Independent Office of Evaluation

IFAD
Investing in rural people

Project Completion Report Validation

National Agribusiness Development Programme (NADeP)
Democratic Socialist Republic of Sri Lanka
Date of validation by IOE: March 2019

I. Basic project data

				Approval (US$ m)		*Actual (US$ m)*	
Region	Asia and the Pacific		Total project costs	32.96		27.723	
Country	Democratic Socialist Republic of Sri Lanka		IFAD loan and percentage of total	25.0	75.8%	19.528	70.4%
Loan number	797-LK		Borrower	1.0	3.0%	0.967	3.5%
Type of project (subsector)	Storage, processing and marketing		Private companies	5.25	15.9%	2.017	7.3%
Financing type	Loan		Community-based organizations:	0.76	2.3%		
Lending terms*	Highly concessional		Participating financing institutions:	0.39	1.2%		
Date of approval	17/12/2009		Beneficiaries	0.56	1.7%	5.211	18.8%
Date of loan signature	23/02/2010						
Date of effectiveness	23/002/2010						
Loan amendments	07/05/2014** 21/07/2015** 24/05/2016**		Number of beneficiaries	57,900 HHs		Total 46,815 HHs (Direct: 44,283 HHs; Indirect: 2,532 HHs)	
Loan closure extensions	23/03/2015 05/02/2016 04/11/ 2016		Project completion date	31/03/2015		31/12/2017	
Country programme managers	Sana Jatta Ya Tian Hubert Boirard		Loan closing date	30/09/2015		30/06/2018	
Regional director(s)	Thomas Elhaut Hoonae Kim		Mid-term review			07/2012	
Project completion report reviewer	Shijie Yang		IFAD loan disbursement at project completion (%)			88.82%	
Project completion report quality control panel	Fumiko Nakai Ernst Schaltegger		Date of the project completion report			06/2018	

Source: PCR (2017) and President Report (2011).

* There are four types of lending terms. This was a loan on highly concessional terms, free of interest but bearing a service charge of three fourths of one per cent (0.75 per cent) per annum and having a maturity period of 40 years, including a grace period of 10 years.

** The first amendment on the financing agreement was made on 7 May 2014 and countersigned by the Government of Sri Lanka on 28 May 2014. The second amendment to the Financing Agreement was made on 21 July 2015 and countersigned on 21 August 2015. The third amendment was made on 24 May 2016 and countersigned on 25 May 2016. (PCR, pg.55).

II. Project outline

1. **Introduction.** The National Agribusiness Development Programme (NADeP) was initiated to support the Government of Sri Lanka to leverage private sector engagement for rural and agricultural development. The programme was initially planned for five years (2010-2015) with a total cost of US$32.9 million approved by IFAD's Executive Board in December 2009. Because of significant implementation delays, the programme was extended three times. The programme was eventually completed on 31 December 2017, 33 months after the original completion date, with an actual total cost of US$27.723 million and the disbursement rate of the IFAD loan is 88.82 per cent.

2. PCRVs are normally prepared based on desk review, but this PCRV benefited from two missions in May-June 2018 in the context of the country programme and strategy evaluation (CSPE). During the mission in May 2018, a value chain study was conducted with two national consultants recruited to collect primary data. The study covered five agricultural products implemented by nine business plans spreading around nine districts. In June, the CSPE team visited NADeP project areas and held interviews and discussions with various key stakeholders, including beneficiaries, private sector partners, and participating financial institutions (PFIs).

3. **Goal and objectives.** The overall development **goal** was rural poverty reduction and sustainable livelihood improvement in the programme areas. The **objectives** of the Programme were to assist smallholder farmers and the landless, especially the youth by: (a) increasing their incomes through participation in the Marketing Chain Development and Linkages component to improve farm gate prices, on-farm productivity and add value to processed farm products; and (b) the provision of financing and training to the landless and youth to offer them improved and increased employment opportunities (President Report, Schedule 1, pg.10).

4. In 2016's updated logical framework, the goal was revised to support rural poverty reduction and improvement of livelihoods of 57,900 poor households. The objectives remained the same.

5. **Project area:** The marketing chain development and linkages component was conceived to be almost national in scope (excluding only the Western Province and urban areas). The microfinance and youth training component was initially intended to specifically target five of the poorest districts, namely Ampara, Kegalle, Kurunegala, Puttalam and Ratnapura. By completion, both components had a national coverage.

6. **Project components.** The project had three components:

    a. **Component 1: Marketing Chain Development and Linkages** consisted of two sub-components comprising: (1a) private sector led marketing chain development; and (1b) community-based organizations-led marketing chain development. Under sub-component 1a, the three sub-approaches included: (i) the establishment of companies with farmers as shareholding partners in processing companies; (ii) private sector/ agribusiness companies working with farmers directly without investing in the processing facilities but willing to undertake organizing the farmers to do primary processing; and (iii) companies undertaking contract farming.

    b. **Component 2: Microfinance and youth training** was to finance two sub-components: (a) micro-finance; and (b) youth training.[1]

[1] Specifically, the Programme sought to provide credit (through a line of credit to participating financial institutions (PFIs)) and other complementary/ financial services (technical and business training and advice, etc.) to poor households to engage in income-generating activities, thus enabling them to engage in self-employment in agribusiness, trade, services, and small industries (PCR, 13).

c. **Component 3: Programme Management and Policy Support** comprised: (a) programme management and (b) policy support.

7. **Target Group.** The **target groups** outlined in the design were small farmers, producers, women, landless households and young people. The marketing chain development component was designed to be almost national in scope (excluding only the Western Province and urban areas). The microfinance and youth training component was to target five of the poorest districts, namely Ampara, Kegalle, Kurunegala, Puttalam and Ratnapura (President's Report, paragraph 10).

8. The **targeting strategy** proposed at design included a differentiated approach, corresponding to the requirements of the different programme components. Specifically, under the Component 1, the programme was to identify the poorest villages and subsequently select poor people within each village through a wealth-ranking survey. At least 80 per cent of the targeted smallholders should have holdings below one hectare and earn at least 50 per cent of their income from agricultural activities. However, farmer leaders would not be excluded. The Component 2 was expected to target women, landless households and young people (President report, paragraph 10). The final selection of the 4P sub-projects (public-private producer partnerships) was based on a combination of considerations of agro-ecological potential of the commodity, poverty incidence, and the 4P business plans (PCR, paragraph 29).

9. **Project costs and financing.** At appraisal, IFAD was expected to finance approximately US$25 million (highly concessional loan), representing 76 per cent of total programme budget. The rest of the financing was to come from domestic sources in the form of Government counterpart funds (US$0.99 million), private companies and Community-based organisations (CBOs) co-financing as equity capital (US$6 million), and PFIs (US$0.4 million).

10. The actual programme cost was US$27.723 million, with IFAD financing of US$19.528 million[2] (disbursement rate of 88.82 per cent[3]), the counterpart funds of US$0.97 million equivalent,[4] and US$2.02 million equivalent of co-financing by private sector companies (Table 1 below). In view of the non-materialisation of the equity financing model (for which the co-financing budget was earmarked), the contribution from the private sector partners was lower than expected.

Table 1
Expenditure by financier – appraisal and actual (amount in 000 US$)

Financier	*Original Allocation*		*Actual expenditure*	
	Amount	%	Amount	%
IFAD	25,000	75.84	19,528 *	70.4
Government of Sri Lanka	994.0	3.02	966.5	3.5
Private companies	5,247.0	15.92	2,017.2	7.3
Beneficiaries	567.0	1.72	5,211	18.8
PFIs	395.0	1.20	0.0	0.00
CBOs	762.0	2.30	0.0	0.00
Total	32,965.0	100.00	27,723	100.00

Notes: * By March 2019, IFAD disbursed US$20.218 million according to Operational Results Management System.
Source: PCR (2018).

