SRI LANKA COUNTRY STRATEGY AND PROGRAMME EVALUATION | OVERVIEW

Independent Office of Evaluation

IFAD
Investing in rural people

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Abbreviations and acronyms

4P	Public private producer partnership
CBSL	Central Bank of Sri Lanka
COSOP	country strategic opportunity programme
CSPE	country strategy and programme evaluation
GEF	Global Environment Facility
GNI	Gross national income
IFAD	International Fund for Agriculture Development
IOE	Independent Office of Evaluation of IFAD
M&E	monitoring and evaluation

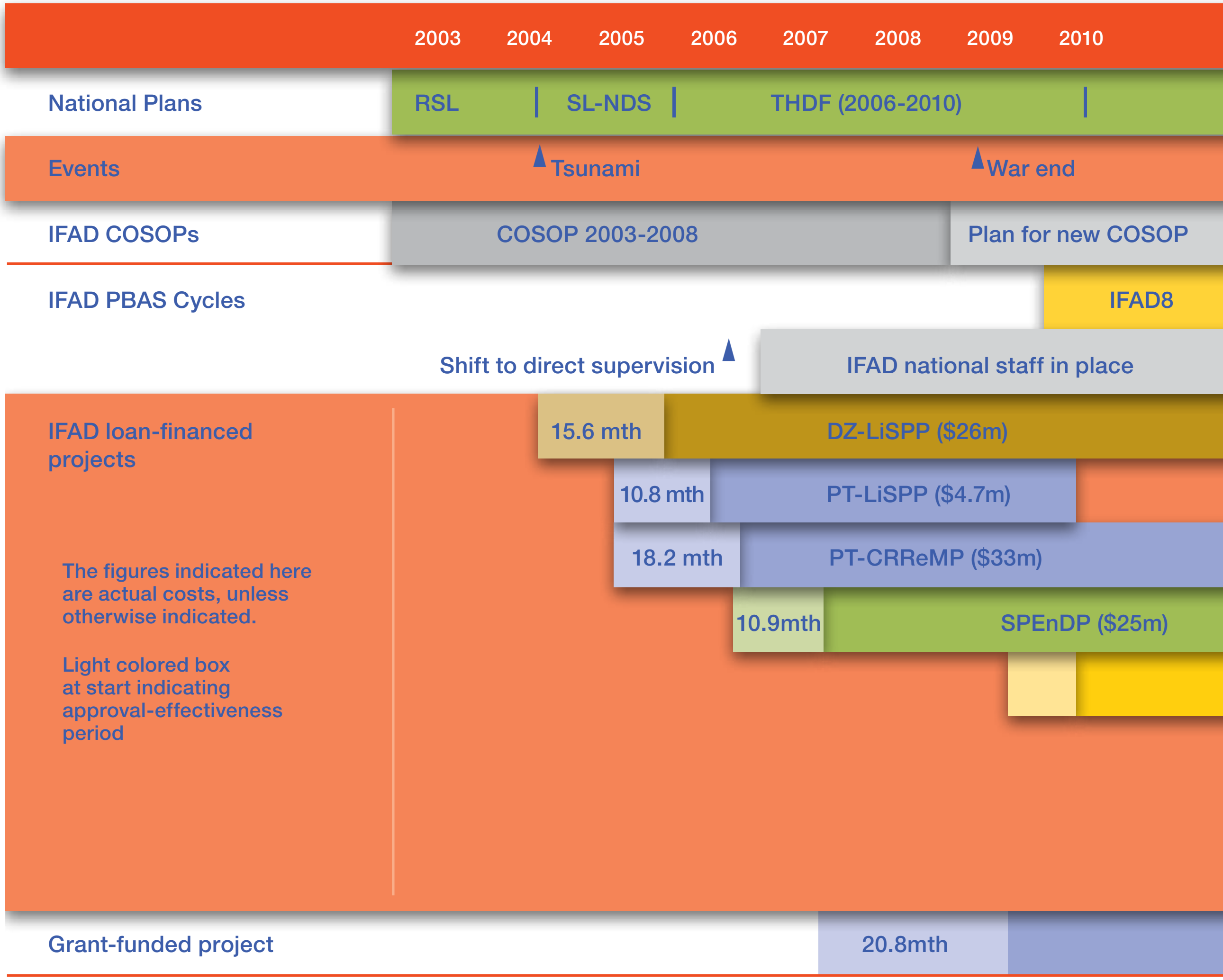
The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.

Map compiled by IFAD | 24-10-2018

Note: For PT-LiSPP and PT CRReMP, the map shows the tsunami-affected areas and not the whole districts which were to be covered by project interventions. Also for the GEF project, the map shows the areas of coastal ecosystems where project activities took place.

