector responsibilities in the case of withdrawal from the 4P agreement | PMU                       | 09/2018 |
| <b>SAPP-STARR-MTCP2 collaboration</b><br>Formalize SAPP/ STARR/ MTCP2 MoU and elaborate the joint Action Plan  | MTCP2 NIA/<br>SAPP/ STARR | 10/2018 |

## E. Project implementation

### a. Development Effectiveness

#### Effectiveness and Developmental Focus

|               |           |
|---------------|-----------|
| Effectiveness | Rating: 3 |
|---------------|-----------|

##### Justification of rating

Compared to the expectations and targets at appraisal, there have been substantial delays in implementing the 4Ps (scaled-up, new and FO-led 4Ps). Although three 4Ps have been signed (implicating 8,500 households or 15% of the outreach target), they are not yet operational and funds have not yet disbursed. However, progress has been made in terms of fine-tuning procedures and strategies, sensitizing and mobilising would be actors/ partners and six further 4Ps are in final stages of development.

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

In consideration of the substantial delays in implementing the 4Ps (scaled-up, new and FO-led 4Ps), the Business Development Unit of the PMU (PMU/BDU) needs to accelerate the identification of high potential 4Ps, as well as the negotiation and finalisation of 4P business plans (BPs). The communication (including calls for expression of interest) to the public on the Programme and its opportunities (e.g. 4P support), including clarity on the expectations (30% increased incremental income - or LKR 10-15,000 per month - for smallholders) needs to be strengthened – the adverts/ communication material should be revised and disseminated widely through various channels and media twice a month for the next three months. The submission of the expressions of interest (EOI) should be done through a web portal (linked with SAPP's MIS system). By end September, it is imperative that the three signed 4Ps are fully operational with disbursed funds, and an additional ten new, and two scaling-up 4Ps have been signed in order to remain relatively in line with appraisal targets. It is also urgent that the funds for the line of credit are immediately available in the CBSL account, to be on-lent to the PFIs. In complement, refresher training for staff (including social mobilisers) on due diligence, financial analysis and 4P principles needs to be undertaken. As well, the Programme Implementation Manual (PIM) should be finalized, incorporating the various strategies related to gender, youth and engagement with small/ medium private sector partners.

Regarding the logframe, it has been finalized and new RIMS IFAD Corporate Indicators have been identified. The PMU has proposed to further adjust a few logframe indicators to better describe the outcomes and outputs.

#### Development Focus

|                        |           |
|------------------------|-----------|
| Targeting and Outreach | Rating: 4 |
|------------------------|-----------|

##### Justification of rating

Overall, the signed 4P sub-projects have a focus on inclusion of the target groups as per programme design, and as reflected in the PIM. Furthermore, among the proposals under consideration there is good potential for inclusion of the target groups (moringa production, backyard poultry, etc). The MIS has been improved following NADeP experience, to include beneficiary profiles disaggregated by sex and age, land size, main source of income, etc. However, with the final approved list of beneficiaries to be provided by CBSL, this will require monitoring to assess inclusion of the target group. Targeting surveys, as were conducted under NADeP, are in progress to verify that the selected producers meet the targeting criteria. In addition, a youth entrepreneurship strategy is currently being developed.

##### Main issues

While 4Ps are market-led partnerships, the project is working to promote inclusion of the target groups as per the programme design (at least 80% with land holding size below 1 ha, at least 50 % of household income from agriculture, monthly incomes average USD 150-200 or below, focus on inclusion of women and young people). In the case of the signed 4P for sugarcane, beneficiary land size is 1.4ha. However, this was a standardised government allotment size for sugarcane farmers, who are reported to otherwise meet the criteria relating to household income. The proposal evaluation criteria include target group participation, and preference is given to low income districts. Private sector partners are sensitised on the targeting criteria, who then select the beneficiaries. PFIs are ultimately responsible for appraisal, opening of accounts and credit decision.

Overall, youth participation appears low against the minimum 20% youth inclusion target (to be confirmed based on the final approved list of beneficiaries). However, the mission has observed that some of the lessons and results around youth engagement are being leveraged during the development of new 4P BPs. For example, the kithul 4P currently under discussion has identified 400 unemployed youth (with equal involvement of young men and women for kithul tapping and processing, respectively), out of 1000 farmers. The example of increased incomes under NADEP was reported to provide an opportunity to attract young people.

A key issue as part of the project targeting mechanism is the lack of a clear youth definition. The National Youth Policy of Sri Lanka defines youth as 15-29, while the draft PIM defines youth as up to 40 years of age. Taking into consideration the relatively high percentage of Sri Lankan youth pursuing higher education and therefore entering the workforce and gaining experience at a later stage, it is proposed to define youth under the project as up to 35 years of age. The youth entrepreneurship strategy/ action plan currently being developed should reflect this, with specific measures developed for this age group. The strategy also requires further development to provide a clear action plan including training curriculum, etc., and it is recommended to work closely with the PMU business development team prior to finalisation.

Opportunities for youth employment through engagement in profitable products and services along the value chain are being identified. Under the signed 4Ps, this includes machine maintenance, pot making and fodder provision (sex disaggregated data not available). However, opportunities for youth are not consistently being identified as part of the business proposals. Clear guidelines should be developed to support proposal originators in identifying required goods and services and/ or the gaps in human resources capacities around the 4P, based on the product and value chain.

The youth strategy/ action plan should also assess the feasibility of the target to support 2,500 young entrepreneurs linked directly to the 4Ps, taking into account the total number of 4Ps over the project lifespan. Opportunities to support additional youth engaged in agriculture-related entrepreneurial activities may need to be considered.

| <b>Agreed Action</b>   | <b>Responsibility</b> | <b>Agreed Date</b> |
|--|-----------------------|--------------------|
| <b>Development Effectiveness</b>   |                       |                    |
| <b>Clarify youth definition</b><br>Reflect definition of youth up to age 35 in PIM and M&E system  | PD                    | 07/2018            |
| <b>Youth strategy and action plan finalisation</b><br>Develop the youth entrepreneurship strategy to provide a clear action plan, working closely with the PMU business development team | PMU/ BDU              | 08/2018            |
| <b>Youth engagement guidelines</b><br>Develop guidelines for youth engagement in profitable products and services along the value chain to be included in business proposals             | PMU/ BDU              | 08/2018            |

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

**Rating: 4**

### **Justification of rating**

Opportunities for women's participation is a strong focus of a number of 4P proposals and an important element of the evaluation process. As observed during the mission and as per NADEP experience, the role and participation of women in rural organisations is varied. This will need to be addressed as part of the gender strategy and action plan to be developed. It is planned to recruit long-term technical assistance in gender, nutrition and environmental issues. This should be prioritised in order to support the PMU team in developing and operationalising the gender strategy and action plan from the start of the 4P sub-projects, and to support gender analysis during planning, implementation and M&E, including baselines.

### **Main issues**

While the final approved list of beneficiaries is not available, overall progress appears to be on track against the minimum 40% target for women's participation. One of the signed 4P agreements, 'Livelihood Development of Unemployed Women and Youth through Floriculture and Value Chain Development', plans to work with over 90% women. Furthermore, many proposals currently under discussion include strong potential for women's participation, e.g. moringa production (targeting unemployed women below the poverty line), backyard poultry, etc. One 4P sub-project currently under evaluation plans to exclusively target women (500) for soursap cultivation. However, potential for women's participation under the signed sugarcane 4P is reported to be relatively low. In addition, 6 of the 15 Social Mobilizers are female, despite the reported difficulties encouraging women to work in marginal areas. Gender aspects have been included in the draft M&E manual.

The role and participation of women in rural organisations is varied, being high under some signed/ proposed 4P initiatives and significantly weak in others regarding informed participation. In some cases, for example, the husband is a registered member of the organisation, representing the household. However, being unofficial members, this may bring issues for women regarding election to leadership positions, participation in meetings and trainings, decision making, interaction with the private partners, access to information, etc.

Considering the issues and focus of the project gender approach on women's leadership development, it is recommended to consider a target of 40% for women's leadership in rural organisations as part of the gender strategy. It will also be important for the strategy to include monitoring of increased incomes, to ensure that women continue to benefit from the activities as earnings increase, and to ensure that all training meets women's needs, e.g. held close to the community, working around their schedules, etc. as required.