[2] Including forecasted expenditure of US$62,737 for the months of May and June 2018.
[3] Based on actualized US$ exchange rate (total programme costs were based on August 2009 exchange rates).
[4] US$0.49 million in cash and US$0.48 million as in-kind contribution (office rent & utilities, security & cleaning, vehicles and furniture), including May and June 2018 forecasted expenditure.

Table 2
Component costs (US$ millions)

Components	*Original Allocation*		*Actual expenditure*	
	Amount	%	Amount	%
Marketing Chain Development and Linkages	26,629	80.78	9,882	35.65
Microfinance and youth training	4,165	12.63	10,421	37.59
Programme Management and Policy Support	2,169	6.58	1,493	5.39
Total	32,965.0	100.00	27,723*	100.00

Notes: * If the estimated beneficiary contribution is excluded, the total actual costs and financing amounts to US$22,512 million.
Source: PCR (2018) and IFAD Oracle Business Intelligence System.

11. **Implementation arrangement.** The Programme oversight was vested with a National Steering Committee, with the delegated executive authority to the Programme Management Unit (PMU) for implementation to be set up under the Lead Programme Agency (LPA). The National Steering Committee had the responsibility to review and approve the Programme's Annual Work Plan and Budget, as well as to review the proposed business plans upon the recommendation of the PMU. As per design, the identified LPA was the Central Bank of Sri Lanka (CBSL), though this institutional grounding has changed four times over the Programme lifetime, with the Presidential Secretariat taking over as the LPA in the last two implementation years preceding, and up to project completion and closing (PCR, paragraph 16).

12. **Adjustment during implementation.** By the mid-term review (MTR), it was evident that the sector environment and institutional capacities were not suited to implement the equity financing model (PCR, paragraph 5). Along with the frequent and multiple changes in the LPA, disbursement of the IFAD loan was low. By end 2015, the true disbursement level was only 5 per cent (not taking into account the initial advance) and no business plan had been approved or implemented. Therefore, the equity financing model was dropped after five years of little implementation progress. The Financing Agreement was amended three times[5] during the programme's life span to reflect the changes of the LPAs, extension of completion dates, and the changes of activities. For example, the second amendment to the Financing Agreement increased reallocation of resources to the credit line (from long-term financing facility and other loan categories) following the drop of the equity financing model.

13. Regarding the Component 2, in order to improve the livelihoods of the target groups (including those with insecure access to land, vulnerable and marginalised groups and the youth), the Programme at appraisal, sought to establish a microfinance facility to support income-generating activities and youth training. During the course of implementation, the project changed to improve smallholder access to finance and financial inclusion in general (PCR, paragraph 16) and developed four loan schemes: 4P loan (capital and seasonal), self-help groups loan (SHGs loan), youth loan, and the agricultural disaster recovery loan scheme (PEARL).

14. **Intervention logic.** NADeP was designed to respond to the agribusiness thrust of the Government's 10-year development plan and agriculture policy statement which aimed at fostering Public Private Partnerships (PPPs) in commercial agriculture and strengthening rural financial services for improved rural household income (PCR, paragraph 41). The value chain development component aimed to enhance market

[5] The first amendment on the financing agreement was made on 7 May 2014 and countersigned by the government on 28 May 2014. Second amendment to the Financing Agreement was made on 21 July 2015 and countersigned on 21 August 2015. The third amendment was made on 24 May 2016 and countersigned by the Government of Sri Lanka on 25 May 2016.

linkages and value addition by engaging the private companies to work in partnership with small producers through either a contract farming model or an equity fund model (i.e. establishment of companies with farmers as shareholding partners in processing companies); and by promoting CBOs in leading the development of the marketing chains. The microfinance and youth training component was designed to provide institutional credit and "credit plus" services (technical and business training and advice, etc.) to poor households to engage in income generating activities and to provide capital resources complementary to the market linkages development. Through these two main interventions, the programme would contribute to poverty reduction and sustainable livelihood improvement of the poor rural households.

15. **Delivery of outputs.** Under Component 1, 16 4Ps partnerships with 12 companies and eight commercial banks have been implemented,[6] which outreached to 17,651 households[7] through a partnership with private companies active in the agribusiness/ agro-industry sector. Among these households, in addition to technical support (e.g. extension and technical advisory services including provision of equipment, materials and inputs) 6,208 households received agricultural seasonal loans or investment loans averaging US$464 (LKR 70,513).

16. Under Component 2, another 25,816 rural households were reached through the PEARL scheme and formation of SHGs (PCR, paragraph 7). The PCRV notes that the outreach number was not consistent across different sections of the PCR. Almost half (42 per cent) of the SHG members (i.e. representing 10,820 households[8]) received a loan for income generating activities or on-farm activities. Furthermore, 3,348 youth were supported through provision of training, and have been directly linked to commercial banks (with opening of savings accounts); of these youth, 56 per cent or 1,863 youth received start-up or expansion capital through credit, ensuring their self-employment (see table 3 for details of different loan windows). Adding the above-mentioned categories of beneficiaries together (17,651 households from Component 1, 25,816 from SHGs, and 3,348 from youth groups), NADeP has had outreach to 46,815 households by completion.

Table 3
Type and number of loans disbursed

Window	*No. of loans disbursed*	*Percent Women*	*Amount Disbursed (US$)*	*Average loan amount (US$)*
SHGs	8,998 (2,997 groups)	74	7,760,000	860
Youth	1,863	63	1,900,000	1,020
4P Capital	2,352	62	2,900,000	465
4P Seasonal	5,323	49		
PEARL	1,822	55	890,000	485
Total	20,358[9]	62	1,901	

Source: Table 2 in PCR; and the column of Percent of Women is from CSPE (2019).

[6] A total of 19 4Ps were brokered and signed with the private sector; however, due to the limited duration of the programme, these sub-projects were put on hold.
[7] The PCR stated this outreach number.
[8] The Table 2 in the PCR stated the number of SHG loan disbursed is 8,998, while the CBSL database only shows a record of 7,294 loan disbursed.
[9] In the paragraph 73, it is stated that the number of households who received the various loans at completion are 18,891.

III. Review of findings

A. Core criteria

Relevance

17. **Relevance of objectives.** The design of NADeP was well aligned with the Government's strategic documents - the 'Economic Policy Framework of the Government of Sri Lanka' and the Mahinda Chinthana, the 10-year development plan, which had the objective to attain self-sufficiency in food production and achieve food security. In order to realise these policy objectives, the promotion of PPPs was highlighted as a key approach to be pursued (PCR, 32). The Government conceived NADeP as the national programme that would promote the new policy of mobilising private sector engagement and establishing PPPs within the agricultural/rural development sector (PCR, paragraph 33). NADeP was also aligned to the 2015-2020 country strategic opportunities programme that highlighted sustainable productivity enhancement, agricultural value chain development and improved connectivity to markets as priorities.

18. **Relevance of original design.** The project design was in principle commensurate with the rapidly evolving socio-economic situation at the national level, and conceptually relevant to achieve the objectives as per the intervention logic stated in paragraph 14. However, as highlighted by the PCR, the original design, featuring the equity fund financing model and the CBO-led value chain development model, was flawed with unrealistic assumptions given the country context at design.

19. **First of all, the equity financing model was overly ambitious for the Sri Lanka context.** In spite of general interest expressed by the public and private sectors, their readiness (and capacity) to engage and mediate through the complexities around the equity financing arrangement was simply lacking. Additionally, the private companies were reluctant to integrate small producers as shareholders (with participation and representation) in their respective Boards. Furthermore, lack of institutional capacity (public and private) and experience in setting up equity-financing models. For example, lack of legal instruments and procedural/operational frameworks (e.g., formation of the board of trustees to oversee the funds) was highlighted as a key issue in hindering the implementation progress in the early years' supervision reports.

20. **Secondly, the non-materialisation of CBO-led development of market linkages was due to the unrealistic assumption** that there were mature CBOs with well-established organizational and governance structure, market experience, and financial management capacity. Little implementation was made in five years, which called for a significant shift in some design elements.