IFAD-SUPPORTED INVESTMENT PROJECTS COVERED IN THE CSPE PORTFOLIO ASSESSMENT

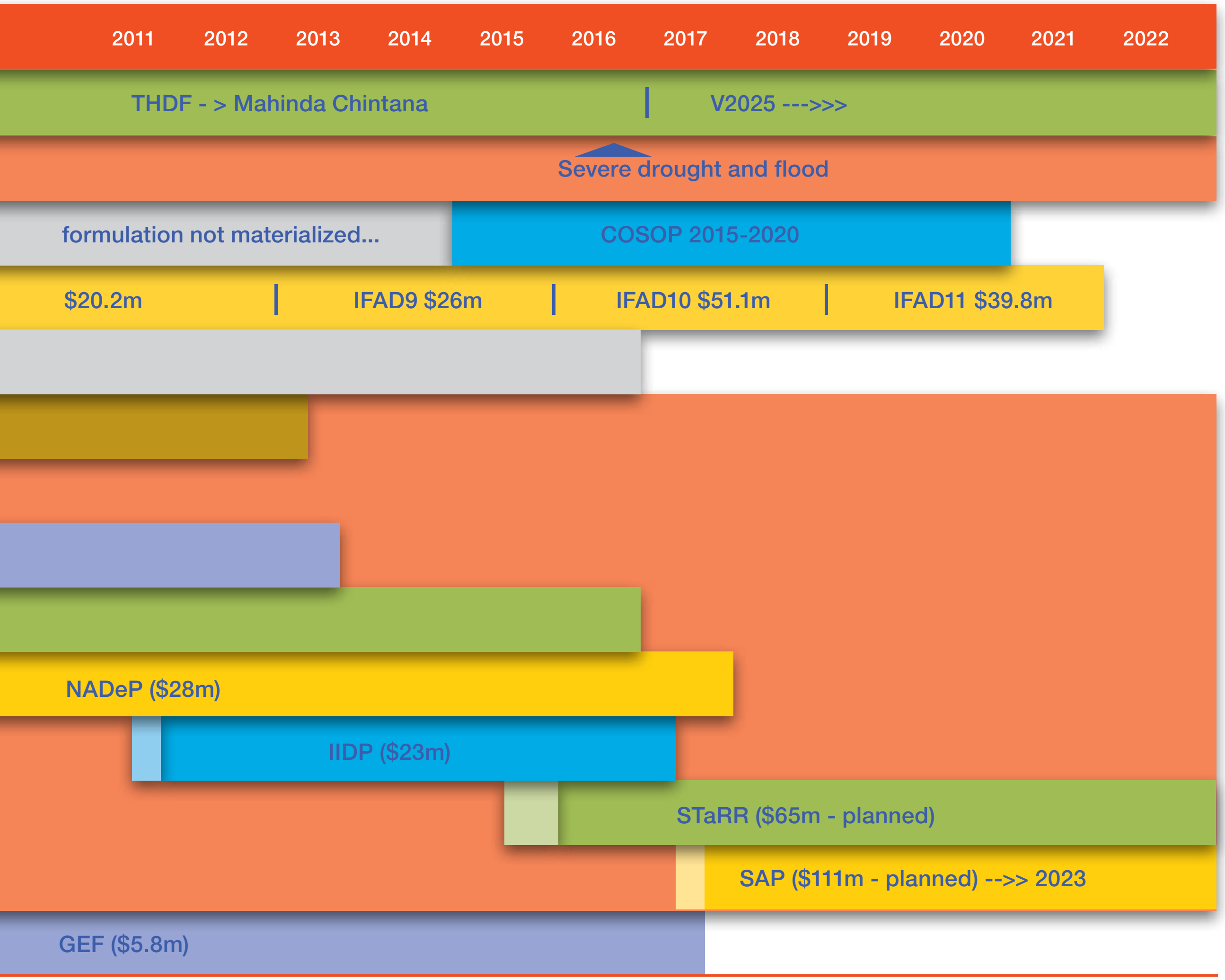
Sri Lanka timeline: country events and IFAD activities



RSL	Regaining Sri Lanka
SL-NDS	Sri Lanka National Development Strategy
THDF	Ten-Year Horizon Development Framework
GEF	Global Environment Facility

(Participatory Coastal Zone Restoration and Sustainable Management in the Eastern Province of Post-Tsunami Sri Lanka)

PBAS	Performance-based Allocation System
DZ-LiSPP	Dry Zone Livelihood Support and Partnership Programme
PT-LiSPP	Post-Tsunami Livelihoods Support and Partnership Programme
PT-CRReMP	Post-Tsunami Coastal Resource Management Programme
SPEnDP	Smallholder Plantations Entrepreneurship Development Programme
NADeP	National Agribusiness Development Programme
IIDP	Iranamadu Irrigation Development Project
STaRR	Smallholder Tea and Rubber Revitalization Project
SAP	Smallholder Agribusiness Partnership Programme


2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021
2022
THDF - > Mahinda Chintana
V2025 --->>>
Severe drought and flood
formulation not materialized...
COSOP 2015-2020
$20.2m
IFAD9 $26m
IFAD10 $51.1m
IFAD11 $39.8m
NADeP ($28m)
IIDP ($23m)
STaRR ($65m - planned)
SAP ($111m - planned) -->> 2023
GEF ($5.8m)

BACKGROUND

As approved by the 122nd session of the IFAD Executive Board in December 2017, in 2018 IFAD's Independent Office of Evaluation (IOE) undertook a country strategy and programme evaluation (CSPE) in the Democratic Socialist Republic of Sri Lanka.

Objectives. The main objectives of the CSPE were to: (i) assess the results and performance of the IFAD country programme; and (ii) generate findings and recommendations to steer the future partnership between IFAD and the Government for enhanced development effectiveness and rural poverty eradication. The findings, lessons and recommendations are expected to inform the preparation of a new country strategy.

Scope. The CSPE covers the period 2004-2017. Three key dimensions of the country strategy and programme were assessed in the CSPE: (i) project portfolio performance; (ii) non-lending activities (knowledge management, partnership building and country-level policy engagement); and (iii) performance of IFAD and the Government. Building on the analysis of these three dimensions, the CSPE assesses the relevance and effectiveness at the country strategy and programme level.

CSPE process. The first stage of the evaluation involved a preparatory mission in March 2018, a desk-based review and the preparation of the approach paper. Prior to the main mission in June 2018, the CSPE team collected quantitative and qualitative data on selected value chains supported by one of the IFAD-financed projects. The main CSPE mission involved meetings with various stakeholders and field visits in nine of Sri Lanka's 25 districts. The draft report was shared with IFAD and the Government in November 2018, and their comments have been taken into account in the final report.

IFAD in Sri Lanka. 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. The total cost of the eight loan-financed projects covered by the CSPE is US$347 million, of which US$192 million is financed by IFAD. Sectoral and thematic areas of IFAD's investment during the evaluation period 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 support. In recent years, there has been a shift in focus to agriculture commercialization, with two main areas of support in partnerships with the private sector and access to finance.