Long-term technical assistance in gender, nutrition and environmental issues (national consultancy) should be prioritised in order to support the PMU team in developing and operationalising the gender strategy and action plan (under private-led as well as FO-led 4Ps), which should be reflected in the PIM. The TA would also assist with further developing the targeting surveys, as well as capacity development (SMs, PMU, etc.), assessment of women's specific needs at different levels, and close cooperation with the PMU business unit during the 4P evaluation process and organizations' maturity assessment. It should also be ensured that responsibility for implementation of the gender (and youth) strategies is included where relevant in the TOR of PMU staff and the TA team.

| <b>Agreed Action</b>   | <b>Responsibility</b> | <b>Agreed Date</b> |
|--|-----------------------|--------------------|
| <b>Development Effectiveness</b>   |                       |                    |
| <b>Gender technical assistance recruitment</b><br><br>Expedite advertisement and recruitment for long-term technical assistance in gender, nutrition and environment aspects | PD                    | 09/2018            |

## **Agricultural Productivity**

**Rating: 4**

### **Justification of rating**

It is a little too early to see concrete results. However, across the 4P commodities (signed and those at an advanced stage of finalisation), the combination of on-farm investments and extension/ technical assistance is expected to contribute to on-farm productivity (as well, the technology dissemination by the promoter private-sector company is also a contributory factor). Improved productivity is accounted for and reviewed during the 4P evaluation process.

### **Main issues**

N/A

## **Nutrition**

**Rating: 4**

### **Justification of rating**

The programme is still in its early phase, though the PMU has been in close discussion with WFP to identify opportunities to collaborate on nutrition education and pilot activities, nutrition capacity strengthening and M&E; today, both parties are working towards formalising and finalising the partnership framework. Once IFAD and NSC approved, pilot activities can commence within the 4P areas. The most promising collaboration relates to WFP's social behaviour change communication and nutrition campaign.

### **Main issues**

Financing the implementation of activities is the main challenge. The ideal solution would be to put in place a co-financing arrangement between SAPP and WFP; the activity would need to demonstrate clear value added to SAPP 4Ps, and/or have a strong nutrition policy implication.

## **Adaptation to Climate Change**

**Rating: 4**

### **Justification of rating**

This aspects is a little early to assess as field-level implementation progress is modest at present. However, 4P proposals are being reviewed and screened for environmental/ NR management and adaptation to climate change measures; climate variability in proposed areas and the promoted technologies, are considered when assessing the viability of the 4P proposals.

### **Main issues**

With a project duration until 2023, it would be expected that significant climate changes could occur during the programme lifetime. Today, the country is already facing instances of extreme climatic changes and whilst macro-level climate change information is valuable, more pertinent would be firm knowledge of climate vulnerabilities at 4P project

implementation level. This should now be collected or observed to design more appropriate mitigation practices, detailed in the 4P proposals.

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

### **Institutions and Policy Engagement**

**Rating: 4**

#### **Justification of rating**

Despite being in its early phase, the programme has already identified and is working towards deepened policy engagement. Of note, access to finance for farmer organizations has been identified as an area of some concern, and the programme is implementing regular dialogue and consultations with the key actors (including CBSL and PFIs) to address some of the issues; the programme will also be represented in the working group tasked with developing the strategy for inclusive rural finance. Finally, the programme has also supported the central bank to develop systems for improved implementation and monitoring of funds under the revolving fund.

### **Partnership-building**

**Rating: 5**

#### **Justification of rating**

The entire programme is based on building partnerships, and this is already widespread and visible to-date. Formal partnerships have been confirmed with 8 PFIs and CBSL. Furthermore, 3 4Ps with private sector partners are formally signed and underway; a further seven 4Ps are expected to be finalised by Q3. An MoU with the STARR project for synergies is also signed and being implemented.

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

**Rating: 3**

#### **Justification of rating**

While it is early to assess the building of human capital through knowledge and skills development, support to P/FOs will be a key aspect of enhancing social capital and empowerment. Today, P/FO governance and capacities (especially to deliver services to members) are weak. The P/FOs identified are either in their nascent stages or need to be revitalized. They lack awareness of cooperative principles and good governance practices which could create issues relating to transparency, power relations and benefit sharing. At present the farmers are price takers rather than price makers.

#### **Main issues**

P/FOs and cooperative societies have limited awareness and understanding of the Programme and their role or opportunities in business 'partnerships'. A strong, sustained capacity building program is required. As with private sector-led 4Ps, choosing the right P/FO partner and an understanding of empowerment processes is critical. For this, there is need for the PMU itself, and the social mobilisers especially, to be well-versed in understanding P/FO governance, dynamics and mechanisms. The mission recommends continuous training and reflection among PMU staff and social mobilizers on P/FO governance, principles, strategic interventions and processes of empowering P/FO. Visits to empowered FOs can provide a clearer visualization and understanding of the processes of empowerment.

Furthermore, the process of empowering P/FOs is greatly facilitated by an enabling policy environment. Following discussions with the PFIs, and noting the difficulties expressed by P/FOs with regards to accessing finance, the mission strongly recommends that the PMU advocate for and promote policy discussions around the issue of P/FO access to finance, as a consequence of the ambiguities around recognition of their legal status and risk management. This policy dialogue should also take place in partnership with the CBSL and other partners such as IFC and representatives of P/FOs.

### **Quality of Beneficiary Participation**

**Rating: 4**

#### **Justification of rating**

The quality of beneficiary participation in the observed 4P sub-projects is diverse. In some, the beneficiaries were well informed about SAPP and the sub-project, and had participated in the 4P proposal design process. In others, SAPP and sub-project awareness was weak, indicating inadequate participation in the process. The observed reason was the lack of 4P implementer capacity (company, P/FO or cooperative) to empower the farmers, and lack of willingness and recognition of the value of informed farmer participation for project success. Furthermore, in some cases this may also indicate capacity constraints of the social mobilizers in strengthening P/FOs and cooperatives. On the whole however,

beneficiaries are contributing significantly by investing own funds through credit.

|  |                  |
|--|------------------|
| <b>Responsiveness of Service Providers</b> | <b>Rating: 4</b> |
|--|------------------|

**Justification of rating**

Given the current level of physical progress, it is still a little too early to rate this. The programme is not working with service providers per se, rather works in partnership with private sector partners to deliver services and results to the core target group.

|  |                  |
|--|------------------|
| <b>Environment and Natural Resource Management</b> | <b>Rating: 4</b> |
|--|------------------|

**Justification of rating**

Too early.

**Main issues**

N/A

|                      |                  |
|----------------------|------------------|
| <b>Exit Strategy</b> | <b>Rating: 4</b> |
|----------------------|------------------|

**Justification of rating**

The exit strategy is built into the programme design and approach, by promoting sustainable 4Ps that would continue so long as there is market demand. It is private sector actors and better organized and knowledgeable target groups that will ensure continuity.

|                                 |                  |
|---------------------------------|------------------|
| <b>Potential for Scaling-up</b> | <b>Rating: 4</b> |
|---------------------------------|------------------|

**Justification of rating**

Too early to rate. The programme is however a scaling up of previous experience and some of the already signed 4Ps are building on previous partnerships.

## **c. Project Management**

|                                      |                  |
|--------------------------------------|------------------|
| <b>Quality of Project Management</b> | <b>Rating: 3</b> |
|--------------------------------------|------------------|

**Justification of rating**

The strong capacity performance of the NADeP PMU has not been transferred as anticipated into SAPP in a manner to generate the leverage expected. Staff recruitment has been delayed, responsibilities are not clear, and organization is a challenge. Whilst workloads during the SAPP/NADeP overlapping period was considerable, this does not fully account for the delays in 4P implementation and the low disbursement rate to-date.

**Main issues**

Overall implementation is not aligned with the expected results as conceived at appraisal, and programme management remains below expectations. Notably, key tools necessary to facilitate uniform understanding and implementation of activities – namely the PIM, have not been finalised; comprehensive understanding of Programme principles, concepts and procedures across all the PMU staff and consultants (as well as social mobilisers) is also mixed.

SAPP management has informed the mission that there is need for extra capacity within the PMU structure. The mission therefore recommends an external assessment of the programme management functions, processes and requirements; this will inform any future staffing needs and changes in structure if required. Today, all staff should also be well-versed with uniform knowledge of the PIM and the principles and concepts of the Programme. Finally, the mission also reminds the management that any proposed deviations from the appraisal document should be communicated to IFAD, and no objection sought.

| <b>Agreed Action</b>  | <b>Responsibility</b> | <b>Agreed Date</b> |
|---|-----------------------|--------------------|
| <b>Project Management</b>   |                       |                    |
| <b>Programme Implementation Manual</b><br>Finalisation of pending strategies and PIM                                  | PMU                   | 08/2018            |
| <b>4P baseline surveys</b><br>Complete all pending baseline surveys for signed 4Ps (within 3 months of signature)     | M&E Unit              | 08/2018            |
| <b>Assessment of PMU and organizational structure</b><br>Undertake external assessment of the PMU structure and needs | IFAD/ERD              | 09/2018            |

## Knowledge Management

**Rating: 4**

### Justification of rating

Although SAPP is still in the early implementation period some KM products have been already developed such as the Evaluation toolkit to assess FOs for their Business Plan development and commercial capabilities. Currently 10 field visits have been conducted to assess the capacity, the present situation and the business involvement of the FOs and Feasibility reports were scrutinized by Internal Management committee (IMC). A separate window to share the key knowledge products and documents is being customized under the new MIS system.