21. **Thirdly, the implementation arrangement was not adequate.** The original proposal to have the CBSL, whose core mandate is to regulate and supervise financial institutions, as the lead implementation agency for a project like NADeP was unusual and turned out to be unworkable (CSPE, 2019).

22. **Relevance of reoriented design-4P model.** Little progress was made after five years implementation. By the end of 2015, the programme was reoriented to concentrate in the out-grower/ contract-farming model – 4P model with its co-financing and risk-sharing principles (e.g. pre-agreed price and quantity). Under this 4P approach, private companies could get adequate supply of products in terms of quantity and quality; and farmers could access more secure markets and receive technical and financial support. The 4P financial plan could leverage financing from both public and private sources. Through this model, certain types of risks could thus be shared and mitigated by various actors under the partnerships.

23. **However, the consideration of "additionality" in partnering with private sector has not been evident** in spite of significant progress made after the reorientation. "Additionality" is about whether private investment and associated

impact would not have happened anyway. More specifically, questions may include whether commercial relationships between farmers and private companies existed before or they would have been established without the programme, whether the programme enhanced the quality of the relationships, for example, improved efficiency, produce quality, more transparent pricing, or the programme has made the coverage more inclusive of less-resourced smallholder farmers. The NADeP project implementation manual does not show that this was among key considerations, with little guidance on the process and procedures, including eligibility, selection criteria, review and evaluation mechanisms (CSPE, 2019).

24. **In addition, certain aspects of the current 4P approach may have reduced the likelihoods of additionality.** There was limited consideration for "smart" incentive and risk sharing mechanism to engage the private sector partners, for example, to entice their investment beyond what they would have done anyway. This further leads to challenges of targeting, which will be discussed later. In NADeP, the choice of locations and producers to work with was basically left to the companies. Though some mini targeting surveys were conducted among small samples of beneficiaries selected from the list at the time of 4P sub-project mobilization, it was commented by the PCR that in the absence of village wealth ranking or similar surveys, the extent of inclusion of relatively poorer community members still could not be determined (PCR, paragraph 110).

25. **The microfinance and youth training component was also revised to align with the overall change and stay relevant to the business needs**. As the Programme approach shifted from the equity financing model to an out-grower model, the original long-term financing facility fund, as envisaged at appraisal, became irrelevant. Rather, the target groups under the 4P arrangement needed to access loan products (from PFIs) to finance their 'investment' (PCR, 54). The interest rate was re-negotiated and brought down from 11.5 per cent to a 6.5 per cent for the end borrower. This reduction was achieved by the removal of the margin arising from the devaluation of the Sri Lankan Rupee (LKR) against USD.[10] According to the PCR, although this may not be the most sustainable market model, this arrangement was adequate given the particular conditions and context of the financial sector landscape in Sri Lanka (paragraph 55).

26. The youth training sub-component was also slightly modified in view of the non-materialisation of the equity fund model as the initial design aimed to have the youth trained and employed in the processing companies lost relevance. With the change, only the idea of rural youth establishing their own small enterprise was kept. Youth with start-up business ideas (within the 4P sub-project areas) were linked to the PFIs to access credit under a youth loan scheme. However, PMU discontinued the activities of the Youth Training sub-component on 12 November 2013 as directed by Ministry of Economy and Development,[11] even though 21 training institutes had registered with PMU to provide training facilities for youth. The lack of training may have also affected the business skills development of the youth and enterprise profitability.

27. **<u>Relevance of targeting.</u> The NADeP approach lacked measures to address targeting challenges in agribusiness development interventions.** The NADeP target group was defined as "poor rural communities". The call for expression of interest (for potential partners) indicated that "80 per cent of the target producers

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[10] Under the new arrangement, the Ministry of Finance lends funds under the credit line facility to CBSL at 3 per cent, CBSL maintains 0.25 per cent as an administrative cost, and on-lends to PFIs at 3.25 per cent; the PFIs maintain 3.25 per cent as a margin and on-lend to the end borrower at 6.5 per cent. During the negotiation, it was decided that the foreign exchange risks should be hedged and managed by the Government, rather than passing the burden to the smallholders.

[11] Regular programmes of Ministry of Economy and Development offered extensive training on various technical subjects to the youth and others throughout the country. As such, the 2014 mission accepted the proposal of the Ministry to discontinue the Youth Training sub-component. The funds were then reallocated to the first component (paragraph 25, February 2014 Supervision Mission Report).

should be of holding below 1 ha of land"; in other words, in theory the remaining 20 per cent could have been anyone. It also indicated that "involvement of both women and youth is highly encouraged". The selection of locations and farmers was basically left up to the companies, which is in a way understandable because of the way "4Ps" were implemented, though it also had some involvement of NADeP social mobilizers in the process.

28. **Regarding the youth training sub-component, the original design on targeting was not realistic.** According to the appraisal document, the youth should come from poor families who are either landless and/or have an income less than the poverty line, or from poor women-headed households (paragraph 103). This approach was not feasible in the Programme context, and data on land ownership of loan beneficiaries was not recorded or monitored. With the programme reorientation, the focus was largely on income generating activities and self-employment. This had implications for targeting youth aged 29 and under considering that self-employment may not have been an attractive option, especially for the most vulnerable categories which are risk averse. (PCR, paragraph 116).

29. In summary, despite the high relevance of the project objectives to the country's economic context and government strategy in agribusiness development, major flaws in original project design limited the project relevance vis-à-vis the legal framework and institutional capacities, causing severe delays for five years. Though the programme was reoriented to concentrate on the 4P out-grower model, under the pressure of fast disbursement, the additionality of this approach remained untested. The micro-finance and youth-training component was also adjusted to align with the overall change. The relevance is rated by PCRV as *moderately unsatisfactory* (3), lower than Programme Management Department (PMD)'s rating of *satisfactory* (5).

Effectiveness

30. The following paragraphs assess the achievement of the two objectives as identified in the President’s report, which aligns with the programme's components.

31. **Objective (1): "*increasing incomes through participation in the Marketing Chain Development and Linkages component which shall improve farm gate prices, on-farm productivity and add value to processed farm products”.*** Given that the objective (1) partly overlaps with the discussion in the rural poverty impact section, this section will focus on outcomes that were to lead to impact.

32. **NADeP contributed to improved agricultural technologies and productive capacities, which has the potential to improve on-farm productivity.** In NADeP, better or improved agricultural technologies and infrastructure/equipment were introduced through partnerships with the private companies and financial support by the project (through matching grants or loans). Due to the demand nature of the 4P approach, although the output target relates to the 160 rural infrastructures did not materialize, ten 4Ps included an element of infrastructure development in various forms[12] (PCR paragraph 68). Other agriculture inputs introduced through matching grants or loan included new crops for gherkin farmers, hybrid seeds and fertiliser for maize, and improved breeds, and cattle sheds for dairy farmers. Some private companies also provided extension service to the farmers, like training on hygienic milking, book keeping and silage making to the dairy farmers. Achievements related to agricultural productivity will be discussed in the Rural Poverty Impact section.

[12] It is in the form of agro-wells and tube-well construction, cow-shed construction, mini chilling houses for dairy, cold storage installation for vegetable seeds, protected sheds construction, seaweed rafts construction, and processing facilities for kithul production.

33. **However, the extent to which the programme improved market linkages and farm gate price is unknown,** while impressive progress was made as stated by the output data. Based on the CSPE findings, in the rush to develop 4Ps during the final years of the programme, the project supported a number of pre-existing partnerships,[13] particularly in the dairy sector. For sugarcane, most of the farmers supported were those who farm in the company-managed sugarcane designated areas and who could cultivate only sugarcane. NADeP generally worked to strengthen existing partnerships by providing technical and financing support to farmers to help increase volumes and quality. In some cases, the agribusiness partners would have provided these measures in the absence of NADeP. Only in a couple of cases, NADeP support led to new or clearly enhanced linkages where none/little "partnerships" previously existed, for example in *kithul* (palm syrup) production and seaweed production (CSPE, 2019). Furthermore, in almost all the 4P cases, large agribusiness enterprises set the farm gate price, leaving little space for producers to negotiate. According to the CSPE value chain study, the price paid to farmers was also found only slightly higher in the case of dairy farmers compared with control farmers, and the price paid to maize and bee keeping farmers were significantly lower compared with control farmers, while gherkin price is almost the same (CSPE, 2019).