IFAD had a country presence between 2007 and 2016 in the form of a national officer, but for much of the CSPE period, it was without a proper country office. The initial proposal to establish a country office in Colombo has been cancelled as a result of reconfiguration in the IFAD's decentralisation process and the Sri Lanka programme will be managed from the regional hub in New Delhi.

Country context. Since the early 2000s, Sri Lanka has experienced steady economic growth, advancing from low-income to near upper-middle income status, and reduced poverty from 23 per cent in 2002 to 4 per cent in 2016. This occurred despite the 26-year civil war that finally ended in 2009, and the tsunami of 2004 that devasted almost two-thirds of the coastline. The CSPE period was also affected by several extreme climatic events, including droughts and floods.

A snapshot of IFAD operations since 1978 and since 2003 till 2017

	1978-2017	2004-2017 (CSPE Period)
Investment projects approved	18	8 (2 ongoing)
Total project costs (estimated at approval)	US$576.1 million	US$347.4 million
IFAD financing	US$302.6 million	US$192.3 million
Counterpart funding (Government and beneficiaries)	US$172.8 million	US$124.4 million
Country strategies	Prior to 2003, only 1993 strategy report	Country strategic opportunities paper/programme: 2003 & 2015
Main focus of operations by sub-component type as defined in the IFAD database)		Marketing, rural enterprise, rural financial services, development funds[a], irrigation infrastructure, fisheries infrastructure
Lending terms		Ordinary (2018-); blend (2013-2017); ordinary (2012); highly concessional (1978-2011)
IFAD country presence	None	National staff in place 2007-2016. Country office initially planned but no longer.
Country programme managers	--	Tarek Kotb (2018- present), Hubert Boirard (11/2015-); Ya Tian (02/2011-10/2015); Sana Jatta (03/2002-02/2011)

[a]Matching grants under SAP.
Table above does not include the additional financing for the latest project in the amount of US$14.5 million on ordinary terms approved in December 2018.

Evaluability of projects covered by Sri Lanka CSPE in 2018

	Project Name	Lending terms	Board Approval	Entry into force	Completion	Disbursement % (status)[a]	Evaluation criteria[b]	
IFAD-loan financed	Dry Zone Livelihood Support and Partnership Programme (DZ-LiSPP)[c]	HC	09/09/2004	22/12/2005	31/03/2013	99 (closed)	all criteria	COMPLETED
	Smallholder Plantations Entrepreneurship Development Programme (SPEnDP)[c]	HC	14/12/2006	06/11/2007	31/12/2016	91.2 (closed)	all criteria	
	Post Tsunami Coastal Rehabilitation and Resource Management Programme (PT-CRReMP)[c]	HC	19/04/2005 20/04/2006	16/10/2006 18/09/2008[d]	30/09/2013	98.8 (closed)	all criteria	
	Post-Tsunami Livelihoods Support and Partnership Programme (PT-LiSPP)	HC	19/04/2005 20/04/2006	09/03/2006 18/09/2008[d]	31/03/2010	98.5 (closed)	all criteria	
	National Agribusiness Development Programme (NADeP)	HC	17/12/2009	23/02/2010	31/12/2017 (extended from 31/03/2015)	91.9 (completed)	all criteria	
	Iranamadu Irrigation Development Project (IIDP)	HC	13/12/2011	30/01/2012	31/03/2017	100 (completed)	all criteria	
	Smallholder Tea and Rubber Revitalization Project (STaRR)	Blend	17/12/2015	26/04/2016	30/06/2022	13.2 (ongoing)	relevance	ONGOING
	Smallholder Agribusiness Partnerships Programme (SAP)	Blend	10/04/2017	26/06/2017	30/06/2023	9.5 (ongoing)	relevance	
Global Environment Facility (GEF) funded	Participatory Coastal Zone Restoration and Sustainable Management in the Eastern Province of Post-Tsunami Sri Lanka Project (referred to as "GEF project")	GEF GRANT	Approved by GEF Council Dec 2007	10/09/2009	31/05/2017 (extended)	90.9 (completed)	all criteria	COMPLETED

Lending terms: HC – highly concessional
[a] Disbursement rate for ongoing projects as of June 2018
[b] See Chapter 3 of the Evaluation Manual (second edition, IFAD 2015) and annex I to this report for more information on the definition of the evaluation criteria
[c] Subjected to project-level evaluation by IOE.
[d] Financing agreements for two supplementary loans for two post-tsunami projects were signed on 18/04/2008, two years after the Executive Board approval.

PORTFOLIO

The CSPE examined nine projects, including the eight loan projects and one project financed by the Global Environment Facility (GEF). The five core projects and the four post-tsunami initiatives are considered separately because the latter were the consequence of an unforeseen and unprecedented catastrophic event.

Relevance. The objectives and thematic focus of the core projects have broadly been relevant to the needs of the rural poor, and in line with evolving agricultural sector policies, which have shifted from a production focus towards agricultural commercialization and private sector engagement. At the same time, emerging priorities – in the country and at IFAD – have not always been incorporated in a timely manner. The importance of building climate resilience was not adequately reflected except in the most recent projects. Food and nutrition security were mentioned as issues in almost all projects, but the relevance of project designs to nutritional issues has been mixed. As for the attention to youth, the earlier project designs made occasional reference, and recent designs more visibly incorporate measures to mainstream support for youth.

In general, the designs of core projects included a mix of components and activities that were complementary to achieve the project objectives. However, the feasibility of proposed interventions was not always carefully examined during the design process, and there were some weaknesses in targeting approaches. Theories of change were not always clearly articulated, and monitoring and evaluation indicators not well-defined.

