

Sri Lanka

Smallholder Agribusiness Partnerships Programme Supervision Report

Mission Dates: 7 November - 14 December 2022

Document Date: 09/01/2023

Project No. 2000000929

Report No. 6332-LK

Asia and the Pacific Division
Programme Management Department

Abbreviations and Acronyms

4P	Public-private-producer partnership
AEDD	Agriculture Enterprise Development Division (of Department of Agriculture)
ASM	Agricultural Sector Modernization (World Bank project)
CD	Country Director
CBSL	Central Bank of Sri Lanka
CRIB	Crédit Information Bureau Sri Lanka
EB	Executive Board (IFAD)
EOI	Expression of interest
ERD	External Resources Department
ESMP	Environmental and Social Management Plan
FA	Financing Agreement
F/PO	Farmer/Producer Organization
FRA	Feasibility Rapid Appraisal
GHG	Greenhouse Gas
GoSL	Government of Sri Lanka
IG	Incoming Generating
LoC	Letter of Credit
LPA	Lead Project Agency
LtB	Letter to the Borrower
MA	Mahaweli Authority
MAT	Maturity Assessment Tool
MIS	Management Information System
MoA	Ministry of Agriculture
MoF	Ministry of Finance
MONLAR	Movement for Land and Agrarian Reform
MoU	Memorandum of Understanding
NADeP	National Agribusiness Development (IFAD programme)
NSC	National Steering Committee
NO	No Objection
NRM	Natural Resource Management
P/FO	Producer/ Farmer Organization
PFI	Participating Financial Institution
PIM	Programme Implementation Manual
PMU	Programme Management Unit
RDD	Regional Development Department
SAPP	Smallholder Agribusiness Partnerships Programme
SHF	Smallholder Farmer
SLA	Subsidiary Loan Agreement
SM	Social Mobilisers
SME	Small and/ or Medium Enterprise (private sector)
SP	Service Provider
TA	Technical Assistance
ToT	Training of Trainers
WA	Withdrawal Application
WFP	World Food Programme

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 Agribusiness Partnerships Programme	Climate Risk Classification:	Moderate
Project ID:	2000000929	Executing Institution:	Presidential Secretariat-Sri Lanka
Project Type:	Rural Development	Implementing Institutions:	Presidential Secretariat-Sri Lanka
CPM:	Sherina Tabassum		
Project Director:	Yasantha Mapatuna		
Project Area:	National		

Approval Date:	10/04/2017	Last audit receipt:	28/09/2022
Signing Date:	26/06/2017	Date of Last SIS Mission:	14/12/2022
Entry into Force Date:	26/06/2017	Number of SIS Missions:	11
Available for Disbursement Date:	12/10/2017	Number of extensions:	0
First Disbursement Date:	16/10/2017	Effectiveness lag:	2 months
MTR Date:	29/06/2020		
Original Completion Date:	30/06/2023		
Current Completion Date:	30/06/2023		
Financial Closure:	not available yet		

Project total financing

IFAD Financing breakdown	IFAD	\$33,700,000
	IFAD	\$14,521,652
	IFAD	\$6,178,348
Domestic Financing breakdown	National Government	\$19,359,000
	Private sector local	\$16,967,000
	Domestic Financing Institutions	\$9,821,000
	Beneficiaries	\$4,494,000
Co-financing breakdown,		
Project total financing:		\$105,041,000

Current Mission

Mission Dates:	7 November - 14 December 2022
Days in the field:	4 days
Mission composition:	Sherina Tabassum Country Director and Mission Leader; Donald Greenberg, Team Leader and Rural Finance specialist; Elizabeth Ssendwala, IFAD Project Technical Lead and Farm Organization and Targeting Specialist; Anura Herath, Economist (remote); Bodhi Wanniarachchi, Business Development Specialist; Mehri Ismaili, M&E and KM specialist; Pratul Dube, Procurement Specialist; Amit Arora, Financial Management Specialist; Gianluca Gondolini, Environment and Climate specialist (remote)
Field sites visited:	Galewella, Dambublla, Wellimada, Keppetipola, Ella, Nuwara Elya

B. Overall Assessment

Key SIS Indicator #1	∅	Rating	Key SIS Indicator #2	∅	Rating
Likelihood of Achieving the Development Objective		4.27	Assessment of the Overall Implementation Performance		3.83

