

## Sri Lanka

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### Smallholder Tea and Rubber Revitalization Project

### Supervision Report

Mission Dates: 11 - 24 August 2021

Document Date: 04/10/2021

Project No. 1100001731

Report No. 5876- LK

Asia and the Pacific Division  
Programme Management Department



## Abbreviations and Acronyms

<b>AWPB</b>	Annual Work Plan and Budget
<b>BDO</b>	Business Development Officer
<b>CBSL</b>	Central Bank of Sri Lanka
<b>CDO</b>	Community Development Officer
<b>CO3</b>	Coimbatore 3 (Hybrid Napier Grass)
<b>DPMU</b>	District Project Management Unit
<b>ENRM</b>	Environment and natural resource management
<b>FA</b>	Field Animator
<b>GoSL</b>	Government of Sri Lanka
<b>GIS</b>	Geographic Information System
<b>GPS</b>	Global Positioning System
<b>IEC</b>	Information, Education and Communication
<b>IGA</b>	Income Generating Activities
<b>M&amp;E</b>	Monitoring and Evaluation
<b>MIS</b>	Management Information system
<b>MP</b>	Cabinet Ministry of Plantation
<b>MCES</b>	State Ministry of Company Estate Reforms, Tea and Rubber Estate related Crops Cultivation and Factories Modernization and Tea and Rubber Export Promotion
<b>MTR</b>	Mid-term Review
<b>NSC</b>	National Steering Committee

<b>PFI</b>	Participating Financial Institutions
<b>PMU</b>	Project Management Unit
<b>PRA</b>	Participatory Rapid Appraisal
<b>RDD</b>	Rubber Development Department
<b>RDO</b>	Rubber Development Officer
<b>RRI</b>	Rubber Research Institute
<b>SAPP</b>	Smallholder Agribusiness Partnerships Programme
<b>SDP</b>	Society Development Plan
<b>SQI</b>	Soil Quality Index
<b>STaRR</b>	Smallholder Tea and Rubber Revitalization
<b>TI</b>	Tea Inspector
<b>TRI</b>	Tea Research Institute
<b>TSHDA</b>	Tea Smallholder Development Agency

## A. Project Overview

Region: Asia and the Pacific Division Project at Risk Status: Not at risk  
 Country: Sri Lanka Environmental and Social Category: Moderate  
 Project Name: Smallholder Tea and Rubber Revitalization Project Climate Risk Classification: Moderate  
 Project ID: 1100001731 Executing Institution: Ministry of Plantation Industries  
 Project Type: Storage, processing and marketing Implementing Institutions: Ministry of Plantation Industries  
 CPM: Sherina Tabassum  
 Project Director: Janaka Amarasinghe  
 Project Area: Galle, Matara, Rathnapura, Badulla, Kandy, N'Eliya, Monaragala, Ampara

Approval Date: 17/12/2015 Last audit receipt: 01/04/2021  
 Signing Date: 26/04/2016 Date of Last SIS Mission: 24/08/2021  
 Entry into Force Date: 26/04/2016 Number of SIS Missions: 8  
 Available for Disbursement Date: 30/12/2016 Number of extensions: 0  
 First Disbursement Date: 24/04/2017 Effectiveness lag: 4 months  
 MTR Date: 16/06/2019  
 Original Completion Date: 30/06/2022  
 Current Completion Date: 30/06/2022  
 Financial Closure: not available yet

### Project total financing

<b>IFAD Financing breakdown</b>	IFAD	\$25,764,000
<b>Domestic Financing breakdown</b>	Domestic Financing Institutions	\$3,251,000
	Beneficiaries	\$3,610,000
	National Government	\$32,762,000
	Private sector local	\$15,000
<b>Co-financing breakdown,</b>		
<b>Project total financing:</b>		\$65,402,000

### Current Mission

Mission Dates: 11 - 24 August 2021

Days in the field: Remote supervision

Mission composition: The Mission was composed as follows: Mr Kees Blok, Mission Leader and Project Management Specialist; Mr. Lam Do Thanh, Agronomist; Mr Daya Ratnasekera, Procurement Specialist; Ms Ngoc Lan Chi Nguyen, Financial Management Specialist, Ms Jenneth Sonntag, Gender and Targeting Specialist; Ms Mehry Ismaili, M&E and KM specialist. Ms S. Tabassum, Country Director for Maldives and Sri Lanka provided guidance to the mission participated in the key mission meetings.

Field sites visited: Remote supervision

## B. Overall Assessment

Key SIS Indicator #1	∅	Rating	Key SIS Indicator #2	∅	Rating
Likelihood of Achieving the Development Objective		4.09	Assessment of the Overall Implementation Performance		4.25

Effectiveness and Developmental Focus		4	Project Management		4
Effectiveness		4	Quality of Project Management		4
Targeting and Outreach		4	Knowledge Management		5
Gender equality & women's participation		4	Value for Money		4
Agricultural Productivity		4	Coherence between AWPB and Implementation		4
Nutrition		N/A	Performance of M&E System		4
Adaptation to Climate Change		4	Social, Environment, and Climate Standards requirements		5

Sustainability and Scaling-up		4	Financial Management and Execution		4
Institutions and Policy Engagement		N/A	Acceptable Disbursement Rate		4
Partnership-building		4	Quality of Financial Management		5
Human and Social Capital and Empowerment		4	Quality and Timeliness of Audit		4
Quality of Project Target Group Engagement and Feedback		4	Counterparts Funds		3
Responsiveness of Service Providers		4	Compliance with Loan Covenants		4
Environment and Natural Resource Management		5	Procurement		5
Exit Strategy		4			
Potential for Scaling-up		5			

<b>Relevance</b>		<b>5</b>
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## C. Mission Objectives and Key Conclusions

### Background and Main Objective of the Mission

1. The Smallholders Tea and Rubber Revitalisation Project (STaRR) started in April 2016 and is scheduled for completion on 30 June 2022. The total costs of STaRR amount to US\$ 65.402 million, the International Fund for Agricultural Development (IFAD) finances US\$ 25.764 million. Tea smallholder development activities are focussed on the districts of Galle, Matara, Rathnapura, Badulla, Kandy and Nuwara Eliya. Rubber smallholder development takes place in the districts of Ampara and Monaragala. A total of 144,000 people or 32,000 households are expected to benefit from the project by engaging in more profitable, productive and resilient economic activities.
2. A Mid-Term Review (MTR) Mission in 2019 restructured the project. It also indicated that in terms of performance and implementation progress, the project was 'a potential problem project'. Subsequent implementation support (2020, 2021) and supervision (2020) missions observed that the Project was picking up implementation momentum and the overall performance improved significantly. However, the socio-economic effects of covid-19 have exacerbated structural weaknesses in the project approach affecting the pace of implementation. The present supervision mission reviewed the performance of the project; assessed its adherence to previously agreed actions; addressed implementation constraints; and formulated agreed actions to increase the likelihood of attaining STaRR development objectives at completion.
3. The Mission was undertaken remotely using virtual/online platforms. An Aide-Memoire records the outcomes of the 2021 STaRR supervision mission.

### Key Mission Agreements and Conclusions

4. Despite introduction of innovative approaches, enhanced coordination between partners and stronger oversight, STaRR will not be able to deliver on its targets for tea replanting and rural credit by the current completion date. Therefore, the full amount of the loan will not be utilised by the current closing date. Since MTR, the Project and its partner agencies have systematically implemented corrective measures and pursued the targets, but the covid-19 pandemic has caused additional delays. At the same time, a further acceleration of the project at this moment would contribute strongly to tea replanting largely after the present project completion date of June 30, 2022 because of the necessary 12 to 18 month period for prior soil rehabilitation.
5. In view of the above, it is agreed that:
  - STaRR PMU together with its partner agencies will define a strategy and way forward for achieving key project targets under a scenario with the extended completion date of June 30, 2023.;
  - On behalf of the Government of Sri Lanka and its Cabinet Ministry of Plantation, the State Ministry of Company Estate Reforms, Tea and Rubber Estate related Crops Cultivation and Factories Modernisation and Tea and Rubber Export Promotion, the External Resources Division of the Ministry of Finance will submit to IFAD a request for a one-year extension of the project duration. This would bring the project completion date to 30 June 2023, and the project's financial closure to December 31, 2023;
  - In parallel, preparations are to take place for (i) a note to the Cabinet on the extension of the Rural credit programme with the revised allocation for the interest subsidy, and (ii) renewal and extension of the administrative agreement for the Rural Finance component.
6. This 12-month extension is deemed necessary due to the implementation delays caused by covid-19 restrictions, which could not be foreseen at MTR. In addition, the inclusion of a new activity to support smallholders' recovery from the socio-economic impacts of COVID-19 (the home garden special programme) and the Government's renewed commitment to accelerate project achievements and results further support this extension as the most viable solution.
7. A 12-month extension would be justified by the continued relevance of the project, which demonstrates that smallholder cultivation of plantation crops is viable, if income diversification is implemented simultaneously to support them through the establishment period of the crops. Moreover, the sound natural resource management practices applied by STaRR in the tea and rubber sectors build resilience to climate change and contribute to mitigation targets (see natural resource management). A project extension would also create a larger window for the project to contribute to institutional development and policy engagement aimed at further enhancement of the sectors' relevance for smallholder producers (see exit strategy).

## D. Overview and Project Progress

8. **Component 1: Tea smallholders' development**
9. **Component 1: Tea smallholders' development.** The component aims to achieve better organised tea smallholders able to more effectively and sustainably produce and market their products. Overall performance of the component remains **moderately unsatisfactory (3)**.
10. **Subcomponent 1a: Strengthening tea societies** is rated **moderately satisfactory (4)**. The Project exceeds the target of supporting 200 existing societies by supporting 616 societies with 96,904 members. Among these, 247 have completed society development plans (SDP). These plans are geared towards obtaining the support of the project in subcomponent 1b and 1c for replanting, rural infrastructure, tools and equipment, and income and market diversification activities, with the societies acting as a conduit between their members and the project. In order to improve capacity of these societies, different training programs have been conducted including IEC, technical training, contract management, leadership, entrepreneurship, gender, financial literacy, SDP, etc. Among the 247 societies, 103 were selected as candidates for 'model societies', of which only 18 qualified.
11. A number of societies visited by the mission (virtually) has shown notable improvement in terms of management capacity, extension and marketing services for their members. As a second annual performance assessment is under preparation by the PMU, rating of the societies is yet to confirm the increased performance. The target of 180 societies with improved performance would be very challenging in view of project completion in June 2022. The performance criteria are not well known to all societies; and societies are therefore not able to use the society performance criteria in their own annual self-assessment and for adjusting their SDPs. The PMU is recommended to refine and share with the societies its criteria for society performance assessment.

12. **Subcomponent 1b: Market-driven production support** is rated *moderately unsatisfactory (3)*. The subcomponent focuses on replanting tea on 4,500ha and infilling an equivalent of 825ha. By July 2021, the project has achieved 1,463ha of tea replanted, or 33% of the target. The PMU projects that it can meet around 75% of the replanting target by the current completion date of 30 June 2022. This projection is considered quite optimistic.
13. Since MTR, the project has adopted various innovative methods to accelerate tea re-planting, including CO3 planting method using Napier grass to reduce the soil rehabilitation period from 18 to 12 months; direct planting based on Soil Quality Index (SQI) testing; land measurement using GPS technology; and enhanced production of quality tea planting materials by supporting input nurseries and upgrading select nurseries into commercial nurseries. However, due to covid-19, most of the project activities planned for Yala<sup>1</sup> 2020, Maha 2020 and Yala 2021 were not implemented.
14. CO3 soil rehabilitation was introduced in 2020, with technical assistance from TRI, and some progress has been achieved. So far 469ha (including 159ha in Yala and Mana 2020 and 310ha in Yala 2021) of the planned 755ha have been planted with Napier grass. Yala 2021 is actually the last season in which this method can be applied unless an extension of the project can be made. However, the target for soil rehabilitation with CO3 has not been completed due to the 3<sup>rd</sup> wave of the covid-19 pandemic, which resulted in interruption of preparatory activities. Therefore 145ha of unachieved target in Yala 2021 has been shifted to Maha 2021. Similarly, the Project planned to achieve 74ha of tea replanting in Yala 2021 after CO3 cultivation in 2020, but only 28ha of tea replanting is completed by 31 July 2021.
15. Another innovative method introduced by the project is direct tea replanting based on SQI testing procedure. The method requires soil testing by TRI, with investment through STaRR. To date, out of 499 plots tested for nematodes, SQI testing is completed for 190 plots, or 38%. About 57ha qualify for tea planting, of which 18ha has been realised. A new laboratory will start operation next month, therefore TRI's capacity to undertake nematodes and SQI testing will increase. However, TRI's capacity is being constrained by existing staffing, especially during lockdown time. Therefore, reducing the stipulated number of samples per plot of lands should be considered.
16. The project has supported TSHDA to improve its technical extension services by providing 107 GPSs, 21 laser printers and dedicated training to expedite the land measurement process, as well as 114 pH meters to carry out pH testing of beneficiary lands to determine the fertilizer requirement. Thanks to these, 1,535ha were measured using GPS (51% of the target) and 6,932 permits were issued by 31 July 2021. In addition, TSDHA reports that it can fulfil all vacancies for tea inspectors and management assistants shortly, and it plans to develop a web-based platform for the tea sector in order to more swiftly process subsidy payments. The platform would be good for the tea sector as a whole, but it might take time to develop and test this before TSHDA can reap the full benefits. So far, subsidy payment is estimated, using STaRR's July 2021 data, to be 56%, 49%, 34% and 14% for the 1<sup>st</sup>, 2<sup>nd</sup>, 3<sup>rd</sup> and 4<sup>th</sup> subsidy, respectively. The backlog in subsidy payment, especially for subsidy 1 and 2, has negatively affected farmers as they are unable to finance their continued involvement in the soil rehabilitation process. Processing these subsidies will be a priority for TSHDA in the coming months. Finally, although the national level coordination between the technical departments and STaRR has improved, the Mission's concern over the parallel tea planting targets for TSHDA and STaRR seems not possible to be addressed; but TSHDA expresses its commitment to work closely with the project to achieve STaRR targets.
17. As mentioned, TSHDA is taking initial steps towards developing a web-based platform for the tea sector, which should improve its capacity to provide swift support to the tea replanting process. Should this result in specific needs for support to the development of a tea sector management information system, with clear benefits for smallholder tea growers, the project should consider supporting this (assuming that the project is extended.)
18. Many smallholders continue to rely on the 2000 series of tea varieties, whereas TRI has developed and recommends using the 4000 and 5000 series, which are more climate change resilient. TRI pursues the development of a business development unit, which would inter alia establish a mother bush facility for new varieties. Once formed, STaRR could support this unit, provided this results in enhanced availability of modern planting material for smallholder nurseries and smallholder tea growers.
19. **Subcomponent 1c and 2c: Income and market diversification** is rated *moderately satisfactory (4)*. The subcomponent delivered through: (a) smallholders' income diversification; (b) market linkages and product diversification; and (c) supporting marketing infrastructure.
20. **Smallholder's income diversification:** The project has achieved good progress in income diversification, especially in the last 2 years, through matching grant to support tea and rubber farmers to adopt alternative income opportunities such as: (i) intercropping in tea and rubber lands to cultivate spices, fruits, cereals, and vegetables in all 8 Districts; (ii) livestock development; (iii) cultivation of perennial crops such as pineapple, banana, pepper, cinnamon, areca nut, orange, sour sap and cocoa; (iv) home garden development (a covid-19 response); (v) establishment of general nurseries to supply planting material requirements for the home garden development program; and (v) supporting 2,957 input nurseries to produce tea planting plants, of which 28 have been upgraded into commercial nurseries. In addition, on 123ha of replanted tea lands, 784 smallholders have started plucking and selling to tea factory. Due to the above, farmers have been able to diversify income and became more resilient to climate change and covid-19. Intercropping in rubber and tea also contributes to improve the micro-environment and reduce mortality rate of new plants.
21. STaRR has a track record already in promoting the preparation and usage of bio-fertilisers. With the recent GoSL restrictions on the import of chemical fertilisers, an opportunity arises to support organic fertiliser preparation as an income generating activity.
22. **Market linkages and product diversification:** In order to diversify and enhance incomes from tea, rubber and other value chains, the district teams together with representatives of various departments including Export Agriculture, help establish business linkages between societies and potential lead firms. To date, 124 societies are engaging with 39 companies at different levels. Through these partnerships, farmers benefit from a range of embedded services from the companies, such as access to quality seeds/seedlings, fertilizers, technical advices, free transportation cost of raw materials and higher product prices. As the business linkages are still at earlier stage, the project is encouraged to establish formal public-private partnerships and facilitate policy dialogues at various levels in order to timely identify emerging issues and solutions for sustainable value chain development. At the same time, the societies should be empowered to negotiate and maintain business linkages with companies and implement their business plans to benefit their members.
23. **Supporting market infrastructure:** Based on previously agreed actions, the budget for market infrastructure is not only used for roads, but also for other infrastructure priorities of the societies. One hundred and thirty-three km of rural roads are completed (58% of the target), which resulted in improved access to tea and rubber factories, and reduced transportation cost. A number of model societies provide service to its members in tea leaf collection and gain some income thanks to the market centres supported by the project.



Furthermore, water bowsers supported by the project can help reduce mortality rate of young rubber plants.

**24. Component 2: Rubber smallholders' development**

25. **Component 2: Rubber smallholders' development.** The component aims to enhance rubber production and processing of quality rubber products with the advantage of market linkages. Overall performance of the component remains **moderately satisfactory (4)**.
26. **Subcomponent 2a: Strengthening rubber societies** is rated **moderately satisfactory (4)**. Strengthening of new and existing societies and development of model societies continues in coordination with the Thurusawiya Fund. The Project has selected 130 societies registered under Thurusawiya Fund, and among them, 120 were supported in making a SDP (120% of the target). Similar to the tea societies, the rubber societies have been received different training programs and different support for rubber planting and income diversification. To date, five qualify as model societies. Similar to the tea societies, performance criteria are not well communicated to the rubber societies, and the project should support them to use these for annual self-evaluation of their performance and for identifying improvements and actions for their SDP.
27. **Subcomponent 2b: Market-driven production support** performs **satisfactorily (5)**. The Project has achieved 2,624ha or 87% of the target. In order to prepare for planting the final hectares of rubber in the Maha season 2021, land identification and regularization process for rubber plantation in the remaining area of 244ha in Monaragala and 404ha in Ampara in Maha 2021 has been completed by district teams. At the same time, the RDD has already arranged the required planting materials, for both the new planting and infilling areas. In new rubber planting areas, it is important to acknowledge significant reduction of mortality rate of rubber planted in non-traditional areas, thanks to adoption of different practices promoted by the project such as intercropping, mulching, organic manure, compost, and watering. Notably, the use of water bowsers to irrigate newly planted rubber plants shows positive results. As the climate conditions in Ampara are especially adverse, a review of the experience of introducing rubber in this district is commendable.
28. Finally, the project has worked closely with RRI to complete procedures for preparation of bid in the carbon market in 2023. The process is delayed somewhat by covid-19 as different steps must be completed in the field. In order to ensure that the rubber societies will benefit from the revenues, the project, RRI, RDD and the Thurusawiya Fund are required to define the modalities for using the carbon credits for development of the rubber-growing smallholder communities.
29. **Subcomponent 2c: Income and market diversification** is rated as **moderately satisfactorily (4)**. The issue for rubber smallholders has been discussed above, along with component 1.c.
30. **Component 3: Inclusive rural finance**
31. Component 3 aims to facilitate access of targeted smallholders to available financing. Based on the limited outreach, the component is rated performs **moderately unsatisfactory (3)**.
32. **Component 3a: access to financial services** remains **moderately unsatisfactory (3)**. The rural finance component only got underway in early 2020, and has throughout had to face the challenge of covid-19 restrictions. Until 31 July, 2021, 752 loans have been issued, against an overall target of 3,666; whereas there is a pipeline of applicants of approximately 1,500. The loan size requested for by the applicants is higher than anticipated: the achievement in the number of loans is 21%, whereas the financial progress as stated by RDD of CBSL is 41%. Reviewing a limited sample, the Mission found that the loan recipients represent the intended target category (40% female) and that activities reflect sound business planning. The loan facility is, however, set to close by October 2021 and therefore cannot achieve its target beyond approximately 1,000 loans (27%). An extension of the Administrative Agreement for the credit programme should revise some of the modalities that (average loan size, rate of interest subsidy by MoF) would lead to an adjustment in the achievable number of beneficiaries.
33. **Component 3b: implementation arrangements** are **satisfactory (4)**. Exit strategy. Meetings confirmed that the Central Bank of Sri Lanka, the Participating Finance Institutions and the STaRR project staff continue to manage the programme effectively and proactively. The experience with the credit for smallholders suggests that rural finance provides additional conditions for farmers to continue tea and rubber cultivation, within a diverse farm enterprise. A thorough analysis of the rural credit programme could provide guidance on the role of rural finance in sustaining smallholder tea and rubber production.
34. [\[1\]](#) There are two cultivation seasons namely; Maha and Yala which are synonymous with two monsoons. Maha Season falls during "North-east monsoon" from September to March in the following year. Yala season is effective during the period from May to end of August.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Extension justification</b> Develop a project extension request with a justification for extension and a way forward for achieving key project targets within June 30, 2023	PMU / Partners	09/2021
<b>Extension request</b> Request for IFAD's approval for a one-year extension of the project completion and financial closure dates	Line Ministries, ERD	09/2021
<b>Rural finance window</b> Modify the administrative agreement for the rural finance component in parallel to the processing of the project extension	Line Ministries, ERD, RDD of CBSL	09/2021