The post-tsunami projects, all now completed, concentrated on the restoration of infrastructure, livelihoods and ecosystems in the affected areas. These interventions were not all consistent with the prevailing country strategic opportunities programme

(COSOP) and involved many activities that are outside IFAD's normal scope of expertise. Although the flexibility of going beyond IFAD's normal mandate is not entirely negative, the rationale of IFAD supporting these activities amid significant emergency relief aid was questionable.

The relevance of poverty focus and targeting also had some shortcomings. Projects mostly relied on geographical targeting and targeting mechanisms have not been sufficiently discriminating. On the other hand, some project activities responded well to the needs of the poor and were used to facilitate self-targeting, including savings and credit, microenterprise and income-generating activities, which tended to solicit high participation of women.

Effectiveness. The project records showed that the four completed core projects reached almost 200,000 households against the target of 153,600, although the figures need to be viewed with caution. On the other hand, outreach to the rural poor and near-poor has not been entirely effective. The main shortcoming in poverty targeting was due to unclear definition of the target group and weak targeting measures beyond geographical targeting. One project did not apply any targeting criteria within the selected project areas, and there were examples of elite capture. The interventions involving grants, material support and some infrastructure (e.g. fishing landing sites, housing) tended to be prone to mis-targeting due to political influence and power relations. Poverty focus in agribusiness partnerships was also weak.

All four completed core projects scored reasonable successes in improving agricultural production – through farmer field schools, irrigation development, tea and rubber plantations, crop diversification, access to improved technologies, and partnerships with the private sector. However, efforts to regularize land tenure achieved limited success, and several factors undermined the potential of irrigation schemes including under-budgeting of construction or rehabilitation works.

Several initiatives were effective in improving access to markets – for example, cofinancing of collection or processing centres (e.g. for milk, fruits, vegetables) with agribusiness companies, supporting contract farming arrangements, or rural road construction or rehabilitation. The recently-completed National Agribusiness Development Programme actively promoted what is now labelled "4Ps", an acronym for "public-private-producer partnerships". The programme supported 16 partnerships basically around contract farming for various commodities such as milk, gherkin, honey and sugarcane. However, the extent of value added by the programme support varied, as in many cases the beneficiaries were those who already had dealings with the companies (e.g. contract farming, companies providing inputs on credit).

The project portfolio enabled around 35,000 beneficiaries to access credit with concessional interest rates and with generally good repayment rates. Several projects introduced new clients, in particular youth, to the banks with support from social mobilizers combined with financial and technical training. At the same time, the projects basically kept using the same approach of injecting funds for credit lines and there was little effort to leverage systemic change in financial services delivery – for example, by promoting innovative financial products. In addition, the intention that credit lines be reused through a revolving fund has been slow to materialize. All core projects supported diversifying rural livelihoods through enterprise development mainly through matching grants and/or loans from project-funded credit lines. Matching grants generally showed high success rates, but the outreach was relatively limited and there were targeting issues.

The post-tsunami interventions performed reasonably well in restoring social infrastructure and assets for affected households, although the results of investment in fisheries infrastructure were mixed. Support for income generation and livelihood restoration also yielded variable results. Efforts in ecosystem restoration and natural resources management were only partly effective because of delayed implementation and over-ambitious targets. However, the GEF project had some positive outcomes on institutions and policies related to coastal resources management.

Efficiency. The average implementation timeline of the portfolio is mostly in line with the region's average. There were frequent delays in project start-ups, as indicated by the time lapse between the IFAD Executive Board approval and the first disbursement, especially for the post-tsunami projects. Most projects also suffered from expenditure delays, although disbursement usually picked up after the mid-term-review. Albeit with delays and multiple extensions in some projects, disbursement targets were eventually largely met.

Project management cost as proportion of total cost compared favourably to the IFAD standard. The average budget for management and coordination was eight per cent of the total, which is lower than normal, but with higher levels seen in projects with widely scattered target populations. On the other hand, there were some financial management and fiduciary issues affecting efficiency, including: (i) lack of qualified staff and high staff turnover; (ii) absence of adequate financial management and accounting systems; and (iii) poor procurement planning and contract management.

The economic efficiency was found to be mostly positive, although not to the extent that was reported in the project completion reports as a result of adjusting assumptions used in the economic and financial analyses.

Rural poverty impact. In general, the core projects contributed to enhanced agricultural productivity and crop diversification through technology transfer, improved planting materials and irrigation systems, among other things, although in some cases the impacts were diminished by extreme climate events such as droughts. On the other hand, the portfolio had little impact on improving food and nutrition security other than improving the intake of dairy products. No projects explicitly included nutrition activities, objectives and outputs.

Household income increased across projects through different impact pathways, but with mixed evidence in several cases. Impact on household incomes mostly derived from increased agricultural production and productivity – for example, thanks to upgrading of tea and rubber production and access to irrigation. Higher prices and incomes for 4P beneficiaries were reported by the project but a survey conducted during the CSPE found that the evidence to substantiate this claim was weak. Matching grants and subsidized loans have improved income opportunities and diversification, but they were not particularly effective as an instrument to address rural poverty due to a limited coverage and mis-targeting. The post-tsunami projects had tangible impact on improving household assets.

Evidence on human and social capital and empowerment is also mixed. Overall, there was positive impact on human capital through the delivery of training (for example, on improved agricultural technologies), but there were also cases where training was not tailored the needs of the farmers. Many groups were formed under different projects, but they mainly served as a mechanism to channel the project support, with limited evidence of impact on empowerment and cohesion.

The portfolio in general had limited emphasis on institutions and policies, but the GEF project made an important achievement with regard to the institutional and policy framework for coastal resources management.

Sustainability of benefits. The results with agricultural production and productivity are likely to be sustainable overall. At the same time, climate change and land degradation do pose threats in this regard and have not yet been adequately reflected.

Sustainability prospects for benefits from small-scale social, community and productive (irrigation) infrastructures are mixed: generally encouraging where there is ownership and quality of works is good (e.g. access roads), but some concerns about others such as rehabilitated minor irrigation schemes. Also for major infrastructure investments (e.g. fishing ports, major irrigation schemes) where government agencies are responsible for maintenance, there are sustainability concerns.