Effectiveness and Developmental Focus		4	Project Management		4
Effectiveness		4	Quality of Project Management		4
Targeting and Outreach		5	Knowledge Management		5
Gender equality & women's participation		5	Value for Money		4
Agricultural Productivity		3	Coherence between AWPB and Implementation		4
Nutrition		4	Performance of M&E System		4
Adaptation to Climate Change		4	Social, Environment, and Climate Standards requirements		4

Sustainability and Scaling-up		5	Financial Management and Execution		4
Institutions and Policy Engagement		4	Acceptable Disbursement Rate		2
Partnership-building		5	Quality of Financial Management		4
Human and Social Capital and Empowerment		5	Quality and Timeliness of Audit		3
Quality of Project Target Group Engagement and Feedback		4	Counterparts Funds		4
Responsiveness of Service Providers		5	Compliance with Loan Covenants		4
Environment and Natural Resource Management		4	Procurement		4
Exit Strategy		5			
Potential for Scaling-up		4			

Relevance		5
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C. Mission Objectives and Key Conclusions

Background and Main Objective of the Mission

1. The USD 105 million Smallholder Agribusiness Partnerships Programme (SAPP), including an IFAD loan in the amount of USD 33.7 million, was approved by IFAD's Executive Board in April 2017 and entered into force 26 June 2017. The programme completion and closing dates are 30 June 2023 and 31 December 2023 respectively. The original lead programme agency was the Presidential Secretariat but subsequent to elections in 2019 it is now the Ministry of Agriculture (MoA). In September 2017, the IFAD EB approved the first additional financing (USD 6.2 million) and in December 2018, the EB approved a second additional financing (USD 14.5 million) that entirely filled the financing gap. In total, IFAD has allocated USD 54.4 million to SAPP through the first loan and two additional loans over six years.
2. The programme development objective is to sustainably increase the incomes and quality of diet of 57,500 smallholder households involved in commercially oriented production and marketing systems. The main target subgroups are:
 - 35,000 new rural household producers (owning less than 1 ha of land and relying on agriculture for at least 50 per cent of their household income) that will benefit from increased livelihood opportunities through their engagement with public-private-producer partnerships (4Ps)– this includes 4,000 households organized in 70 farmer/producer organizations (P/FOs);
 - 20,000 households already participating in 4P schemes established under the NADeP programme that will benefit from SAPP continued support in the form of seasonal working-capital loans; and
 - 2,500 poor youth supported to become entrepreneurs, responding to demand for products or services generated along the value chain and complementing the 4Ps.
3. This IFAD and Government of Sri Lanka (GoSL) Supervision Mission (SVM) for SAPP took place from 7 to 18 November 2022. The main objectives of the mission were to (i) assess the programme implementation progress; (ii) review progress against the 2022 AWPB and procurement plan; (iii) review the GoSL request to IFAD to extend the project completion date by two years to 30 June 2025 and reallocate USD10 million of SAPP project funds to import fertilizer; and (iv) propose any agreed actions to increase the likelihood of attaining SAPP development objectives at completion.
4. The mission conducted field visits with 4P, Youth, and IGL activities and beneficiaries in five districts of Sri Lanka, including Matale, Polonnaruwa, Anuradhapura, Badulla, and Puttalam. Working sessions were held in Colombo with key SAPP partners, including 4P promoters, PFIs, SAPP service providers, and key players in the GoSL fertilizer import program including the Asian Development Bank, World Bank, and FAO. A SVM meeting addressing the fertilizer import request was held on 14 November, chaired by MoA Secretary Gunadasa Samarasinghe, with the participating of ERD, NPD, key departments of MoA. The final wrap-up meeting was held remotely on 14 December 2022 by Mr Sampath Manthrinayake, Additional Director General of the Department of the External Resources, Ministry of Finance. in Colombo.