34. **Little was done in improving value-addition of the products, nor the contract agreement.** None of the 4P partnerships worked on improving value-addition at producer-level and they only involved raw agricultural products, other than kithul, leaving the processing solely to the private companies. The PCR reported that all households included under the 4P arrangement have adopted sustainable agribusiness practice, by virtue that they all have formal agreements with private sector companies. However, the CSPE value chain study also indicated that there was almost no difference before and after NADeP support in terms of the proportion of producers who reported having some sort of agreement with the buyer: about 20 per cent of beneficiary farmers and about 15 per cent for control farmers, both before and after. It should be noted that, as highlighted by the focus group discussions, producers often lack understanding on the availability and the terms and conditions of agreements (written/formalized or verbal).

35. **<u>Objective (2)</u> "*the provision of financing and training to the landless and youth to offer them improved and increased employment opportunities.”***

36. This objective (2) was mainly related to the Component 2, under which, four different types of financial products were developed (i.e. SHG credit, youth credit, PEARL, and 4P loan) were developed to reflect the evolving demand (PCR, paragraph 72). Evidence shows that NADeP introduced new clients to the banks, in particular the youth, combined with financial and technical training. According to the CSPE telephone survey with youth borrowers, more than half of the respondents had a bank account before they were supported by NADeP but 76 per cent of them had not taken loans and thus, it is fair to say NADeP facilitated the access to loans.

37. Across the two components, through the engagement with private companies, a variety of training and technical advisory services were provided to the producers while facilitating their access to microfinance, which has served to generate employment opportunities (jobs) for the equivalent of 4,621 individuals, against an appraisal target of 2,800 (i.e. 165 per cent) (PCR, paragraph 8). It should be noted that the majority of those with new or enhanced employment opportunities are self-employed with either expanded on-farm activities or in off-farm activities (small or micro-enterprise).

[13] The CSPE value chain study found that about or more than one third of the project beneficiaries were supplying to the same companies before the project intervention in 2015-2016.

38. The PCR only lightly touched the loan performance with good repayment record, especially for the 4P loans, but did not provide any details about how the Youth and PEARL loan were invested, and how it affected the natural disaster relief. As mentioned in the Appendix 10 in the PCR, each PEARL loan was LKR 73,540 but no details about investments are available.

39. **Effectiveness of targeting**. Poverty focus was weak in agribusiness partnerships. In geographical terms, many of the 4Ps hardly covered some poorest districts (e.g. Monaragala, Batticaloa). The NADeP PCR found that "the extent of inclusion of relatively poorer community members could not be determined", and that there was a "lack of transparency in farmer selection." In fact, a dairy company interviewed by the CSPE team confirmed that they selected better resourced farmers in the "catchment area". The telephone survey also showed that the majority of borrowers under the self-help groups in NADeP were relatively better-off households: more than 65 per cent of the respondents have a household monthly income above the poorest 4th decile, as shown in the 2016 Household Income and Expenditure Survey.

40. **Effectiveness – summary.** Overall, the project has contributed to improving agricultural technologies and productive capacities. However, insufficient attention was paid to add value at the producers level and changes made in terms of access to market were not evident in all cases. Farmers access to financial resources also improved, but how the loans contributed to employment opportunities was not that evident. The PCRV rates effectiveness as moderately satisfactory (4), the same as PMDs rating .

Efficiency

41. **Timeline.** The project was approved on 17 December 2009, became effective on 23 February 2010, the MTR was conducted in July 2012. Implementation delays has persisted until the end of 2015 (after the initial completion date), eventually NADeP completed on 31 December 2017 with 33-month extension.

42. **Project cost and disbursement.** Due to the challenges related to project design, implementation capacity, and frequent change of the LPAs, it was only following the restructuring exercise that the disbursement performance and coherence between the annual work plan and budget and implementation improved significantly. Whilst the annual disbursement in 2015 amounted to US$0.208 million, by 2016, the annual disbursement reached US$11.5 million and by 2017, the total disbursement reached US$22 million. By completion, IFAD financing reached 89 per cent disbursement.

43. **Project management efficiency.** According to the PCR, various aspects of the project management - including the performance of PMU, financial, and monitoring and evaluation systems - improved during the last two years of implementation and functioned relatively well to meet programme objectives. Despite the extensive delays, the project's management costs were about 5.4 per cent of the total cost, just slightly above the design (i.e. 4.8 per cent), indicating a satisfactory efficiency level. During the first four years of implementation, the PMU did not have the capacity and experience required to lead the partnership building and establish the equity model. The multiple changes in the LPA further challenged the management efficiency. However, with the restructuring in 2015, the consolidated PMU effectively implemented the programme, which was a critical success factor in the latter half of the programme's duration.

44. **Financial management efficiency.** The first five years of NADeP's implementation was experienced a poorly staffed Finance Unit, weak internal controls, lack of implementation manuals for accounting and financial reporting, insufficient asset safeguarding procedures, and limited financial reporting. Towards the end of 2015, with a more structured Finance unit in place, and simplified programme design, the situation improved. However, the financial management

systems continued to be sub-optimal until closing, with many weaknesses. First, the accounting software was not operationalized. Therefore, inaccurate accounting and financial data persisted throughout the life of the programme. The procedures manual was not revised as recommended. Second, financial reporting and financial analyses remained limited. Third, no formal budget monitoring, cash management or contract management systems were implemented.

45. **Economic and financial analysis**: The PCR estimated the economic internal rate of return (EIRR) at 39 per cent and the benefit-cost ratio at 1.17. Though the programme was implemented with 33-months extension, the PCR EIRR is higher than the 31 per cent estimated at appraisal. However, the EIRR rate reported in the PCR needs to be interpreted with caution:

    a. With and without-project comparisons were not adequate: the economic and financial analysis defined non-beneficiaries for fruits and vegetable farmers as ones who do not cultivate those crops at all, which was inconsistent with the intended targeting group. Considering about one third of farmers were not new entrants for the business partners, this assumption may overestimate incremental benefits.

    b. The adoption rates in the economic and financial analysis assumptions: all the 4P models were assumed to have 90 per cent adoption rates, which were over optimistic compared with findings from CSPE field visits.

    c. NADeP failed to consider the transaction/operation costs of the credit line, which was about 6.5 per cent taken by different agencies, including CBSL and participating financial institutions.

46. Therefore, the CSPE found that the EIRR was overestimated with unrealistic assumption, but the readjusted EIRR still showed a positive economic return.

47. To conclude, despite the relatively satisfactory disbursement on the IFAD financing and improved programme management efficiency, the implementation delays persisted until the end of 2015 (after the initial completion date) and the efficiency was weakened by some fiduciary concerns. The PCR overestimated the EIRR due to some unsubstantiated assumptions. Therefore, efficiency is rated as moderately unsatisfactory (3) by the PCRV, lower than PMD's self-assessment of *moderately satisfactory* (4).

Rural poverty impact

48. It is important to emphasize that the 16 partnerships were all initiated during the 2016-2017 period, so it is premature to analyze the overall results and impact of the project.

49. **Household income and assets.** Positive income growth and poverty reduction were reported in the PCR, but the evidence was not well-substantiated. According to the impact assessment commissioned by the programme, on average, the per capita income is LKR 451.39 (US$3.01) per day for beneficiaries with 35.17 per cent of households below the $1.90 poverty line; compared with LKR 338.16 ($2.25) per day per capita for control group and 44.90 per cent of the households below the poverty line. The results are statistically significant, but this is based on a sample size of 563 beneficiaries and 33 control farmers. The imbalanced sample and extremely small observations for the control group make the results susceptible to bias from measurement errors and outliers, and sample section. The value chain study conducted by the CSPE team didn't find evidence showing a significant increase in household income and expenditure.