On the other hand, improved access to markets through the private sector has good prospects of sustainability based on commercial incentives. The sustainability of microenterprises and income-generating activities is mixed, with existing enterprises that were expanded generally performing better than start-ups.

Generally, groups formed for the purpose of project implementation have struggled to survive after project completion. Sustainability has been better where projects worked through existing groups or organizations rather than ones created for the delivery of project services.

Innovation. Although there were some exceptions, innovation has not been a strong feature of the country programme. While conceived in the post-disaster context, the GEF project design was oriented to innovations and produced some results. Most core projects, except for the one on dry-zone agriculture, did not produce many results in terms of innovation. When some innovations were proposed in designs, many of them were not relevant or not particularly innovative. As for access to finance, the same approach of subsidized credit was repeatedly used but with little reflection on other opportunities for innovative approaches.

On a positive note, some projects have operated in “niche” areas among donor-supported initiatives, namely the focus on micro-irrigation schemes (versus major or medium-sized irrigation schemes) and tea and rubber smallholder plantation development. These could be likened to innovation.

Scaling up. Scaling up has not been a prominent feature of the portfolio. There are several instances where success stories in one project have been expanded in subsequent projects, most notably the ongoing projects in support of agribusiness partnerships and tea and rubber

Rohan Pushpakumara, 20, tends to tomatoes growing in a greenhouse in Peacockhill colony, Doragala, Gampola, Sri Lanka.

The Smallholder Plantations Entrepreneurship Development Programme aims to increase profits for producers by improving post-harvest handling and marketing of agricultural goods and to strengthen poor people's capacity and skills in order to build sustainable outgrower schemes.

smallholders. However, mere replication or expansion in the form of a follow-on or derivative project is not necessarily aligned to how IFAD has defined "scaling up results", which focuses on leveraging policy changes, additional resources and learning to bring the results to scale rather than transforming small IFAD projects into larger ones.

Gender equality and women's empowerment. Women's participation in project activities has generally been high, especially in savings and credit and income- generating activities. Some productive activities supported by the projects tended to be dominated by men (e.g. fishing, coastal resources management), but at a broad level, different interventions and other income-generating activities that tend to be dominated by women have struck a balance in facilitating direct access to economic opportunities for men and women. Women's participation and leadership in community-level institutions has also been relatively high, with some exceptions (e.g. lagoon ecotourism). One project attempted to directly address women's access to land, but the achievement was low. Despite the high level of women's participation, systematic attention and conscious efforts to promote gender equality and women's empowerment have been rather weak, with missed opportunities to integrate more gender-transformative initiatives.

Environment and natural resources management. The portfolio delivered some results in this area. Irrigation development had positive environmental outcomes, and support for agricultural production was generally accompanied by the promotion of good agricultural practices, while more could have been done to improve water-use efficiency. Some post-tsunami interventions had positive environmental outcomes, including removal of tsunami debris from lagoons, sand dune rehabilitation, green belt projects, coral reef protection, biodiversity and eco-tourism, and improved water supply and sanitation. Notwithstanding its achievements, the GEF project fell short of the potential not least because the project approach did not fully take into consideration how lagoons, sand dunes and mangroves are parts of integrated ecosystems. Few cases of negative environmental impacts have been noted but there were opportunities to better mainstream good environmental and climate resilience practices into project designs to move beyond the "do no harm" approach.

Adaptation to climate change. Many projects were designed before climate change became an IFAD priority, and therefore did not include measures to address risks associated with climate change. The post-tsunami projects did not refer to climate change due to the timing of the design and the focus on reconstruction, but project evaluations considered that there was a missed opportunity to address issues such as rising sea levels and sea water temperatures. In the projects with agricultural components, erratic rainfall and worsening soil moisture conditions had affected smallholder farmers and in some cases compromised the project benefits. The threat of climate change has only recently been recognized in the project portfolio. Climate awareness has been heightened by recent drought and flood events. Under both current projects, more could be done to improve climate resilience and possibly mobilize additional climate funding for specific adaptation measures.

On the other hand, some interventions, even if not labelled as climate change adaptation measures, did or could serve to address risks associated with climate change. Positive examples include: water savings through physical measures such as irrigation scheme rehabilitation, drop irrigation or agro-wells; better crop varieties; better farming practices; and crop diversification. There was also a case of introducing crop insurance, which could help producers manage the damage caused by climate-related events.

NON-LENDING ACTIVITY PERFORMANCE

It should be noted that the scope of IFAD's engagement in non-lending activities was constrained by: (i) limited country presence; (ii) the demands of post-tsunami support; (iii) the large number and frequent changes of implementing agencies; (iv) the lack of a solid platform for development partner coordination; and (v) the decline in development financing by traditional donors.

Knowledge management. During the evaluation period, attention to knowledge management has increased and shifted from being inward-looking (i.e. generating and using knowledge to inform and improve the IFAD operations) to outward- looking (i.e. beyond IFAD). The international conference on 4Ps in 2018 was a good example of the latter, contributing to debate and knowledge exchange beyond the country programme. But in general, knowledge management activities and outputs have mostly come from and been confined to the projects. The projects have prepared knowledge and communication products, but with some exceptions there is little evidence of knowledge management or learning in a broader context and beyond the projects themselves. Compared to some other countries in the region, there is limited evidence of knowledge-sharing and cross-learning.

Partnership-building. IFAD has maintained good working relationships at central government level and with multiple project implementing agencies. The Government, especially non-line agencies which have been the main focal point for development partners, has a good understanding of the IFAD portfolio and appreciation for IFAD's support over the past three decades. On the other hand, relationships with many agencies have not gone beyond the project level. IFAD has also maintained good working relationships with the Central Bank of Sri Lanka through the projects with credit lines for a long time.