### Main issues

SAPP is the scaling up of a successful programme in Sri Lanka and, on the experience of NADeP, PMU is already developing KM products. A big scale awareness campaign in collaboration with CBSL regional offices and PFI branch network about the loan products country-wide has been already initiated. 8 programmes already convened covering eight districts and the objective is to boost awareness and understanding of the operation of loans scheme to all regional managers, branch managers and respective credit officers of all PFIs of the loan schemes under SAPP.

In terms of staff the M&E Deputy Manager is also acting as Knowledge Management Officer and is supported by the M&E team. All Components Managers also contribute to share knowledge and success stories from the field. Business Development Unit (BDU) is preparing the how-to-do notes to be used as training material for 4Ps companies and farmers. Since the programme is in an early implementation stage, SAPP is now in the process of developing their Communication and Knowledge Management Strategy which will also include a detailed action plan. The KM activities are properly included in the AWPB and adequate budget is allocated. SAPP is already sharing and disseminating knowledge and identifying best practices through their official Facebook page, which has almost one thousand followers and where articles, photos and videos are uploaded. SAPP is in the process of finalizing the official WEB Page and a link to the IFAD web page for Sri Lanka SAPP will be included. The programme is already registered in the IFADASIA Facebook Group and IFADASIA Portal and they have already summited some documentaries for a wider broadcast. During an event organized in Kathmandu in early June 2018 on M&E and KM many participants from countries in South Asia Hub have expressed their interest in exposure visits to SAPP to understand the 4Ps model business modalities. The Programme should also support 4Ps companies in different knowledge sharing methods to showcase the farmers' products in local and international exhibitions or through exposure visits in other countries.

| <b>Agreed Action</b>  | <b>Responsibility</b> | <b>Agreed Date</b> |
|---|-----------------------|--------------------|
| <b>Project Management</b>   |                       |                    |
| <b>Web site</b><br>Finalise SAPP Web Site with links to IFAD SAPP site                      | PMU                   | 11/2018            |
| <b>KM Strategy</b><br>Prepare the Communication and KM strategy with a detailed action plan | PMU                   | 12/2018            |

## Value for Money

**Rating: 4**

## Main issues

N/A

### Coherence between AWPB and Implementation

Rating: 3

#### Justification of rating

The delays in finalising and signing 4Ps has the consequence that the (financial) execution rate against the AWPB 2018 is 0.2%. However, commitments amounting to USD 11.05 million would bring the execution rate to 45%.

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

The AWPB is overwhelmingly linked to physical progress under 4Ps; grants and credit related to 4Ps represents approximately 90% of the budget. Finalisation and signing of 4Ps without delay and to allow for field activities is key.

To facilitate the operationalisation of the three signed 4Ps, it is now urgent that the PMU to immediately request a Direct Payment for the Credit Line amounting to at least USD 9 million, into a segregated bank account at the CBSL. Related to financial execution, the responsibility and role of the PFIs to approve and disburse the funds to the beneficiary clients in a timely manner, must be strongly monitored.

### Performance of M&E System

Rating: 4

#### Justification of rating

With the experience of NADeP, SAPP will do the best use of the M&E system to generate knowledge and knowledge sharing and to monitor the performance of the POs and farmers and to help for decision making. SAPP is upgrading, with a customization of the modules, the MIS system used for NADeP and improving it to better track the activities on the basis of the new IFAD requirements. So far, the customization of 3 modules has been completed and the registration of the respective beneficiaries is also completed. PMU has initiated the M&E activities by developing individual 4Ps logical framework.

#### M&E System Review

The team is composed by a M&E Deputy Manager assisted by a M&E Development Officer and a MIS Officer for the development, customization, upgrading and maintenance of the MIS system, transferred from NADeP. The recruitment of one consultant to support the team in data analysis and to support also with the technical aspect of the MIS system and of 2 ICT Assistant to maintain the hardware, capture M&E data and update the system is almost finalized. This will enable the team to conduct KM activities in line with the M&E data and generate knowledge products. All M&E activities are included in the AWPB with adequate allocation.

The M&E Manual is almost finalized and a detailed M&E Action Plan will be included. The MIS will be integrated with programme-based information (data sharing, data gathering, data analysis and fund disbursement), knowledge products, finance, MF data. Selected 4P partners will be granted to log in to MIS to input their progress reports.

The MIS system will capture disaggregated data taking into consideration the new IFAD Corporate Indicators. The customization of the new MIS system is still under development because, as a pilot, new formats have been designed to capture 4Ps monthly achievements and because SAPP is trying to link their MIS system to the one of the Central Bank which is now under development. Three 4Ps companies have been already trained about the template and once access rights are provided they will be able to enter their own data in the MIS system and send their reports electronically to SAPP to analyse and validate the data. Qualitative and quantitative data will be verified through periodic monitoring field visits adopting the house to house visits, group discussions and informal interviews methodology. Result of the field monitoring will be used for internal discussions and decision making and special reports will be produced for the external parties when necessary. During quarterly Progress Review Meeting every 4P partner will be invited and these meetings will also foresees the participation of relevant PFIs.

All field activities conducted by the Social Mobilizers will be recorded in the MIS system once the customization is finalized. So far, for record keeping and evaluation purposes, the activities are inserted manually in an excel spreadsheet.

SAPP is promoting record keeping booklets among all the 4P beneficiaries to report on daily basis their crop records. This activity is conducted through the Social Mobilizers trained under NADeP implementation period. Although 50% of the farmers are keeping their own record in the booklet, the other 50% is still reluctant as they need to fill too many information. For this reason SAPP has started the process of simplifying the booklet and their record keeping.

So far, one survey on targeting has already been conducted and PMU is in the process of tabulating the data in an excel spreadsheet. Seven service providers have replied showing their interest in conducting the Baseline Studies and it is planned to conduct an awareness meeting to call technical proposals in line with the Terms of Reference developed. As the MIS system is under final customization it would be useful if SAPP can provide Social Mobilizers with tablets or any tools that can define the programme areas through geo-reference information. This information will be captured in the MIS

and transferred into maps to identify the groups and type of work in a specific district/province.

Recently, the M&E team from SAPP have attended a Monitoring & Evaluation training in Kathmandu in June 2018 called by IFAD and delivered by a M&E Master Trainer to familiarize all projects in the South Asia Hub with the new IFAD requirements and create a South Asia HUB community of practice.

| <b>Agreed Action</b>   | <b>Responsibility</b> | <b>Agreed Date</b> |
|--|-----------------------|--------------------|
| <b>Project Management</b>  |                       |                    |
| <b>M&amp;E Manual and M&amp;E Action Plan</b><br>Complete the M&E Manual and M&E Action plan to report and monitor M&E activities that can generate knowledge        | PMU                   | 11/2018            |
| <b>MIS</b><br>Complete the customization of the MIS system   | PMU                   | 11/2018            |
| <b>GPS</b><br>Purchase of tablets or any other tools to install the GPS to identify programme areas and transfer information into maps and develop training material | PMU                   | 11/2018            |

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

**Rating: 3**

#### **Justification of rating**

This rating is not definitive as the programme is still in its early phase. However, the SECAP review note was prepared during appraisal and at this time, it was also expected that this review note would be streamlined and repackaged to serve as a guideline for 4P stakeholders and for their consideration in preparing the 4P proposals. Whilst this has not yet taken place, some of the mitigation measures identified in the SECAP are being pursued, such as those related to the 4P evaluation process – but these measures could be deepened.

#### **SECAP Review**

At the point of initial screening and subsequent technical evaluation (TEC) of each proposed 4P, an environmental science expert to serve on the committee was recommended. The compliance with this is mixed, and could be made more consistent. This will enhance the capacity of both the PMU and promoter to develop investment and operation plans taking into account the environmental issues in the targeted locality. At the final technical clearance of the 4P programme by National Steering Committee (NSC), it is important that clear terms of reference be required from the promoter company/institutions regarding the social and environmental expectations of the programme.

### **d. Financial Management & Execution**

#### **Disbursement by financier**

| <b>Type</b>                         | <b>Name</b>                     | <b>Current Amount</b> | <b>Disbursed Amount</b> | <b>Actual Rate</b> |
|-------------------------------------|---------------------------------|-----------------------|-------------------------|--------------------|
| <b>Domestic Financing breakdown</b> | Beneficiaries                   | \$4,494,000           |                         |                    |
|                                     | Domestic Financing Institutions | \$9,821,000           |                         |                    |
|                                     | Private sector local            | \$16,967,000          |                         |                    |
|                                     | National Government             | \$19,359,000          |                         |                    |

#### **Acceptable Disbursement Rate**

**Rating: 4**

#### **Justification of rating**

The project is on its 1st year of implementation and its disbursement rate is 7%. There have not been any extensions.