Key Mission Agreements and Conclusions

5. The SVM notes the continued slow rate of SAPP disbursements, which are now cumulatively at 45%, while the programme life is 87% completed, with 8 months before the SAPP completion date of June 2023. The project had made good progress in disbursements in 2021, as it emerged from the impacts of the COVID-19 pandemic, only to face serious obstacles in implementation due to the political crisis in the quarters (Q) 2 and 3 of 2022 and the ongoing economic crisis that began March of 2022, described in more detail below.
6. In order to reach end of programme disbursement level for IFAD funds, SAPP will have to disburse USD 4.21 million on average every month from November 2022 to June 2023 (USD 3.6 million for Component 1, USD 165 thousand for Component 2, and USD 440 thousand for Component 3). At the current exchange rate, this is about LKR 1,525 million disbursement per month. Under current conditions, this is unlikely to be achieved. At the same time, it is important that funds continue to flow to the field level to safeguard, leverage and sustain the investments already made in the ongoing 4Ps.
7. **GoSL request for reallocation of SAPP funds for fertilizer imports.** Due to the severe shortage of foreign exchange, the 2021 ban on chemical fertilizer imports, and subsequent global price escalations due to the Ukraine war, the country has endured a severe shortage of fertilizer, which has caused yields of rice, maize, other field crops, and plantation crops to drop by approximately 50%. The GoSL has requested development partners to repurpose project funds for fertilizer imports, and there has been a strong response from the partners with the largest sums coming from the World Bank and Asian Development Bank. Most of the needs for paddy cultivation of the current Maha (2022) and coming Yala season (2023) appear to have been met.
8. SAPP management had been informed of the intention of the GoSL to request reallocation for fertilizer imports, and had prepared a proposal in which USD 10 million of additional fertilizer imports would be distributed to existing SAPP beneficiaries. The mission reviewed this proposal and concluded that this particular proposal was neither practical (requiring painstaking renegotiation and approval of 36 4P agreements) nor desirable (at least half of existing SAPP beneficiaries were not seriously impacted by the fertilizer shortages).
9. The mission, after a round of consultations with the GoSL and key development partners, and after detailed discussions with the PMU, concluded that if IFAD were to agree to this request, the best means of implementation would be for the project to develop one or two large 4P projects focused on the production of maize. In brief, the rationale for this conclusion follows:
 - **Maize is an important cash crop for tens of thousands of smallholders, and is an essential ingredient for livestock feed.** Due to the disastrous 2021 harvest due to the lack of fertilizer, and a lack of foreign exchange for imports of other inputs, maize prices are currently about USD 0.65/kg (compared to global prices of less than USD 0.30/kg).
 - **Maize has not been considered to date in planning fertilizer imports, which have targeted to the most urgent need,**

paddy production of rice, the staple food of Sri Lanka. As noted earlier, GoSL and development partners informed the mission that planned and existing imports are likely to be adequate for paddy for upcoming Yala (April 2023 planting) and Maha (September 2023 planting) seasons. Maize is primarily a Maha crop, grown mostly in the dry areas of Sri Lanka, which gives SAPP ample time to prepare (assuming an extension request is granted by IFAD, discussed below).