50. The available evidence raises a question on the extent of programme effectiveness in addressing rural poverty. As companies are profit-driven, inevitably they favour areas with the best business opportunities and individuals with the best productive potential. A probit model estimation from the value chain study implied that the

companies tended to target farmers with more livestock (can be due to the fact that the sample is composed of 33 per cent dairy farmers) and better-off farmers (i.e. farmers in the 3rd and 4th income quintiles). Maize companies tended to target households with better access to irrigation. A dairy company conducted an assessment of the capacity and resources of the dairy farmers in the "catchment area" and selected better-resourced ones (CSPE, 2019).

51. **Agricultural productivity and food security.** In terms of agricultural productivity, as stated in the effectiveness section, the intensified agricultural investment and extension service provided by the 4P partners can potentially enhance the agricultural productivity. PCR provided a list of positive productivity changes. However, other than dairy and kithul juice,[14] the estimation of productivities was not well substantiated with data source.[15]

52. Findings from the CSPE field visit and the value chain studies indicated that, depending on the commodity, there is mixed evidence of impact on agricultural productivity. Among maize beneficiaries, although the linkage with the buyer alone did not have impact on productivity, farmers who received technical support from the project[16] significantly increased the yield by 47 per cent, and the results are robust to different econometrics model.[17] However, as the training was voluntary, farmers who attended the training can also be the ones who were more interested in cultivation and put more efforts. Training provided to gherkin farmers also had a positive impact on yields. On the other hand, the value chain study and CSPE field visits indicated that the production increases in milk, fruit and vegetables, and honey were mainly driven by the increase of number of cows, or land area cultivated, or bee boxes, and there has been limited impact on productivity.

53. Food security is less of a concern for Sri Lanka: only 5.6 per cent of NADeP beneficiaries experienced one hunger period per findings of the final impact assessment. Although malnutrition remains a serious problem for Sri Lanka, particularly in terms of acute malnutrition (wasting) (PCR, paragraph 95), neither the country strategic opportunities programme nor the NADeP design explicitly include nutrition activities, objectives and outputs. PCR highlighted 63 per cent of beneficiaries reported to have received some education on nutrition and balanced dietary requirements through the Social Mobilisers, who have received a 1-day FAO-led training (PCR, paragraph 93). However, there is no credible evidence showing that the training led to the improvement of nutrition security. Additionally, while income and production increase, they do not necessarily result in food and nutrition security at household level.

54. **Human and social capital and empowerment.** It is reasonable to infer that the capacity building services (including extension service, technology transfer, and financial literacy training) contributed to enhancing human capital amongst the target group. Although social mobilisers and SHGs were perceived by the PCR to be important in empowering beneficiaries and building social capital,[18] to what

[14] For example, dairy production with the addition of two more lactating cow increased production from 1,600 litre per household to 4,800 litres; furthermore, during 2017, the four private sector partners (private companies) reported to have procured about 14.59 tonnes, averaging 3,900 litres per household. Collection of kithul juice and jaggery has also been increasing, averaging 66 kg per household.

[15] Gherkin productivity is at present 1,500 kg per household and it is expected to increase to about 7,000 kg/acre in the short-term when all productivity-enhancing measures are in place. Sugarcane productivity is also expected to increase from 30 t to 40 t per acre. Herbal plants productivity is progressing as expected, with yields averaging between 1 t/acre and 5.4 t/acre (PCR, paragraph 91).

[16] Some maize farmers have received training related to machinery use (18 per cent), sustainable crop cultivation (22 per cent), compost making (23 per cent) and agro-chemical usage (18 per cent) which are directly related to the maize production.

[17] A two way fixed effect model was used here to test the effect of training on yield, the model controlled social demographic information of the household head (gender, age, education, employment status), irrigation access, wealth status, costs for cultivation maize, village and year fixed effects.

[18] During the impact assessment, respondents reported positive aspects of SHGs including building unity among members, the ability to discuss and find solutions for their problems, and involvement in Shramadana campaigns (a self-governance movement providing development and conflict resolution programmes to villages).

extent there was an impact is debatable. The field visits during the CSPE missions and phone surveys conducted for both SHGs members indicated that the motivation of many for joining the groups was to access the programme support. In echo with the NADeP impact assessment, the CSPE mission noticed positive example of social capital building in gherkin 4P that farmers in the same producer group were supporting each other during harvest season and exchanged knowledge and experience during cultivation. However, according to the CSPE field visit, there were also cases where farmers complained about the deficient fairness of selection process, which may have impaired social cohesion in the community.

55. **Institutions and policies.** The PCR reported that the programme provided policy and technical support to CBSL for the elaboration of the Microfinance Act, which would bring microfinance institutions under the regulation, and will in time, offer more opportunities for the target group to access finance. From the project documents, it is not clear what specific contribution was made to the making of this act. It is understood that the draft Microfinance Act had been available in the public domain for comments and the NADeP took up advantage of and provided comments (CSPE, 2019).

56. The PCR also commented that the implementation of the various loan products, combined with the 4P arrangement, has now served to improve commercial banking's perception of investing in smallholder agriculture. However, the CSPE field visits observed a significant obstacle for farmers to access credit: the Credit Information Bureau,[19] which NADeP didn't pay attention to and address. The failure to address this issue imposed significant challenges during beneficiary selection and delayed the timeliness of loans. Thereby, in some cases, when a loan was approved, the agricultural season had already passed. The programme could have made more of an effort to address the institutional bottlenecks in order to achieve a greater impact.

57. **In sum,** although a positive impact was reported by the PCR for various domains, the impact assessment and the PCR needs to be interpreted with caution based on the findings from the CSPE field visits and the robustness of the data where the PCR conclusions are drawn from. Thus, a rating of *moderately satisfactory* (4) is given, lower than PMD's self-rating of *satisfactory* (5).

Sustainability of benefits

58. The PCR argued that the overall sustainability of the Programme was high based on findings from the following aspects: economic and financial, institutional, and social sustainability. Sustainability was argued to be implicitly embedded into the programme as these partnership arrangements were mutually beneficial for all partners. Farmers had a secured market for their products through buy-back agreement, while the companies could ensure adequate supply in terms of quantity and quality, which reduced both the supply and production risks. The demand-driven and private-sector-led feature contributed to medium to long term sustainability. Economy-wise, the NADeP-financed interventions at completion were considered mostly economically viable and financially feasible (PCR, paragraph 163); the non-performing asset rate was very low (less than 1 per cent); and the financial risk related to loan product was mitigated in the 4P model (PCR, paragraph 164). Institution-wise, the institutional policy framework has evolved and the public sector created a more conducive environment for deepening partnership in the agribusiness sector. Lastly, the ongoing Smallholder Agribusiness Partnerships Programme (SAPP) would scale up the NADeP 4P model with IFAD financial source.

59. Based upon field visits during the CSPE, most relationships between agribusinesses and producers formed during the final years of NADeP were continuing and some

[19] For those who are flagged in the Credit Information Bureau list due to past defaults or having acted as a guarantor for a defaulter, it would be difficult, if not impossible to access credits. But there has been no differentiation on whether the person was defaulter him/herself or a guarantor, or the magnitude of default.

were expanding with ongoing support from SAPP, but it should also be recalled that a number of these relationships already existed before NADeP (e.g. for dairy, sugarcane, and vegetable seeds). There are also risks that may weaken the sustainability: i) Side-selling occurred in some cases, especially for organic maize and bee keeping, where the price offered by other honey or maize collectors/companies was much higher, partly due to the severe drought. ii) The grant flow was problematic in that the money was disbursed from the PFIs to individual farmer's bank account, while the equipment was provided to the farmers on credit base by the company and some farmers were unwilling to transfer the money to the company. In both cases, the trust was broken, which requires long-term effort and time to build. iii) The financial sustainability was relatively weak in some cases. For example, some companies participated in NADeP under their corporate social responsibility schemes, without seeing profits from the scheme, they were also unlikely to continue.