### **Main issues**

The overall disbursement rate of the project as of 30 June 2018 is 7% including the initial advance (Refer to Appendix 1). The project has liabilities of USD 11,049,621 which includes credits and grants for 4P's contracts which may increase the disbursement rate to 35% within the year. Special condition preceding to withdrawal of LOC has been met - SLA between GOSL and CBSL signed on 12 March 2018. Request to open a segregated account has been initiated.

Disbursement from the SAPP loan by component and category of expenditure as of 30 June 2018 are shown in Appendix 1.

## **Fiduciary Aspects**

### **Quality of Financial Management**

**Rating: 4**

#### **Justification of rating**

The mission rated SAPP as moderately satisfactory on quality of financial management. With the new Deputy Finance Manager on board to assist the Finance Manager, the project will have full support from the Finance Unit to carry out many tasks planned for the year. The project took measures to improve the preparation of payment vouchers to ensure adequate information available on disbursement. However, there is a need to improve trail for supporting documentations for Payment Voucher (PV). The project also was able to input previous year's financial information in the accounting system "TomPro" and to use it on a day-to-day basis. The financial information of the FY2018 required by the mission was obtained from the accounting system.

### **Main issues**

Organization and staffing. The Finance Unit is fully staffed with experienced and qualified staff. Based on current workload and in anticipation of more activities to be completed, it will be a challenge to keep up with the high volume of work. Transferred staff (except for new recruits) had their performance appraised. While the positions titles are referred differently than the design documents, the overall responsibility remains same. PMU still have 8 vacant positions (excluding consultants) to be recruited. Therefore the project administration has shortcomings and remains difficult. The LPA (Presidential Secretariat) has allocated its staff as a part-time Project Coordinator (PC) and allowance paid under GOSL contribution. This position is not reflected under PMU's Organization Structure. The project has sought approval for several additional positions and was rejected. Consequently, allowance to PC was ceased immediately until this matter is resolved. Allowance payable to Acting Programme Director and Finance Manager is on hold out of courtesy.

Fund Flows & Disbursement Arrangements. Two WA submitted during 2018 were reviewed. Overall payments made with proper authorization. Findings include no checklist or sufficient supporting documents attached to PV. PMU files supporting documents in corresponding procurement /administration (non-financial) files as per GOSL requirement. Reference to these files and AWPB are not always available on the PV. Weak management of large advances observed. No pre-approval on Petty Cash Requisitions noted. No Travel/Training/Workshop Authorization form maintained except in the case of advance request. Back to office reports are not always available.

Private Bank raised concern on the legality of entities and collateral issues for Farmers Associations. These issues if not rectified may cause delays in disbursement of funds to end users. A total of USD 8,694,051 committed for 3 contracts of 4Ps scheme is 70% of the funds allocated under Loan 1843. Close monitoring of cash flow projection especially for the Credit Line and Revolving fund also quick processing of second phased loan for the remaining blended funding is crucial. Out of 23 interested parties, Tripartite Agreement was signed with 2 new and 1 Scale Up partnerships for 4Ps Schemes with a commitment value of USD11,049,620. The CRIB clearance is mandatory for PFIs to issue loans and may cause major delays in disbursements. No other major cash tension were observed in the fund flows of the project

Internal Control and Audit. Segregation of duties is in place as per GOSL requirement. The Internal auditor is appointed with duties including assessment of programme risk management, the reliability of financial information and achievement of targets

Accounting, Financial Reporting and Monitoring. Based on the mission review, all financial data up to June 2018, was entered into the accounting software (Tompro). The accuracy of the data and financial reports are slightly compromised with the booking of monthly revalued exchange rates into the system. PMU still maintains financial data in spreadsheets concurrently as a backup measure. Though reports are generated by component and category, the system and reporting templates do require further customization for better clarity. System reconciliation reports are generated with no details of un-presented checks, WA on transits, unclaimed expenses such as VAT and bank charges.

Fixed Assets Approval on the transfer of Asset from NADeP received during the mission. PMU is awaiting professional revaluation of these assets prior to recording in the books. The mission recommends to revaluing these assets by taking into account the historical cost and reasonable depreciation rate instead.

### **Quality and Timeliness of Audit**

**Rating:**

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

Performance of Counterpart Funds is rated as satisfactory. Disbursement rate of Counterpart contribution from the Government is at 0.05%. Low disbursement noted due to challenges in implementation such as cost savings on staff cost for 6 month. Office to be vacated this year so planned partition cost on hold. PD and FM allowances were on hold due to an issue with PC allowance. There were no delays in releasing counterpart funds, all required funds were released on time and implementation of planned activities were not affected.

**Main issues**

Government Contribution- Cash contribution of USD 10,142 consist of operating cost, GST payments, remunerations, grants and credits. No major delays faced in receiving government contributions.

Transfer of staff from NADeP to SAPP were delayed from January to July 2018 based on mission's recommendation in NADeP. Allowance payable to Acting Programme Director and Finance Manager were also ceased as a sign of respect until allowance payable to Project Coordinator is restored. PMU are expected to vacate the current premise and shift to a new building during the year. Additional cost for PMU office relocation and new rental rates are expected to incur within next 6 months. In summary, remuneration cost reduced significantly, however additional office relocation cost is also expected to increase in the next 6 months.

The government also provided in kind contribution (vehicles and office space, utilities, and maintenance) of USD 7,727 (for the period January to June 2018) expected to reach USD 15,000 by end of the year.

Beneficiary contributions are in the form of labour, equipment and inputs such as fertilizers, seeds, racks (purchased either from farmers' own funds or from microfinance loans) under the value chain component. MIS which is partially functional, is being customized to include the valuation, monitoring or recording of beneficiary, PFI and Private Sector contributions.

Although reporting on grants, credit and private partners' contributions may be easily obtained, data on beneficiaries' contributions will be a challenge. PMU plans to engage Regional Mobilizing Officer armed with reporting booklet as tools to capture beneficiary contributions. Modules in MIS are being built to capture this information.

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

The project has complied with most loan agreement covenants, except for procurement of insurance for assets.

**Main issues**

The project has complied with most loan agreement covenants, except for the procurement of insurance on its assets. The project procured 10 laptops and awaiting to receive assets from NADeP.

| <i><b>Agreed Action</b></i>   | <i><b>Responsibility</b></i> | <i><b>Agreed Date</b></i> |
|---|------------------------------|---------------------------|
| <b>Financial Management &amp; Execution</b>   |                              |                           |
| <b>Insurance for fixed assets</b><br>Procure insurance for fixed assets                                     | PMU                          | 09/2018                   |
| <b>Update the fixed asset register</b><br>Complete the fixed asset register with assets received from NADeP | PMU                          | 09/2018                   |

**Procurement****Procurement****Rating: 4****Justification of rating**

No serious drawbacks are observed in the system of procurement, except delay in submission of Annual procurement plan, absence of regular review and updating the same to suit changing needs of the project, failure to submit Contract Register for review by the CPM and lack of supporting staff for procurement function. It is also noted that procurement progress depends largely on the rate of physical progress of the project, especially at field level.

## Procurement Review

Project procurements are handled singlehandedly by the Procurement Specialist and Procurement initiation is based on the Annual Procurement Plan and project priorities. Contract drafting, and solicitation documents are done according to the formats / samples and guidance laid down in the procurement guidelines, with the assistance of the relevant staff of the PMU. TOR and Specifications are drawn by government officials who possess relevant expertise and experience and, in most cases, vetted by relevant Technical Committees and approved by the relevant Procurement Committee. Appointment of Project Procurement Committees (one for selection of consultants and another for goods, work and non-consultancy service), at the beginning of the year is appreciated, as it minimizes delays in identifying suitable officers during the year. No serious issues relating to record keeping and contract management are observed and no procurement on hold including unresolved issues with parties concerned. The Contract Register is maintained satisfactorily and requirement of forwarding updated Contract Register for review by the CPM on trimester basis is emphasized.

Mission had access to all procurement transactions and documentations of the period during the mission. Procurement plan for the year 2018 has been submitted for IFAD No-objection in February 2018 and no feedback received yet. However, mission reviewed the procurement plan and all procurements completed up to the end of June 2018 and found that out of 21 items in the plan, 03 items covering recruitment of 05 consultants and procurement of five laptops were completed and selection of two consultancy firms were in progress. In addition, procurement specialist has played an advisory role in making procurement under 4P grants and up to date he had participated in two 4P projects. As most of the procurements are directly related to the physical progress of the project, slow progress in procurements is observed at the initial stage.

