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Investing in rural people in Sri Lanka

Since the 26-year conflict that ended in 2009, Sri Lanka has made significant economic and social progress. Economic growth has been rapid, with 4.4 per cent GDP growth rate in 2016, and a dramatic drop in the poverty headcount, from 22.7 per cent in 2002 to 4.1 per cent in 2016.

Today, however, more than 81 per cent of the population continues to live in rural areas; four fifths of the country's poor people are dependent on the rural sector and almost half of the poor rural population consists of small-scale farmers. The challenge of youth unemployment also persists, as young people face an unemployment rate more than three times higher than that of the population as a whole.

Agriculture, including the plantations subsector, remains critical to the economy, employing 28 per cent of the labour force, and with small-scale farmers producing most of the country's agricultural output. Yet the livelihoods of poor farmers are still limited by sector challenges, including low and declining productivity, fragmented landholdings, inappropriate and/or inefficient use of agricultural technologies, poor water management, lack of market competitiveness, limited access to extension services and unavailability of pro-poor financial products.

IFAD

As a developing island nation, Sri Lanka is particularly vulnerable to climate change. The sea level is expected to rise by half a metre over the next two decades.

Climate-related impacts, already evident, include more frequent and intense floods and landslides, causing extensive damage to assets and displacement of people, particularly poor people. With predictions of higher temperatures and lower rainfall, output of paddy – which is dominated by small-scale cultivation – is expected to fall by up to 30 per cent over the next 20 to 30 years.

Eradicating rural poverty in Sri Lanka

Towards the end of 2017, the government launched Sri Lanka's Vision 2025, outlining a comprehensive economic strategy to address constraints to growth, raising per capita income to US$5,000 per year and creating 1 million new jobs.

Within the Vision, a pathway for agriculture and sustainable development has been elaborated, highlighting the government's intention to facilitate efficiency in agricultural markets, modernize the agricultural and plantations sector, and promote public-private producer partnerships for agribusiness development.

In partnership with IFAD and other development partners, rural development strategies aim to support rural household economies with multi-pronged activities that include provision of rural financial services, building of technical skills, marketing and technology assistance for microenterprises and small businesses in agriculture, fisheries, livestock and cottage industries. A deeper engagement with the private sector in win-win partnerships is similarly pursued.

Agriculture employs **28 per cent** of the labour force

IFAD's strategy in Sri Lanka

IFAD is one of Sri Lanka's longest-standing development partners. In 1978, the Kirindi Oya Irrigation and Settlement Project was launched as IFAD's first investment in the country. The goal was to increase food production, provide employment opportunities and raise rural incomes. Altogether, IFAD has implemented 18 projects in Sri Lanka, benefiting 614,832 households at a total cost of US$590.6 million (with IFAD providing US$337.9 million in financing).

Today, IFAD continues to actively engage in Sri Lanka, with investments aimed at contributing to the achievement of the SDGs, specifically in the areas of food security, sustainable agricultural production and productivity, and improved income opportunities for rural households.

Within this policy framework, IFAD's country programme, articulated through the current IFAD country strategic opportunities programme (COSOP) for 2015-2020, is promoting: (i) the broad and deep involvement of the private sector through public-private producer partners; (ii) improved and inclusive rural financial products and services; (iii) youth employment opportunities; and (iv) modernization of the tea and rubber smallholder plantations sector. Empowering poor rural women and men to effectively connect to markets by way of developing and supporting value chains is central to the COSOP.

Ongoing operations

Smallholder Tea and Rubber Revitalization Project (STaRR)

The project covers eight neighbouring districts in central and southern Sri Lanka, targeting woman-headed and poor households in particular. Its overall goal is to improve food security, increase incomes and strengthen the resilience of 32,000 poor rural households.

The project's development objective is to ensure that smallholders' economic activities in tea and rubber become more productive, profitable and resilient. The STaRR promotes better organization among smallholders to effectively and sustainably produce and market tea; supports smallholders in improving rubber production and processing, and linking more effectively to markets; and facilitates smallholders' access to rural financing for both green tea and rubber production and development.

Adopting a value chain development approach, the project supports smallholders and facilitates them in becoming key decision makers along the commercial chain from production to processing to marketing. The project is also contributing to institutional sustainability by strengthening tea and rubber cooperatives and linking them with private-sector partners. The total cost of the project is US$65.4 million, of which IFAD is providing a US$25.8 million loan.

More than **81 per cent** of the population lives in rural areas

Smallholder Agribusiness Partnerships Programme (SAPP)

The goal of the national programme is to sustainably increase the income and quality of diet of 57,500 smallholder households by expanding livelihood and business opportunities in the agricultural sector. It will provide a platform for smallholder farmers, particularly women and young people, to access financing and business training and will help them to form partnerships with each other and with the private sector.

Developing the agribusiness value chain – which encompasses agricultural production, processing, distribution and marketing – will help smallholder farmers to increase their incomes and will improve employment opportunities and household nutrition in the programme areas.

The programme will build on lessons learned and experience of past and ongoing IFAD-financed programmes, including the public-private-producer partnerships (4Ps) model developed under the National Agribusiness Development Programme that ended in 2018. Further emphasis will be given to more farmer-led business proposals. The total cost of the programme is US$111.2 million, of which IFAD is providing a US$40 million loan.

IFAD invests in rural people, empowering them to reduce poverty, increase food security, improve nutrition and strengthen resilience. Since 1978, we have provided US$20.9 billion in grants and low-interest loans to projects that have reached about 483 million people. IFAD is an international financial institution and a specialized United Nations agency based in Rome – the United Nations' food and agriculture hub.

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