60. On balance, *a moderately satisfactory* (4) is given for the sustainability criterion, compared with satisfactory (5) in PMD's self-rating.

B. Other performance criteria

Innovation

61. According to the PCR, the programme overall was innovative in the context of Sri Lanka, being the first Programme in the country to utilize public sector investment in promoting and developing public private partnerships for agricultural value chain and rural development. This practice has been adopted and mainstreamed in collaboration with the Programme partners and stakeholders. (PCR, paragraph 117). In reality, the 4P approach basically centred around contract farming model, which had already been supported in a number of development initiatives even if it was not labelled "4P".[20] Additionally, according to the MTR, until NADeP was designed, public–private partnership efforts generally concentrated on contract farming with smallholder beneficiaries at the bottom of the pyramid generally being price takers, receiving little or no income from value addition activities.[21] Nonetheless, it is worthwhile highlighting the approach to promote the participation and contribution in large-scale Government-funded programmes by different parties with efforts to safeguard the interest of smallholder farmers (CSPE, 2019).

62. The second innovation stated in the PCR was "the rural financial products that have been designed to address emerging priorities, including the flexible (and more suitable) collateral arrangements" (PCR, paragraph 118). But the concept of flexible collateral arrangements (e.g. through group-based approach) is not new and different approaches have been adopted, and it is not clear how it was innovative (CSPE, 2019).

63. Lastly, other innovations stated by the PCR include the NADeP management information system and the introduction of new technological and technical practices at the level of 4P sub-projects. However, the CSPE mission didn't find the management information system was functioning as per expectation.

64. In this regard, the rating for this evaluation criterion is *moderately satisfactory* (4), lower than PMD's self-assessment of satisfactory (5).

Scaling up

65. According to the PCR, the Government has actively endeavoured to mainstream PPPs, and the 4P model especially, as a pathway or mechanism for achieving its poverty reduction and rural development objectives as articulated in the new Vision 2025 (the Government's strategic framework for economic growth and

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[20] The CBSL promoted forward sales contracts involving banks from late 1990s (CSPE, 2019).

[21] NADEP was designed to; (a) enable smallholder farmers to engage in up-stream processing in agricultural value chains in partnership with private sector/CBOs; and (b) fill a significant void in the rural financial system of Sri Lanka does not provide long term finance, both equity and term loans.

development). The IFAD-financed SAPP was designed as a second-generation programme to leverage significant Government-own investment and to scale up the 4P models (PCR, 120). However, a close look at the Vision 2025 shows that the reference appears to be by virtue of having an ongoing large-size programme through the Government (CSPE, 2019). Furthermore, a breakdown of SAPP programme financing reveals that although the Government was expected to contribute US$19,359 million at design, this comprised US$0.7 million in the form of forgone taxes and duties, and US$18.5 million in reflows from previous IFAD-financed line of credits. There is a need to emphasize that IFAD's definition of scaling up is not just to replicate the same activities in other IFAD-funded projects, but to engage further with other partners to scale up the results.

66. The PCRV thereby rates scaling-up as moderately *satisfactory* (4) given the fact that SAPP is mainly an expansion of NADeP model with another IFAD loan, which failed to sustainably leverage policy changes and additional resources to bring the results to scale. This is lower than PMD’s self-rating of *highly satisfactory (6)*.

Gender equality and women’s empowerment

67. Despite being favourably positioned for gender equity compared to other South Asian countries, Sri Lanka still faces the challenges of the availability of economic opportunities in rural areas for rural women, who face discrimination with regard to asset ownership and access to credit.

68. The programme design included a gender strategy, in view of the IFAD Gender Action Plan of 2003-2006, but during the start-up of the programme gender sensitisation was not carried out, nor the gender parity at social mobilizers (MTR, 2012). Only towards the end of 2015, the Programme has made efforts in sensitizing programme partners on gender issues and on the need for equal participation of both men and women in 4P sub-projects.[22] Gender parity was also by then emphasized at the social mobilizer and PMU level.[23] The Microfinance Component made more significant progress in promoting gender equality. With the collateral constraints being addressed, women represent 68 per cent of beneficiaries under component 2 (63 per cent under the youth loan scheme, and 72 per cent under SHGs). Women's role in decision making in both household and community levels has also improved.[24]

69. However, no gender specialist was recruited in the PMU, no gender mainstreaming strategy or action plan had been developed, and a strategic focus on gender equality and women’s empowerment was largely absent, including support to develop women’s leadership as envisioned at appraisal. The PCR stated that under Component 1, preference was given to commodities with a high degree of women's participation where possible during proposal evaluation, among other criteria (paragraph 103). Nevertheless, a review of the evaluation score card of the business plans reveals that gender empowerment criterion was considered, but only four out of 100 points were given among other criteria, leaving the PCR's statement weakly substantiated. Furthermore, there is limited gender disaggregated baseline information, and limited gender analysis including workload distribution. The wage and produce payment differences were also reported as a widespread issue. Given the significant implementation issues and limited time frame during which the Programme was truly operational, a more systematic and in-depth support over the long-term was difficult to achieve (PCR, paragraph 101).

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[22] An in-house rapid assessment carried out in 2018 found that 52 per cent of the sampled beneficiaries or their spouse had received gender sensitisation training through NADeP, and 48 per cent reported that the difference in wages for men and women for similar work improved during the implementation period.
[23] For example, the Programme appointed 10 female Social Mobilisers out of 30, despite the reported difficulties in encouraging women to work in marginal or remote areas (PCR, paragraph 10).
[24] As per the final impact assessment, 50 per cent of female respondents reported increased participation in household decision making, 25 per cent reported increased participation in community-level decision making, 61 per cent increased participation in community work (although 11 per cent reported a decrease), 70 per cent increased women’s income (7 per cent decrease), and 89 per cent an increase in access to credit (PCR, paragraph 104).

70. Given such, the PCRV rates this criterion as *moderately satisfactory (4),* the same as PMD's self-assessment.

Environment and natural resources management

71. The project was categorized 'B' in the environmental assessment design with the impact type: "Agricultural intensification and/or expansion of cropping area in "non-sensitive areas". According to the PCR, various practices were taken, which had mostly positive environment impacts. For example, the use of conservation technologies in rain-fed dry land agriculture such as line-sowing, seed treatment, application of farm yard manure, limited use of chemical fertilisers and appropriate sequence cropping enabled improved soil conservation. The use of machines for harrowing and ploughing has also helped farmers to conserve soil moisture for crops. Inter-cropping in sugarcane with groundnut has served to enhance soil fertility through fixing nitrogen and also provided increased incomes to the growers. The provision of drip irrigation systems and sprinkler systems made the water usage more efficient.

72. However, without supporting data, it is difficult to assess the magnitude and scale of the above-mentioned positive impacts. In fact, a review of all the MTR and supervision mission reports shows that no evidence exists to substantiate the positive assessment in the PCR. Additionally, the project status reports have rated Climate and Environment as 4 throughout the programme. Furthermore, the programme didn't intentionally promote the above-mentioned practice nor the recommendation proposed at design.[25] Therefore, it is difficult to assert a causal relationship between the project activities and the positive environment outcomes.

73. Thus, the PCRV rates environment and natural resource management as *moderately satisfactory* (4), lower than PMD's self-rating of *satisfactory* (5).

Adaptation to climate change

74. Although the project did not have a specific focus on climate change mitigation or adaptation, the appraisal of some 4P business plans took into account climate change aspect, particularly on resilience to climate change challenges and adaptation measures. Subsequently, the introduction of various technologies or practices, such as drip irrigation systems, improved climate resilient crop varieties, etc. served to improve small producer capacity to respond to increasing climate volatility (PCR, paragraph 106).