<b>Pending TSHDA support</b> Complete pending land measurement, permit issuance and technical recommendations for conventional, CO3 and direct planting	TSHDA	09/2021
<b>RDD crash programme</b> Expedite issuance of permits and ensure supply of 525,000 budded rubber plants for the Maha 2021 rubber planting campaign	RDD	09/2021
<b>Matching grants</b> Increase the ceiling for matching grants to LKR 100,000	PMU	09/2021
<b>Credit outreach</b> Revise the targeted number of credit beneficiaries to reflect the actual average loan size and availability of interest subsidy	PMU	09/2021
<b>Extension of credit</b> Extend the window for the rural finance programme by at least 12 months in line with the proposed project extension	CBSL, PMU	09/2021
<b>Project completion</b> Prepare and take necessary action for project completion and closure (if extension request is not sent to IFAD)	PMU	10/2021
<b>Carbon credits database</b> Complete the database of rubber planted land for obtaining carbon credits	PMU	10/2021
<b>Comprehensive rural finance assessment</b> Commission a factfinding and policy paper on rural finance in for smallholder tea and rubber production	PMU	12/2021
<b>Tea varieties</b> Assess the possibility to support TRI's to-be-formed business development unit in supplying modern tea varieties to smallholders	PMU / TRI	03/2022
<b>Comprehensive rubber assessment</b> Facilitate an RRI assessment of STaRR rubber planting in non-conventional areas in Ampara	PMU	03/2022
<b>Carbon credits sharing</b> Prepare modalities for the utilisation of carbon credits for rubber planting, with RDD, Thurusawiya Fund and PMU, for MoP review	IRRI	05/2022
<b>Carbon credit bid</b> Continue steps towards making a carbon credits bid for eligible lands planted by STaRR	IRRI	05/2023
<b>Society support</b> Intensify capacity building and other support to the societies to improve performance and increase sales	PMU, TSHDA and Thurusawiya Fund	
<b>Regular TSHDA support</b> Continue the inspection and administrative process to ensure timely issuance of permits and subsidy payment for applications under all methods	TSHDA	

<b>Tea and rubber value chains</b> Facilitate public-private partnership and policy dialogues for value chains supported by the Project	PMU, TSHDA and Thurusawiya Fund	
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## E. Project implementation

### a. Development Effectiveness

#### Effectiveness and Developmental Focus

<b>Effectiveness</b>	<b>Rating: 4</b>	<b>Previous rating: 4</b>
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#### Justification of rating

35. Project effectiveness is rated moderately satisfactory (4). The impact indicators reported in the 2021 Outcome Survey regarding assets and prevalence of malnutrition do as yet not show much difference between baseline and present, or between the treatment and control group. This is understood as (i) both tea and rubber require time to become productive, (ii) as especially tea replanting faces delays; and as (iii) the matching grants and rural credit for income diversification were only effectuated after MTR. Indicators at outcome level, however, confirm that the households report receiving a wide range of benefits through their societies, with much appreciation for reduced costs due to infrastructure and business linkages. In terms of delivering outputs, for most targets the achievement is moderately satisfactory to satisfactory, with the notable exception of the area of tea replanted and the number of loans issued.

#### Log-Frame Analysis & Main Issues of Effectiveness

36. The Project's Development Objective is that smallholders' economic activities in tea and rubber become more productive, profitable and resilient. Since early 2020 when the pandemic started the project has showed significant delays and a slight revision; i.e. home gardening was launched to ensure continued income and/or nutritional opportunities for the smallholders during the covid-19 pandemic. Since the last supervision mission conducted in June 2020, a large number of outcomes and outputs indicators has been introduced to reflect better the achievements in the project implementation and to report also the new strategies and innovations that were initiated.
- 92% of the original outreach to households has been achieved, which corresponds to 62% of the targeted individuals receiving the services promoted or supported by the project
  - Based on an initial review of the annual outcome survey, 74% of land is brought under climate-resilient practices
  - 100% of households are reporting adoption of new or improved inputs, technologies or practices
  - 89% of farmers have been trained in production practices or technologies
  - Input nurseries providing planting material for replanting covers 43% of the target
  - Extent of tea replanted under 18-month soil rehabilitation with mana is achieved for 36% (1,474ha out of 4,000ha)
  - Extent of tea replanted under 12-month soil rehabilitation with CO3 is achieved by 6% (28ha out of 470ha)
  - Extent of Direct tea replanting method (SQI) 20% (18ha out of 90ha)
  - Extent of lands planted with rubber is 78% (2,352ha out of 3,000ha), with 51% measured using GPS technology for carbon credit registration (1,534ha completed out of 3,000ha)
  - Households reporting improved physical access to markets is 68%,
  - Households reporting improved physical access to processing facilities is 20%, Households reporting improved physical access to storage facilities is 20%,
  - Roads constructed, rehabilitated or upgraded against the target is 58%
  - Rural finance has been extended in the form of loans to 21% of the targeted beneficiaries.
37. The COVID-19 pandemic and the frequent curfews and lockdowns in the country have disrupted the activities of STaRR and interrupted the pace of implementation that had picked up momentum after the MTR.
38. Considering the force majeure which has caused the delay in the implementation and taking into considering that the completion date is 30 June 2022 with only 10 months ahead, it is foreseen that the project will not reach the its development objectives to a substantial degree. To date, the project has not proposed a restructuring to lower its targets (beyond the adjustment made during MTR) or made use of the possibility to request an extension of the project period. Pending such an extension request, the present mission provides guidance on the preparatory work for the completion by June 30, 2022.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Project completion</b> Prepare and take necessary actions for project completion and closure	PMU	10/2021

#### Development Focus

<b>Targeting and Outreach</b>	<b>Rating: 4</b>	<b>Previous rating: 4</b>
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#### Justification of rating

39. Targeting and Outreach is rates moderately satisfactory (4). STaRR reports (i) reaching out to more than 90% of its target beneficiaries and (ii) achieving its female beneficiary target of 30%. The target for female beneficiaries in the rubber sector is yet to be reached. Limited information on youth is available. Targeting performance is sporadically monitored and there are concerns about the accuracy of information about outreach and beneficiaries. The targeting practice relies primarily on the targeting criteria used by the implementing

partners TSHDA, RDD and participating banks. The outcome survey 2020 sample confirms the smallholder status of the beneficiaries. The project reports a backlog in collecting and compiling information on beneficiaries.

**Main issues**

- 40. Given the restructuring at MTR, the subsequent development of new approaches and the ongoing validation of progress data, the project is well advised to review its present LogFrame targets for outreach and person receiving services promoted and supported by the project aggregated for men, women and youth and specified per service rendered to match the likely target that can be achieved with a one-year extension. Doing so could constitute a revision of the outreach target in the project's LogFrame and should, in that case, be submitted as part of the request for extension.
- 41. Beneficiaries of tea replanting should reflect the number of people who actually replant their land. The target is reduced due to the restructuring of the project at MTR, while the outreach remains small in view of the limited progress that can be attained at completion (June 30, 2022). Also, for rural credit, the target may have to be recalculated to reflect the higher per beneficiary loans (hence fewer beneficiaries from the budget) and the limited outreach due to covid-19 and the component's late start. The entering of a backlog of data will provide further accuracy to the numbers reported. Finally, the outreach for youth need to be projected and to be reported upon.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Outreach information</b> Validate and submit all outreach targets (men, women, youth) to be achieved with a one-year extension	PMU	09/2021

**Gender equality & women's participation** **Rating: 4** **Previous rating: 4**

**Justification of rating**

- 42. Gender equality & women's participation is rated moderately satisfactory (4). The project addresses the gender policy objectives of economic empowerment and of voice and decision making. The monitoring system collects sex disaggregated data and women-headed household data. Women account for 45% of beneficiaries in the tea sector. The project operations in terms of gender equality and women's participation is adequate, however, the project could pay more dedicated attention to women's participation in the rubber areas; and to women participation in business, management and financial trainings. Women headed households need to be targeted and supported to participate in capacity development.

**Main issues**

- 43. So far, little is done to enhance the gender awareness in the Tea and Rubber Societies and in the sector agencies. For the sector agencies, it is proposed to enhance the way these agencies address gender concerns in their regular activities. To this end, gender policy workshops for TSHDA, RDD and the Thurasawiya Fund need to be prioritised. The section on Human and Social Capital Empowerment addresses the creating of gender awareness in the Tea and Rubber Societies. Instead of developing new gender communication materials and approaches specifically for the project, existing materials and approaches of the sector agencies can be adapted.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Gender / service providers</b> Undertake gender policy workshops to help TSHDA, RDD and Thurasawiya Fund update their gender-related material and approaches	PMU	12/2021

**Agricultural Productivity** **Rating: 4** **Previous rating: 4**

**Justification of rating**

- 44. Agricultural Productivity is rated moderately satisfactory (4). The project contributes to improved tea and rubber productivity by replacing old tea bushes and planting new rubber, using improved cultivars, and by adoption of good agricultural practices. However, its effect can only be assessed after the crops are fully established. This year, certain tea and rubber areas have started to yield products. At the same time, agricultural productivity of other crops being promoted by the project through diversification, adds value to farmers.

**Nutrition** **Rating: N/A**

**Adaptation to Climate Change** **Rating: 4** **Previous rating: 4**

**Justification of rating**

- 45. Adaptation to Climate Change is rated moderately satisfactory (4). Over the years, the project has supported the target areas to adopt various adaptation measures to climate change, such as drought. These adaptation measures include among others: crop diversification, soil moisture conservation technologies, planting shade trees, composting techniques and mulching, intercropping systems, use of tolerant varieties, and climate resilient infrastructure development and/or rehabilitation. The project has also explored the opportunity for climate change mitigation through a collaboration project with Rubber Research Institute in Sri Lanka (RRISL) on voluntary carbon credit, notably for the rubber plantation in non-traditional areas under Component B.

**Main issues**

- 46. In order to improve current practices, the project recruited a consultant to review and document different adaptation measures being promoted by the project.

- Soil moisture conservation technologies such as mulching, shade management, micro-watershed management, and mitigation of surface run-off were introduced and many farmers have been practicing this in their field and experience the benefits of these measures;
  - Planting shade trees is commonly used in tea and rubber plantation to reduce water evaporation and protect the plants from direct sunlight during hot days and in the dry seasons. This activity has also been implemented in all project districts;
  - Composting techniques and mulching are introduced to reduce the mortality rate of rubber plants in Monaragala and Ampara Districts where these areas are highly vulnerable to drought risk. During the rainy season, most of the lands in the Ampara district are affected by the flood. Therefore, lateral and horizontal drains and terraces are introduced for such highly vulnerable lands. In addition, farmers also apply organic manure in rubber plantation to improve soil moisture, soil fertility, and soil structure to improve the survival rate of plants;
  - Crop diversification through intercropping. Although intercropping is mostly done for income diversification, it was noted that some farmers use drought tolerant crops, which consume less water. Tea farmers use annual and perennial crops such as vanilla, passion fruit and soursop, whilst rubber farmers use short-term crops such as maize, egg plant (local variety thalana batu) and pulses. Intercropping has been implemented in all project districts to improve microhabitats and biodiversity.
  - Use of tolerant varieties. The project has introduced alternative plant varieties (such as the 4000 series for Tea) that are more drought resistant in the input nurseries supported;
  - Climate resilient infrastructure development and/or rehabilitation. The project supported the rehabilitation of rural roads that are damaged due to bad weather condition;
47. As these techniques are normally low cost and accessible by farmers, apart from production of simple guidelines, success stories and lessons should be documented and disseminated in local languages to local extension officers and farmers in order to replicate to new areas. The rubber plantation in non-traditional areas under component B helps mitigate climate change. The project collaboration with RRI on the Voluntary Carbon Credit project has been carried out and measured 1,030 ha of lands in Monaragala and 423.8 ha in Ampara districts using GPS. The RRI is assigned as focal point and will conduct a baseline emission assessment and an analysis of plantation benefits. Proceeds from the carbon market are intended to be used to fund future community activities of the concerned rubber growers.
48. Agreed follow up actions are included in the section on overview of progress.

## b. Sustainability and Scaling up

<b>Institutions and Policy Engagement</b>	<b>Rating: N/A</b>
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<b>Partnership-building</b>	<b>Rating: 4</b>	<b>Previous rating: 4</b>
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### Justification of rating

49. Partnership-building is rated moderately satisfactory (4). The project meets most expectations with respect to partnerships. Coordination with TSHDA and RDD on tea replanting and rubber planting is intensive, with notable achievement in developing rubber plantation guidelines for non-traditional areas. TRI is involved in developing non-conventional tea replanting methods; and the project contributes to the rubber sector's ambitions towards obtaining carbon credits for the benefit of the rubber growing communities. Dedicated government agencies and a wide variety of private sector organisations are involved in the crop and income diversification activities and seven financial institutions have come aboard in the credit programme.

### Main issues

50. A continued area of concern is the partnership with TSHDA for tea replanting. The targets set for the TSHDA regional offices do not include the replanting achieved through STaRR and the cooperation with STaRR is therefore seen as additional responsibility rather than as part of the TSHDA responsibility. Moreover, considerable delays continue to exist in administrative processing (permits, subsidy payments) of soil regeneration and replanting process by smallholders, who are involved through STaRR. The supply of GPS technology and training has contributed to the capacity and achievement of the TSHDA Tea Inspectors but administrative follow-up remains slow due to vacancies and COVID-19 restrictions. Intensive weekly coordination with TSHDA at central level alleviated the situation to a limited degree.
51. In the rubber sector achievements are better and the partnership with RDD should now result in completing the remaining steps (e.g., issuance of the final batch of permits; timely delivery of the final batch of rubber saplings) in the planting process.
52. Agreed action with respect to accelerated support from TSHDA and RDD to tea replanting and rubber planting are included in section D.

<b>Human and Social Capital and Empowerment</b>	<b>Rating: 4</b>	<b>Previous rating: 4</b>
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### Justification of rating

53. Human and Social Capital and empowerment is rated moderately satisfactory (4). The capacity of societies has marginally improved. Societies have female representation in leadership supported by the project. Delivery for technical and capacity development trainings is below demand. Training targets cannot be met before the end of the project without rapid escalation of trainings. Even with a project extension, trainings will need to be scaled up to meet targets. Only a limited number of societies can be brought to the level of model societies.

### Main issues

54. STaRR's approach to support well-performing societies to become models for neighbouring societies has some merits, but does not make systematic use of performance assessments of the societies in defining support priorities; and it is not complemented by actions to enhance the scaling-out from model societies to the surrounding clusters. Performance has been gauged only once and while this contributed to the identification of the to-be-model societies, however, it did not help define the priority support areas of these societies. In addition, the societies in the cluster around the model societies appear to be somewhat neglected while their capacity building needs are actually higher than those of the models. Some investments in promotion of cross-learning, exchange visits and horizontal learning

appear to be justified.

55. Training delivery for societies is lagging further behind target, in part due to COVID-19. Although the project started training field animators (FAs) to help meet training demands in the subject matters of gender, leadership and financial management trainings, FAs have not received all trainings. In addition, they are insufficiently aware of their role towards supporting the societies in these subject matters. In addition, technical training to beneficiaries, where departments such as TSHDA and RDD act as resource persons, are behind schedule. IT based training tools such as short videos on technical topics that are prepared by the project, need to be systematically disseminated amongst beneficiaries by STARR.
56. The exit strategy proposes to train youths as resource persons for the societies, so that they can provide training and other support after the project ends. While this is a commendable idea, it would only work if the societies are willing to provide these youths a remuneration for their services.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Capacity building</b> Assign Field Animators to build beneficiary and society capacities in gender-balanced development, leadership and other non-technical fields	PMU	12/2021
<b>Society performance</b> Repeat the performance rating survey of societies with revised criteria	PMU	12/2021
<b>Youth resources</b> Promote that Societies hire and remunerate capable youth as resource persons for development activities	PMU	
<b>Scaling-out society performance</b> Organise cross-learning and exchange visits by the societies clustered around the model societies	PMU	

**Quality of Project Target Group Engagement and Feedback**

**Rating: 4**

**Previous rating: 4**

**Justification of rating**

57. Beneficiaries continue to be consulted to determine the type of support that they need. The project M&E has some methods to collect feedback. The project addresses grievances communicated by beneficiaries. Beneficiary contributions to project financing vary according to the interest, means and capacity of the beneficiary. Society members have not been able to gather and meet due to COVID lockdowns. Consequently, beneficiary feedback mechanisms are not robust. Beneficiaries are reluctant to meet with project staff due to fears about contracting COVID-19.

**Responsiveness of Service Providers**

**Rating: 4**

**Previous rating: 4**

**Justification of rating**

58. Responsiveness of service providers is rated moderately satisfactory (4). Services are hired inter alia for input supply, for the provision of technical training to societies and for the outcome survey. The quality of service delivery varies between good (inputs) to acceptable (resource persons for training, outcome survey). The bulk purchase by the project probably enhances the quality and timeliness of goods delivered to the dispersed rural clientele

**Main issues**

59. Vigilance is needed to ensure sound coordination between service providers and project; both for achieving project targets as well as for ensuring an impact on the sectors as a whole.
60. Agreed actions are included under 'Overview and project progress'.

**Environment and Natural Resource Management**

**Rating: 5**

**Previous rating: 4**

**Justification of rating**

61. Environment and natural resource management is rated satisfactory (5). The Project measures applied in tea and rubber plantation are contributing to establishment of more sustainable and resilient natural resource base, biodiversity and environment. All tea farmers and most rubber farmers implement soil and water conservation practices (e.g. soil rehabilitation using mana and Napier grass, rock terracing, mulching, manure, organic fertilizers, intercropping, etc.). In line with the GOSL policy, the project is promoting organic farming and good agricultural practices in both tea and rubber plantation, which in turn will help conserve local environment and human health. In the future, when rubber and tea grow up, these will help absorb CO<sub>2</sub>, improve air quality and mitigate climate change.
62. The PMU has prepared very detailed and comprehensive guidelines on how to apply natural resources management and good environmental principles and practices into the project activities (Annex X), including visual illustrations to make it easier for farmers to understand. Some of the practices are already applied in the project.

63. The Agronomist, Environment and Social Safeguard Specialist, and M&E and KM Specialist jointly prepared the guidelines in consultation with the communities (drawing from some of the practices that the communities are already applying), and guided by the Sri Lanka Central Environmental Authority. The PMU team also ensured that the guidelines are linked to the Environmental and Social Management Plan (ESMP), which IFAD team provided guidance in developing. The ESMP of STaRR is one of the best ESMPs that is grounded on field operations.

#### Main issues

64. In order to strictly apply organic farming, farmers are being trained by the project on different techniques to prepare liquid bio-fertilizers, compost, manure. For these, in different places, farmers are advised and supported to adopt cow, goat and poultry farming. In this situation, proper training and technical support for application of ENRM measures are required in order to avoid pollution to local environment.
65. With support from the Environment Consultant, a training plan for capacity building on ENRM practices has been prepared last year. However, due to COVID-19 restriction, the training implementation is delayed. The PMU has been advised to accelerate the training in the coming months to the extent the situation allows.
66. Actions are included in the section on project progress.

<b>Exit Strategy</b>	<b>Rating: 4</b>	<b>Previous rating: 4</b>
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#### Justification of rating

67. Exit Strategy is rated moderately satisfactory (4). In line with the MTR recommendation, the project's exit strategies are developed and finetuned as the project progresses. Continued coordination at inter alia NSC-level results in a gradually greater buy-in from the tea and rubber sector agencies, but continuity of all project services within the sectors is not ensured. The exit strategy for society development is shaping up, with the focus on model societies, but lacks in activities towards scaling-out.