- **SAPP has successful experience working with the maize value chain, which is a private sector crop, with no history of GoSL support.** SAPP currently has three 4Ps in the maize value chain covering approximately 10,000 smallholders, plus an additional 3,000 maize farmers supported through the agribusiness income generating loans.
 - **The GoSL, at the discussions held at MoA, indicated their support for SAPP's focus on supporting the maize value chain.** This view is also shared by the key development partners that are financing fertilizer imports. All parties agree that importation of hybrid maize as well as fertilizer is essential, as the country normally produces only a fraction of its maize seed requirements domestically. Although there is a crash program by the MoA to produce hybrid maize seed locally in the upcoming Yala season, this would provide at most 30% of the seed requirements.
10. The mission therefore recommends that the PMU urgently focus on developing one or two large maize resilience 4Ps with the following points of consideration:
- Review the SAPP portfolio, and identify any urgent fertilizer needs of the existing 4P and youth cluster farmers, including maize, but also other crops as soy, groundnuts, bananas etc. For those 4Ps, the 4Ps should be restructured to provide for their upcoming fertilizer needs in 2023. This is to ensure that all *existing* SAPP beneficiaries that were seriously impacted by the fertilizer crises are supported.
 - Prepare an EOI for maize resilience 4P proposal(s), which would include the importation of USD10 million of fertilizer (most likely some combination of urea, triple super phosphate, and muriate of potash) and hybrid maize seeds, with the 4P promoter providing a guaranteed market for the maize grain produced by farmers. The 4P would include training already been done by SAPP in current 4P projects on maximizing impact of fertilizer by supplementing farmer produced organic material (The MoA is promoting a 70%/30% mix of chemical fertilizer to farm produced compost). The preliminary rough estimates are that this level of fertilizer and seed imports would cover approximately 12,000 hectares of maize production, benefitting approximately 15,000 smallholders. The fertilizer and seed would be provided on a matching grant basis, using the normal SAPP procedures. The PMU believes, based on experience to date, that there would be sufficient promoter interest in participating in the new maize resilience 4Ps.
 - Recruit a maize resilience 4P service provider to assist with the beneficiary identification (following SAPP targeting guidelines), negotiation of 4P agreement details, import specifications, distribution, monitoring and evaluation. FAO is one possible choice as a service provider, as they are currently providing support to the EU and bilateral donor financed fertilizer imports.
 - Procure fertilizer. This can be done by the PMU directly, or under the direct supervision of the PMU through an MoU with the appropriate MoA department, or through an MoU with one of the two state fertilizer companies. Procurement of hybrid maize seed may be done directly by the PMU, or through the same channels as fertilizer imports.
 - Arrange for final distribution to the farmer using the network of 566 MoA Agrarian Service Center (ASC) warehouses distributed across the island. The distribution can be done by the importer, or the two state fertilizer companies, or other appropriate option. The ASCs have long experience in successfully distributing fertilizer on a targeted basis to smallholders.
 - Monitoring of distribution undertaken by the ASCs and farmer utilization will be provided by a combination of the recruited maize resilience service provider and SAPP field staff.
11. The mission further recommends that IFAD provide implementation support to assist the PMU with the development of the maize 4Ps and selection of the service provider.
12. **Request for two-year extension of SAPP to 30 June 2025.** The cabinet memo and supporting annex of September 2022 provided detailed guidance for achieving project targets by June 2025. The mission reviewed the guidance and found that it largely incorporates the recommendations of earlier SAPP supervision and support missions, with additional suggestions that are both relevant and practical.
13. SAPP has already largely achieved its *outreach* targets in terms of 4P agreements signed and beneficiaries identified. Implementation and disbursement has lagged for a number of reasons, including the COVID-19 pandemic, the GoSL decision to ban chemical fertilizers in 2021, and since March 2022, the country's serious economic crisis. With the major exception of the current economic crisis, all of the other factors hindering disbursement have been largely rectified. And there are reasons to believe that the current economic situation, although dire, has stabilized. The USD/LKR exchange rate has been steady for the past three months, anticipating a successful negotiation with the IMF for balance of payments support.
14. The PMU has carried out projections for expenditure to be incurred for the next eight months until 30 June 2023, and if these projections are fully achieved USD 12.77 million will be utilized. This will increase the disbursement to about 59% of the original allocation (currently at 36%). Very encouragingly, the SVM found in its meetings and visits with beneficiaries, 4P promoters, and banks that there is a strong desire to continue with the 4P sub-projects, despite the harsh economic climate and slow delivery of grants and loans.
15. The SVM therefore recommends that the GoSL extension request be submitted through the appropriate formal process of IFAD clearance, with the following suggested parameters:
- The project be extended 24 months to 30 June 2025, which will provide sufficient time for the orderly and complete implementation of the 36 existing 4Ps, as well as for completion of the proposed new maize resilience 4Ps.
 - Reallocate the budget required from the consultancy/training category to the matching grants category. The total amount requirement to allocate between these budget categories is approximately USD 6 million. This would then provide enough funds in the matching grants category to allow for US USD 10 million fertilizer and seed imports, as well as complete all ongoing and targeted 4P and youth projects.
 - Update the logframe and develop a new EFA that would incorporate an analysis of the estimated additional 15,000

beneficiaries that would be covered by the maize resilience 4P.

16. Taking the above in consideration, the PMU to develop a workplan for the 24 month extension period for IFAD review. This workplan should consider the cabinet memo guidance as well as the recommendations of this and previous SVMs. In developing this workplan, the PMU should carefully consider what management support/decisions, including short or long term management advisory support may be required to achieve completion of existing 4Ps, youth projects, rural finance activities, as well as the new maize resilience 4P(s).