75. However, agricultural season had been seriously challenged by adverse climate/weather conditions from 2016-2017, affecting the performance of some 4Ps significantly. The supervision mission in 2017 also noted that there was insufficient capacity to foresee climate risks or understand implications at the level of the PMU and/or at the level of private sector partners. Although an environment/climate change specialist was recommended to be staffed in the PMU, it was not realized due to the timeline. Thereby, this criterion is rated *moderately satisfactory* (4), on par with PMD's rating.

C. Overall project achievement

76. NADeP was initiated to support the Government of Sri Lanka in articulating its policy framework to leverage private sector engagement for rural and agricultural development with some highly innovative approaches promoted in the design. Nevertheless, challenges were brought about by some institutional changes and complexities inherent to the introduction of new concepts and design, which were caused by insufficient analysis of the institutional capacities and legal framework in the country. The five-year programme was extended by 33 months.

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[25] Business plans should be screened and selected with preference given to only those that promote green technologies including, best practices such as Integrated Pest Management and Integrated Water Management (Design Completion Report, 2009).

77. The programme underwent substantial transformation during its extension period by concentrating on the 4P out-grower model, and eventually delivered some significant results in achieving its objectives. This was realized with a consolidated PMU with sufficient business development capacity, the adoption of flexible and adaptive implementation arrangements, and also through strong commitment and support provided by IFAD and the Presidential Secretary as the LPA.

78. However, while a number of partnerships have been created and positive outcomes have been observed, the additionality for both the 4P and the credit line remains untested. The programme could have more proactively explored opportunities to enhance the added value of the public-funded project support for partnerships with agribusinesses. Given the high degree of ownership by the government, and the introduction of SAPP, the achievements of NADeP are likely to be well sustained. The rating for overall project achievement is *moderately satisfactory* (4).

D. Performance of partners

IFAD performance

79. In general, IFAD fielded regular supervision missions except in 2013. However, those missions did not steer the direction of the programme when faced with difficulties. It was only in November 2015, after 13 missions to supervise and support project implementation, including the MTR, that the decision was taken to carry out a major strategic re-alignment and restructuring of the project which had performed very poorly until that time. This resulted in a major turnaround in project performance but left insufficient time to consolidate the achievements (CSPE, 2019).

80. IFAD's performance was largely compromised by an over-ambitious project design, which impinged on the various aspects of the project performance during the first five-year of implementation. Even though the design responded to the Government's priority agenda of strengthening engagement with the private sector for rural poverty alleviation, it did not build upon ground realities and the institutional capacity. Throughout the programme's lifetime, the inexperience of equity financing and related institutional challenges proved to be overwhelming for the Programme and its stakeholders, as demonstrated by the Programme's weak performance during the first five years.

81. The reorientation in 2015 turned the programme around with significant progress made in both implementation and disbursement, but the additionality of the investment remained an issue. During this period, IFAD exercised flexibility in order to be highly responsive and to provide a facilitating environment for the PMU, which was made possible by the regular communication and review of proposals stemming from the PMU. On the other hand, this flexibility was conducted under the pressure of disbursement, without sufficient attention being paid to integrating proper incentive structures to motivate private partners to better align IFAD's mandates with their business needs. In some cases, the farmers who were targeted under the 4P arrangements were those whom already had regular dealings with the companies; and in most of the cases, the 4P farmers already had stable market access before NADeP.

82. For all these reasons, IFAD's performance can only be rated as *moderately satisfactory* (4), in line with PMD's rating.

Government Performance

83. The level of support from the Presidential Secretariat and other Government stakeholders in the two years preceding completion contributed significantly to the strong performance of the Programme. The Government in this period has been very open to mission recommendations and responsive to agreed actions. An important and key success factor has also been the coordinating role and high-level leadership of the LPA as Chair of the Steering Committee – this level of authority in

guiding the Programme allowed for timely decision-making on key and time-bound issues, overcoming the sometimes heavy bureaucratic processes (PCR, paragraph 147).

84. The government has released the counterpart funding as per the appraisal amount and it contributed 4.3 per cent of the actual programme costs, fulfilling its commitment at appraisal. The programme has complied with most loan agreement covenants, except for timely submission of the Audit Report and Programme financial statements. Submission of the Annual Work Plan and Budgets was also delayed due to revision of the programme activities.

85. However, the programme experienced significant delays up until the end of 2015, which was partly due to the frequent change in the LPA and the weak performance of the government counterpart. For example, the 2014 supervision mission report highlighted a number of administrative limitations: (i) long procedures included in releasing financing and time taken to put a system in place to evaluate business plans and fund management; (ii) CBSL took several months to arrange administrative procedures to release staff from CBSL to form the PMU; and (iii) NADeP PMU was attached to another Project under different LPA,[26] which caused a major delay in arriving at a consensus for making the request to IFAD to amend the Financing Agreement. Additionally, the weakness in financial management impaired the Government's performance.

86. Only in the last two years did the Government finally gain momentum, demonstrate a strong ownership of the programme, and take important steps to deliver some significant results. However, taking into account the Government's weak performance during the first five years of the programme, the PCRV rates this criterion *moderately satisfactory (4)*, the same as PMD’s rating.

IV. Assessment of PCR quality

87. **Scope.** The structure of the PCR follows the outline proposed in the PCR guidelines. Each section is adequately covered except Partners' performance. IFAD performance is not explicitly discussed, but some sections touch on this aspect. Overall, the scope of the PCR is *satisfactory* (5).

88. **Quality.** The PCR is informative and relatively well written with supporting data, including a very detailed economic and financial analysis. But there are some discrepancies in output data between the main text and the tables. For example, the number of SHG loan borrowers in the text is more than the number in the summary table, and also the number in the CBSL database. Additionally, the logical framework in the Appendix is mostly blank without any data against the indicators. The section of Physical Target and Output Delivery does not report against Log-frame indicators in a clear way, showing large discrepancies. This makes assessing whether the Programme met its objectives difficult. PCR quality is thereby rated as *moderately satisfactory* (4).

89. **Lessons.** The lessons learned are a good mix of experience from both operational (e.g. financial management and household monitoring) and strategic levels (e.g. engagement with the private sector). The reflections in some key areas, especially in the micro-finance and the reflection on the programme's additionality, could have been more insightful. The lessons of the PCR are rated as satisfactory (5).

90. **Candour.** The PCR duly criticises design and implementation weakness before the 2015 reorientation, highlighting the unrealistic judgement the programme has made. Nevertheless, the PCR didn't strike a balance between the pre- and after-reorientation periods (e.g. Relevance and Government performance), and the way

[26] NADeP was attached to a project, namely Gamidiriya, under Ministry of Economic Development, and the Gamidiriya project director was assigned to manage NADeP wherein there was an attempt to change the scope of NADeP to be aligned with Gamidiriya, which finally was dropped.

in which the PCR's reports and assesses the results of the Programme is not fully objective: i) outputs presented in the PCR do not always refer to the indicators of the log frame and without reference to targets making it difficult to determine whether objectives were achieved; ii) the estimation of some impact indicators were not substantiated with realistic data and assumptions; iii) the report presents selected positive results and the positive rating and conclusions are not always backed up with evidence (e.g. innovation, scaling up, environment impact, sustainability); iv) the discussion on Government performance is only lightly touched and biases towards the last two years' implementation. Therefore, the PCRV rates this criterion as *moderately unsatisfactory* (3).

91. **Overall**, taking into account the above-mentioned domains, the PCR quality is rated as *moderately satisfactory* (4).

V. Lessons learnt

92. The PCR proposes some good lessons for future action, some of which are highlighted below.

93. **Lesson 1**. Private-sector partner profile: the preferred private sector partner would be experienced and financially secured companies, as opposed to small (new) companies or NGOs/ CBOs with limited market experience and capacities. The rationale is that established companies have the capacity to provide extension services, offer a ready market with absorption capacity, and don't require any additional financing for their own operations. In the context of inexperienced farmer/ producers, engaging with inexperienced companies presents a greater risk to achieving good results and increased income for the target group.