#### Main issues

68. The national stocktaking- and policy development conferences for smallholder tea and rubber production agreed to earlier (ISM 2021) have been deferred due to COVID-19, but are of importance towards further developing the ownership of STaRR approaches and innovations in the respective sectors (see section on Knowledge Management). At design, STaRR was mainly geared towards achieving Government objectives in terms of smallholder tea rejuvenation and rubber cultivation by smallholders in non-traditional areas. With the experience now built-up, STaRR has important experiences to share on how to promote and sustain smallholder involvement in 'plantation crops', through an approach that combines community development, subsidies, crop diversification, natural resource management and rural finance. These lessons are important to consider at policy level. STaRR has contributed already to the introduction of novel re-planting techniques in Tea and to enhanced natural resource management in rubber in non-traditional areas. The possible extension of the project offers a window of opportunity to distil more policy-level lessons and to support the implementation of some of those.
69. The focussed capacity development for a small selection of model societies appears to be paying off in terms of the better performance of these societies. The transfer of successful approaches in the model societies (e.g. joint marketing and equipment rental) towards the societies in the surrounding areas, however, cannot be assumed to take place automatically. If the model societies are to truly function as an example for the other societies within the same cluster, there is a need to invest more strongly in the scaling-out of the model (see section on Human and Social Capital and Empowerment)

<b>Potential for Scaling-up</b>	<b>Rating: 5</b>	<b>Previous rating: 5</b>
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#### Justification of rating

70. Potential for Scaling-Up is rated satisfactory (5). Scaling-up of recognised elements of the STaRR approach (innovative techniques for tea-replanting, rubber cultivation in non-traditional areas, income diversification combined with tea and rubber (re-planting) is well-justified by the need to rejuvenate Sri Lanka's tea production and the opportunity to benefit from a growing world market for rubber .

#### Main issues

71. Other than a proposed ADB-funded credit line for small and medium enterprises – which inter alia seeks to support the smallholder tea sector – there are no externally funded projects or programmes in the pipeline, which would build on the achievements of STaRR. At the same time, the capacity of the sector agencies to pursue a more rapid rejuvenation of the smallholder tea plantation and an expansion of their rubber production is limited.

### c. Project Management

<b>Quality of Project Management</b>	<b>Rating: 4</b>	<b>Previous rating: 4</b>
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#### Justification of rating

72. Quality of Project Management is rated moderately satisfactory (4). Project management shows several strengths, including a proactive attitude, active engagement of the NSC in addressing implementation challenges, a consistent orientation of operations towards the development objective, and staff continuity on all but one of the crucial positions. Furthermore, there is strong oversight from the ministry and the state ministry level to ensure that the project achieves all targets. The government is committed to support the PMU to achieve these targets

#### Main issues

73. While the project has successfully begun using the MIS, it needs to clean up and streamline its data collection procedures. While the PMU

was generally able to answer all questions from the mission and clarify the issues with residual data mismatch and demonstrated a good insight into the operational processes, they have been advised to utilize the MIS fully and clean up data collection and verification completely. The project is already showing significant improvement on the project M&E that is discussed in the M&E section in details.

74. An agreed action is included in the section on M&E.

**Knowledge Management** **Rating: 5** **Previous rating: 4**

**Justification of rating**

75. Knowledge Management is rated moderately satisfactory (4). The Project has fully implemented the contents of the knowledge management strategy and workplan. STaRR continues properly budgeting for the KM activities with the involvement of its district offices. Relevant videos and other documentation material, which was initiated before the pandemic, has been finalised.

**Main issues**

- 76. Implementing the recommendations of the MTR, STaRR has established an effective KM Team composed of the M&E and KM Consultant, the Communication Consultant, MIS Planning Officer, GIS Specialist and the Institutional Development Officer. Since its establishment, the KM team has proved to be efficient. A knowledge management strategy was prepared and is being implemented. So far, the project has produced 18 videos documenting different aspects of the project, 6 publications including a poster on rubber cultivation and a leaflet to explain the tea replanting process step by step.
- 77. Considering that STaRR is approaching completion, the project should now produce an analysis of lessons learnt rather than only video documentaries. Although a large number of videos and publication is produced, the intended target audience is not explicitly identified or addressed, especially for leveraging and sharing the lessons with other countries in the region or in other geographical regions. The project should consider converting the videos produced in English or inserting English subtitles in order to reach a wider audience.
- 78. It is also recommended that the project use the page of IFADASIA more frequently and upload regularly the information to ensure a wider visibility and stimulate interest in some of the innovation technologies that the project has introduced and can show through their videos. At the time of finalizing this report, the project has already increased its presence in the IFADASIA page.
- 79. STaRR is planning to conduct a KM forum, which should provide an opportunity to up-scale some of its successes and to contribute to national policies and approaches on smallholder tea production and on smallholder rubber production in non-traditional areas. The forum should include the participation of all stakeholders and would form part of the completion activities of the project. Given the different stakeholder groups and agencies involved in tea and rubber respectively, it is prudent to organise two separate, but similar events, where farmers, professionals and officials can interact.
- 80. With the delay in the rolling out of the MIS system, the project could not make the best use of the cohesion between M&E and KM and use the linkage between the two areas to better flag areas or themes at risk.

<i>Agreed Action</i>	<i>Responsibility</i>	<i>Agreed Date</i>
<b>National conferences</b> Organise national stocktaking- and policy development conferences for the tea and rubber sectors and for rural finance	PMU	12/2021

**Value for Money** **Rating: 4** **Previous rating: 4**

**Justification of rating**

81. Value for Money is rated moderately satisfactory (4). The project has made positive progress and outputs due to the introduction of new methods and the improved coordination with partner organisations, leading to more cost-effective performance. However, due to the impacts of COVID-19, the project activities have faced difficulties to ensure its implementation and targets while the operation costs are still paid out

**Main issues**

- 82. The current inputs' unit prices in 2020 and 2021 AWPB aligns with the expected prices at design phase, except a number of differences in price of the budded rubber plants (increase by 50%), transportation cost due to higher fuel price and increased labour cost (basic salary + increments, allowances). In addition, there have been new rubber non-traditional planting areas with prolonged drought and lack of rainfall, which require more compost to reduce mortality rate.
- 83. Furthermore, due to prevailing situation of COVID-19 pandemic, staff salaries and other operating costs have to be incurred irrespective of the interrupted project activities.
- 84. The analysis confirms that the value for money, understood as concerns with economy (cost minimisation), efficiency (output maximisation) and effectiveness (attainment of intended results) remains valid.

**Coherence between AWPB and Implementation** **Rating: 4** **Previous rating: 4**

**Justification of rating**

85. Coherence btw. AWPB and implementation is rated moderately satisfactory (4). The project executed 89% of the planned budget in 2020. As of 31 July 2021, only 26% of the AWPB allocation for 2021 was achieved for all sources of financiers due to the serious pandemic situation still prevailing in the country. A revised AWPB for 2021 was submitted to IFAD within the stipulated time and No Objection was granted.



## AWPB Inputs and Outputs Review and Implementation Progress

86. The project has improved in the preparation of the AWPB and applied more consistency and criteria in selecting the activities and allocating the proposed budget. The financial progress achieved by financiers is shown in the table below.

#	Financiers	Financial progress against AWPB 2021(as of 31 July 2021)		
		Revised AWPB (LKR Mn)	Actuals as at 31 July 2021 (LKR Mn)	% utilised
1	IFAD Loan	710.89	232.95	33%
2	Government Contribution	908.79	213.11	23%
3	Beneficiary Contribution	71.67	8.89	12%
4	Bank Contribution	302.00	60.88	20%
5	Private Sector Contribution	-	-	-
TOTAL		1 993.35	515.83	26%

**Performance of M&E System**

**Rating: 4**

**Previous rating: 4**

### Justification of rating

87. Performance of M&E System is rated moderately satisfactory (4). The M&E system reports on outputs and activities. The project has developed eight modules in the MIS system, and the project has started the input of data while also undertaking a re-validation exercise. The project has also prepared an M&E action plan used as orientation on M&E concepts and methodologies. The project continues the active engagement with DPMUs and the progress and achievements are discussed at bi-weekly meetings

### M&E System Review

88. Since the Mid-Term Review Mission (MTR) of June 2019, the project has substantially improved the performance of M&E and pursued the recommendations of the missions, inter alia by the development of a MIS system and by the establishment of an effective team composed of the M&E and KM Consultant, MIS Planning Officer and the GIS Specialist. The project has completed the development of eight modules of its MIS and the roll-out is foreseen for September 2021. During the current supervision mission, the project was inputting data into the MIS and using this exercise to re-validate the data collected and submitted.
89. Because the delay in the development and roll-out of the MIS system, it is unlikely that the system will support the PMU i) by flagging areas at risk in order to help the Project Director initiate remedial action or ii) by flagging and capturing activities that can be leveraged as success stories for influencing tea and rubber practices and policies. The MIS system will have to contribute to the completion reporting by the project, while the experience of developing the system and some of its modalities must be made available to the management information systems being developed for the Tea and Rubber sectors under the Ministry of Plantation.
90. A planning workshop at the district level was conducted in order for the DPMUs to develop their annual action plans and implementation strategies, which are integrated into the project's annual plan. The latter incorporates key performance indicators, which provide a monthly insight into the project to the Cabinet and State Ministry.
91. In September 2020, through a competitive process, STaRR has selected the Postgraduate Institute of Agriculture, University of Peradeniya, to conduct the Annual Outcome Survey (AOS). While developing the tools for the field survey, the country has been affected by the second wave of the pandemic, which has worsened the situation, thus the Institution had to delay the commencement of the survey to March 2021. For conducting the AOS, completed in April 2021, the Institute has covered all the 8 Districts ensuring that both tea and rubber farmers were interviewed and used a random sampling method: multistage stratified random sampling with probability proportion to the size method used for drawing sampling units. For the beneficiary survey 1,600 sample units (HH) were selected and 400 sample units for control group. Sixty-five societies have been selected for the treatment and 35 societies selected for control group. The first draft report has been submitted to PMU in August 2021 for review and comments. The report will be finalised in early September 2021.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>End-line survey</b> Prepare for an end-line survey or impact assessment to be conducted in the first quarter of 2022 as part of project completion activities	PMU	12/2021
<b>MIS lessons</b> Make MIS experience and elements available to the further development of Tea and Rubber sector management systems	PMU	03/2022
<b>Data consistency</b> Enhance the consistency between data in different locations and reports	PMU	
<b>MIS completion</b> Complete the data entry to the MIS system and start operating it	PMU	

**Social, Environment, and Climate Standards requirements**

**Rating: 5**

**Previous rating: 3**

#### Justification of rating

92. A sound ESMP has (with delays) been submitted and relevant actions are incorporated in STaRR's daily routines for smallholder tea and rubber cultivation, as well as into crop diversification activities, infrastructural works and rural finance. The novel Natural Resource Management practices for rubber are accepted by the sector, and the project helps the sector prepare a bid for carbon credits. New re-planting routines introduced to the Tea sector continue to adhere to the strict sector guidelines on sustainable land management and soil rehabilitation.

#### SECAP Review

93. **Are SECAP related documents produced?** Yes, in the period under review the ESMP matrix of the Project has been completed, based on earlier comments made by IFAD.
94. **Is the quality of the SECAP related documents (ESMP/ESIA /IPP/RAP/ESMF/FPIC) satisfactory?** Earlier comments from the IFAD experts have been reflected upon and have been incorporated in the ESMP matrix
95. **Are SECAP requirements operational?** The actions included in the ESMP are mainstreamed in the project's working procedures and their funding is integral to the activities included in the AWPB. This means that there are no separate lines of funding for ESMP activities. Field verification by this and previous missions confirms that the NRM practices to be observed in tea replanting and rubber planting are indeed generally adhered to. The criteria for subsidy payment confirm to the principles of natural resource management that are also reflected in the ESMP matrix.
96. **Are SECAP requirements being used by project stakeholder to minimise negative impact?** The NRM practices that are followed in tea and rubber (re-)planting help reduce erosion (especially in tea) and enhance the survival rate of newly planted rubber. RRI research found that the microclimate in the intercropped new rubber plantations is less harsh than in the original degraded land, where these plantation activities take place.
97. **Are national authorities/partners actively engaged in implementing SECAP requirements?** Subsidy payments for (re-)planting by the Tea and Rubber sector agencies (TSHDA and RDD, respectively) use criteria on natural resource management and soil rehabilitation in their decisions on the release of subsidies. The clearance for the rubber plantation on former forest lands above 50 hectares is in process by the CEA, but the process is not concluded due to the disruption of field verification visits due to covid-19.
98. **Are negative externalities effectively minimized and are there positive externalities related to SECAP?** There appear to be no significant negative externalities, while the early emphasis on the use of compost in rubber plantation is fortunate in the light of the GoSL's recent ban on the import of chemical fertilisers. The RRI's drive to obtain carbon credits for the rubber planted under the project is another positive externality.
99. **Are measures in place to facilitate meaningful stakeholder engagement, information exchange and conflict resolution (grievance redress)?** All project activities are coordinated with the smallholders' tea and rubber societies, and measures are implemented to develop the capacities of the management of these societies. The coordination of the subsidy schemes with the smallholders' Tea and Rubber Societies provides a safeguard on the subsidy payment process by the TSHDA and RDD respectively. The involvement of the local authorities (in addition to the concerned societies) in the planning and development of new tertiary road infrastructure provides and the subsequent hand-over to them instils a degree of stakeholder control over infrastructure decisions.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Environmental clearance</b> Continue follow-up with the Central Environmental Authority on the environmental clearance for rubber plantation above 50 hectares	PMU	

## d. Financial Management & Execution

<b>Acceptable Disbursement Rate</b>	<b>Rating: 4.0</b>	<b>Previous rating: 4</b>
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### Justification of rating

100. Automated rating based on IFAD disbursement data

### Main issues

#### 101. Justification of rating

102. The project is in its 5<sup>th</sup> year of implementation and its disbursement rate is 69% including the initial advance of USD 2 million. Without the advance, the rate is 60%, which would rate moderately satisfactory compared to the disbursement profile of agricultural projects in their fifth year of implementation.

103. There has not been an official request for extension yet. The rating does not reflect WA28 and 29, which were submitted in June and July and which are still in process (71% including WA 28 and 29).

104.

105.

#### 106. Main issues

107. The WAs are submitted in regular manner, with the 2 WAs submitted recently.

108. By July 2021, the disbursement for the categories 'Civil Work' and 'Salaries, Allowances and Operating Costs' have reached 108% and 101% respectively. The project has prepared a proposal to allocate the unallocated category (SDR 1.84 million). This proposal should be submitted to seek IFAD consent. The PMU must be careful to not exceed the original allocation per category by more than 30%, as such expenditure would be ineligible for disbursement. This is all the more important for the situation in which the to-be-submitted extension request is agreed to by IFAD and the Project would need to cover the period up to its administrative closure on December 31, 2021. The implication is that the Project would need to consider gradual staff reductions for components nearing completion.

109. As the project is approaching its completion date (June 30, 2022 until extension is requested and approved), the recovery plan for the authorised allocation should be submitted to IFAD for approval together with a proposal for the winding-up costs for the 6-month period between completion date and financial closing date. During the mission, the project has prepared the Recovery plan.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>GoSL allocation</b> Request additional GoSL resources against the revised 2019 AWPB	PMU	07/2019
<b>Budget controls</b> Prepare realistic AWPB till project completion to ensure compliance with approved amount under each Category	PMU, FM	10/2021
<b>Winding up cost</b> Submit for IFAD approval the winding up costs for 6-month period between completion date and closing date	PMU	12/2021
<b>Unallocated amount</b> Submit to IFAD the proposal of allocation of unallocated amount	PMU	12/2021
<b>Recovery plan for initial advances</b> Submit Recovery plan to justify initial advance of USD 2 million	PMU	12/2021

## Fiduciary aspects

<b>Quality of Financial Management</b>	<b>Rating: 5</b>	<b>Previous rating: 5</b>
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### Justification of rating

110. The project has maintained fairly good financial management practices since MTR with adequate number of staff, comprehensive accounting software (TOMPRO). Reports can be automatically generated from the system with accurate figures. Strong internal controls have been in place.

## Main issues

- **Staffing:** The project is equipped with adequate staff at PMU with an experienced Finance Manager, two Account Assistants and two management assistants (for Finance and for Procurement). The position of Procurement coordinator is vacant (see under procurement). There is one Finance assistant available for each DPMU.
- **Budgeting:** 2021 AWPB was prepared and submitted timely with required approval from both government and IFAD. AWPB was prepared in accordance with IFAD requirements with cost segregation by financiers, category and components with adequate monitoring. The accounting software could provide comparison between budgets and actual expenditures.
- **Funds flow and disbursement arrangement:** The WAs were submitted regularly to IFAD to replenish the DA. Project account is managed by PMU (Project Director and FM). Funds to DPMU are advances in the form of petty cash. PMU directly makes transfers to beneficiaries and vendors. Payments are processed through TOMPRO system for both IFAD and Government contribution. Counterpart fund is transferred through another account from the Treasury Department based on national budget allocations and the project has to make request for this on a monthly basis. This has remained unchanged for several missions. Reconciliation of accounts is carried out monthly. The revised cost table from Mid-term review has been applied in the account systems.
- **Financial reporting:** Quarterly interim financial reports were submitted quarterly with the Contract register and form C11 attached. Unaudited financial statements for 2020 were submitted with slight delay in May 2021. The audit log updated on monthly basis by the Internal Auditor.
- **Internal Controls:** Internal controls were improved since the MTR. Recommendations from 2020 missions and 2018 audit reports on internal controls were implemented. Clear job description and segregation of duties were practiced. Contract register is updated regularly and attached to the IFR as required. Safe boxes are available at PMU and all DPMUs.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Internal Control</b> Include the updated contract register in the next IFRs Create a project bank account for each DPMU Open bank account for each DPMU Purchase safe box for each DPMU	PMU	09/2019
<b>Adjust the reclassification of expenses based on the MTR recommendation in the books of accounts</b> Adjust the reclassification of expenses based on the MTR recommendation in the books of accounts	PMU	06/2020
<b>Apply the MTR 2019 revised cost tables in the accounts system</b> Apply the MTR 2019 revised cost tables in the accounts system	PMU	06/2020
<b>Ensure the budget provision in the National Budget reflects the AWPB to prevent shortage of funds for planned activities.</b> Ensure the budget provision in the National Budget reflects the AWPB to prevent shortage of funds for planned activities.	MPI&EA	09/2020
<b>Ensure National budget allocations reflect the AWPB</b> Ensure National budget allocations reflect the AWPB	PMU, State Ministry	12/2021

**Quality and Timeliness of Audit**

**Rating: 4**

**Previous rating: 4**

## Justification of rating

111. The audit submitted 2 months late due to Covid-19 with approval of FMD Director, Audit report show detailed financial statements and management letter. the ML however doesn't follow up on prior year findings. Ineligible expenditure in 2018 has not been resolved.

## Main issues

112. Audited report was submitted with 2 month delay which was approved by FMD Director due to Covid-19 pandemic. Accounting standards is clearly disclosed ,Audited FS gives a true and fair view with exception on basis for unqualified opinion.
113. Management Letter is comprehensive that address issues of internal control and project operation, the ML however doesn't follow up on prior year findings. Potential Ineligible expenditure in 2018 has not been resolved.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<p><b>3.1(e)Over statement of Payments.</b></p> <p>3.1 (e) Although total disbursement for the year was Rs. 819,982,081 according to withdrawal application, it had been shown as Rs. 820,094,436 in the Statement of Receipt and Payment over stating by Rs. 112,355.</p> <p>Recommendation: Reasons for Variances should be recognized.</p>	PMU	09/2020
<p><b>3.1(c)Overstatement of Goods, Service and Input Expenditure and understatement of Upfront payments.</b></p> <p>3.1(c) Upfront payments which had been paid to beneficiaries in Nuwara Eliya district had been erroneously shown under Goods, Services and Input category in the Statement of Receipts and Payment.</p> <p>Recommendation: Expenditure should be classified under the relevant expenditure category.</p>	PMU	09/2020

**Counterparts Funds** **Rating: 3** **Previous rating: 3**

**Justification of rating**

114. By July 2021, the counterpart funding reached only 30% of the total government contribution. For the whole 2020, there was no national budget allocation to the project until Dec 2020. Only 28% of the resources required for 2021 were allocated on 31 July 2021.

**Main issues**

115. Total allocation for 2021 is LKR 1,600 million. However, on 31 July 2021 only LKR 446.06 million was released. The standing practice in Sri Lanka is that payment requests are made to the government through monthly imprest applications to the General Treasury Department through the line ministry based on the National Budget allocation; and not necessarily reflecting the AWPB. The shortfall in government contribution causes difficulties for the Project in implementing subsidy activities, inter alia in tea replanting and in providing the interest rate subsidy for the rural finance component (LKR 44.36 million was made available for interest subsidy).

116. Beneficiary contribution is recorded on a half-yearly basis.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<p><b>Ensure sufficient counterpart funds are available to the project to timely carry out its planned activities</b></p> <p>Ensure sufficient counterpart funds are available to the project to timely carry out its planned activities</p>	PMU	
<p><b>Sufficient counterpart fund</b></p> <p>Ensure sufficient and timely counterpart fund availability to accelerate the activities of the project</p>	PMU	

**Compliance with Loan Covenants** **Rating: 4** **Previous rating: 4**

**Justification of rating**

117. TThe loan covenants have been complied with, with the exception of 7.08 (vehicle insurance yes, asset insurance no) and 7.11

**Main issues**

118. AWPB 2021 was submitted timely and revision was made in June 2021 with IFAD no objection received.

**Procurement**

**Procurement** **Rating: 5** **Previous rating: 4**

**Justification of rating**

119. Processes, procedures and systems applied exhibit minor shortcomings that have no impact on project implementation and performance.