Since project activities are expected to accelerate in the rest of the period, it is advisable to fill the approved position of Development Assistant for the Unit as early as possible. As hiring consultants is one of the functions categorized under Procurement in the LTB and applicable procedure is laid down in the IFAD procurement guidelines, it is suggested that all future recruitments of consultants be entrusted to the procurement unit, which avoid possible procedural deficiencies and lapses. Prior approval of the Procurement Committee and recommendation of the relevant Technical committees should be obtained before publication / issue of any bidding documents / TORR and Specifications. Periodical updating of the Procurement plan in line with revised AWPBs, setting realistic targets and proper categorization of procurements subject to prior and post review are emphasized. In instances where cost of the procurement item in the PP is above the threshold a justification should be included, if it is classified under post review. Contract Register should be submitted to the CPM trimester basis for his review as required by the LTB.

| <b>Agreed Action</b>  | <b>Responsibility</b> | <b>Agreed Date</b> |
|---|-----------------------|--------------------|
| <b>Financial Management &amp; Execution</b>                                   |                       |                    |
| <b>Procurement plan</b><br>Submission of Updated Procurement Plan to IFAD     | Procurement Officer   | 08/2018            |
| <b>Contract register</b><br>Bi-annual submission of Contract Register to IFAD | Procurement Officer   | 08/2018            |

## F. Agreed Actions

| <b>Agreed Action</b>   | <b>Responsibility</b> | <b>Agreed Date</b> |
|--|-----------------------|--------------------|
| <b>Overview and Project Progress</b>   |                       |                    |
| <b>Tri-partite agreements</b><br>Maintain the practice of (4P) tripartite agreements                                 | PD                    | 08/2018            |
| <b>Financial sector collaboration</b>  | PD                    | 08/2018            |
| <b>Staff training on due diligence</b><br>Undertake due diligence and financial analysis training of PMU staff       | PMU                   | 08/2018            |
| <b>Collaboration with Mahaweli Authority</b><br>Reassess opportunities for leading MA P/FOs and present BP proposals | Mahaweli Authority    | 08/2018            |

|  |                           |         |
|--|---------------------------|---------|
| <b>P/FO selection criteria</b><br>Develop P/FOs selection criteria for inclusion in the PIM  | PMU                       | 08/2018 |
| <b>Revision of the EOIs and communication plan</b><br>Revise the call for EOIs and communication/ sensitization plan; link proposals to MIS system   | PMU                       | 08/2018 |
| <b>P/FO stakeholder consultations</b><br>Organize additional P/FO stakeholder consultations with wider audience  | PMU                       | 08/2018 |
| <b>Staff training on P/FOs</b><br>Undertake additional training of PMU staff (include SMs) on P/FO governance, principles, etc.  | PMU                       | 08/2018 |
| <b>Social mobiliser TORs</b><br>Revise SM TORs vis-à-vis P/FO assessment   | PD                        | 08/2018 |
| <b>LoC liquidity plan</b><br>Develop liquidity plan for the Line of Credit   | PMU                       | 08/2018 |
| <b>Direct payment to CBSL for LoC</b><br>Request USD 9 million as direct payment to CBSL/RDD to IFAD by RDD as direct payment for the line of credit   | RDD/SAPP<br>PMU           | 08/2018 |
| <b>STARR communication to PFIs</b><br>Formally communicate the STARR allocation to PFIs and CBSL   | PD                        | 08/2018 |
| <b>P/FO access to finance working group</b><br>Establish a working group on FOs access to loans and road map; ensure participation in discussions around the financial inclusion strategy  | SAPP/ RDD/<br>MTCP2       | 08/2018 |
| <b>4P proposals</b><br>Submit the first 6 (3+3) advanced 4P proposals for IFAD no objection  | PD                        | 09/2018 |
| <b>PFI evaluation/ assessment</b><br>Assess PFI commitment to 4Ps  | PMU                       | 09/2018 |
| <b>Collaboration with small/ medium private sector partners</b><br>Clarify and finalise strategies or approach related to: working with small/ medium private sector partners or SMEs; and private sector responsibilities in the case of withdrawal from the 4P agreement | PMU                       | 09/2018 |
| <b>SAPP-STARR-MTCP2 collaboration</b><br>Formalize SAPP/ STARR/ MTCP2 MoU and elaborate the joint Action Plan  | MTCP2 NIA/<br>SAPP/ STARR | 10/2018 |
| <b>Development Effectiveness</b>   |                           |         |

|  |                     |         |
|--|---------------------|---------|
| <b>Clarify youth definition</b><br>Reflect definition of youth up to age 35 in PIM and M&E system  | PD                  | 07/2018 |
| <b>Youth strategy and action plan finalisation</b><br>Develop the youth entrepreneurship strategy to provide a clear action plan, working closely with the PMU business development team | PMU/ BDU            | 08/2018 |
| <b>Youth engagement guidelines</b><br>Develop guidelines for youth engagement in profitable products and services along the value chain to be included in business proposals             | PMU/ BDU            | 08/2018 |
| <b>Gender technical assistance recruitment</b><br>Expedite advertisement and recruitment for long-term technical assistance in gender, nutrition and environment aspects                 | PD                  | 09/2018 |
| <b>Project Management</b>  |                     |         |
| <b>Programme Implementation Manual</b><br>Finalisation of pending strategies and PIM   | PMU                 | 08/2018 |
| <b>4P baseline surveys</b><br>Complete all pending baseline surveys for signed 4Ps (within 3 months of signature)  | M&E Unit            | 08/2018 |
| <b>Assessment of PMU and organizational structure</b><br>Undertake external assessment of the PMU structure and needs  | IFAD/ERD            | 09/2018 |
| <b>Web site</b><br>Finalise SAPP Web Site with links to IFAD SAPP site   | PMU                 | 11/2018 |
| <b>M&amp;E Manual and M&amp;E Action Plan</b><br>Complete the M&E Manual and M&E Action plan to report and monitor M&E activities that can generate knowledge                            | PMU                 | 11/2018 |
| <b>MIS</b><br>Complete the customization of the MIS system   | PMU                 | 11/2018 |
| <b>GPS</b><br>Purchase of tablets or any other tools to install the GPS to identify programme areas and transfer information into maps and develop training material                     | PMU                 | 11/2018 |
| <b>KM Strategy</b><br>Prepare the Communication and KM strategy with a detailed action plan  | PMU                 | 12/2018 |
| <b>Financial Management &amp; Execution</b>  |                     |         |
| <b>Procurement plan</b><br>Submission of Updated Procurement Plan to IFAD  | Procurement Officer | 08/2018 |

|   |                     |         |
|---|---------------------|---------|
| <b>Contract register</b><br>Bi-annual submission of Contract Register to IFAD                               | Procurement Officer | 08/2018 |
| <b>Insurance for fixed assets</b><br>Procure insurance for fixed assets                                     | PMU                 | 09/2018 |
| <b>Update the fixed asset register</b><br>Complete the fixed asset register with assets received from NADeP | PMU                 | 09/2018 |

Logical Framework

| Results Hierarchy | Indicators   |  |          |            |               |                   |                     | Means of verification |   |                         | Assumptions |
|-------------------|--|--|----------|------------|---------------|-------------------|---------------------|-----------------------|---|-------------------------|-------------|
|                   | Name   | Baseline   | Mid-Term | End Target | Annual Result | Cumulative Result | Cumulative Result % | Source                | Frequency                                     | Responsibility          |             |
| Outreach          | 1.a Corresponding number of households reached                                       |  |          |            |               |                   |                     | RIMS                  | Annual  |                         |             |
|                   | Non-women-headed households  |  |          | 57500      |               |                   |                     |                       |   |                         |             |
|                   | Women-headed households  |  |          |            |               |                   |                     |                       |   |                         |             |
|                   | 1 Persons receiving services promoted or supported by the project                    |  |          |            |               |                   |                     |                       |   |                         |             |
|                   | Indigenous people  |  |          |            |               |                   |                     |                       |   |                         |             |
|                   | Males  |  |          |            |               |                   |                     |                       |   |                         |             |
|                   | Not Young  |  |          |            |               |                   |                     |                       |   |                         |             |
|                   | Non-Indigenous people  |  |          |            |               |                   |                     |                       |   |                         |             |
|                   | Young  |  |          |            |               |                   |                     |                       |   |                         |             |
|                   | Females  |  |          |            |               |                   |                     |                       |   |                         |             |
|                   | Number of persons receiving services promoted or supported by the project (me/women) |  |          |            |               |                   |                     | RIMS                  | Annual  |                         |             |
|                   | Number of individuals receiving project services (men/women)                         |  |          | 230000     |               |                   |                     |                       |   |                         |             |
|                   | Goal<br>Contribute to Sri Lanka's smallholders poverty reduction and competitiveness | % of households with improvements in asset ownership |          |            |               |                   |                     |                       | RIMS;<br>Impact surveys;<br>National database | baseline/<br>completion |             |
| Households        |  |  | 30       | 70         |               |                   |                     |                       |   |                         |             |
|                   |  |  |          |            |               |                   |                     |                       |   |                         |             |

