Sri Lanka has made good progress in reducing poverty but disparities persist.

Contextual factors affected the coherence of the IFAD portfolio.

Urge to respond to the needs after the tsunami (2004) and the end of the war (2009).

Now with more streamlined portfolio, the country programme offers opportunities for consolidation and influence.
Main evaluation findings

Areas of strength

- The establishment of tea and rubber small holdings and irrigation development improved agricultural production and productivity.
- Progress has been made in partnerships with agribusinesses.
- Credit facility reached about 35,000 borrowers. Some projects also introduced new clients to the banks, in particular, the youth.
- Women's participation in projects and leadership in community-level institutions has been high, especially in savings and credit and income-generating activities.
- Institutions and policies related to coastal resource management.

Areas for improvement

- Climate change deserved more attention. Improved technologies to promote resource use efficiency (e.g., water) and to strengthen climate resilience are needed.
- "Additionality" of project support for agribusiness partnerships was not always clear.
- There was limited reflection on how to leverage systemic change in rural finance service deliveries.
- Poverty targeting has generally been weak.
- Non-lending activities were given a low priority.

Recommendations

1. Sharpen the strategic focus and coherence of the country programme for stronger and more sustainable impact.
2. Strengthen the poverty orientation and develop a strategy for inclusive - but sufficiently discriminating - targeting.
3. Focus on steering the country strategy and programme to play a more catalytic role for rural transformation with enhanced partnerships.
4. Strengthen the strategy and operational frameworks to enhance and ensure additionality of partnerships with the private sector.
5. Revisit the approach to rural finance support, sharpen the focus and explore opportunities to innovate.

More reflection is needed to address the geographic disparities and to better mainstream priority issues such as climate resilience, nutrition and youth.

The strategy should be based on a good poverty analysis with measures to facilitate the participation of the poor and to safeguard against elite capture.

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 and/or working with other like-minded partners.

IFAD and the Government should explore opportunities for project support for cost/risk sharing. More rigorous and transparent mechanisms to assess additionality are necessary.

In collaboration with partners, IFAD should identify opportunities to leverage more systemic improvement in rural finance sector.