**Procurement Review**

120. **Procurement Planning:** The procurement Unit is currently headed by the Finance Manager on acting basis and she is assisted by two Management Assistants. As this is not a permanent solution, the mission reiterated the need of recruitment of a Procurement officer/consultant on priority basis. The mission takes note that a procurement consultant in the PMU was recruited while the mission was ongoing. The procurement plan of 2021 includes goods, works, consulting services and non-consulting services for a total cost of LKR 402.5 Mn. Updating the PP with actuals has been completed. Procurement Plan follows IFAD template with reference to the activities in the AWPB. Out of 29 items of the PP, the PMU has initiated action on 17 and completed 11 during the first seven months of the year. The progress is hampered by current pandemic situation. The procurements that are in progress are at varying stages of completion. The

selection of procurement methods is in compliance with the provisions of the LTB. The approved provision of PP has been exceeded by 14% in procuring 114 PH meters. The PMU committed to making the necessary amendments in the next revision of the Procurement Plan.

121. **Prequalification to bidding:** Mission reviewed randomly selected ten procurements representing all three main categories of procurements and noted that the procurement process conforms largely to the National Guidelines and are consistent with the IFAD Procurement Guidelines. The procurements made under National shopping (NS) method revealed that the duration given for submission of quotations were inadequate. The mission reviewed three items of works. Although there were some delays in completion of these infrastructure works due to the current pandemic situation, they are progressing satisfactorily. The documents currently used under NS method seems to be too detailed and it could be simplified by adopting IFAD template with necessary adjustments. In most cases except for Individual Consultants Selection and NS, pre-bid meetings were held giving enough time for bidders to prepare their bids.
122. **Evaluation to award:** The PMU opens bids same day immediately after closing in the presence of the bidders and announce details / prices as relevant. The evaluations were done by respective Technical Evaluation Committees comprising of at least three members. In most cases one of them would be technically qualified person who is competent to advise on the procurement. Upon approval of the relevant Procurement Committees and receipt of No-objections by IFAD the contracts are awarded. In post review cases, contracts are awarded with the approval of the Procurement Committee. The requirement of issuing "Notification of Intention to Award" (NOITA) before awarding the contracts has not been practiced. However, so far, no protest has been filed by unsuccessful bidders against the decisions of awards. The mission is pleased to note that all outstanding tasks in the NOTUS have now been completed.
123. **Contract Management and Administration:** The project is using ICP / CMT system of IFAD for contract monitoring. Mission observed that 50% of the ongoing contracts are minor infrastructure contracts carried out by Smallholder Societies. Even though 24 contracts of them have been physically completed, the PMU is unable to settle the final payment as there is a delay in receipt of completion reports from societies due to the current situation. In order to get the full use of the ICP Contract Monitoring system, the PMU should take early action to update the data and effectively use the system as a tool of contract management.
124. **Record retention:** Almost all relevant documents are filed in separate folders and serially numbered in chronological order.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<p><b>pH meter procurement</b></p> <p>Accommodate excess expenditure incurred for procurement of pH meters in a revised procurement plan</p>	PMU	09/2021

### e. Key SIS Indicators

<b>Likelihood of Achieving the Development Objective</b>	<b>Rating: 4.09</b>	<b>Previous rating: 4.0</b>
<b>Assessment of the Overall Implementation Performance</b>	<b>Rating: 4.25</b>	<b>Previous rating: 4.0</b>

### F. Relevance

<b>Relevance</b>	<b>Rating: 5</b>	<b>Previous rating: 5</b>
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#### Justification of rating

125. The project design remains relevant for the present situation in Sri Lanka and is, if anything, even more consistent with the Government's drive to reduce dependency on external imports of agricultural products and inputs. Rejuvenation and expansion of smallholder tea and rubber cultivation respectively remains relevant within the global markets while the project has proven consistently that this can and should go hand-in-hand with crop- and income diversification, supported by more easily accessible rural finance. STaRR is well-aligned with IFAD policies.

#### Main issues

126. The Project originally was seen as a way to quickly deliver on the Government's targets for tea replanting and rubber new planting in non-conventional areas. Increasingly, the PMU has built synergy between the role and actions of sector agencies and the project, as can be seen from the novel tea replanting methods, the emphasis on natural resource management in rubber, the carbon credits ambition in rubber and in the good cooperation between CBSL, PFIs and the DPMUs. Lessons are now available in the three components and it is but a small step towards contributing to institutional and policy developments in the sectors. A one-year extension would enlarge the window of opportunity for affecting national policies towards smallholder cultivation of 'plantation crops'.

127. A relevant action is included under knowledge management.

### G. Project Modifications

<b>Responsibility</b>	<b>Modification type</b>	<b>Description</b>
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Responsibility	Modification type	Description
PMU	Logical Framework	Given the restructuring at MTR, the subsequent development of new replanting approaches, the ongoing validation of progress data and the possible extension of the project duration, the project should review its present LogFrame targets to match the likely target that can be achieved with a one-year extension. Doing so could constitute a revision of the outreach target in the Project's LogFrame and should, in that case, be submitted as part of the request for extension.
PMU	Completion Date	The project is set to reach at its completion (June 30, 2022) only 56% of its tea replanting target and only 21% of its rural finance target. Concerns over key targets were raised earlier and this did result in measures for acceleration (novel replanting methods and enhanced coordination for subsidy release in tea; start-up, intense coordination and involvement of new banks in rural finance). However, the progress was affected by COVID-19 restrictions. Moreover, the long process for tea replanting means that some acceleration would only pay-off beyond completion. A one-year extension opens an opportunity to pay more attention to policy development in the tea and rubber sectors than originally envisaged.

## H. Lessons Learned

### Crop and income diversification supports smallholder production of 'plantation crops'

128. Both Rubber and Tea are traditional plantation crops, which both have a long gestation period before producers can harvest the latex and green leaves, respectively. For smallholders, including these crops in their production system is a challenge as they have difficulty pre-financing the period up to harvest. Nonetheless, smallholders increasingly engage in the rubber and tea sectors, with 75% of the Ceylon Tea now produced by smallholders. However, in tea the replanting is very slow, leading to a declining production, whereas for rubber, the expansion into other areas is constrained by agroecological conditions. The Government of Sri Lanka is supporting smallholders to engage in these former plantation crops through a subsidy scheme, along with technical assistance. The STaRR project intends to bring a further acceleration of replanting and new planting by enhanced upfront financing combined with the crop and income diversification.
129. In the Tea sector, the involvement of STaRR shows that crop diversification can be well combined with a replanting programme, as various productive crops can act as shade crops (pepper, vanilla, areca nut, passion fruit) and field boundary crops (cinnamon, pineapple) and can provide income ahead of the tea bushes becoming productive. Moreover, the delivery of support via the Tea associations also opens opportunities for income generation: tea nurseries, collective sales and mechanisation services.
130. In the rubber sector, especially the non-conventional areas that STaRR engages in, the emphasis on good agricultural practices for rubber (bigger planting holes, use of bio-fertiliser and compost, mulching, watering during year 1) combined with the use of intercrops such as passion fruit, banana and maize reduces the mortality rate of new rubber plants and enhances short-term income. Intercropping, moreover, has a clear impact on the survival rate of the rubber plants as (i) smallholders spent more time tending the (sometimes remote) field; and (ii) the added vegetation improves the micro-climate. In addition, the service delivery through the Rubber Societies creates additional income opportunities, much in the same way as in the Tea sector.
131. The STaRR experience shows that smallholders can engage in perennial crops with a long gestation period, if other, more rapidly available income sources are developed as well.

## I. Agreed Actions

Agreed Action	Responsibility	Agreed Date
<b>Overview and Project Progress</b>		
<b>Extension justification</b> Develop a project extension request with a justification for extension and a way forward for achieving key project targets within June 30, 2023	PMU / Partners	09/2021
<b>Extension request</b> Request for IFAD's approval for a one-year extension of the project completion and financial closure dates	Line Ministries, ERD	09/2021
<b>Rural finance window</b> Modify the administrative agreement for the rural finance component in parallel to the processing of the project extension	Line Ministries, ERD, RDD of CBSL	09/2021

<b>Pending TSHDA support</b> Complete pending land measurement, permit issuance and technical recommendations for conventional, CO3 and direct planting	TSHDA	09/2021
<b>RDD crash programme</b> Expedite issuance of permits and ensure supply of 525,000 budded rubber plants for the Maha 2021 rubber planting campaign	RDD	09/2021
<b>Matching grants</b> Increase the ceiling for matching grants to LKR 100,000	PMU	09/2021
<b>Credit outreach</b> Revise the targeted number of credit beneficiaries to reflect the actual average loan size and availability of interest subsidy	PMU	09/2021
<b>Extension of credit</b> Extend the window for the rural finance programme by at least 12 months in line with the proposed project extension	CBSL, PMU	09/2021
<b>Project completion</b> Prepare and take necessary action for project completion and closure (if extension request is not sent to IFAD)	PMU	10/2021
<b>Carbon credits database</b> Complete the database of rubber planted land for obtaining carbon credits	PMU	10/2021
<b>Comprehensive rural finance assessment</b> Commission a factfinding and policy paper on rural finance in for smallholder tea and rubber production	PMU	12/2021
<b>Tea varieties</b> Assess the possibility to support TRI's to-be-formed business development unit in supplying modern tea varieties to smallholders	PMU / TRI	03/2022
<b>Comprehensive rubber assessment</b> Facilitate an RRI assessment of STaRR rubber planting in non-conventional areas in Ampara	PMU	03/2022
<b>Carbon credits sharing</b> Prepare modalities for the utilisation of carbon credits for rubber planting, with RDD, Thurusawiya Fund and PMU, for MoP review	IRRI	05/2022
<b>Carbon credit bid</b> Continue steps towards making a carbon credits bid for eligible lands planted by STaRR	IRRI	05/2023
<b>Society support</b> Intensify capacity building and other support to the societies to improve performance and increase sales	PMU, TSHDA and Thurusawiya Fund	
<b>Regular TSHDA support</b> Continue the inspection and administrative process to ensure timely issuance of permits and subsidy payment for applications under all methods	TSHDA	



<b>Tea and rubber value chains</b> Facilitate public-private partnership and policy dialogues for value chains supported by the Project	PMU, TSHDA and Thurusawiya Fund	
<b>Development Effectiveness</b>		
<b>Outreach information</b> Validate and submit all outreach targets (men, women, youth) to be achieved with a one-year extension	PMU	09/2021
<b>Project completion</b> Prepare and take necessary actions for project completion and closure	PMU	10/2021
<b>Gender / service providers</b> Undertake gender policy workshops to help TSHDA, RDD and Thurusawiya Fund update their gender-related material and approaches	PMU	12/2021
<b>Sustainability and Scaling up</b>		
<b>Capacity building</b> Assign Field Animators to build beneficiary and society capacities in gender-balanced development, leadership and other non-technical fields	PMU	12/2021
<b>Society performance</b> Repeat the performance rating survey of societies with revised criteria	PMU	12/2021
<b>Youth resources</b> Promote that Societies hire and remunerate capable youth as resource persons for development activities	PMU	
<b>Scaling-out society performance</b> Organise cross-learning and exchange visits by the societies clustered around the model societies	PMU	
<b>Project Management</b>		
<b>ESMP</b> Finalise and apply the Environmental and Social Management Plan (ESMP) matrix in coordination with IFAD	PMU	07/2020
<b>National conferences</b> Organise national stocktaking- and policy development conferences for the tea and rubber sectors and for rural finance	PMU	12/2021
<b>End-line survey</b> Prepare for an end-line survey or impact assessment to be conducted in the first quarter of 2022 as part of project completion activities	PMU	12/2021
<b>MIS lessons</b> Make MIS experience and elements available to the further development of Tea and Rubber sector management systems	PMU	03/2022
<b>Due diligence</b> Pursue and adhere to CEA guidance on environmental due diligence	PMU	

<b>Data consistency</b> Enhance the consistency between data in different locations and reports	PMU	
<b>MIS completion</b> Complete the data entry to the MIS system and start operating it	PMU	
<b>Environmental clearance</b> Continue follow-up with the Central Environmental Authority on the environmental clearance for rubber plantation above 50 hectares	PMU	
<b>Financial Management &amp; Execution</b>		
<b>GoSL allocation</b> Request additional GoSL resources against the revised 2019 AWPB	PMU	07/2019
<b>Internal Control</b> Include the updated contract register in the next IFRs Create a project bank account for each DPMU Open bank account for each DPMU Purchase safe box for each DPMU	PMU	09/2019
<b>Adjust the reclassification of expenses based on the MTR recommendation in the books of accounts</b> Adjust the reclassification of expenses based on the MTR recommendation in the books of accounts	PMU	06/2020
<b>Apply the MTR 2019 revised cost tables in the accounts system</b> Apply the MTR 2019 revised cost tables in the accounts system	PMU	06/2020
<b>Ensure the budget provision in the National Budget reflects the AWPB to prevent shortage of funds for planned activities.</b> Ensure the budget provision in the National Budget reflects the AWPB to prevent shortage of funds for planned activities.	MPI&EA	09/2020
<b>3.1(e)Over statement of Payments.</b> 3.1 (e) Although total disbursement for the year was Rs. 819,982,081 according to withdrawal application, it had been shown as Rs. 820,094,436 in the Statement of Receipt and Payment over stating by Rs. 112,355. Recommendation: Reasons for Variances should be recognized.	PMU	09/2020
<b>3.1(c)Overstatement of Goods, Service and Input Expenditure and understatement of Upfront payments.</b> 3.1(c) Upfront payments which had been paid to beneficiaries in Nuwara Eliya district had been erroneously shown under Goods, Services and Input category in the Statement of Receipts and Payment. Recommendation: Expenditure should be classified under the relevant expenditure category.	PMU	09/2020
<b>pH meter procurement</b> Accommodate excess expenditure incurred for procurement of pH meters in a revised procurement plan	PMU	09/2021
<b>Budget controls</b> Prepare realistic AWPB till project completion to ensure compliance with approved amount under each Category	PMU, FM	10/2021

<b>Winding up cost</b> Submit for IFAD approval the winding up costs for 6-month period between completion date and closing date	PMU	12/2021
<b>Unallocated amount</b> Submit to IFAD the proposal of allocation of unallocated amount	PMU	12/2021
<b>Recovery plan for initial advances</b> Submit Recovery plan to justify initial advance of USD 2 million	PMU	12/2021
<b>Ensure National budget allocations reflect the AWPB</b> Ensure National budget allocations reflect the AWPB	PMU, State Ministry	12/2021
<b>Ensure sufficient counterpart funds are available to the project to timely carry out its planned activities</b> Ensure sufficient counterpart funds are available to the project to timely carry out its planned activities	PMU	
<b>Sufficient counterpart fund</b> Ensure sufficient and timely counterpart fund availability to accelerate the activities of the project	PMU	

## Sri Lanka

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### Smallholder Tea and Rubber Revitalization Project

### Supervision Report

### Logical Framework

Mission Dates: 11 - 24 August 2021

Document Date: 04/10/2021

Project No. 1100001731

Report No. 5876- LK

Asia and the Pacific Division  
Programme Management Department



## Smallholder Tea and Rubber Revitalization Project

### Logical Framework

Results Hierarchy	Indicators						Means of Verification			Assumptions	
	Name	Baseline	Mid-Term	End Target	Annual Result (2021)	Cumulative Result (2021)	Cumulative Result % (2021)	Source	Frequency		Responsibility
<b>Outreach</b>	1.b Estimated corresponding total number of households members										
	Household members			144 000	3 134	132 488	92.006				
	1.a Corresponding number of households reached						RIMS	Annual			
	Households			32 000	697	29 609					92.5
	1 Persons receiving services promoted or supported by the project										
	Males			33 600	474	12 025					35.8
	Females			14 400	223	18 049					125.3
	Young			4 800	139	544					11.3
Total number of persons receiving services			48 000	697	30 074	62.7					
<b>Project Goal</b> Enable poor rural people to improve their food security, increase their incomes and strengthen their resilience	Number of households (HH) benefiting from project services						RIMS impact surveys at baseline and completion - Special impact evaluation studies by external agencies	Year 1 - At the end of 4th project year	M&E Coordinator/ Project Manager	Government will continue to have favorable policies towards tea and rubber sub-sectors - The economy in general will have favorable growth and low cost escalations - Less or no natural calamities affecting tea and rubber community	
	Number of HHs		7 300	27 600	697	29 609					107.279
	Improved HH assets						RIMS impact surveys at baseline and completion - Special impact evaluation studies by external agencies	Year 1 - At the end of 4th project year	M&E Coordinator/ Project Manager		
	Households with a higher than 39 household assets index - percentage	39	54	69	39	39					56.5
	Increase of HH income experienced by beneficiaries						Impact surveys at baseline and completion - Special impact evaluation studies by external agencies	Year 1 - and one year before project completion	PMU		
HH experiencing an increase of HH income - %			95	8	8	8.4					

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2021)	Cumulative Result (2021)	Cumulative Result % (2021)	Source	Frequency	Responsibility	
	Women headed HH experiencing an increase of HH income - %			95	1	1	1.1				
	Men headed HH experiencing an increase of HH income - %			95	7	7	7.4				
<b>Development Objective</b> Smallholders' economic activities in tea & rubber become more productive, profitable and resilient	Increased productivity							M&E reports - Records of rubber societies - Reports of service providers, BDOs, pvt sector linkage coordinator	Monthly	M&E Coordinator/ Community Development Officer as the field-level M&E supported by Business Development Officers (BDOs)	Price recovery over next five-year economic/price cycle - Lands be timely available for planting
	Average of production kg/ha			14 000	2 310	2 310	16.5				
	1.2.4 Households reporting an increase in production							Impact surveys at baseline and completion - Special impact evaluation studies by external agencies	Year 1 - and one year before project completion	PMU	
	Households			85	8	8	9.4				
<b>Outcome</b> Better organized tea smallholders able to sustainably produce & market their products	Improved performance of tea societies in supporting income generation by their members							Annual outcome survey	Annual	PMU	No holdups of the project tea replanting incentive and the TSHDA subsidy paid to the beneficiaries
	No. of societies			200	8	10	5				
	Societies with an improved performance			180	18	18	10				
	2.2.5 Rural producers' organizations reporting an increase in sales							RIMS	Annual	PMU	
	Number of Rural POs			150							
<b>Outcome</b> Better organized tea & rubber smallholders able to sustainably produce & market their products	Improved performance of rubber societies in supporting income generation by their members							M&E reports - Records of tea & rubber societies	Monthly	M&E Coordinator to coordinate with originators of reports	No holdups of the project tea replanting incentive and the TSHDA subsidy paid to the beneficiaries
	No. of societies		50	100							
	Societies with an improved performance - number			62	5	5	8.065				

Results Hierarchy	Indicators						Means of Verification			Assumptions	
	Name	Baseline	Mid-Term	End Target	Annual Result (2021)	Cumulative Result (2021)	Cumulative Result % (2021)	Source	Frequency		Responsibility
	Number of tea societies diagnosed & capacity built						M&E reports - Records of tea & rubber societies	Monthly	M&E Coordinator to coordinate with originators of reports		
	No. of tea societies - Number		50	200	47	247					123.5
	% of women in leadership positions of tea societies			30	10	44					146.7
	% of tea society having trained youth as resource person to develop/modify SDP			80		0					0
	Tea Society Development Plans formulated						M&E reports - Records of tea & rubber societies	Monthly	M&E Coordinator to coordinate with originators of reports		
	No. of plans formulated - Number		100	200	0	247					123.5
<b>Output</b> Rubber society capacity built including gender	Number of rubber societies diagnosed & capacity built						M&E reports - Records of rubber societies - RReports of service providers, BDOs	All months	M&E Coordinator to coordinate with originators of reports	MPI resolves at earliest the scheme to pay the "target related incremental remuneration" to participating RDD staff	
	No. of societies		40	100	6	120					120
	% of women in leadership positions of rubber societies			30	7	47					156.667
	% of rubber society having trained youth as resource person to develop/modify SDP			80	0	0					0
	Rubber Society Development Plans formulated						RIMS	Annual	PMU		
	No. of plans formulated			100	6	120					120



Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2021)	Cumulative Result (2021)	Cumulative Result % (2021)	Source	Frequency	Responsibility	
<b>Output</b> Tea societies capacity built including gender	Number of tea societies diagnosed & capacity built							M&E reports - Records of tea societies - Reports of service providers, BDOs	Monthly	M&E Coordinator to coordinate with originators of reports	MPI use a scheme to pay the "target related incremental payment" to participating TSHDA staff - TSHDA will continue with the proposed modified infilling scheme
	No, of tea societies		100	200	47	247	123.5				
<b>Output</b> Training in management topics	People trained in community management topics							Annual outcome survey	Annual	PMU	
	Men trained in society management			2 100	616	1 254	59.714				
	women trained in society management			900	335	622	69.111				
	Youth trained in society management			450	0	0	0				
	Men trained in gender			1 800	0	151	8.389				
	Youth trained in gender			1 800	0	0	0				
	Women trained in gender			1 800	0	104	5.778				
	Men trained in leadership			2 100	0	456	21.714				
	Women trained in leadership			900	0	213	23.667				
	Youth trained in leadership			300	0	0	0				
<b>Outcome</b> New technology adopted	1.2.2 Households reporting adoption of new/improved inputs, technologies or practices										
	Households			50	0	37.6	75.2				
<b>Output</b> Access to agricultural technologies	3.1.4 Land brought under climate-resilient practices										
	Hectares of land			7 500	293.73	5 101.73	68.023				
	1.1.4 Persons trained in production practices and/or technologies										

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2021)	Cumulative Result (2021)	Cumulative Result % (2021)	Source	Frequency	Responsibility	
	Total number of persons trained by the project			24 983	1 702	22 232	89				
	Males trained at least once by the project			17 488	1 136	3 152	18				
	Females trained at least once by the project			7 495	566	1 582	21.1				
<b>Output</b> Smallholder tea replanted in 5 districts	Tea replanted extent							M&E reports - Records of tea societies - Reports of service providers, BDOs	Monthly	M&E Coordinator to coordinate with originators of reports	MPI use a scheme to pay the "target related incremental payment" to participating TSHDA staff - TSHDA will continue with the proposed modified infilling scheme
	Ha of tea replanted extent		2 250	4 000	351	1 464	36.6				
	Extent of tea replanted under 12 month soil rehabilitation with CO3			300	28.3	28.3	9.433				
	Extent of tea replanted under zero soil rehabilitation (SQI)			200	12.81	17.81	8.905				
	Extent of lands measured using GPS technology			3 000	934	1 534	51.133				
<b>Output</b> Smallholder rubber planted in 2 districts	Rubber planted extent							M&E reports - Records of rubber societies - RReports of service providers, BDOs	All months	M&E Coordinator to coordinate with originators of reports	MPI resolves at earliest the scheme to pay the "target related incremental remuneration" to participating RDD staff
	Extent of lands measured using GPS technology			2 550	476	1 453	56.98				
	Extent of rubber planted - ha		1 500	3 000	0	2 621.5	87.383				
<b>Output</b> Assistant to tea input nurseries	Input nurseries provide planting material							M&E reports - Records of tea societies - Reports of service providers, BDOs	Monthly	PMU	MPI use a scheme to pay the "target related incremental payment" to participating TSHDA staff - TSHDA will continue with the proposed modified infilling scheme
	Planting material for tea replanting provided by input nurseries			21	28	43	204.762				

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2021)	Cumulative Result (2021)	Cumulative Result % (2021)	Source	Frequency	Responsibility	
<b>Outcome</b> Households have improved physical access to markets, processing and storage facilities	2.2.6 Households reporting improved physical access to markets, processing and storage facilities										
	Households reporting improved physical access to markets			25	56	68	272				
	Size of households			30 375	605	3 849	12.672				
	Women-headed households			1 755	2 073	2 073	118.12				
<b>Output</b> Overhauling farm roads in tea areas	2.1.5 Roads constructed, rehabilitated or upgraded							M&E reports - Records of tea societies - Reports of service providers, BDOs	Monthly	M&E Coordinator to coordinate with originators of reports	MPI use a scheme to pay the "target related incremental payment" to participating TSHDA staff - TSHDA will continue with the proposed modified infilling scheme
	Length of roads		50	230	33	133	57.826				
<b>Outcome</b> Tea & rubber smallholders get increased access to credits	1.2.5 Households reporting using rural financial services							RIMS	Annual		Commitment of banks in financing tea and rubber sub-sectors - Political uncertainties and special initiatives related to agricultural finance do not affect credit culture
	Total number of household members			16 497	1 301	2 357	14.287				
	Households				0	0					
	Women-headed households			238	0	0	0				
	2.2.5 Rural producers' organizations reporting an increase in sales							RIMS	Annual		
	Percentage of rural POs				0	0					
	Number of Rural POs				0	0					
	Rural POs with women in leadership position				0	0					
	Rural POs - crop				0	0					

Results Hierarchy	Indicators							Means of Verification			Assumptions			
	Name	Baseline	Mid-Term	End Target	Annual Result (2021)	Cumulative Result (2021)	Cumulative Result % (2021)	Source	Frequency	Responsibility				
	Rural POs - fisheries				0	0								
	Rural POs - forestry				0	0								
	Rural POs - livestock				0	0								
	Number of tea & rubber growers got loans													
	Smallholders getting loan - number		1 450	3 666	416	752	20.5							
	Tea Smallholders getting loan - number			2 619	412	628	24							
	Rubber Smallholders getting loan - number			1 047	4	124	11.8							
<b>Output</b> Policy development	Policy 1 Policy-relevant knowledge products completed							NSC minutes	Monthly	PMU				
	Number			3	3	3	100							
<b>Output</b> Rural producers members of rural producers' organizations	2.1.4 Supported rural producers that are members of a rural producers' organization							RIMS	Annual	PMU				
	Total number of persons					4 676								
	Males					4 676								
	Females					0								
	Young					0								
	Not Young					0								
	Women in leadership position					0								
	Village community plans formulated							RIMS	Annual	PMU				
	No. of plans fomulated					309								
	1.1.4 Persons trained in production practices and/or technologies							RIMS	Annual	PMU				
	Men trained in crop			17 488		11 359	65							
Women trained in crop					6 139									

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2021)	Cumulative Result (2021)	Cumulative Result % (2021)	Source	Frequency	Responsibility	
	Young people trained in crop					0					
	Total persons trained in crop					17 498					
	Government officials and staff trained							RIMS	Annual	PMU	
	Males										
	Females										
	People trained in community management topics										
	Men trained in bookkeeping										
	Women trained in bookkeeping										
	Men trained in gender										
	Women trained in gender										
	Men trained in health										
	Women trained in health										
	Men trained in leadership										
	Women trained in leadership										
	Men trained in literacy										
	Women trained in literacy										
	Men trained in planning										
	Women trained in planning										
	Men trained in other										
	Women trained in other										

Results Hierarchy	Indicators						Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2021)	Cumulative Result (2021)	Cumulative Result % (2021)	Source	Frequency	
	1.1.3 Rural producers accessing production inputs and/or technological packages						RIMS	Annual	PMU	
	Males				0					
	Females				0					
	Young				0					
	Total rural producers				4 676					
	3.1.4 Land brought under climate-resilient practices						RIMS	Annual	PMU	
	Hectares of land		3 750	7 500	4 912	65.5				

## Sri Lanka

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### Smallholder Tea and Rubber Revitalization Project

### Supervision Report

### Appendix 1: Financial: actual financial performance; by financier by component and disbursements by category

Mission Dates: 11 - 24 August 2021

Document Date: 04/10/2021

Project No. 1100001731

Report No. 5876- LK

Asia and the Pacific Division  
Programme Management Department





**Table 1A: Financial performance by financier by 30th June 2021**

Financier	Original Approval	New Cost tab MTR	Disbursement up to 30th June 2021	USD '000	
				% disbursed to original	% disbursed to MTR Cost TAB
IFAD Loan	25 764	25 195	17 427.4	68%	69%
Government	32 762	22 273	6 363.5	19%	29%
Beneficiary contribution	3 609	4 372	1 237.8	34%	28%
Bank contribution	3 251	3 508	724.4	22%	21%
Private sector	15	16	0.0	0%	0%
<b>Total</b>	<b>65 401</b>	<b>55 364</b>	<b>25 753.2</b>	<b>39%</b>	<b>47%</b>

**Table 1B: Financial performance by financier by component upto USD '000**

(to the original cost TAB)

#	Component	IFAD Loan			Government			Beneficiary contribution		
		Approval	Actual	%	Approval	Actual	%	Approval	Actual	%
1	Tea Smallholder Development	16 380	12 479	76%	26 107	4 606	18%	1 955	985	50%
2	Rubber Smallholder Development	7 635	3 829	50%	5 480	1 083	20%	1 654	253	15%
3	Inclusive Rural	50	3	6%	201	13	6%	-	-	
4	Project Management & Monitoring	1 699	1 116	66%	974	661	68%	-		
	Total	25 764	17 427	68%	32 762	6 364	19%	3 609	1 238	34%

Bank contribution			Private sector			Total		
Approval	Actual	%	Approval	Actual	%	Approval	Actual	%
-			-			44 442	18 070	41%
-			15		0	14 784	5 165	35%
3 251	724	22%	-			3 502	740	21%
-			-			2 673	1 777	66%
3 251	724	22%	15	-	0	65 401	25 753	39%

**Table 1C: IFAD Loan Disbursements (SDR as at 30-06-2021)**

Category description	Original Allocation	revised allocation since MTR 2019	Disbursement (including WA28)	W/A pending (WA29)	Balance	Per cent disbursed
200003: Works	2 900 000	3 500 000	3 139 663	25 039	335 299	90%
200011: Equipment and materials	3 010 000	3 200 000	596 840	21 714	2 581 446	19%
200012: Grants and subsidies	6 200 000	5 130 000	4 744 919	150 238	234 843	95%
200013: Goods, services and inputs	2 520 000	2 800 000	955 228	44 981	1 799 791	36%
200018: Salaries and allowances	1 980 000	1 980 000	1 996 651	17 293	- 33 945	102%
<b>270001: Authorised allocation</b>	0	0	1 461 636		- 1 461 636	
<b>290001: Unallocated</b>	1 840 000	1 840 000				
<b>Total</b>	18 450 000	18 450 000	12 894 937	259 264	3 455 798	71%

**Sri Lanka**

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**Smallholder Tea and Rubber Revitalization Project  
Supervision Report**

**Appendix 2: Physical progress measured against AWP&B**

Mission Dates: 11 - 24 August 2021  
Document Date: 04/10/2021  
Project No. 1100001731  
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Asia and the Pacific Division  
Programme Management Department



## Appendix 2: Physical progress measured against AWP&B

PDR Cost Table Reference	DESCRIPTION	Indicators		Implementation Targets				Physical Progress			
		Project Indicators	RIMS Indicators	Appraisal (Total)	Revised (Total)	Planned 2021	Revised 2021 (Feb)	Achived (Annual)	%	Achived (Cummulative)	%
	<b>Component 1 - TEA SMALLHOLDER DEVELOPMENT</b>										
	<b>1.1 Strengthening Tea Societies in Production and Marketing</b>										
1.1.1.A.1	Information & Education Campaigns (IEC) programs			1076				0		1104	103%
1.1.1.B.2	Develop management & business capacity in organizing smallholders to receive project inputs, training, mobilize internal lending, initiate linkages with banks for credit and to initiate business activities including tea green leaf collection.	Nos. of societies capacity Developed.	Nos. of societies capacity Developed.	1000	N/A	1000	1000	35	4	547	54,7
1.1.1.B.3	Tools and Equipment for 195 Nos. Best performing Tea Societies who starts businesses on green tea leaf trade	Nos. of societies strenthened	Nos. of societies strenthened	200	N/A	200	200	116	58	116	58
	<b>1.2 Market Driven Production Support for Tea S/holders</b>										
1.2.1.A.1.1	Upfront 1 - (Conventional - 224 Ha/SQI - 75 Ha/CO3 - 165 Ha)	Extent tea land uprooted	Extent tea land uprooted	5500	4500	464	464	206,74	45	5191,57	115
1.2.1.A.1.2	Upfront 2 - 2017,2018 (Conventional)	Extent tea replanted	Extent tea replanted			1127	1127	339,32	30	1363,99	30
1.2.1.A.2.1	Subsidy 1 - (Conventional -1189 Ha/CO3 - 260 Ha/SQI - 64 Ha)	Extent tea land rehabilitated	Extent tea land rehabilitated	5500	4500	1513	1513	436,62	29	2538,52	56
1.2.1.A.2.2.1	Subsidy 2 - (Conventional - 1624 Ha/CO3 - 360 Ha)	Extent tea land rehabilitated	Extent tea land rehabilitated			1984	1984	454,77	23	2205,63	49
1.2.1.A.2.2.2	Subsidy 2 - (SQI - 64 Ha)	Extent tea land	Extent tea land			64	64	0	0	0	0





1.3.1.A	Assess the potential and prepare business plans with the private sector companies by a resource person	Nos. of Business plan developed	Nos. of Business plan developed	40	N/A	14	14	0	0	238	595
1.3.1.C	Creation of private sector linkages through business forums and one to one contacts with the private sector for business plan implementation	No. of Private sector linkages created	No. of Private sector linkages created	40	N/A	4	4	0	0	25	63
1.3.1.D.1	Matching grants for individual investments identified in the business plans for intercropping, plant nurseries including home gardening beyond the home through clusters or individuals of tea societies	Nos. of Smallholder benefitted	Nos. of Smallholder benefitted	2870	N/A	6600	2500	1811	72	3770	131
1.3.1.D.2	Matching grants for individual investments identified in the business plans for intercropping, plant nurseries (non-farming activities) through clusters or individuals of tea societies	Nos. of Smallholder benefitted	Nos. of Smallholder benefitted	2870	N/A	5900	1600	21	1	922	32
1.3.1.E.1	Preparation of BOQs for construction of building for tea collection and marketing	No. of BOQ prepared	No. of BOQ prepared	35	N/A	0	0	1	0	1	3
1.3.1.E.2	Construction of building for tea collection and marketing and initiate linkage with factories for product value chain at society level	Nos. of centers developed	Nos. of centers developed	35	N/A	9	9	28	311	28	80
1.3.1.F.1	Preparation of bills of quantities, Technical Drawing, Quality Assurance, Construction supervision, Maintenance & follow up (Technical Assistance - balance payments 2020)	Nos. of BOQ prepared	Nos. of BOQ prepared			1	1	0	0	0	0
1.3.1.F.1.1	Preparation of bills of quantities, Technical Drawing, Quality Assurance, Construction supervision, Maintenance & follow up (Technical Assistance)	No. of BOQ prepared	No. of BOQ prepared					0		186	0
1.3.1.F.2	Rehabilitation of village Farm Roads/structures/culverts and other infrastructures among matured tea societies - Balance payment 2020	No. of farm road length /km)/ structures constructed/Rehabilitated	No. of farm road length /km)/ structures constructed/Rehabilitated	90	N/A	1	1	0	0	102	113
1.3.1.F.2.1	Rehabilitation of village Farm Roads/structures/culverts and other infrastructures among matured tea societies	No. of farm road length /km)/ structures constructed/Rehabilitated	No. of farm road length /km)/ structures constructed/Rehabilitated					16		344	0
1.3.1.G.1	Inputs for self nurseries	No of Ha.	No of Ha.	325	N/A	135	135	46	34	411,98	79

1.3.1.G.2	Support to enhance self nurseries into commercial nursery level by providing input materials, technical support for nursery management by the the Technical service provider	Nos. of Ha.	Nos. of Ha.			50	50	6	12	6	12
1.3.1.H.1	Tea Replanting with (1ha/0.5 acre plot per district)Show cases High & Low Shade, land preparation,intercropping,Mulching,drip sprinkle, jambo plants, new cultivars etc.	No of plots/ha infilled	No of plots/ha infilled			15	15	0	0	27	180
1.3.1.H.2	Tea with mechanise Harvesting (2ha/0.5 acre 5 plots Per district)Show cases	No of plots/ha infilled	No of plots/ha infilled			0	0	0		1	
1.3.1.H.3	Enhance Analytical Capacity for implementing Soil Quality Index at TRI by facilitating to enhance TRI Laboratories	Nos. of Laboratories capacity Built	Nos. of Laboratories capacity Built			1	1	0	0	1	100
1.3.1.H.4	Direct cost on introducing CO3 Napier grass to reduce mandatory 18 months soil rehabilitation period to 12 months and Organic Tea Project	No of plots/ha infilled	No of plots/ha infilled	2		1	1	0	0	2	100
1.3.1.H.5.1	Advance training on GIS/GPS remote sensing and Equipment	Nos. of Programme conducted	Nos. of Programme conducted			1	1	0	0	20	
1.3.1.H.5.2	Procurement of GPS & other Equipments for implementation of new technology	Nos. of Equipment purchased	Nos. of Equipment purchased	119		0	0	0	0	119	100
1.3.1.H.5.3	Procurement of portable PH meters for TIs	Nos. of Equipment purchased	Nos. of Equipment purchased			106	106	114	108	114	108
1.3.1.H.6.1	Development Expenditure on Connectivity of MIS System -TSHDA	Nos. of System developed	Nos. of System developed			0	0	1		1	100
1.3.1.H.6.2	Training workshops on MIS system implementation for external auditors,MPI, PMU, DPMU level by MIS system consultant	Nos. of Programme conducted	Nos. of Programme conducted			0	0	0	0	0	0
1.3.1.H.6.3	Training on MIS system development for Field Animators, MA,& FA at DPMU level by MIS system consultant	Nos. of Programme conducted	Nos. of Programme conducted			0	0	0	0	0	0
1.4 District Project Management Units TEA											
1.4.1.B	Purchasing of printers, photocopiers, UPS inverters, Multimedia	Nos. of Equipment	Nos. of Equipment					0			

	projectors, Fax, Web Cam, External Hard Disk & Furniture etc	purchased	purchased								
1.4.2.A	Salaries, allowances and related payments					12	12	7	58		
1.4.2.B.1	Progress Review monthly meetings/ Staff meetings/ Stake holder meetings at DPMU level	Nos. of Programme conducted	Nos. of Programme conducted			12	12	7	58		
1.4.2.B.2	Integrated progress review meetings PMU,TSHDA & DPMU	Nos. of Programme conducted	Nos. of Programme conducted			60	72	50	69		
1.4.2.B.3	Office Operating & Maintenance Cost					12	72	21	29		
1.4.2.B.4	Vehicle Operating & Maintenance Cost					12	60	21	35		
1.4.2.B.5	Bike Operating & Maintenance Cost					12	72	21	29		
1.4.2.B.6	Hiring of Vehicles					12	72	21	29		
	<b>Component 2 - RUBBER SMALLHOLDER DEVELOPMENT</b>										
2.1 Strengthening Thurusaviya Societies or VRDCs for Production & Marketing											
2.1.1.A.1	Information & Education Campaigns/ program	Nos. of Societies Identified	Nos. of Societies Identified	500				9		494	
2.1.1.A.2.1	Conducting Diagnostic studies	Nos. of Societies Identified	Nos. of Societies Identified	100	N/A	70	70	16	23	122	
2.1.1.A.2.2	Development of SDP for matured Rubber societies	Nos. of SDP Developed	Nos. of SDP Developed	100		70	70	16	23	122	
2.1.1.B	Computers Tools,Chairs,Furniture for Thurusaviya Societies	Nos. of Equipment purchased	Nos. of Equipment purchased	100	N/A	40	40	0	0	0	
2.1.1.C.1	Training Package Development for Capacity Building	Nos. of Training Modules developed	Nos. of Training Modules developed	2	N/A	10	10	6	60	8	
2.1.1.C.2	Hand holding support & Training on development of Business Plans (BDP) at that Thurusaviya society Level	Nos. of societies strantherned	Nos. of societies strantherned	100	N/A	150	150	0	0	19	
2.1.1.C.3	Providing required capital items for the societies who starts	Nos. of societies	Nos. of societies	101	N/A	60		4		4	4

	businesses in Rubber processing and Marketing	strantherned	strantherned								
2.2 Market Driven Production & Processing Support for Rubber											
2.2.1.A.1.1	Land Identification							796,66			
2.2.1.A.1.2	Land Identification, Land Surveying, purchasing & fixing posts, creation of forest belts, Operating cost of Land Regularization of Forest Dept. etc.)-Balance Payments	Land Extent identified	Land Extent identified	3000	N/A		1	525,42			
2.2.1.A.1.3	Up front 1&2	Extent rubber planted	Extent rubber planted	3000	N/A	906	512	531	104	2.819	94
2.2.1.A.1.4	Upfront payment 3- 2019 Fertilizer (1 st Manure after 1 year of Planting)	Extent rubber planted	Extent rubber planted	3000	N/A	906	528	240	45	1.558	52
2.2.1.A.1.5	Upfront payment 4- 2018 Farmers (2 nd Manure after 2 years of planting)	Extent rubber planted	Extent rubber planted	3000	N/A	888	855	109	13	918	31
2.2.1.A.1.6	Purchasing of budded rubber plants -2020 Balance Payment	Nos. of Plants planted	Nos. of Plants planted	3000	N/A	146250	15.230	-	0	-	
2.2.1.A.1.7	Purchasing of budded rubber plants - 2021	Nos. of Plants planted	Nos. of Plants planted	3000	N/A	0	259.758	-	0		
2.2.1.A.1.8	Purchasing of budded rubber plants - 2018/2019/2020 - Infilling	Nos. of Plants planted	Nos. of Plants planted	3000	N/A	177478,2	216.980	-	0		
2.2.1.A.1.9	Transportation of budded rubber plants -2020 Balance Payment	Nos. of Plants transported	Nos. of Plants transported	3000	N/A	272000	42.850	-	0		
2.2.1.A.1.10	Transportation of budded rubber plants - 2021	Nos. of Plants transported	Nos. of Plants transported	3000	N/A	0	200.600	-	0		
2.2.1.A.1.11	Transportation of budded rubber plants 2018/2019/2020 - Infilling	Nos. of Plants transported	Nos. of Plants transported	3000	N/A	177478,2	216.980	-	0		
2.2.1.A.1.12	Compost Fertilizer for New planting 2021 and Infilling	amount fertilizer applied	amount fertilizer applied	3000	N/A	0	1.255	-	0		
2.2.1.A.2.1	Subsidy 1 & 2 -2020/2021 Farmers	Extent rubber planted	Extent rubber planted	3000	N/A	888	778	99	13	1.632	54
2.2.1.A.2.2	Subsidy 3 - 2019 Farmers	Extent rubber planted	Extent rubber planted	3000	N/A	888	855	230	27	786	26
2.2.1.A.2.3	Subsidy 4 - 2018 Farmers	Extent rubber planted	Extent rubber planted	3000	N/A	417	582	116	20	274	9