|   |  |  |    |    |  |  |   |             |                    |   |  |
|---|--|--|----|----|--|--|---|-------------|--------------------|---|--|
|   | Prevalence of childhood malnutrition in the programme area reduced   |  |    |    |  |  | RIMS;<br>Impact surveys;<br>National database | Yearly      | LPA /<br>Programme |   |  |
|   | Childhood malnutrition   |  | 5  | 10 |  |  |   |             |                    |   |  |
| <b>Objective</b><br>Sustainably increase the income and quality of diet of smallholders (57,500 hhs) involved in commercially-oriented production and marketing systems | % of supported households reporting an increase in income (60% on average)   |  |    |    |  |  | RIMS;<br>AOS, IP reports                      | Year        | Programme;<br>IPs  | Availability and uptake of GAP and technologies - Steady market demand and conditions |  |
|   | Households   |  | 40 | 70 |  |  |   |             |                    |   |  |
| <b>Outcome</b><br>Improved access of smallholder farmers and their organizations to markets in partnership with the private sector                                      | % of 4P partnerships/ agreements in operation after 3 years  |  |    |    |  |  |   |             |                    | Commitment and willingness of beneficiaries and their institutions                    |  |
|   | % of partnerships with 4Ps   |  | 50 | 75 |  |  |   |             |                    |   |  |
|   | 1.2.4 Households reporting an increase in production   |  |    |    |  |  | RIMS  | Annual      |                    |   |  |
|   | Households   |  | 40 | 70 |  |  |   |             |                    |   |  |
|   | 2.2.4 Supported rural producers' organizations members reporting new or improved services provided by their organization |  |    |    |  |  | RIMS  | Annual      |                    |   |  |
|   | Males  |  |    |    |  |  |   |             |                    |   |  |
|   | Non-Indigenous people  |  |    |    |  |  |   |             |                    |   |  |
|   | Percentage of POs members  |  | 33 | 55 |  |  |   |             |                    |   |  |
|   | Females  |  |    |    |  |  |   |             |                    |   |  |
|   | Total size of POs  |  |    |    |  |  |   |             |                    |   |  |
|   | Women in leadership position   |  |    |    |  |  |   |             |                    |   |  |
|   | Indigenous people  |  |    |    |  |  |   |             |                    |   |  |
|   | Number of POs  |  |    |    |  |  |   |             |                    |   |  |
|   | % increase in average volume and value of sales through 4P agreements  |  |    |    |  |  | AOS;<br>market studies                        | Bi-annually | IPs;<br>Programme  |   |  |
|   | % of average volume and value of sales   |  | 15 | 40 |  |  |   |             |                    |   |  |
|   |  |  |    |    |  |  |   |             |                    |   |  |

|   |  |       |       |       |  |  |  |             |           |  |  |
|---|--|-------|-------|-------|--|--|--|-------------|-----------|--|--|
| <b>Output</b><br>4P business arrangements in place  | No. of farming households engaged in 4Ps implemented                               |       |       |       |  |  | Progress Reports                         | Bi-annually | Programme | Willingness and mutual benefits to producers and companies; Mature institutions  |  |
|   | Farming households engaged   | 20000 | 45000 | 57500 |  |  |  |             |           |  |  |
| <b>Output</b><br>Organizational strengthening and capacity development of producer organizations and their members                              | % of programme-supported producer groups registered                                |       |       |       |  |  | AOS; particip. Surveys; Progress reports | Yearly      | Programme | Commitment and willingness of beneficiaries and their institutions; Favourable and stable market conditions and demand |  |
|   | % supported producers groups   |       | 40    | 70    |  |  |  |             |           |  |  |
|   | 1.1.3 Rural producers accessing production inputs and/or technological packages    |       |       |       |  |  | RIMS                                     | Annual      |           |  |  |
|   | Non-Indigenous people  |       |       |       |  |  |  |             |           |  |  |
|   | Females  |       | 18000 | 23000 |  |  |  |             |           |  |  |
|   | Young  |       |       |       |  |  |  |             |           |  |  |
|   | Males  |       | 27000 | 34500 |  |  |  |             |           |  |  |
|   | Indigenous people  |       |       |       |  |  |  |             |           |  |  |
|   | Not Young  |       |       |       |  |  |  |             |           |  |  |
| <b>Outcome</b><br>57,500 households supported under SAP have access to rural financial services in a sustainable manner and at affordable rates | 1.2.6 Partner financial service providers with portfolio-at-risk ≥30 days below 5% |       |       |       |  |  | RIMS                                     | Annual      |           | CBSL and PFI commitment  |  |
|   | Percentage   |       | 3     | 5     |  |  |  |             |           |  |  |
|   | 1.2.5 Households reporting using rural financial services                          |       |       |       |  |  | RIMS                                     | Annual      |           |  |  |
|   | Households   |       | 70    | 100   |  |  |  |             |           |  |  |
|   | Females  |       |       |       |  |  |  |             |           |  |  |
|   | Non-Indigenous people  |       |       |       |  |  |  |             |           |  |  |
|   | Young  |       |       |       |  |  |  |             |           |  |  |
|   | Total number of household members  |       |       |       |  |  |  |             |           |  |  |
|   | Not Young  |       |       |       |  |  |  |             |           |  |  |
|   | Males  |       |       |       |  |  |  |             |           |  |  |
|   | Women-headed households  |       |       |       |  |  |  |             |           |  |  |
|   |  |       |       |       |  |  |  |             |           |  |  |

|   |   |  |       |       |  |  |  |                                       |             |                          |   |
|---|---|--|-------|-------|--|--|--|---------------------------------------|-------------|--------------------------|---|
|   | Non-women-headed households   |  |       |       |  |  |  |                                       |             |                          |   |
|   | Indigenous people   |  |       |       |  |  |  |                                       |             |                          |   |
| <b>Output</b><br>Small producers access targeted and pro-poor financial products  | Funds leveraged through PFI own-resources (as % of total loans outstanding funded from the LOC)                                   |  |       |       |  |  |  | CBSL/PFI reports;<br>Progress Reports | Bi-annually | Programme;<br>CBSL; PFIs | Willingness of PFIs and enabling regulatory framework               |
|   | % Funds leveraged through PFI   |  | 25    | 45    |  |  |  |                                       |             |                          |   |
|   | 1.1.5 Persons in rural areas accessing financial services   |  |       |       |  |  |  | RIMS                                  | Annual      |                          |   |
|   | Men in rural areas accessing financial services - savings   |  | 27000 | 34500 |  |  |  |                                       |             |                          |   |
|   | Women in rural areas accessing financial services - savings   |  | 18000 | 23000 |  |  |  |                                       |             |                          |   |
|   | Number of rural youth (40% female) receiving credit to finance their income generating activity (disaggregated by sex and age)*   |  |       |       |  |  |  | CBSL/PFI reports;<br>Progress Reports | Bi-annually | Programme                |   |
|   | Not Young   |  |       |       |  |  |  |                                       |             |                          |   |
|   | Males   |  | 600   | 1500  |  |  |  |                                       |             |                          |   |
|   | Young   |  |       |       |  |  |  |                                       |             |                          |   |
|   | Females   |  | 400   | 1000  |  |  |  |                                       |             |                          |   |
| <b>Output</b><br>Institutional strengthening and capacity building of Central Bank and PFIs                                     | Share of agricultural loans in total loan portfolio   |  |       |       |  |  |  | CBSL/PFI reports                      | Bi-annually | CBSL; PFIs               | Stable macro-economic conditions                                    |
|   | % agri loans in total loan portfolio  |  | 1     | 2     |  |  |  |                                       |             |                          |   |
| <b>Outcome</b><br>Improved policy environment for equitable and sustainable smallholder farmer-sourced agribusiness development | Policy 3 Existing/new laws, regulations, policies or strategies proposed to policy makers for approval, ratification or amendment |  |       |       |  |  |  | RIMS and Progress Reports             | Annual      | Programme; CCC           | Quality, relevance and acceptability of recommendations of analysis |
|   | Number  |  | 3     | 6     |  |  |  |                                       |             |                          |   |
| <b>Output</b><br>Analysis conducted on prioritised policy issues/constraints and programme models/lessons learned               | Policy 1 Policy-relevant knowledge products completed   |  |       |       |  |  |  | RIMS and Progress Reports             | Yearly      | Programme                | Focus of PMU on policy agenda maintained                            |
|   | Number  |  | 8     | 18    |  |  |  |                                       |             |                          |   |

## **Sri Lanka**

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### **Smallholder Agribusiness Partnerships Programme**

### **Supervision Report**

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

Mission Dates: 16 - 26 July 2018

Document Date: 06/09/2018

Project No. 2000000929

Report No. 4858-LK

Asia and the Pacific Division  
Programme Management Department

# Appendix 1

**Table 2A: Financial performance by financier (USD ' 000), as at 30/6/2018**

| Financier         | Approval      | Revised  | Disbursement | Percent disbursed |
|-------------------|---------------|----------|--------------|-------------------|
| <b>IFAD</b>       |               |          |              |                   |
| -LOAN 1843        | 33 700        | -        | 2 867        | 9%                |
| -LOAN 1984        | 6 180         | -        | 0            | 0%                |
| <b>IFAD TOTAL</b> | <b>39 880</b> | <b>-</b> | <b>2 867</b> | <b>7%</b>         |
| PRIVATE SECTOR    | 16 967        | -        | 0            | 0%                |
| PFI               | 9 821         | -        | 0            | 0%                |
| BENEFICIARY       | 4 450         | -        | 0            | 0%                |
| GOVERNMENT        | 19 350        | -        | 10           | 0%                |
| <b>TOTAL</b>      | <b>90 468</b> | <b>-</b> | <b>2 877</b> | <b>3%</b>         |

Note: \*Represents Loan Number 2000001843 & 2000001984 only. Additional funding of USD 14,509,300 will be added in this table upon signing of additional Loan Agreement.