Collaboration and partnerships with other development agencies have been limited. Cofinancing has been drastically reduced compared to the period 1978-2002. During the evaluation period, the GEF funding was the only cofinancing; no other international cofinancing materialized. The CSPE team's interaction with representatives of development partners indicated a lack of IFAD's visibility in general in the country and in any donor coordination fora.

A handful of non-governmental organizations were involved in project implementation mainly as service providers, but partnerships beyond contractual obligations have been rare. Partnerships with farmer organizations have also been limited. It is noted that, historically, uneasy relations between the Government and civil society are likely to have posed challenges for IFAD or the projects to foster such partnerships. However, on the positive side, in recent years partnerships with the private sector have become a prominent feature of the country programme.

In-country policy engagement.
Outcomes in country-level policy engagement have been insignificant. The COSOPs listed a number of possible areas for policy engagement. Where some activities were undertaken relating to those areas, they were largely confined to the operational/project level and did not provide a basis for policy engagement. A study on land tenure policy in one of the earlier projects was not followed up. Limited partnerships also constrained the potential for IFAD to engage in policy dialogue. While there is increased attention to policy issues in recent projects (e.g. microfinance), the overall performance in country-level policy engagement has been minimal.

PERFORMANCE OF PARTNERS

IFAD. Performance of IFAD has not been optimal, but with marked improvement since 2015 following the new COSOP, completion of the post-tsunami projects, and consolidation of the country programme into two core projects. The overall direction for IFAD's operations has not always been clear or coherent for much of the evaluation period, influenced both by the external events (e.g. tsunami) and lack of clarity in strategic guidance (with failure to update the COSOP between 2003 and 2015).

There were some project design weaknesses that could have been better addressed. Supervision and implementation support missions were organized regularly (with some exceptions) but were not always effective in addressing strategic, design or major implementation issues in a timely manner. There are several examples of failures or delays with respect to remediating design weaknesses or addressing the causes of poor performance.

IFAD's performance in fostering partnerships has been weak, except for government agencies. The contribution expected from a country presence between 2007 and 2016 was not fully realized, especially given that it was only one person who, most of this period, was not based in the capital and who also had to cover the Maldives. The main role of the country programme officer was seen to be related to the portfolio, with limited attention outside the projects or at strategy/policy levels.

Government. Institutional instability in the Government has been a negative factor in several cases, but delivery was moderately successful in the end. A positive aspect of the Government's performance has been the capacity to devolve project implementation responsibilities to various partner agencies and decentralized institutions in the local government system. But there were also consistent issues with financial management, monitoring and evaluation and project staffing. Counterpart funding has been slightly below commitments during a time of fiscal challenges spanning the global financial crisis, the civil war and post-war reconstruction efforts.

COUNTRY PROGRAMME STRATEGY PERFORMANCE

Relevance. The focus on rural and agricultural development with increasing emphasis on market linkages and commercialization was aligned with evolving government strategies and the need for a reduction in rural poverty. The extent to which the COSOPs steered the country programme is debatable, partly because the emerging situations (e.g. political sensitivity around the proposed intervention in the estate sector and key events like the tsunami and the end of the war) reduced the relevance of the 2003 COSOP. There was lack of clarity in strategic direction due to the absence of an updated COSOP in the middle of the CSPE period. The 2015 COSOP is relevant in defining broad areas of intervention (productivity and access to markets), but lacks critical reflection on synergies between different elements and instruments, and resource availability (staff/human and financial).

Effectiveness. With weak performance of non-lending activities, drift from the 2003 COSOP due to external factors, and lack of synergy between different elements in the country programme, assessing effectiveness of the country strategy is mostly based on portfolio effectiveness. In this sense, the extent of achievements against the main objectives (explicit, implicit or originally unforeseen) is moderate. With reference to the 2003 COSOP, overall there were good results with improving rural livelihoods, notably in terms of agricultural production and productivity.

As for the strategic objectives of the 2015 COSOP (sustainable productivity enhancement in a more resilient livelihood system and connection to markets), some achievements and progress have been and are being made in the completed and ongoing projects. However, there could be more attention to sustainability of productivity improvement, climate resilience, additionality of 4P support in terms of facilitating access to markets by the rural poor, and non-lending activities. Mid-way through the current COSOP, the portfolio was reduced to two core projects (from up to five during the preceding period), and this offers opportunities for more focus and consolidation of achievements.

CONCLUSIONS

A number of contextual factors affected the coherence of the country programme and made it challenging to achieve impact and influence. There was a proliferation of projects and a lack of strategic direction during the middle part of the CSPE period in response to post-tsunami and post-conflict needs. This was evident in multiple implementing agencies, diverse sectoral engagement and geographic coverage, and challenges in monitoring and knowledge generation. The absence of a current COSOP for a significant part of the CSPE period is seen as a symptom of the weak strategic focus rather than a cause. The result was a country programme without a consistent orientation towards particular geographic areas, target groups, or subsectors. However, during recent years the programme has consolidated its strategic focus and is now well positioned to contribute to agricultural transformation and rural poverty reduction.

Notwithstanding the diversity in interventions and weak coherence, the portfolio achieved tangible results in agricultural production and productivity, and to a lesser extent, improved access to markets and income diversification. Agricultural production and productivity was the most important pathway for increased incomes and assets, and was generated through irrigation development, plantation establishment and technical transfers, at times combined with material and financial support. Projects have been moderately successful in reaching the intended number of beneficiaries and in achieving their general objectives. The post-tsunami projects also had some long-term impact, such as on household assets, albeit outside IFAD's normal mandate.

Some positive results and lessons have not always been followed through adequately to pursue scaling-up or sustainable impact. The themes of smallholder plantation development and agribusiness partnerships have been carried through to the ongoing portfolio. However, some successful interventions and innovations (for example, in coastal resources management) simply came to an end when the respective projects were completed.