94. **Lesson 2**. The process of developing viable 4P business proposals requires strong negotiation and clarity, to ensure that all actors are aware of the 'rules of engagement' and responsibilities, like the arrangements, expectations of the commitment and value added of each partner in the 4P, and the expected income to the farmers.

95. **Lesson 3**. Graduation approach to avoid complexity: The NADeP experience demonstrates the need to take a graduation approach to adapt to the implementation partners' capacity and to avoid complexity. Specifically, NADeP experience suggests that there is a need to first establish 4Ps that are characterized by linking the private sector with individual farmers who are identified and grouped by the company itself; a progressive second level would pursue 4Ps that link the private sector to better organized producer organizations; and finally, the most progressive model would be to promote producer organization-led business proposals.

96. **Lesson 4**. Ensuring the quality of technical services and inputs for small producers, and their timely deliver is central to the 'value' (from the small producer perspective) of engaging and maintaining their partnership with the private sector, as well as building the trust. Thus avoiding side-selling (in the current market condition with high competition for produce/ products).

Definition and rating of the evaluation criteria used by IOE

Criteria	*Definition* *	*Mandatory*	*To be rated*
Rural poverty impact	Impact is defined as the changes that have occurred or are expected to occur in the lives of the rural poor (whether positive or negative, direct or indirect, intended or unintended) as a result of development interventions.	X	Yes
	Four impact domains		
	• Household income and net assets: Household income provides a means of assessing the flow of economic benefits accruing to an individual or group, whereas assets relate to a stock of accumulated items of economic value. The analysis must include an assessment of trends in equality over time.		No
	• Human and social capital and empowerment: Human and social capital and empowerment include an assessment of the changes that have occurred in the empowerment of individuals, the quality of grass-roots organizations and institutions, the poor's individual and collective capacity, and in particular, the extent to which specific groups such as youth are included or excluded from the development process.		No
	• Food security and agricultural productivity: Changes in food security relate to availability, stability, affordability and access to food and stability of access, whereas changes in agricultural productivity are measured in terms of yields; nutrition relates to the nutritional value of food and child malnutrition.		No
	• Institutions and policies: The criterion relating to institutions and policies is designed to assess changes in the quality and performance of institutions, policies and the regulatory framework that influence the lives of the poor.		No
Project performance	Project performance is an average of the ratings for relevance, effectiveness, efficiency and sustainability of benefits.	X	Yes
Relevance	The extent to which the objectives of a development intervention are consistent with beneficiaries' requirements, country needs, institutional priorities and partner and donor policies. It also entails an assessment of project design and coherence in achieving its objectives. An assessment should also be made of whether objectives and design address inequality, for example, by assessing the relevance of targeting strategies adopted.	X	Yes
Effectiveness	The extent to which the development intervention's objectives were achieved, or are expected to be achieved, taking into account their relative importance.	X	Yes
Efficiency	A measure of how economically resources/inputs (funds, expertise, time, etc.) are converted into results.	X	Yes
Sustainability of benefits	The likely continuation of net benefits from a development intervention beyond the phase of external funding support. It also includes an assessment of the likelihood that actual and anticipated results will be resilient to risks beyond the project's life.	X	Yes
Other performance criteria			
Gender equality and women's empowerment	The extent to which IFAD interventions have contributed to better gender equality and women's empowerment, for example, in terms of women's access to and ownership of assets, resources and services; participation in decision making; work load balance and impact on women's incomes, nutrition and livelihoods.	X	Yes
Innovation	The extent to which IFAD development interventions have introduced innovative approaches to rural poverty reduction.	X	Yes
Scaling up	The extent to which IFAD development interventions have been (or are likely to be) scaled up by government authorities, donor organizations, the private sector and others agencies.	X	Yes
Environment and natural resources management	The extent to which IFAD development interventions contribute to resilient livelihoods and ecosystems. The focus is on the use and management of the natural environment, including natural resources defined as raw materials used for socio-economic and cultural purposes, and ecosystems and biodiversity - with the goods and services they provide.	X	Yes
Adaptation to climate change	The contribution of the project to reducing the negative impacts of climate change through dedicated adaptation or risk reduction measures.	X	Yes

Criteria	*Definition* *	*Mandatory*	*To be rated*
Overall project achievement	This provides an overarching assessment of the intervention, drawing upon the analysis and ratings for rural poverty impact, relevance, effectiveness, efficiency, sustainability of benefits, gender equality and women's empowerment, innovation, scaling up, as well as environment and natural resources management, and adaptation to climate change.	X	Yes
Performance of partners			
• IFAD • Government	This criterion assesses the contribution of partners to project design, execution, monitoring and reporting, supervision and implementation support, and evaluation. The performance of each partner will be assessed on an individual basis with a view to the partner's expected role and responsibility in the project life cycle.	X X	Yes Yes

* These definitions build on the Organisation for Economic Co-operation and Development/Development Assistance Committee (OECD/DAC) Glossary of Key Terms in Evaluation and Results-Based Management; the Methodological Framework for Project Evaluation agreed with the Evaluation Committee in September 2003; the first edition of the Evaluation Manual discussed with the Evaluation Committee in December 2008; and further discussions with the Evaluation Committee in November 2010 on IOE's evaluation criteria and key questions.

Rating comparison[a]

Criteria	*Programme Management Department (PMD) rating*	*IOE Project Completion Report Validation (PCRV) rating*	*Net rating disconnect (PCRV-PMD)*
Rural poverty impact	5	4	-1
Project performance			
Relevance	5	3	-2
Effectiveness	4	4	0
Efficiency	4	3	-1
Sustainability of benefits	5	4	-1
Project performance[b]			
Other performance criteria			
Gender equality and women's empowerment	4	4	0
Innovation	5	4	-1
Scaling up	6	4	-2
Environment and natural resources management	5	4	-1
Adaptation to climate change	4	4	0
Overall project achievement[c]	**4**	**4**	**0**
Performance of partners[d]			
IFAD	4	4	0
Government	4	4	0
Average net disconnect			**-0.75**

[a] Rating scale: 1 = highly unsatisfactory; 2 = unsatisfactory; 3 = moderately unsatisfactory; 4 = moderately satisfactory; 5 = satisfactory; 6 = highly satisfactory; n.p. = not provided; n.a. = not applicable.
[b] Arithmetic average of ratings for relevance, effectiveness, efficiency and sustainability of benefits.
[c] This is not an average of ratings of individual evaluation criteria but an overarching assessment of the project, drawing upon the rating for relevance, effectiveness, efficiency, sustainability of benefits, rural poverty impact, gender, innovation, scaling up, environment and natural resources management, and adaptation to climate change.
[d] The rating for partners' performance is not a component of the overall project achievement rating.

Ratings of the project completion report quality

	PMD rating	*IOE PCRV rating*	*Net disconnect*
Candour	NA	3	NA
Lessons	NA	5	NA
Quality (methods, data, participatory process)	NA	4	NA
Scope	NA	5	NA
Overall rating of the project completion report		4	NA

Rating scale: 1 = highly unsatisfactory; 2 = unsatisfactory; 3 = moderately unsatisfactory; 4 = moderately satisfactory; 5 = satisfactory; 6 = highly satisfactory; n.p. = not provided; n.a. = not applicable.

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Abbreviations and acronyms

4P	Public-private producer partnerships
CBO	Community-based organization
CBSL	Central bank of Sri Lanka
CSPE	Country strategy and programme evaluation
EIRR	Economic internal rate of return
IFAD	International Fund for Agricultural Development
LPA	Lead programme agency
MTR	Mid-term review
NGO	Non-governmental organisation
PEARL	Agricultural disaster recovery loan scheme
PCR	Programme completion report
PFI	Participating financial institution
PMD	Programme management department (of IFAD)
PMU	Programme management unit
PPP	Public private partnership
SAPP	Smallholder agribusiness partnerships programme
SHG	Self-help group