**Table 2B: Financial performance by component (USD '000), as at 30/6/2018**

| Component |                                   | IFAD LOAN ...1843 & ...1984 |              |           | PRIVATE SECTOR |          |           | PFI          |          |           | BENEFICIARY  |          |           | GOVERNMENT    |           |              | TOTAL         |              |           |
|-----------|-----------------------------------|-----------------------------|--------------|-----------|----------------|----------|-----------|--------------|----------|-----------|--------------|----------|-----------|---------------|-----------|--------------|---------------|--------------|-----------|
|           |                                   | Approval                    | Actual       | %         | Approval       | Actual   | %         | Approval     | Actual   | %         | Approval     | Actual   | %         | Approval      | Actual    | %            | Approval      | Actual       | %         |
| 1         | Access to commercial partnerships | 24 634                      | 13           | 0%        | 16 967         |          | 0%        |              | -        | 0%        |              | -        | 0%        | 180           | 1         | 0.34%        | 41 781        | 14           | 0%        |
| 2         | Access to Rural Finance           | 12 601                      | 1            | 0%        |                | -        | 0%        | 9 821        | -        | 0%        | 4 450        | -        | 0%        | 18 470        | 0         | 0.00%        | 40 891        | 1            | 0%        |
| 3         | Programme Mgt & Policy Support    | 2 645                       | 52           | 2%        |                | -        | 0%        |              | -        | 0%        |              | -        | 0%        | 700           | 9         | 1.35%        | 3 345         | 62           | 2%        |
| 4         | Initial Advance                   |                             | 2 800        | 0%        |                |          |           |              |          |           |              |          |           |               |           |              | -             | 2 800        |           |
|           |                                   | <b>39 880</b>               | <b>2 867</b> | <b>7%</b> | <b>16 967</b>  | <b>0</b> | <b>0%</b> | <b>9 821</b> | <b>0</b> | <b>0%</b> | <b>4 450</b> | <b>0</b> | <b>0%</b> | <b>19 350</b> | <b>10</b> | <b>0.05%</b> | <b>86 018</b> | <b>2 877</b> | <b>3%</b> |

Note:\*Represents Loan Number 2000001843 & 2000001984 only. Additional funding of USD 14,509,300 will be added in this table upon signing of additional Loan Agreement.

Table 2C: IFAD total loan disbursements (USD '000, as at 30/6/2018)

| Category     | Category Description  | Original Allocation * | Disbursement | Balance       | Percent Disbursed |
|--------------|-----------------------|-----------------------|--------------|---------------|-------------------|
| I            | Consultancies & Non   |                       |              |               |                   |
|              | Consultancies         | 4 550                 | 38           | 4 512         | 1%                |
| II           | Equipment & Materials | 630                   | 7            | 623           | 1%                |
| III          | Credit                | 11 790                | 0            | 11 790        | 0%                |
| IV           | Grants                | 17 680                | 0            | 17 680        | 0%                |
| V            | Recurrent costs       | 1 240                 | 22           | 1 218         | 2%                |
| VI           | Unallocated           | 3 990                 | 0            | 3 990         | 0%                |
|              | Initial Deposit       | 0                     | 2 800        | (2 800)       | 0%                |
| <b>Total</b> |                       | <b>39 880</b>         | <b>2 867</b> | <b>37 013</b> | <b>7%</b>         |

Note: \*Represents Loan Number 2000001843 & 2000001984 only. Additional funding of USD 14,509,300 will be added in this table upon signing of additional Loan Agreement.

Total loan Disbursement as of 30 June 2018  
(USD '000)

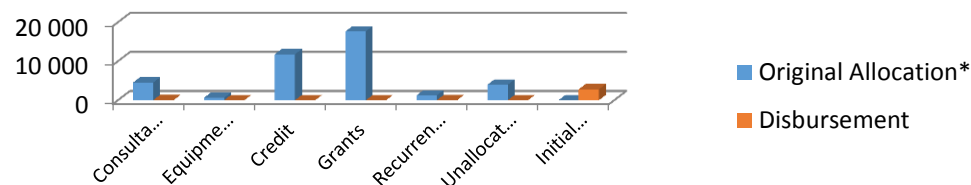


Table 2C (i): IFAD loan 2000001843 disbursements (USD '000, as at 30/6/2018)

| Category     | Category Description  | Original Allocation | Disbursement | Balance       | Percent Disbursed |
|--------------|-----------------------|---------------------|--------------|---------------|-------------------|
| I            | Consultancies & Non   |                     |              |               |                   |
|              | Consultancies         | 2 830               | 38           | 2 792         | 0%                |
| II           | Equipment & Materials | 520                 | 7            | 513           | 0%                |
| III          | Credit                | 11 790              | 0            | 11 790        | 0%                |
| IV           | Grants and Subsidies  | 14 450              | 0            | 14 450        | 0%                |
| V            | Recurrent costs       | 740                 | 22           | 718           | 0%                |
| VI           | Unallocated           | 3 370               | 0            | 3 370         | 0%                |
|              | Initial Deposit       | 0                   | 2 800        | (2 800)       | 0%                |
| <b>Total</b> |                       | <b>33 700</b>       | <b>2 867</b> | <b>30 833</b> | <b>9%</b>         |

Loan 2000001984 Disbursement as of 30 June 2018  
(USD '000)

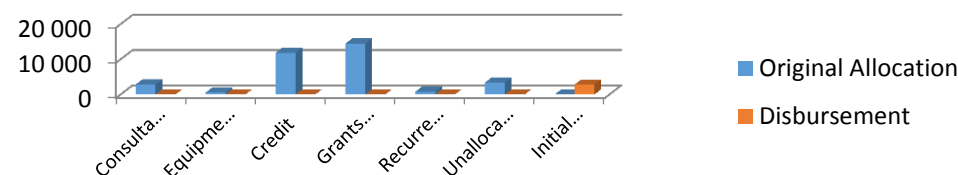
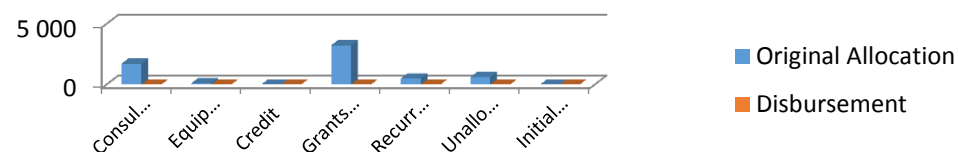


Table 2C (ii): IFAD loan 2000001984 disbursements (USD '000, as at 30/6/2018)

| Category     | Category Description  | Original Allocation | Disbursement | Balance      | Percent Disbursed |
|--------------|-----------------------|---------------------|--------------|--------------|-------------------|
| I            | Consultancies & Non   |                     |              |              |                   |
|              | Consultancies         | 1 720               | 0            | 1 720        | 0%                |
| II           | Equipment & Materials | 110                 | 0            | 110          | 0%                |
| III          | Credit                | 0                   | 0            | 0            | 0%                |
| IV           | Grants and Subsidies  | 3 230               | 0            | 3 230        | 0%                |
| V            | Recurrent costs       | 500                 | 0            | 500          | 0%                |
| VI           | Unallocated           | 620                 | 0            | 620          | 0%                |
|              | Initial Deposit       | 0                   | 0            | 0            | 0%                |
| <b>Total</b> |                       | <b>6 180</b>        | <b>0</b>     | <b>6 180</b> | <b>0%</b>         |

Loan 2000001843 Disbursement as of 30 June 2018  
(USD '000)





## **Sri Lanka**

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### **Smallholder Agribusiness Partnerships Programme**

### **Supervision Report**

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

Mission Dates: 16 - 26 July 2018  
Document Date: 06/09/2018  
Project No. 2000000929  
Report No. 4858-LK

