

# profile



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## DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA COUNTRY STRATEGY AND PROGRAMME EVALUATION

The partnership between IFAD and the Government of Sri Lanka goes back a long way. Sri Lanka became a member of IFAD in 1977 and was IFAD's very first borrower in 1978. Since then, IFAD has supported 18 investment projects for a total cost of US\$590 million. In 2018, the Independent Office of Evaluation of IFAD conducted the second country strategy and programme evaluation (CSPE) in Sri Lanka, covering the period 2004-2017.

The main objectives of the CSPE were to assess the results and performance of the IFAD country programme and to generate findings and recommendations to steer the future partnerships. The portfolio covered by the evaluation comprised eight loan-financed projects and a project financed by the Global Environment Facility (GEF).

Sectoral and thematic areas of IFAD investment have been diverse, including dry zone agriculture, plantation crops (tea and rubber), livelihood support, rural/microfinance and microenterprise development, coastal resources management, fisheries development, post-tsunami reconstruction and housing and social infrastructure. In recent years, there has been a shift to focus on commercializing agriculture with two main areas of support: partnerships with the private sector and access to finance. During the evaluation period, significant events affected the country context as well as IFAD operations, most notably the tsunami in 2004 and the end of the internal conflict in 2009.

### Main evaluation findings

While individual projects were mostly aligned with government policies and sought to address some of the key issues in rural poverty reduction, the decision to respond to post-tsunami and post-war needs affected the coherence of the country programme. There was a proliferation of diverse projects and a lack of strategic direction during the middle part of the evaluation period.

Notwithstanding the diversity in interventions and weak coherence in the country programme, the evaluation found that IFAD-supported projects achieved tangible results, especially in relation to agricultural production and productivity, through the upgrading or establishment of tea and rubber small holdings, irrigation development, improved technologies and extension services. The achievement in agricultural production and productivity was the most important pathway for increasing household

incomes and assets. The projects also scored some success in improving access to markets and finance, as well as income diversification. They enabled access to subsidized credit, and new clients were introduced to the banks, in particular youth. The most recently completed project supported 16 partnership arrangements around contract farming between producers and agribusinesses.

On the other hand, the improvements in agricultural production were not necessarily driven by improved and innovative technologies to promote resource use efficiency (e.g. water) and to strengthen climate resilience. In pursuing partnerships with agribusinesses, more careful consideration could have been given on how to ensure added value of public funding. With regard to financial services, the projects basically relied on credit lines, with little effort to leverage systemic change in financial service delivery.

The post-tsunami projects achieved some tangible outcomes for housing and social infrastructure, although outside of IFAD's mandate, and there were also successful cases of improving livelihoods of coastal communities. The GEF project had notable achievements in terms of institutions and policies related to coastal resources management. On the other hand, the on-the-ground results of investment in fisheries and coastal resources management in the post-tsunami projects were mixed.

The performance of non-lending activities (i.e. knowledge management, partnership building and country-level policy engagement) has been generally weak. While IFAD in general maintained good relationships with government agencies at project level, there has been little collaboration with other development agencies and partners. Inputs and outcomes in terms of policy engagement have been limited, although there is increased attention. There was a missed opportunity for the IFAD country presence between 2007 and 2016 to upgrade non-lending activities.

## SRI LANKA AT A GLANCE

Population: **21.44 million (2017)**

Rural population: **81.6% (2017)**

Gross domestic product growth: **3.31% (2017), 4.47% (2016), 5.01% (2015)**

Poverty head count ratio (at national poverty line: % of population): **4.1% (2016), 22.7% (2002)**

Life expectancy at birth: **75.28 years (2016)**

Human development index: **0.770 (2017), in the high human development category (ranked at 76 out of 189)**

Number of IFAD loans approved since 1978: **18**

IFAD investment financing approved since 1978: **US\$316 million**

Sources: World Bank, IFAD.

## Key recommendations

- **Sharpen the strategic focus and coherence of the country programme for stronger and more sustainable impact.** The next country strategy should provide more guidance on sectoral and thematic areas, geographical areas, targeting groups, and types of investments. More reflection is needed to address the geographic disparities. The country strategy and programme should better mainstream priority issues such as climate resilience, nutrition and youth.
- **Strengthen the poverty orientation and develop a strategy for inclusive – but sufficiently discriminating – targeting.** The country strategy and project designs should provide a clear target group definition and targeting strategy. The strategy should be based on adequate assessment of the poverty reality that the rural poor face and specific targeting measures to facilitate their participation. Targeting performance should be monitored during implementation.
- **Focus on steering the country strategy and programme to play a more catalytic role for rural transformation with enhanced partnerships.** With a better-focused programme and a clear scaling-up pathway, IFAD should invest more in analytical work, knowledge management and policy engagement at the country programme level. These may be supported through investment projects, grants or working with other like-minded partners.
- **Strengthen the strategy and operational frameworks to enhance and ensure additionality of partnerships with the private sector.** IFAD and the Government should explore opportunities for public/project support for risk-sharing and cost-sharing to leverage private-sector investment and innovations, which are less likely to occur without public investment. More rigorous and transparent mechanisms to assess additionality are necessary – before and after the investment.
- **Revisit the approach to rural finance support, sharpen the focus and explore opportunities to innovate.** In collaboration with the Government, the Central Bank of Sri Lanka and other partners, IFAD should analyse and reflect on the bottlenecks for the target group in the rural finance sector and opportunities for IFAD's support and investment to leverage more systemic improvement.

### Further information:

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