2.2.1.A.2.4	Subsidy 5 - 2017 Farmers	Extent rubber planted	Extent rubber planted	3000	N/A	304	272	68	25	141	5
2.2.1.A.2.6	Subsidy 6- 2016Farmers	Extent rubber planted	Extent rubber planted	3000	N/A		100	36	36	36	1
2.2.1.A.2.5	Technical Service Payment RDD			3000	N/A	12	24	-	0		
2.2.1.B	Planting materials for Intercropping (maize,banana,ground nuts,cocoa etc.	Nos. of HHS benefited	Nos. of HHS benefited	1500	N/A	228	228	825	362	853	57
2.2.1.C.1	Developing and printing of booklet on tapping instructions,intercropping,and processing including resource person fee	Nos. of Booklet developed	Nos. of Booklet developed			44	44	-	0		
2.2.1.D.1	Display of visual Boards on each farmer lands/Preperation of vidio clips on modern crop management, to showcase project outcoms,KM social inclusion, gender mainsreming,photo stories on knoledge practicing beneficiaries and supplimentary on modern crop management adoption etc	Nos. of HHS Lands	Nos. of HHS Lands					-			
2.2.1.D.2	Developing individual field monitoring card	Nos. of HHS	Nos. of HHS	3340	N/A			-			
2.2.1.D.3	Training and surveying on cultivation implementation on infilling,Carbon credits for VCMP, intercropping,mulching, decease preventing taping and processing	No. of Programme Conducted	No. of Programme Conducted			32	32	4	13	290	
2.2.1.D.4	Exposure visits national stocktaking and policy development conferences for small holder rubber production in non-traditional areas	Nos. of expoure visit Conducted	Nos. of expoure visit Conducted			2	2	-	0		
2.2.1.E	Support to Padiyathalawa Rubber Nursery	Nos. of Units developed	Nos. of Units developed				1	-	0	1	
<b>2.3 Income and Market Diversification for Rubber S/holders</b>											
2.3.1.A	Business Plan Development										
2.3.1.A.1	Business Plan Development for Processing Units	No of Plans Developed for Processing Units	No of Plans Developed for Processing Units	25	33		33	0	0		

2.3.1.A.2	Business Plan Development for Rubber Societies	No of Planns Developed for Thurusaviya Societies	No of Planns Developed for Thurusaviya Societies	25			33	0	0			
2.3.1.B	Support for Rubber Processing Units							0				
2.3.1.B.1	Demand Feasibility Study for Rubber Processing Centers						1	0	0			
2.3.1.B.2	Establishing Rubber Processing Centers	No of Centers	No of Centers	48			33	0	0			
2.3.1.C.1	Workshop on Business Promotion in Rubber industry through Matching grant on Seasonal sensitivity crops and intercrops	Nos. of workshops conducted	Nos. of workshops conducted	4500	N/A	400		0				
2.3.1.C.2	Smallholder Income Diversification through Farming on Seasonal sensitivity crops and intercrops including home gardning beyond the home	Nos. of HHS benefited	Nos. of HHS benefited				400	400	605	151	501	16
2.3.1.C.3	Smallholder Income Diversification through Non Farming	Nos. of HHS benefited	Nos. of HHS benefited				61	36	110	306	220	
2.3.1.D.1	Capacity Building for Beneficiaries on Market Linkages and Product Diversification through work shops, business forums and one to one contacts with the private sector	Nos. of Socities capacity build	Nos. of Socities capacity build	20	N/A	7	7	0	0			
2.3.1.D.2	National level District Summit to develop market linkages on private Sector for product diversification and marketing opportunities	Nos. of Programme conducted	Nos. of Programme conducted					0				
2.3.1.D.3	Establishment of Organic Villege - Athundamuwawe LOAM Project	No of Linkages	No of Linkages				12	2	17			
2.3.1.E.1	Capacity building on process and Contract management	Nos. of Programme conducted	Nos. of Programme conducted	100		40,00	40	0	0	14	14	
2.3.1.E.2	Rehabilitation of Community infrastructure motor grading roads, Elephant protective fences, culverts, Agro Wells etc.	No. of farm road length /km)/ structures constructed/Rehabilitated	No. of farm road length /km)/ structures constructed/Rehabilitated	80	N/A	13,62	20	5	25	28	35	
2.4 District Project Management Units Rubber												
2.4.1.B	Purchasing of printers, photocopiers, UPS inverters, Multimedia	Nos. of Equipment	Nos. of Equipment					0				

	projectors, Fax, Web Cam, External Hard Disk & Furniture's	purchased	purchased								
2.4.2.A	Salaries, allowances and related payments					12	24	14	58		
2.4.2.B.1	Progress Review monthly meetings/ Staff meetings/ Stake holder meetings at DPMU level	Nos. of Programme conducted	Nos. of Programme conducted			0	0	12			
2.4.2.B.2	Integrated progress review meetings PMU,RDD & DPMU	Nos. of Programme conducted	Nos. of Programme conducted			24	24	12	50		
2.4.2.B.3	Office Operating & Maintenance Cost					12	24	14	58		
2.4.2.B.4	Vehicle Operating & Maintenance Cost					12	24	14	58		
2.4.2.B.5	Bike Operating & Maintenance Cost					12	24	14	58		
2.4.2.B.6	Hiring of Vehicles					12	24	0	0		
	<b>Component 3 - INCLUSIVE RURAL FINANCING</b>										
	<b>A. Tea Financing Facility</b>										
3.A.1	1. Capacity facilitation for District level Bank Branches										
3.1.1.A.1.1	National Level awareness Workshop on Rural Financing Component for CBSL,PFIs,MPI,PMU, ERD & stakeholders	Nos. of Programme conducted	Nos. of Programme conducted								
3.1.1.A.1.2	District Level awareness Workshops on Rural Financing Component for Selected PFIs & project staff & MPI (TEA)	Nos. of Programme conducted	Nos. of Programme conducted								
3.1.1.A.1.3	Training workshops on financial product delivery MPI PMU DPMU level by a resource person/Rural Financing consultant (TEA)	Nos. of Programme conducted	Nos. of Programme conducted			6	6	10	167		
3.A.2	2. Tea Revitalization Financing Facility										
3.1.1.A.2.1	Nos. of Loans for IG Activities on Farming & Non Farming for Tea Small Holders on Rs 100,000 Category	No. of HHs benefited	No. of HHs benefited	2444		1136	395	28	7	227	26

3.1.1.A.2.2	Nos. of Loans for IG Activities on Farming & Non Farming for Tea Small Holders on Rs 250,000 Category	No. of HHs benefited	No. of HHs benefited			330	720	130	18	401	
3.1.1.A.3	Interest Subsidy TEA					4	4	0	0		
<b>B. Rubber Financing Facility</b>											
3.1.1.B.1.1	District Level awareness Workshops on Rural Financing Component for Selected PFIs & project staff	Nos. of Programme conducted	Nos. of Programme conducted								
3.1.1.B.1.2	Training workshops on financial product delivery PMU DPMU level by a resource person/Rural Financing consultant	Nos. of Programme conducted	Nos. of Programme conducted			4	4	1	25	1	
3.1.1.B.1.3	ToT training on financial product delivery for FA's at DPMU level by a resource person/Rural financing Consultant	Nos. of Programme conducted	Nos. of Programme conducted								
3.1.1.B.1.4	Training on financial product delivery for official bears of the societies and Selected beneficiaries whom engaging in IG Activities	Nos. of Programme conducted	Nos. of Programme conducted								
3.1.1.B.2.1	Nos. of Loans for IG Activities on Farming & Non Farming for Rubber Small Holders on Rs 100,000 Category	No. of HHs benefited	No. of HHs benefited	1222		546	70	11	16	23	10
3.1.1.B.2.1	Nos. of Loans for IG Activities on Farming & Non Farming for Rubber Small Holders on Rs 250,000 Category	No. of HHs benefited	No. of HHs benefited			150	300	6	2	101	
3.1.1.B.3	Interest Subsidy RUBBER					4	4	0	0		
<b>Component 4 - PROJECT MANAGEMENT</b>											
<b>A. Vehicle &amp; Office equipment</b>											
4.1.1.A	Purchasing of printers, photocopiers, UPS inverters, Multimedia projectors, Fax, Web Cam, External Hard Disk & Furniture's	Nos. of Equipment purchased	Nos. of Equipment purchased								
<b>B. Surveys and Audit</b>											
4.1.1.B.1	Outcome Survey	Survey Conducted	Survey Conducted			1	4	1	25		



4.1.1.B.2	RIMS										
4.1.1.B.2.1	Development and Internalize MIS System	System Developed	System Developed			1	1	1	100		
4.1.1.B.2.2	Production of quartely news letter,Monthly outlet,Flgship publication of best performing beneficiaries	Nos. of publications developed	Nos. of publications developed			4	12	3	25		
4.1.1.B.2.3	Upgrading of project website to display KM information,Provide web linkages and interface to display Colombo Tea auction prices,Rubber export prices HKKARI market prices,IFAD Asia web site and develop project social media platform etc.	Nos. of Programme conducted	Nos. of Programme conducted			4	12	6	50		
4.1.1.B.2.4	Develop Blogs and Vlogs groups for professional dialogue and establish committee to develop new KM policies,guidelines,procedures etc.	Nos. of publications developed	Nos. of publications developed			12	12	2	17		
4.1.1.B.2.5	Organize national level,district level work shops café or coffe talks to share the knowledge generated by the project for wider public consumption.	Nos. of Programme conducted	Nos. of Programme conducted			5	12	0	0		
4.1.1.B.2.6	Preparation of Audio/video & Documentation for project visibility	Nos. of publications developed	Nos. of publications developed			2	10	2	20		
4.1.1.B.6	Annual Audits	Annual Audit conducted	Annual Audit conducted			1	8	1	13		
C. Technical Assistance											
4.1.1.C.1.1	Consultancy for Monitoring & Evaluation	Consultants appointed	Consultants appointed			11	11	7	64		
4.1.1.C.1.2	Consultancy for Agronomists	Consultants appointed	Consultants appointed			12	12	7	58		
4.1.1.C.1.3	Consultancy for Environment & Social safe guard	Consultants appointed	Consultants appointed			9	9	7	78		
4.1.1.C.1.4	Consultancy for Zero -Soil Rehabilitation (SQI)	Consultants appointed	Consultants appointed			12	12	7	58		
4.1.1.C.1.5	Consultancy for Communication & Visibility	Consultants appointed	Consultants appointed			11	11	7	64		
4.1.1.C.1.6	Consultancy for Rural Finance	Consultants appointed	Consultants appointed			9	9	0	0		

4.1.1.C.1.7	Consultancy for Procurement Coordinator	Consultants appointed	Consultants appointed			9	0	0		
4.1.1.C.1.8	Agriculture officers for immediate day pilot projects	Consultants appointed	Consultants appointed			12	12	0	0	
4.1.1.C.1.9	Resource person for translation of Sinhala version to English & English to Sinhala/Tamil	Consultants appointed	Consultants appointed			6	6	0	0	
4.1.1.C.1.10	Preparation of Audio/video & Documentation for project visibility & KM activities	Nos. of publications developed	Nos. of publications developed							
4.1.1.C.1.11	Capacity building of project staff	Nos. of Programme conducted	Nos. of Programme conducted			25	6	2	33	
4.1.1.C.1.12	Monitoring & Evaluation of project activities ( Mission programs/Progress review/NSC Meetings/field monitoring & TSP review & documentation )	Nos. of Programme conducted	Nos. of Programme conducted			2	10	6	60	
4.1.1.C.1.13	Exposure visit/training/ sharing and rewarding experiences on project implementation (Domestic & Foreign)	Nos. of Programme conducted	Nos. of Programme conducted			1	4	0	0	
4.1.1.C.1.14	Accounting Software (Retention)					0				
4.2.A.1	Salaries, allowances and related payments(IDC,PPLC,CBHC,M&E,BDO Rubber)					12	12	7	58	
4.2.A.2	Salaries, allowances and related payments (Other Staff at PMU)					12	12	7	58	
4.2.B.1	Office Operating Cost					12	12	7	58	
4.2.B.2	Vehicle Operating Cost					12	12	7	58	



## Sri Lanka

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### Smallholder Tea and Rubber Revitalization Project

### Supervision Report

### Appendix 3: Compliance with legal covenants: status of implementation

Mission Dates: 11 - 24 August 2021

Document Date: 04/10/2021

Project No. 1100001731

Report No. 5876- LK

Asia and the Pacific Division  
Programme Management Department



### Appendix 3: Compliance with legal covenants: Status of implementation

Section	Covenant	Target/ Action Due Date	Compliance Status/ Date	Remarks
<b>Financing Agreement</b>				
B.7	The Borrower shall provide counterpart financing to the project in the approximate amount of USD 32.8 million, to cover the subsidies for the tea and rubber replanting program, taxes and other expenditures defined in the AWPBs.	Continuous	On-going	Disbursement of government contribution as at 31 July 2021 is USD 6.36 million, equivalent to 19% of the required allocation.
<b>Schedule 1, Section 5 - Para. 2</b>	The Borrower shall establish a National Steering Committee that shall meet at least once a year to approve the AWPB.	Continuous	Complied	
<b>General conditions</b>				
<b>Section 7.01 (b) (ii) AWPB</b>	The Lead Project Agency shall submit the draft Project AWPB to the Fund for comments no later than sixty (60) days before the beginning of the relevant Project Year.	31 October each year	Complied and on-going	2021 AWPB was submitted to IFAD on 30 October 2020. IFAD No Objection was received on 4 November 2020
<b>Section 7.08</b>	Insurance of all goods and buildings used in the Project against such risks and in such amount shall be consistent with sound commercial practice	Continuous	Partially complied	Insurance available for vehicles and not for other assets
<b>Section 7.11</b>	Health and accident insurance for project personnel	Continuous	Not complied	The proposal was not approved by the NSC
<b>Section 8.01</b>	Maintainance of records and documents adequate to reflect project operations until project completion date and for at least ten years thereafter.	Continuous	Complied and on-going	
<b>Section 8.02</b>	Establishment and maintenance of management information system	Continuous	On-going	
<b>Section 8.04</b>	After the Project Completion Date but before Financing Closing date, submission to IFAD of the project completion report	31-dec-22	Not yet due	
<b>Section 9.01</b>	Maintenance of separate accounts and records until the Financing Closing Date, and for at least ten years thereafter.	Continuous	Complied and on-going	2021 AWPB was submitted timely and revised in June with IFAD No Objection received.
<b>Section 9.01</b>	Submission to IFAD of detailed financial statement for each Fiscal Year within four (4) months of the end of each Fiscal Year	30 April each year	Complied with slightly delay	2020 Unaudited Financial Statements were submitted on 5 April 2021.
<b>Section 9.03</b>	Audit of accounts for each Fiscal Year and submission to IFAD of audit report and management letter within six (6) months of the end of the Fiscal Year	Continuous	Not yet due this year	2020 Audit report submission will be extended to 30 September 2021 as per government request due to impacts of COVID 19 pandemic.
<b>Section 11.01 (a)</b>	Financing shall be exempted from all taxes	Continuous	Complied	
<b>Letter to Borrower</b>				
<b>Para 32</b>	List of all contracts in the Register of Contracts to be submitted monthly to the CPM	Continuous	Complied	
<b>Para 34</b>	Submission of interim financial reports within 45 days of the end of each quarter	Continuous	Complied	
<b>Para 37</b>	Maintenance Observation and regular update of Audit Log	Continuous	Complied	Audit log is updated monthly by internal auditor
<b>Para 39</b>	Implementation of adequate internal audit arrangements	Continuous	Complied	MPI appoints internal auditor to conduct internal audit and submit quarterly reports



## Sri Lanka

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### **Smallholder Tea and Rubber Revitalization Project Supervision Report**

#### **Appendix 4: Technical background analysis**

Mission Dates: 11 - 24 August 2021  
Document Date: 04/10/2021  
Project No. 1100001731  
Report No. 5876- LK

Asia and the Pacific Division  
Programme Management Department





## Appendix 4: Technical Background Analysis

This annex includes the following working papers:

1. Partnership building
2. Financial management agreed actions
3. Procurement Review Working Paper

### 1. *Partnership-Building*

Partner Name	Details of partnership
<b>Co-financing partnerships</b>	
??	An emerging possibility to provide funding for community development activities through carbon credits to be obtained through RRI efforts (see below)
<b>KM and Policy partners</b>	
Tea Research Institute (TRI)	Sets technical standards for the sector based on research. Hosts the Tea Smallholder Extension and Experimentation Forum. STaRR to pursue attendance. Direct partner in rolling-out novel forms of replanting by (i) enhanced laboratory capacity for SQI; and (ii) CO3 Napier multiplication at 2 TRI locations.
Rubber Research Institute (DRI)	Sets technical standards for the sector based on research. Cooperation with STaRR i.c.w. voluntary carbon credits project
<b>Market Sector</b>	
Cargill Department store, Department of export agriculture  Vanilla Trade organisation;  Elephant house; Eastern dairy products; Galoya dairy products	Identified retailers, traders for private sector involvement in matching grant activities. Very initial listing, to be elaborated by further market scans
Green field bio plantation (Pvt) Ltd, Senilma organic (Pvt) Ltd, Kenko 1st organic food, and Soft logic Supermarket (Pvt) Ltd	Identified retailers for private sector engagement in marketing organic products produced under the demonstration model of rubber mix cropping in Ethundamuwawa Village, Monaragala District.
<b>Financial Sector</b>	
External Resources Division (ERD)	Review of use of Project funds (source GOSL) for leveraging rural finance
Central Bank of Sri Lanka (CBSL)	Regulator of inter alia rural finance operations. Issues operating instructions for rural finance provision by commercial banks, using GOSL funds for leveraging (interest rate subsidy)
Private Financial Institutions: Peoples' Bank, Hatton National Bank, Bank of Ceylon, Regional	The five banks that have opened credit lines for STaRR beneficiaries using the GOSL interest rate subsidy. RDB and BoC are the best performers (June 2020)

Development Bank, Cargills Bank	
<b>Coordination/Implementing Partners - principal</b>	
Ministry of Plantation Industries and Export Agriculture (MPI&EA)	Lead implementing agency; the PMU is established by and within PMI.
Tea Smallholder Development Authority (TSHDA)	Implementing partner for the tea sector. Relationship formalised in annual Memoranda of Agreement  Implementing mitigation measures related to tea replanting activities as identified in the ESMP matrix (e.g. introduce SQI method and CO3 cultivation for soil rehabilitation, introduce intercropping and crop diversification, etc.)
Rubber Development Department (RDD)	Implementing partner (technical advisory) for the rubber sector. Relationship formalised in annual Memoranda of Agreement  Implementing mitigation measures related to rubber plantation activities as identified in the ESMP matrix (e.g. conduct awareness and training on proper use of chemical fertiliser, promote the use of organic fertiliser, etc.)
Rubber Research Institute (RRI)	Partner in the development of voluntary carbon credit project for new rubber plantation in non-traditional areas.  Implementing mitigation measures related to rubber plantation activities as identified in the ESMP matrix (e.g. introduce proper waste management system for rubber processing centres)
<b>Coordination/Implementing Partners - occasional</b>	
Thurusawiya Fund	Partner (organisation establishment) for the rubber sector. Marginal role, limited involvement
Agricultural Service Centres	Partner for provision of advisory services on crop husbandry (other than tea and rubber). Provision of planting material for 'Shaubagya' programme (home garden from the home) and advisory for nursery establishment.
Department of Export Agriculture	Partner for provision of advisory services on export crops (cinnamon, vanilla, etc.). Provision of planting material for 'Shaubagya' programme (home garden from the home) and advisory for nursery establishment.
Sub-Divisional Administration	Local government. Partner in all land related processes
Department of Forestry	Partner in the rubber sector i.c.w. planting on forest land, including lease arrangements
Mahaweli Authority	Partner in the rubber sector i.c.w. planting on forest land, including lease arrangements
Department of Wildlife	Partner in the rubber sector i.c.w. planting in forest buffer zones
Central Environmental Authority	Review of environmental due diligence for rubber planting above 50ha
Farmer beneficiaries	Implementing mitigation measures related to tea replanting and rubber plantation activities as identified in the ESMP matrix.