Asia and the Pacific Division  
Programme Management Department

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

Physical Progress (based on ongoing BPs)

| Beneficiary Indicator                | Target HH     | Target 2018  | Operational | As a % 2018 | Under process | Overall      | As a % total |
|--------------------------------------|---------------|--------------|-------------|-------------|---------------|--------------|--------------|
| 1. Access to commercial partnerships |               |              |             |             |               |              |              |
| 1.1 New 4Ps                          | 21000         | 10000        | 500         | 5%          | 6537          | 7037         | 34%          |
| 1.2 Scale ups                        | 10000         | 8000         | 8000        | 100%        | 1500          | 9500         | 95%          |
| 1.3 FOs                              | 4000          | 5436         | -           | -           | 2002          | 2002         | 50%          |
| 2. Access to rural finance           |               |              |             |             |               |              |              |
| 2.1 Ex NADeP seasonal/wc & STARR     | 20000         | 6020         | -           | -           | -             | -            | -            |
| 2.2 Youth                            | 2500          | 269          | -           | -           | 10            | 10           | -            |
| 3. Indirect beneficiaries            |               | 9040         | -           | -           | -             | -            | -            |
| <b>Grand Total /overall</b>          | <b>57,500</b> | <b>38765</b> | <b>8500</b> | <b>15%</b>  | <b>2050</b>   | <b>18549</b> | <b>32%</b>   |

**Financial progress (including committed)**

| Component/ Financier                     | Designed Cost Financier-wise and Component -wise |         |         |          |      |             |        |
|--|--|---------|---------|----------|------|-------------|--------|
|  | USD Millions                                     |         |         |          |      |             |        |
|  | IFAD   | GOVT RF | GOVT CP | Pvt. Sec | PFI  | Beneficiary | Total  |
| Com 1. Access to Commercial Partnerships | 36.31  |         | 0.18    | 16.97    |      |             | 53.46  |
| Com 2. Access to Rural Finance           | 12.64  | 18.37   | 0.10    |          | 9.82 | 4.50        | 45.43  |
| Com 3. Programme Mgt. & Policy Support   | 5.44   |         | 0.70    |          |      |             | 6.14   |
| Total Planned                            | 54.39  | 18.37   | 0.98    | 16.97    | 9.82 | 4.50        | 105.03 |
| Amount Disbursed                         | 0.07   | -       | 0.01    | -        | -    | -           | 0.08   |
| Amount Committed                         | 11.05  | 0.67    |         | 4.00     | 0.08 | 2.25        | 18.05  |
| Disbursements + Commitments              | 11.12  | 0.67    | 0.01    | 4.00     | 0.08 | 2.25        | 18.13  |
| Progress with Commitments                | 20%  | 4%      | 1%      | 24%      | 1%   | 50%         | 17%    |

## **Sri Lanka**

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### **Smallholder Agribusiness Partnerships Programme**

### **Supervision Report**

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

Mission Dates: 16 - 26 July 2018  
Document Date: 06/09/2018  
Project No. 2000000929  
Report No. 4858-LK

Asia and the Pacific Division  
Programme Management Department

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

| Section                 | Covenant   | Target/<br>Due Date               | Action | Compliance<br>Status/Date   | Remarks   |
|-------------------------|--|-----------------------------------|--------|---|---|
| <b>Loan Agreement</b>   |  |                                   |        |   |   |
| <b>Section B.08</b>     | The Borrower shall provide counterpart financing for the Programme in an approximate amount of nineteen million three hundred thousand United States Dollars (USD 19 300 000) comprising the estimated amount of eighteen million five hundred thousand United States Dollars (USD 18 500 000) towards the line of credit (LOC) for on- lending to beneficiaries which will be held in a segregated account at CBSL. The remaining approximate amount of one million USD will cover taxes and duties related to the Financing, and salaries of Government staff. | Throughout project implementation |        | Agreement signed on 12 Mar 2018<br><br>Complied on an on-going basis. | Cumulative disbursement of Counterpart Funding from GOSL as of 30 June 2018 amounts to USD 10,142   |
| <b>Section E.02 (a)</b> | The Borrower has duly opened the Designated Account and the two Programme Account, respectively for IFAD and GOSL  | Effectiveness condition           |        | Complied on 24 July 2017  | Designated Account and two Programme Accounts were opened and operational.  |
| <b>Section E.02 (b)</b> | The Borrower has established the National Steering Committee (NSC) and the PMU in accordance with section II paragraph A7 of Schedule 1 to this Agreement;   | Effectiveness condition           |        | Complied on 15 Sep 2017   | 15 members appointed  |
| <b>Section E.02 (c)</b> | The Borrower has appointed the PMU Programme Director and Finance Manager with terms of reference and qualifications acceptable to the Fund;   | Effectiveness condition           |        | Complied on 8 Aug 2017  | Programme Director and Finance Manager appointed as required.   |
| <b>Section E.02 (d)</b> | The Borrower has prepared a draft PIM as described in section II of Schedule 1, in form and substance satisfactory to the Fund.  | Effectiveness condition           |        | Complied  | Draft PIM submitted to IFAD. With the exception of FM section, PIM was approved. Revision proposed for FM section being compiled.   |
| <b>Section E.03 (a)</b> | No funds will be disbursed under Category III "Credit" before the Borrower and CBSL have entered into a Subsidiary Loan Agreement (SLA) as outlined in section II paragraph B11 of Schedule 1, in form and substance satisfactory to the Fund.   | Condition preceding Withdrawal    | to     | Complied /Agreement signed on 12 Mar 2018                             | No issues noted   |
| <b>Section 7.08</b>     | (a) The Borrower/Recipient or the Lead Project Agency shall insure all goods and buildings used in the Project against such risks and in such amounts as shall be consistent with sound commercial practice.<br>(b) The Borrower/Recipient or the Lead Project Agency shall  | Throughout project implementation |        | In progress   | Insurance is being procured. SAPP procured 10 laptops which is updated in the Fixed Asset Registry (FAR). Transfer of NADeP Assets in progress. PMU awaiting asset revaluation value to |

| Section               | Covenant  | Target/<br>Due Date               | Action   | Compliance<br>Status/Date | Remarks  |
|-----------------------|---|-----------------------------------|--|---------------------------|--|
| <b>Loan Agreement</b> |   |                                   |  |                           |  |
|                       | insure the goods imported for the Project which are financed by the Financing against hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation in accordance with sound commercial practice.  |                                   |  |                           | update these assets into FAR.  |
| <b>Schedule 3 .1</b>  | <i>Gender.</i> The Borrower shall develop a gender strategy for the Programme to ensure that gender concerns shall be reflected, in order to offer equal opportunities under the Programme to men, women and youth  | Throughout project implementation | In Progress                                    |                           | TOR being developed during mission   |
| <b>Schedule 3 .2</b>  | <i>Implementation.</i> The Programme will adhere with IFAD policies and strategies for environment and natural resources management, climate change and social and environmental and climate assessment.  | Throughout project implementation | In Progress                                    |                           | TOR being developed during mission   |
| <b>Schedule 3 .3</b>  | <i>Accounting.</i> The Programme will procure an accounting software meeting IFAD's requirements for financial reporting. The system will be in place and finance staff trained in its usage at implementation start-up.  | Effectiveness condition           | Complied                                       |                           | Using existing Accounting Software of NaDep. Finance staff trained and the system is in use during the mission |
| <b>Schedule 3 .4</b>  | <i>Line of credit (LOC).</i> The Borrower will ensure that one consolidated line of credit is established to be utilized for the Programme, drawing on funds from previous! FAD-financed lines of credit and new financing. The LOC will be held in a segregated account at CBSL and will be governed by an MOU between the Borrower and CBSL.                | Effectiveness condition           | Agreement signed on 12 Mar 2018. / In Progress |                           | Refer to <b>Section B.08</b> remarks above. Segregated account to be opened by CBSL.                           |
| <b>Section 9.02</b>   | The Borrower/Recipient shall deliver to the Fund detailed financial statements of the operations, resources and expenditures related to the Project for each Fiscal Year prepared in accordance with standards and procedures acceptable to the Fund and deliver such financial statements to the Fund within four (4) months of the end of each Fiscal Year. | Within 4 month end of Fiscal Year | In progress                                    |                           | PMU requested approval for a 18 month Financial Statement to be submitted. Pending approval from IFAD          |
| <b>Section 9.03</b>   | The Borrower/Recipient shall within six (6) months of the end of each Fiscal Year, furnish to the Fund a certified copy of the audit report. The Borrower/Recipient shall submit to the Fund the reply to the management letter of the auditors within one month of receipt thereof;  | Within 6 month end of Fiscal year | In progress                                    |                           | PMU requested approval for a 18 month Financial Statement to be audited. Pending approval from IFAD            |