Targeting has proven challenging in a middle-income country where the poor are a minority. This is a particular concern in interventions with a more commercial orientation. However, targeting strategies have not been solid enough to go beyond geographic targeting, to minimize or safeguard against elite capture.

Support for 4Ps and access to finance achieved good outreach but there was scope for more careful consideration of how to generate lasting benefits. Although a number of 4Ps have been created and farmers are generally satisfied with the results, there was limited reflection on opportunities to better enable beneficiaries to increase returns from linkages with markets. The portfolio could have more proactively explored opportunities for the introduction of improved and innovative technologies, more efficient use of water and other agricultural inputs, and better post-harvest handling and quality enhancement. A significant number of beneficiaries benefited from subsidized loans through multiple lines of credit, but the portfolio lacked a critical reflection on how to go beyond providing subsidized loans.

The “additionality” of project support for 4Ps and access to finance are still open questions. Additionality was evident in some cases, for example by facilitating more structured linkages between a buyer and a new group of farmers, combined with some grant and technical support. But additionality was not clear in all cases, for example, where the farmers included in the partnerships already had regular dealings with the company.

IFAD has not been particularly active in building partnerships, and the Fund’s overall visibility in the country is low. IFAD did not take full advantage of the country presence between 2007 and 2016 to upgrade non-lending activities. Relationships with government agencies have been largely project-oriented and have not generally extended into broader policy dialogue.

Sri Lanka’s graduation to middle-income status will influence the nature of the country’s partnership with IFAD. IFAD loans are now on ordinary terms. It is important that projects be catalytic in nature, leveraging additional investments, and that non-lending activities play a more prominent role in the country programme.

RECOMMENDATIONS

Recommendation 1.

Sharpen the strategic focus and coherence of the country programme for stronger and more sustainable impact. The next COSOP should provide more guidance on what the country programme intends to focus on in terms of sectoral and thematic areas, geographical areas, targeting group and types of investments. Geographical focus may not need to be rigid and exclusive. But more reflection is needed to address the geographical disparities and "poverty pockets" as well as to improve the synergy and demonstrable impact of the country programme. In so doing, the country strategy and programme should better address and mainstream key priorities in the Sri Lankan context, i.e. climate resilience, nutrition and youth. In particular, in order to support climate-smart agriculture, IFAD and the Government may consider investing in climate-resilient infrastructure and improved/ innovative technologies.

Recommendation 2.

Strengthen the poverty orientation and develop a strategy for inclusive – but sufficiently discriminating – targeting. The COSOP and project designs should provide a clear target group definition and targeting strategy relative to the strategic and geographic focus of the country programme. Given the low and decreasing poverty rate in Sri Lanka, the target group should inevitably be inclusive of those rural households marginally above the national poverty line but vulnerable to natural disasters and other shocks. In order to ensure outreach to the intended beneficiaries and safeguard against elite capture, the strategy should be accompanied by plausible screening mechanism for selection that cap the support provided to individual households. The strategy should be based on adequate assessment of the poverty reality and the constraints that the rural poor and near-poor face, and specific targeting measures to facilitate their participation. Targeting performance should be monitored during implementation.

Recommendation 3.

Focus on steering the country strategy and programme to play a more catalytic role in rural transformation with enhanced partnerships. Given IFAD's relatively small resource envelope, the operations it supports should aim at better "value for money" based on a more focused programme and a clear scaling-up pathway. For this, IFAD should invest more in analytical work, knowledge management and policy engagement at the country programme level and beyond the project level, which may be supported through the investment projects, by more effective use of grants and/or by working with other like-minded partners.

Furthermore, IFAD should be more aggressive in its pursuit of concessional or grant cofinancing in order to offer competitively priced financing packages to the Government. Not only in financial terms but also for strategic and technical collaboration, IFAD should do more to reach out to other development partners, increase in-country visibility and presence, and provide inputs in the development partners' forum and its working groups.

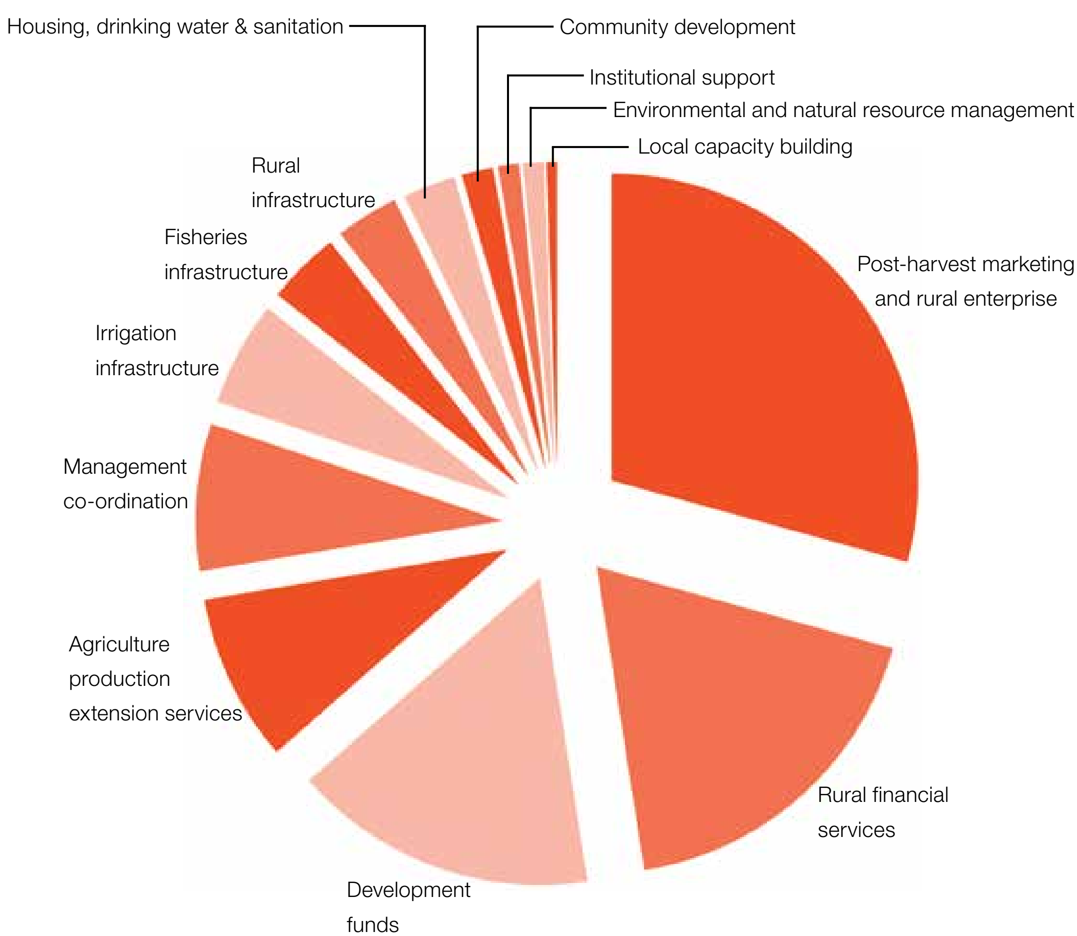
Recommendation 4.