2. **Financial management agreed actions**

**STaRR - Sri Lanka (1731) ACTION TRACKER**

**Quality of financial management (ORMS)**

Date	Rating	Action	Status	Responsibility	Deadline
16/06/2019 Mission	4 - Moderately satisfactory	Fund Flow for Infrastructure Activity	proposed	PMU	30-sep-19
16/06/2019 Mission	4 - Moderately satisfactory	Internal Control	agreed	PMU	30-sep-19
08/06/2020 Mission	5 - Satisfactory	Ensure the budget provision in the National Budget reflects the AWPB to prevent shortage of funds for planned activities.	agreed	MPI&EA	30-sep-20
08/06/2020 Mission	5 - Satisfactory	Apply the MTR 2019 revised cost tables in the accounts system	agreed	PMU	30-jun-20
08/06/2020 Mission	5 - Satisfactory	Adjust the reclassification of expenses based on the MTR recommendation in the books of accounts	agreed	PMU	30-jun-20

**Acceptable disbursement rate**

Date	Rating	Action	Status	Responsibility	Deadline
16/06/2019 Mission	4 - Moderately satisfactory	GoSL allocation	agreed	PMU	31-jul-19

**Counterpart fund**

Date	Rating	Action	Status	Responsibility	Deadline
08/06/2020 Mission	3 - Moderately unsatisfactory	Ensure sufficient counterpart funds are available to the project to timely carry out its planned activities	agreed	PMU	

**Quality and timeliness of Audit**

<b>Date</b>	<b>Rating</b>	<b>Action</b>	<b>Status</b>	<b>Responsibility</b>	<b>Deadline</b>
01/01/2019 - 31/12/2019 Audit	4 - Moderately satisfactory	Project has to incur additional cost for procurement of MV	proposed	PMU	30-sep-20
01/01/2019 - 31/12/2019 Audit	4 - Moderately satisfactory	3.1(e)Over statement of Payments.	agreed	PMU	30-sep-20
01/01/2019 - 31/12/2019 Audit	4 - Moderately satisfactory	3.1(c)Overstatement of Goods: Service and Input Expenditure and understatement of Upfront payments.	agreed	PMU	30-sep-20
01/01/2019 - 31/12/2019 Audit	4 - Moderately satisfactory	4.6(a)Over stating the project expenditure.	proposed	PMU	30-sep-20
01/01/2019 - 31/12/2019 Audit	4 - Moderately satisfactory	4.7(b) Accuracy of the account balance couldnot be verified.	proposed	PMU	30-sep-20
01/01/2019 - 31/12/2019 Audit	4 - Moderately satisfactory	4.7(a) Overstating the cash balance: understating the expenditure and exceeding budget allocation.	proposed	PMU	30-sep-20

### 3. **Procurement Review Working Paper**

Project Name: Smallholder Tea and Rubber Revitalization Project

Name of Procurement Consultant: Dayananda Ratnasekera

Mission Dates: August 11 to 23, 2021

Field Locations: Colombo

#### i. **Review of Procurement Plan**

- A. The procurement plan for the year 2021 includes goods, works, consulting services and non-consulting services for a total cost of LKR 402.5 Mn. The quantity of goods works and services in PP appears consistent with activities referenced in the 2021 AWPB. Updating the PP with actuals for the current year has been completed. Basically, Procurement Plan follows IFAD template with reference to the Activities in the AWPB. Out of 29 items of the PP the PMU has initiated action on 17 and completed 11 procurements during the first seven months of the year. The procurements that are in progress are at varying stages of completion. The selection of procurement methods is in compliance with the provisions of the LTB. Procurement Plan is mainly used for internal management purposes. Generally, time estimates appeared realistic. The provision made in the PP has been exceeded by 14% in procuring PH meters. In order to accommodate this excess, the PMU has to revise both AWPB and PP. The progress is hampered by the pandemic situation of the country and absence of a competent officer to attend to procurements on fulltime basis. **The Finance Manager is currently attending to the procurements. This is not a healthy arrangement. In order to accelerate the process, the mission advised the PMU to recruit a competent officer to attend to the project procurements without further delay.** Under this situation rating recommended for this section is **Moderately Satisfactory (4)**.

#### ii. **Review of Ongoing/Completed Procurement Activities and Documentation**

**Process and procedure from prequalification to bidding:** Mission reviewed a sample of ten procurements representing all three main categories of procurements (Annex 1) and noted that the procurement process conforms largely to the Government Procurement Guidelines and are consistent with the IFAD Procurement Guidelines, Procurement Handbook and LTB. The project has applied NCB and Shopping methods mostly for Goods and Services and ICS for consultancy. The mission reviewed three procurements made under National shopping method and it was revealed that the duration given for submission quotations were inadequate. For example, Request for quotations for Shade nets were given less than three days. This would affect healthy competition. For works two block allocations were made for minor infrastructure works of the Tea and Rubber growing areas and works have been implemented using Community procurement procedure under the Direct method through Tea and Rubber Smallholder Societies of the area. The value of each work is below LKR 5 Mn (USD 25,000). The mission reviewed three randomly selected items of work and found that they are progressing satisfactorily, though there were some delays due to the current pandemic situation of the country. This Community procurement procedure has been in operation from the inception of the Project and implemented satisfactorily with active participation of Tea and Rubber Smallholder Societies. Under NCB the Project is using national standard Bidding documents with necessary changes in consistence with IFAD standard bidding templates. If they adopt IFAD template for Request for quotations for National shopping the documentation could be further

simplified. In most cases except for ICS and Shopping, pre bid meetings were held before closing date of the proposals giving enough time for bidder to prepare their bids. The bidders requiring clarifications of the bidding documents, are given the opportunity to contact the entity. The entity responds in writing to any such requests for clarification. Rate recommended for this section is **Satisfactory (5)**.

**B. Process and procedure for Evaluation to award.** STaRR has complied with most of the requirements of the Government and IFAD's Procurement Guidelines including provisions of the Financing Agreement and Letter to the Borrower (LTB). Based on the review, the PMU open quotations/bids same day immediately after the closing of bids in the presence of the bidders and announce details / prices as relevant. The evaluations were done by respective Technical Evaluation Committees appointed by the appropriate authority, comprising of at least three members. In most cases one of them would be technically qualified person who is competent to advise on the type of procurement and two members from the project. Upon approval of the relevant Procurement Committees and receipt of IFAD' NO s the contracts are awarded. In all other cases, contracts are awarded with the approval of the Procurement Committees. The practice of issuing NOITA before awarding the contract not been practice. However, so far, no protests have been lodged by unsuccessful bidders against the decisions of awards. All outstanding tasks that were there in the NOTUS and observed during the last mission have now been completed. Rating recommended for this section is **Satisfactory (5)**.

**iii. Review of Contract Administration and Management**

**C. Contract Management** The project is using ICP Contract monitoring system of IFAD and updating the data in the system satisfactorily. Mission reviewed the data of ongoing contracts of the STaRR and observed that 50% of the ongoing contracts are minor infrastructure contracts carried out by the Tea and Rubber Smallholder Societies. Out of these 33 contracts 24 contracts have already been physically completed and completion in financial terms is delayed as a result of travel and assembling restriction imposed due to COVID 19. Their final completion reports certified by both the Technological officer concerned and the Engineer, have to be approved by the General Assembly of the respective societies to eligible for the final instalment of payment.

**D.** Review of data relating to the completed contracts in the ICP reveals that 19 contracts out of 74 contracts are yet to be financially completed. The mission advised the PMU to complete updating data incorporating the new features introduced to the system by end of August, 2021. In order to get the full use of the ICP Contract Monitoring system, the PMU should take early action to update the data and use the system as an effective tool of contract management.

**E.** The contract administration is the responsibility of the Procurement Coordinator and contract management is entrusted to the respective sectional head of the PMU. The sectional heads are expected to review the deliverables and recommend the invoices based on the terms and conditions of the contract and refer any shortcoming or default contractors and suggest remedial action to the management. At present ICP data are being updated by the ICT officer based on the information provided by the Procurement unit.

**F. Contract payment monitoring review.** The project is using the IFAD template for contract payment monitoring form in line with the LTB and the forms are submitted along with the Withdrawal

Applications regularly. No procurement being on hold for reasons including unresolved issues with contractors. Rating recommended for this section is **Moderately Satisfactory (4)**.

**iv. Review of project’s procurement filing system and the ease of document retrieval**

**E. Record retention:** According to the sample files made available, all relevant documents are filed in separate folders and serially numbered in chronological order. Each file includes requisition, Bidding documents, minutes of the bid opening, bids, proposals/quotations, evaluation documents, copy of bid security, advance security guarantees, signed contracts. Recommended rating for this section is **Satisfactory (5)**.

**G. Review of issues identified in the previous procurement supervision and aide-mémoire and procurement related issues identified in project audit reports**

**H.** All agreed actions except the appointment of a Procurement co-ordinator / Consultant have been completed. The Audit report of 2020 has not been released yet and only report relating to 2019 is available. According to 2019 audit report, the delay in implementing the procurement plan was observed. According to the audit, delay in supply of tools and equipment to Smallholder societies has affected the project progress. This issue was highlighted by the previous mission too.

**v. Assessment of further procurement staff training needs**

**I.** A training secession may be arranged when the new Procurement officers are appointed for both STaRR and SAPP.

**J. Review of any significant changes in the Borrower/Recipient’s procurement system and practices**

No significant changes in procurement system and practices were observed.

**Key findings and conclusions from the PRM assessment update**

There is no need to update the PRM already made available to IFAD in March, 2021 as no significant changes were occurred during the period under review. Some temporary relaxations to the current procurement arrangements were made with regard to medical supplies due to COVID pandemic.

**Procurement performance indicator rating and justification**

Pillars	Rating	Justification
A. Review of Procurement planning	4	Processes, procedures and systems for administration, supervision and management of contracts exhibit some weaknesses. Implementation support is required; however, prompt resolution of issues/constraints is likely.
B. Process and Procedures: from prequalification to bidding	5	Processes and procedures applied exhibit minor shortcomings that have no impact on project implementation and performance.
C. Process and Procedures: from	5	Processes and procedures applied exhibit minor shortcomings



evaluation to awards		that have no impact on project implementation and performance.
D. Contract management	4	Processes, procedures and systems for administration, supervision and management of contracts exhibit some weaknesses. Implementation support is required; however, prompt resolution of issues/constraints is likely
E. Record Retention	5	The project's record retention exhibits minor shortcomings that have no impact on project implementation and performance.
Overall	5	Processes, procedures and systems applied exhibit minor shortcomings that have no impact on project implementation and performance.

vi. **Recommendations for improvement and follow-up actions for the Borrower/Recipient and/or IFAD**

a) Recommendations

Agreed Action	Responsibility	Agreed Date
1. Recruit a competent Procurement officer/ Consultant	PMU	By end of Sept,2021.
2. Update IFAD IPC/Contract Monitoring system	PMU	By end of August,2021
3. Revise the Procurement Plan to accommodate the excess expenditure on PH Meters.	PMU	By end of Sept. 2021

SN	PP Item Ref	Procurements under Goods and Non consulting services	Procurement Status	Total amount in LKR
1	5.1 Goods	Inputs (Shade nets) for self - Nurseries (NS)	Completed	2,689 659.20
2	7.1 Goods	CO3 Napier Grass from small scale suppliers – Mr. E.D.K Bandara. (NS)	Completed	2,500,000.00
3	8. Goods	Procurement of PH Meters (NCB)	Completed	5,418,420.00
4	16 Goods	Procurement of Turmeric plants under smallholder income diversification-Home gardening beyond home (NS)	Completed	2,470,200.00
		<b>Procurement of Consulting services</b>		
5	1 Consultancy	Consultant M&E(ICS)	Completed	1,650,000.00
6	2 Consultancy	Consultant Agronomist	Completed	1,800,000.00
7	5 Consultancy	Communication and Visibility	Completed	1,650,000.00
	Annexure Ref.	<b>Works – Access Roads</b>		
8	Monaragala	Dehigahalanda Road	Ongoing	2,046,301.85
9	Galle	Baharagodakanda Kontoluwawa Road	Ongoing	1,154,311.38
10	Ratnapura	Panapola STD (Access Road)	Ongoing	3,477,367.08

## Sri Lanka

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### Smallholder Tea and Rubber Revitalization Project

### Supervision Report

### Appendix 5: Mission preparation and planning, TORs, schedules, people met

Mission Dates: 11 - 24 August 2021

Document Date: 04/10/2021

Project No. 1100001731

Report No. 5876- LK

Asia and the Pacific Division  
Programme Management Department



## **Appendix 5: Mission Preparation and Planning, TORs, Schedules, People met**

### **Terms of Reference Remote Supervision Mission**

Terms of Reference for Consultants and other persons hired by IFAD to participate in missions under a non-staff contract

**COUNTRY OF ASSIGNMENT/LOCATION: Sri Lanka**

**MISSION NAME: Smallholder Tea and Rubber Revitalisation Project (STaRR) Supervision Mission**

**MISSION START AND END DATES: 14 June – 26 July 2021 (into two parts)**

**REPORT TO: Sherina Tabassum, Country Director, APR/PMD**

#### **MISSION COMPOSITION:**

**Mr Kees Blok, Mission Leader and Project Management Specialist**

**Mr Lam Do Than, Agronomist**

**Mr Daya Ratnasekera, Procurement**

**Mr XXXXXXXX, Financial Management**

**Ms Jenneth Sonntag, Gender and targeting Specialist**

**Ms Mehry Ismaili, M&E and KM**

#### **BACKGROUND:**

The Smallholders Tea and Rubber Revitalization Project (STaRR) started in April 2016 and is scheduled to close in March 2022. The total costs of STaRR amount to US\$ 65.402 million, IFAD finances US\$ 25.764 million. Tea smallholder development activities are focussed on the districts of Galle, Matara, Ratnapura, Badulla, Kandy and Nuwara Eliya. Rubber smallholder development takes place in the three districts of Ampara, Monaragala and Ratnapura. A total of 144,000 people or 32,000 households are expected to benefit from the project by engaging in more profitable, productive and resilient economic activities.

A Mid-Term Review (MTR) Mission in 2019 restructured the project. It also indicated that in terms of performance the project was 'at risk'. An implementation support mission in February 2020 observed that the Project was picking up implementation track. This was confirmed by the remote supervision mission conducted in June 2020. The project accelerated the implementation pace and the overall performance is rated moderately satisfactory. Continued progress is, however, affected by the covid-19 pandemic.

#### **Deliverables**

This supervision mission will review the performance of the restructured Project; assess its adherence to the previous supervision mission and subsequent agreed actions; address implementation constraints; and propose agreed actions to increase the likelihood of attaining STaRR development objectives at completion.

#### **INDIVIDUAL RESPONSIBILITIES, EXPECTED OUTPUTS AND REQUIRED COMPLETION DATES**

##### **Mr Kees Blok, Mission Leader and Project Management Specialist**

You will lead the mission, coordinate teamwork, and contributions to the AM and SM report according to IFAD guidelines and templates. You will also act as a specialist in rural development and institutions. Specifically, you perform the following tasks:

- Lead the team to evaluate the performance of STaRR, its progress until date and recommend actions to counteract any non-performing component/activity;
- As project management specialist, you will review the project's approach to ensure it supports better-organized small tea and rubber producers to finance, produce and market their products in a sustainable manner;
- The analysis will also examine whether overall progress adheres to the restructured project plan and shall propose any actions to improve or remedy the situation;
- Specific attention shall be given to the credit component, its general progress and the need to provide additional support to a possible fine-tuning of the approach.

### **Deliverables**

An AM and SM report that include an assessment of the STaRR's progress against the targets, the likelihood of achieving project objectives, constraints and countermeasures, as well as recommendations for the way forward until completion.

### **Mr Lam DoThanh, Agronomist**

Under the leadership of the CPM and the team leader, you will assume the role of agronomist for the development of the tea/rubber smallholders' farming systems, through integration of tea/rubber and high value crops in a meaningful manner. You will review the progress and likely achievement of the tea replanting and rubber planting and you will ensure that the appropriate practice is applied in terms of agricultural inputs, financial support, agricultural extension, including the introduction of intercropping. You will review the support rendered to the introduction of commercial crops with support from technical extension, market linkages, matching grants and the credit facility. More specifically, you will:

1. Evaluate whether the activities of small tea and rubber producers have become productive, profitable and resilient, thereby increasing smallholders' productivity and incomes;
2. Identify implementation constraints regarding agricultural inputs and project support and recommend countermeasures;
3. Identify opportunities for intercropping and other practices that can offset and increase producer incomes during the replanting period; and
4. Evaluate the introduction of innovative tea re-planting practices in STaRR and their impact on the attainment of the final goal;
5. Review the progress in mobilising carbon credits for the rubber planting communities.

### **Deliverables**

Written contributions on the STaRR Tea and Rubber Development Components in the mission AM and the supervision report.

### **Mr Daya Ratnasekera, Procurement Specialist**

You will be responsible for undertaking the procurement review, which should address the following guiding questions and issues: is access to all procurement transactions and documentations of the period available during mission; provide a brief description of the review of the procurement actions according to the following aspects - structure of the Procurement Unit, Procurement Plan, Procurement Initiation, Terms of Reference/Specifications, Solicitation documents, Procurement Processes/methods, Contract Drafting, Contract Awards, Record Keeping, Contract Management, Asset Management and any procurement on hold including unresolved issues with contractors; describe in detail if there are any issues of non-compliance in any of the procurements completed or in progress.

Specifically, you will also be tasked with the following:

- Summarize main progresses, issues and constraints in the current procurement process of the project including use of NOTUS and/or bottlenecks;
- Review bidding documents (goods, works, and services) and bid evaluation reports prepared by the projects to ensure quality control;
- Undertake spot checks of procurement related documentation of projects;
- Review quality and progress in implementation of the procurement plan; provide guidance for updating the procurement plans (in conjunction with the AWPB) as required;
- Assess the procurement capacity of the Implementing Agencies and Projects as may be necessary;
- Undertake performance checking of projects on procurement, contract management, disbursement, and safeguards and preparing score cards;
- Identify means for streamlining and improving existing procurement processes to ensure consistency and measures to minimize malpractices during bid submission.

### **Deliverables**

Written contributions on the STaRR Procurement Section in the mission AM and the SM report.

### **Ms. Ngoc Lan Chi Nguyen, Financial Management Specialist**

You will be responsible for undertaking the financial management review of the project and in particular the following aspects:

- Based on the financial reports prepared by the project<sup>1</sup>, review the financial performance by expenditure category and component to assess the project's overall financial performance to date

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<sup>1</sup> as per the formats of Appendix 5 in the Aide-Memoire

against (i) appraisal and (ii) approved AWPBs since project start. Review the cumulative status of funds by category of expenditure, approved AWPB and the project commitments (contracts signed not paid) in order to estimate the adequacy of funds and the potential need for category reallocations. Summarize the reasons for significant variances between expected and actual disbursement rates. Identify actual or potential problems and bottlenecks.

- Review the financial execution of the current AWPB and obtain from the PIU explanations for significant budget-to-actual variances. Comment on the project's budget monitoring system.
- Discuss the status of preparation of the annual financial statements (if relevant for the period). Validate the latest IFR, if applicable.
- Review availability of counterpart funds (government and beneficiaries), identifying bottlenecks if any. Verify that the value of in kind contributions from government and beneficiaries, if any, are estimated and recorded by the project.
- Assess regularity of WA preparation<sup>2</sup>. Recommend concrete measures to ensure faster and more efficient disbursements. Review SOEs prepared since the last field review<sup>3</sup> to verify adequacy, completeness and validity of claims by selecting on a sample basis expenditure items from each category of expenditures and performing a system 'walk-through'<sup>4</sup>. Document findings on individual SOE items, noting down any ineligible expenditures. Provide recommendations on any internal controls weakness noted. Assess the adequacy of the project's filing of financial records<sup>5</sup>.
- Assess the project's treasury planning; analyse adequacy of DA authorised allocation, with respect to projected expenditure requirements.
- Review functionality of accounting and financial reporting system, identify accounting standards used and report differences with IFRS/IPSAS. Assess timeliness of recording transactions, budget posting and reconciliations. Assess suitability of the chart of accounts.
- Gain an understanding of the accounting system and specify accounting software used, whether software produces WAs and other automated reports, and whether budget posted; comment on required customisations if any<sup>6</sup>. Assess financial staff ability to operate accounting system, comment on training requirements if any.
- Describe banking arrangements. Review the operation of the project's designated and other accounts to ensure that the bank reconciliations and DA account reconciliations are correctly prepared on a monthly basis. Validate the closing balances from copies of the bank statement and clarify the status of the reconciliation items (if any). Note down any pending payments and withdrawal applications still not paid by IFAD.
- Review contractual and payment procedures<sup>7</sup>; check contract register, usage of contract monitoring forms, register of advances; highlight outstanding advances (ageing analysis); verify compliance with audit requirements foreseen in contracts/ MOUs, if applicable
- Review the financial situation of field offices and implementing partners/service providers, if any (advances issued vs. expenditure justified), as well as the quality and regularity of financial returns submitted to the PIU.
- Review project's administrative management procedures related to personnel, travel, vehicles/fuel and IT. Review asset accounting and management procedures; maintenance of fixed asset register; inventory processes and latest inventory report.
- Review and follow up on ineligible expenditures as needed.
- Identify financing agreement covenants and verify project's compliance.
- Describe internal audit arrangements including reporting lines, methodology/procedures, audit work plan and status/follow up on past recommendations; review IA reports [if the Borrower is willing to share them], describe findings;

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<sup>2</sup> WAs should be based on 30% of the advance to the DA or three months of expenditure, whichever comes first

<sup>3</sup> Appending IV of IFAD's guidance note for FM @ supervision. The SOE forms should be used to test the audit trail from AWPB through to payment.

<sup>4</sup> As part of this exercise, the FMS should trace each selected item through the whole audit trail: i) part of the approved AWPB and procurement plan, ii) IFAD non objection (if applicable), iii) Contract/invoice, iv) duly authorized purchase order, v) Accounting software ID number (transaction inserted in the accounting software), vi) verification (documentary and if possible physical) of evidence as applicable that works have been completed, /goods delivered/ services rendered in accordance with the contract, vii) verification of payment (bank statement/cash book) and viii) project assets duly reflected in the fixed asset register.

<sup>6</sup> to contractors, service providers and implementing partners

<sup>5</sup> IFAD's General Conditions require accounting records to be maintained for at least ten years after Project Completion Date, in a format and manner which will facilitate audit review as required.

<sup>6</sup> If the software has never been assessed, the IFAD Accounting Software Evaluation Questionnaire should be completed if possible.

<sup>7</sup> to contractors, service providers and implementing partners

- Review latest external audit report and project's audit log, assess status of implementation of management letter recommendations. Verify status of preparation of upcoming audit and make recommendations as appropriate for extending the scope of audit to specific implementing entities, physical checks, performance audit, transaction list or other;
- Review action taken to address recommendations of previous FM-related mission.

### **Ms Jenneth Sonntag, Gender and Social Inclusion Specialist**

You are responsible to review and contribute to the targeting practices of the Project. This includes rating the performance of the Project on related aspects as well as exploring ways to enhance the inclusion of rural poor, women, youth and other special target categories.

Specifically, you will also be tasked with the following:

- Assess the degree to which the Project succeeds in reaching out to its target group through each of the three components;
- Assess how well the M&E systems reflects the success or failure of targeting;
- Promote inclusion of targeting measures in the communities the Project is working with;
- Assess whether the Project exit strategies maintain a similar, or better, spirit of inclusiveness

### **Deliverables**

Written contributions on the sections on targeting, gender and social inclusion in the mission AM and the SM report.

### **Ms Mehry Ismaili, M&E and KM KM**

You will be responsible for reviewing the efficiency and effectiveness of KM and of the M&E system and reporting mechanisms, including the quality of the reporting. Specifically, you will be tasked with reviewing and providing guidance to the PMU, on the preparations required, and the quality expected for effective M&E reporting and results management.

You will be tasked with the following:

- Review the LogFrame, the targets and progress reporting contained therein and ensure it correctly and fully reflects the Project's achievements
- Review the draft AWPB and the targets and progress reporting contained therein and ensure it correctly and fully reflects the Project's achievements;
- Assess and review the current M&E system in place (including responsibilities, arrangements, compliance across project actors), especially its effectiveness in capturing bottom-up information/ data for reporting and as a management tool, and more especially vis-à-vis results measurement for impact (outcome and towards impact level monitoring and reporting);
- Advise on the Management Information System and the choices to be made for completing the development of a single dedicated system for the Project;
- Review the Project's reflections on the M&E system and the lessons learnt from this;
- Review and guide the development of knowledge products for use within (replication of good practices) and outside (reflections on national policies and approaches) the Project
- Assess the quality of M&E systems and reporting, and provide guidance to the PMU for improved reporting;

### **Deliverables**

- Written contributions on the sections on M&E and KM in the mission AM and the SM report.

### **DOCUMENTATION**

**The following documentation will be made available to consultants prior to the assignment:**

Financing Agreement  
 Project Design Report, President's Report and Addendum  
 Supervision Mission reports  
 MTR report 2019  
 Implementation Support Mission report 2020  
 Supervision mission report 2020  
 Baseline Survey  
 2021 AWPB and PP and draft revisions thereof  
 Updated physical and financial progress report from the PMU  
 Latest updated Logical Framework



## Schedule and interactions of Remote Supervision Mission

<b>Date and Time</b>	<b>Mission member/s</b>	<b>Programme</b>	<b>Responsible person /s at STaRR</b>	<b>Parties involved with the discussion</b>
<b>Aug.11, Wednesday</b>				
11.00 – 12.30	CD, Kees and other mission members	<ul style="list-style-type: none"> <li>Brief objectives of the mission by CD</li> <li>Presentation of project implementation</li> <li>Discussion on matters arise from the presentation</li> </ul>	Project Director	PMU team members and the consultants
12.30 – 13.00	CD, Kees and other mission members	<ul style="list-style-type: none"> <li>Courtesy meeting with Hon. Minister of Plantation and Hon. State Minister of the Plantation, Secretary of Ministry of Plantation and Secretary of State Ministry of the State ministry ( This time may be changed and will be confirmed before 3 days starting the mission)</li> </ul>	Project Director ( PD)	GIS and MIS Officers
13.30 – 17.30	CD, Kees and other mission members	<ul style="list-style-type: none"> <li>Discussion on the self-assessment report and the agreed actions of previous SM in 2020 and ISM in March, 2021</li> <li>Discuss if any changes to the mission programme</li> </ul>	Project Director	PMU team members and the consultants
<b>Aug.12, Thursday</b>				
10.30 -12.30	CD, Kees,	<ul style="list-style-type: none"> <li>Discussion on project extension , consequences of COVID 19 Pandemic 3<sup>rd</sup> wave to the project implementation, and revision to the AWPB, and other matters of the project management (e.g. matters arising from M&amp;E, finance and procurement review)</li> </ul>	Project Director	
10.30 – 12.30	Jeneth	<ul style="list-style-type: none"> <li>Discussion on Status of Gender and Social Inclusion strategic paper</li> </ul>	Capacity Building, Human Resource and Gender Coordinator ( CBHR & GC)	
10.30 – 13.00	Lam	<ul style="list-style-type: none"> <li>Status of Tea replanting Plan and rubber new planting Plan, Tea Input Nurseries, Tea plants and budded rubber plants required for tea replanting and Rubber new Planting, new technologies introduced to Tea replanting, issues and solutions</li> </ul>	Public Private Partnership Coordinator (PPPLC) / , Institutional Development Coordinator ( IDC)	Consultants Agronomist and Environment & Social Safeguard

13.30 – 14.15	Kees, , Lam	<ul style="list-style-type: none"> <li>Status of Matching grants ( intercroops and home garden programme, IG activities ) , status of Rural Credit prog. Issues and solutions</li> </ul>	Public Partnership Coordinator / Business Dev. Officer -PMU	Private Agronomist and Environment & Social Safeguard
14.15 – 15:15	Kees, , Lam	<ul style="list-style-type: none"> <li>Discussion on M&amp;E matters, KM activities, Visibilities of project activities and development of MIS. Attention to review outcomes</li> </ul>	M& E Consultant, MIS and GIS Officers, Communication consultant	MIS consultant, IDO
15:15 – 16:30	Kees, Chi Nguyen (if still available)	<ul style="list-style-type: none"> <li>Discussion on status of AWPB and any revision required, Annual Audit Report, and other finance matters. Attention to review outcomes</li> </ul>	Finance Manager (FM)	PA and Finance team
16.30 – 18.00	Kees ,	<ul style="list-style-type: none"> <li>Status of Infrastructure development and Capacity building of Tea and Rubber Societies</li> </ul>	Capacity Building, Human Resource and Gender Coordinator	PD, IDC, IDO
18.00 – 19.00	Kees, Kisa M Falila	<ul style="list-style-type: none"> <li>Discussion on ESMP</li> </ul>	PD, Consultant, Environment and Social safeguard	Consultants Agronomist, M&E, GIS officer
<b>Aug.13, Friday</b>				
10.30 – 11.30	Kees, Lam	<ul style="list-style-type: none"> <li><b>Meeting with DPMU-Rathnapura;</b> on Status of Tea replanting Plan (Soil rehabilitation, Tea replanting and Input nurseries)/ New technologies / Intercrops / Home Garden / Level of technical extension services receiving from TSHDA and technical services from TRI and other Gov. institution ( Export Agri. Dept., DOA etc). Issues and solutions</li> </ul>	District Manager Community Development Officer ( CDO) - Rathnapura	Project (DPM), MIS and GIS Officers
11.30 – 12.00	Kees, Lam	<ul style="list-style-type: none"> <li>Call to beneficiaries who have replanted under SQI- Thanabela Tea Society</li> </ul>	DPM-Rat'pura, Field Animator, Consultant	IDC, Consultant Agronomist and Environment
12.00 – 12.30		<ul style="list-style-type: none"> <li>Call to a beneficiary who has improved Tea Input Nursery into Commercial Nursery – Madampe Tea Society</li> </ul>	DPM-Rat'pura, Field Animator	
12.30 – 13.00		<ul style="list-style-type: none"> <li>Call to a Compost fertilizer producer in Kempanawatte Tea Society. (As per the government decision taken to ban chemical fertilizer in June, 2021, and to promote bio fertilizer, project motivated beneficiaries to produce bio fertilizer)</li> </ul>	DPM – Rat-pura, Field Animator- Upul	

14.00 – 14.45	Kees, Lam	<ul style="list-style-type: none"> <li>• <b>Meeting with DPMU- Galle;</b> on status of project implementation, success stories, challenges/solutions, level of obtaining technical extension services from TSHDA, and technical services receiving from TRI, and other institutions</li> </ul>	DPM, CDO of Galle	PD, IDC, PPPLC, Consultant Agronomist and Environment, MIS and GIS Officers
14.45 – 15.15	Kees, Lam	<ul style="list-style-type: none"> <li>• Call to Green leaves collection and Marketing center at Opatha Tea Society improved under STaRR ; Project inputs, functions, benefits to beneficiaries</li> </ul>	DPM, CDO of Galle	PPPLC, BDO-PMU, Agronomist
15.15 – 15.45	Kees, Lam	<ul style="list-style-type: none"> <li>• Call to Green leaves collection center started with Halwitigala Tea Factory (a Jhon keels Subsidiary)</li> </ul>	DPM,- Galle, FA, Manager of Halwitigala Tea Factory	PPPLC, BDO-PMU, Agronomist
15.45- 16.15	Kees, Lam	<ul style="list-style-type: none"> <li>• A discussion with beneficiaries who have replanted tea under SQI in the 25 acres of lands qualified in one place, Panangala Tea Society</li> </ul>	DPM, CDO, FA, TI, SQI- Consultant	IDC, Agronomist,
16.15 – 17.00	Kees, Lam	<ul style="list-style-type: none"> <li>• Call to beneficiaries who have replanted under CO3 soil rehabilitation first time in the history of tea replanting in the country</li> </ul>	DPM, FA, TI	IDC, Agronomist
<b>Aug. 14, Saturday</b>				
10.30 – 11.15	Kees, Lam	<ul style="list-style-type: none"> <li>• <b>Meeting with DPMU-Mathara;</b> on status of project implementation, success stories, bottlenecks, consequences of 3<sup>rd</sup> wave of COVID 19 Pandemic and suggestions to overcome issues and gaps created from COVID, and level of obtaining required services from TSHDA, TRI, and other service providers and supports of the stakeholders such as District Secretary, Divisional Secretaries, Dept. of Agriculture, etc.</li> </ul>	DPM, CDO –,	PD, IDC, PPPLC, Consultant , Agronomist and Environment , MIS and GIS Officers
11.15 – 11.45	Kees, Lam	<ul style="list-style-type: none"> <li>• Discussion with office bearers of a model society, Makuluhena tea society</li> </ul>	DPM, BDO- Mathara, FA,	CBHRC, IDC, PPPLC, Consultant Agronomist and Environment
11.45 – 12.15	Kees, Lam	<ul style="list-style-type: none"> <li>• Discussion with Puwakbadowita Tea society; replanted Jumbo tea plants , plucking of green leaves started from replanted beneficiaries under STaRR, Input tea nursery enhanced up to a commercial tea nursery..</li> </ul>	DPM, BDO- Mathara, FA,	IDC, PPPLC, Consultant Agronomist and Environment
12.15 – 12.45	Kees, Lam	<ul style="list-style-type: none"> <li>• Call to Derangala Tea Society; Intercrops and</li> </ul>	DPM, BDO- Mathara,	PPPLC, Consultant

		Home garden activities are going on	FA,	Agronomist and Environment
<b>13.30 – 14.00</b>	Kees, Lam	<b>Meeting with Kandy DPMU</b> ; on status of project implementation, success stories, challenges, consequences of COVID 19 Pandemic for the implementation of project, level of obtaining required services from TSHDA, TRI, and other service providers and supports of the stakeholders such as District Secretary, Divisional Secretaries, Dept. of Agriculture, etc. and solutions to identified issues/challenges	DPM, CDO of Kandy DPMU,	PD, PPPLC, IDC, Consultant Agronomist and Environment, MIS and GIS Officers
14.00 - 14.45	Kees, Lam	<ul style="list-style-type: none"> <li>Discussion with the office bearers of Model society , Watakele Tea Society ; Active members and maintaining records properly, built up market linkages with 4 tea factories and supply tea green leaves, Vanilla cultivation, enhanced 2 tea input nurseries up to Commercial nurseries,</li> </ul>	DPM, CDO of Kandy, FA,	PPPLC, CBHRC, Consultant Agronomist and Environment
14.45 – 15.30	Kees, Lam	<ul style="list-style-type: none"> <li>Discussion with poor beneficiaries of Werapitiya Tea Society who have started poultry and goat farming from Matching grants</li> </ul>	DPM, CDO of Kandy, FA	PPPLC, Consultant Agronomist
15.30 – 16.00	Kees, Lam	<ul style="list-style-type: none"> <li>Discussion with beneficiaries who have developed Input nurseries up to Commercial nurseries and supply tea plants to Damro Company on forward agreement</li> </ul>	DPM, CDO of Kandy, FA	PPPLC, Consultant Agronomist
<b>10.30 – 17.00</b>	<b>Other mission members</b>	<ul style="list-style-type: none"> <li><b>Continue by lateral discussions with the relevant PMU team members and consultants, coordinated by the Project secretary</b></li> </ul>	<b>PMU team members and consultants</b>	
<b>Aug. 15-Sunday – Internal discussion of the mission</b>				
<b>Aug. 16 , Monday</b>				
10.30 – 11.15	Kees, Lam	<b>Meeting with DPMU- Monaragala</b> (Rubber new planting district) ; status of implementation of rubber new planting activities , readiness for completion of new rubber planting target in Maha season, 2021, progress of matching grants ( intercrops, IG activities) infrastructure development, success stories, challenges/solutions, consequences of COVID 19 pandemic, obtaining technical extension services from RDD and services from RRI and other stakeholders	DPM, CDO	PPPLC consultant Agronomist and Environment , MIS and GIS Officers

11.15 – 11.45	Kees, Lam	Call to beneficiaries who are ready to commence tapping latex from rubber new planted lands under STaRR, in PolkotanArawa Thurusaviya Society	DPM, CDO, FA	PPPLC consultant Agronomist and Environment
11.45 – 12.15	Kees, Lam	Call to beneficiaries who have obtained support for intercrops under rubber new planting, in GonaganArawa Thurusaviya Rubber Society	DPM, CDO, FA	PPPLC consultant Agronomist and Environment
12.15 – 12.45	Kees, Lam	Call to a poorest beneficiary who is doing dairy farming, producing compost fertilizer from matching grants, Balaharuwa Thurusaviya Rubber Society	DPM, CDO, FA	PPPLC consultant Agronomist and Environment
<b>13.30 – 14.00</b>	Kees, Lam	<b>Meeting with DPMU-Amapara;</b> (Rubber new planting district) ; status of implementation of rubber new planting activities , readiness for completion of new rubber planting target in Maha season, 2021, progress of matching grants ( intercrops, IG activities) infrastructure development, success stories, challenges , consequences of COVID 19 pandemic, obtaining technical extension services from RDD and services from RRI and other stakeholders, and solutions to the identified issues/challenges	DPM, BDO	PPPLC consultant Agronomist and Environment, MIS and GIS Officers
14.00 – 14.30	Kees, Lam	Call to beneficiaries of Kehelulla Thurusaviya Rubber Society, to review NRM practices applied to new rubber plantation started in 2020	DPM, BDO, FA	PPPLC consultant Agronomist and Environment
14.30 – 15.00	Kees, Lam	Call to Madawalalanda Thurusaviya Rubber Society that has successfully solved water issue for their new rubber plantation from a water bowser under the provision of Infrastructure	DPM, BDO, FA	PPPLC consultant Agronomist and Environment
15.00 – 15.30	Kees, Lam	Call to beneficiaries of Kiriwana Thurusaviya Rubber Society who have rubber new planting under STaRR and ready to tap latex in Sep, 2021	DPM, BDO, FA	PPPLC consultant Agronomist and Environment
<b>10.30 – 17.00</b>	<b>Other mission members</b>	<b>Based on the need, continue by lateral discussion with PMU team members and consultants</b>	<b>Relevant PMU team members and consultants</b>	
<b>Aug.17, Tuesday</b>				
10.30 – 11.15	Kees, Lam	Discussion with TSHDA on providing technical extension services for the implementation of smallholder tea development component	PD, IDC	Consultant Agronomist, GIS and MIS Officers
11.15 – 11.45	Kees, Lam	Discussion with TRI on collaboration with STaRR to	PD, IDC	Consultants

		carry on new technologies such as Direct tea replanting under SQI, soil rehabilitation under CO3 Napier grass, obtaining cuttings of improved cultivars for Tea Input nurseries etc		Agronomist, SQI
11.45 – 12.30	Kees, Lam	Discussion with RDD on technical extension services receiving for rubber new planting in non-traditional areas, providing budded rubber plants to complete the target of new rubber planting in this Maha season,	PD, PPPLC	Consultant Agronomist, MIS and GIS Officers
12.30 – 13.00	Kees, Lam	Discussion with RRI on providing technical services to rubber new planting in non-traditional areas, collaboration with RRI for implementation of VCMP,	PD, PPPLC	Consultant Agronomist, GIS Officer
14.00 – 14.30	Kees, Lam	Discussion with Thurusaviya Fund on strengthening of Thurusaviya Rubber Societies formed under STaRR	PD, PPPLC,	CBHRC, IDC, MIS officer
14.30 – 15.30	Kees, Lam	Discussion with RDD of CBSL and PFIs on implementation of Rural Credit Programmes of the project	PD, PPPLC, FM	Add. Sec of MP and State ministry, Director planning of MP
<b>10.30 – 15.30</b>	<b>Other mission members</b>	<b>Further discussion with the process owners and consultants at PMU if needed, coordinated by Project Secretary</b>	<b>PMU teams and consultants</b>	
<b>Aug.18, Wednesday</b>				
12.00 – 13.00	CD, Kees and relevant mission members	Discussion with ERD officials	PD	Add. Secretaries of MP and State ministry
14.00 – 14.45	CD, Kees and relevant mission members	Further discussion with Secretary of Ministry of Plantation and secretary of state ministry of plantation	Secretary of MP	PD
14.45 – 17.00	CD, Kees and relevant mission members	Further discussion with the process owners and consultants at PMU if needed, coordinated by Project Secretary	PMU teams and consultants	PD
<b>Aug.19, Thursday</b>				
	CD, Kees and relevant mission members	Internal discussion of the mission and if need contact relevant STaRR team members and consultants	IDC, DPMS	PMU members and Consultants
<b>Aug.20, Friday</b>				
10.30 – 13.30	CD, Kees and relevant mission members	Pre- wrap up discussion with STaRR teams	PD	PMU members, Consultants, CDOs and BDOs

<b>Aug.21, Saturday and Aug. 22 Sunday</b>				
	CD, Kees and relevant mission members	Internal discussion and preparation for the wrap up meeting		
<b>Aug.24, Tuesday</b>				
14.00 – 15.00	CD, Kees and relevant mission members	Wrap up discussion	Secretary of MP, Secretary of state ministry of plantation, ADG and Director of ERD, Add. Secretaries and DG-Planning of MP and State ministry	PD and PMU team members