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- and cost-sharing to leverage private sector investment and innovations which are less likely to occur without public investment. A more rigorous and transparent mechanism is necessary to assess additionality, before and after the investment.

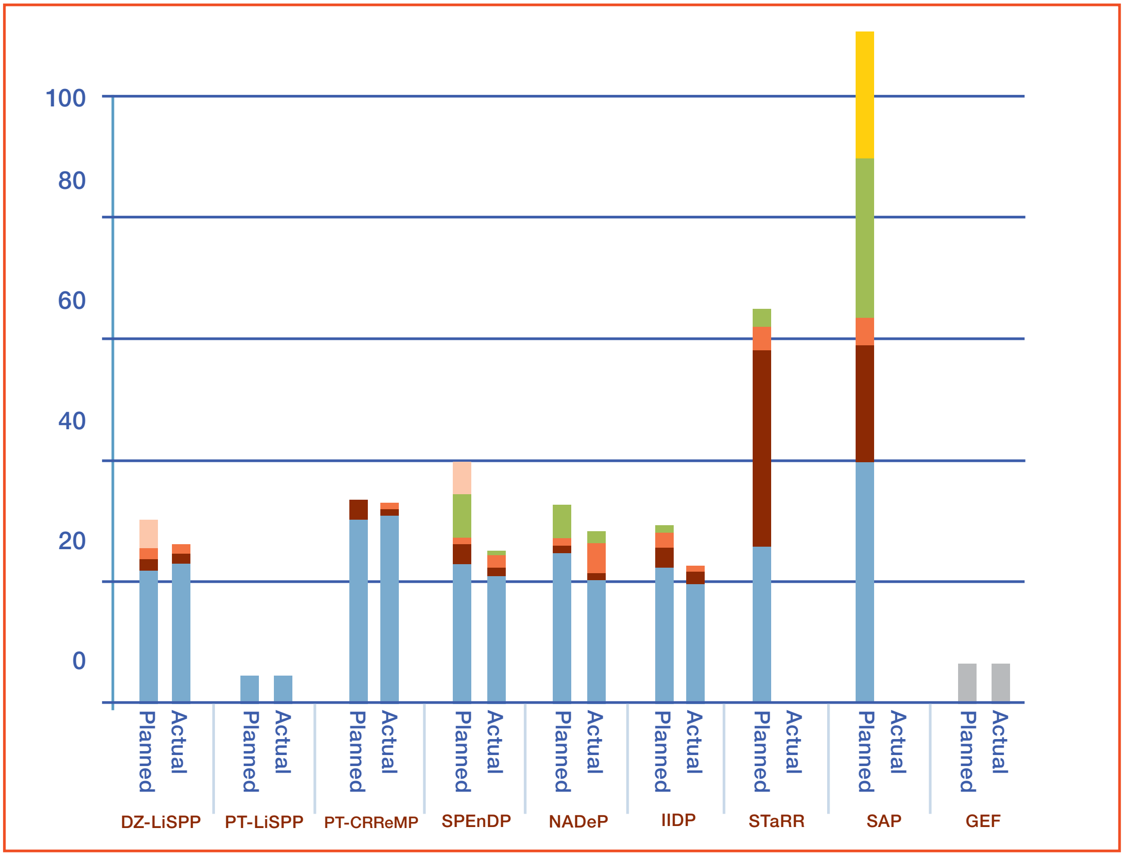
Recommendation 5.

Revisit the approach to rural finance support, sharpen the focus and explore opportunities to innovate. IFAD should, in collaboration with the Government, the Central Bank of Sri Lanka and other development partners, critically 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. This may include, for example, how best to facilitate the development of new financial products (not limited to credits) that meet the needs of the target group, how to address the issue of guarantors of defaulted loans, or how to strengthen financial literacy of the borrowers and enable them to better manage their household finances.

Total project financing (up to 2017) for eight loan/financed projects by component type



Planned and actual project financing by financier (US$ million)
(As of June 2018)



Key points:
• SAP by far the largest operation, still with financing gap
• IFAD financing for SAP the largest
• Government financing relatively small and always lower than planned - significantly increased for STaRR & SAP as per plan
• Utilization level for IFAD financing at project end generally good
• Most of cofinancing planned often not materialized

IFAD loan
Government
Beneficiary
Domestic cofinancing
International cofinancing
Gap
Grant

February 2019

Cover photo

Women picking tea on a plantation in Elkaduwa Matale Area, Sri Lanka.

Independent Office of Evaluation

IFAD

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