D. Overview and Project Progress

17. **Background and theory of change.** The theory of change of SAPP is based on the premise that a market-driven approach will best help smallholder farmers to sustainably increase their income and improve their livelihoods. This is operationalized through mutually beneficial Public-Private-Producer Partnerships (4Ps) between smallholder farmers, their farm organizations, and private companies in response to market opportunities. This strategically combines public and private sector funds and advice to address smallholders' needs in terms of access to market, technology, organization and scale, good agricultural practices, and affordable credit. The innovative SAPP theory of change remains highly relevant even through the current economic crisis.
18. **Overall Performance Assessment** The overall assessment of programme implementation performance remains moderately satisfactory (4). The considerable achievement in outreach is commendable, but tempered by the slow rate of disbursement of grants and loans. Implementation has been seriously impacted by a succession of crisis, briefly outlined below.
19. **Covid-19 Pandemic.** The impact of the COVID-19 pandemic is now minimal, there are no longer restrictions on movement or association, and project activities can be implemented with only minor accommodations. There are some residual impacts on the global supply chain that have impacted imports, but these continue to ease.
20. **Ukraine conflict.** The Ukraine conflict has had global implications, with spinoffs for Sri Lanka. Most importantly for Sri Lanka, access to fertilizer has tightened, especially for potash, as Russia and Belarus are responsible for over half of global production. It is now a sellers' market, with highly volatile pricing, and vendors making offers that require acceptance within 7 days. Sri Lanka depends on Russia in many other ways; it depends on Russia for oil, sunflower seeds, and soya, and Russia is one of the three largest importers of Sri Lankan tea.
21. **The ban on imports of inorganic fertilizers and agrochemicals, including insecticides and herbicides, imposed from May 2021 and rescinded in November 2021.** The previous SVM and subsequent ISMs have analyzed this ban in more depth, which had a disastrous impact on the 2021 Maha and 2022 Yala season, and depleted any fertilizer stocks which were in the country. GoSL and development partner have estimated that yields of rice, maize, soy, groundnuts and other crops dropped by 50% as a direct result of the fertilizer ban. This had a serious impact on food security, farmer livelihoods, and foreign exchange earnings. The last minute attempts to provide organic fertilizer and encourage farmer production of compost/manure had a negligible positive impact.
22. **Economic Crisis.** The looming foreign exchange crisis flagged in the previous SVM came to a head in April 2022, when the GoSL announced that it was defaulting on foreign debt obligations, the first time this has happened in Sri Lanka's history. The causes are manifold, including the COVID-19 epidemic which caused tourism earnings to plummet, exacerbated by the self-imposed fertilizer shortages which led to massive drops in tea and other export crops, compounded by suboptimal decisions by the government to head off the crisis (e.g. attempting to prop up the value of the LKR which made exports less competitive and cut off the supply of overseas worker remittances through official channels). There are virtually no foreign exchange reserves left in the country, making imports impossible for those without access to their own sources hard currency, and this has affected even essential agricultural inputs (seeds, chemicals, fertilizer) and equipment. Along with high inflation, bank lending rates soared, with prime lending rate moving from around 10% in March 2022 to 27% at September, which if accepted by creditors and finally approved, will support Sri Lanka as it implements necessary reforms, with an overall injection of USD 2.9 billion over four years.
23. **Outputs and Outcomes**
24. **Component 1: 4P and Youth activities**
25. **Component One: Access to Commercial Partnerships (4Ps)** *This component is rated overall as moderately satisfactory (4), with strong performance on outreach and mobilization, tempered by the low rate of disbursement of grants and credit. This component includes two sub-components: (1.1) Establishing 4Ps and ancillary youth projects; and (1.2) Institutional strengthening and capacity building of FO/PO groups sponsoring or participating in 4Ps.*
26. **Establishing 4Ps and Youth Projects.** *The sub-component is rated (4) moderately satisfactory.*
27. A total of 36 4P agreements have been committed as of 30 September 2022, with two new 4Ps added since the 2021 October SVM, which are structured to support 37,445 households (107% of the original design target of 35,000 households). This includes 19,328 company-led 4P, 5,536 scale-up and 12,581 FPO-led beneficiaries. Another five 4Ps (company-led 4 and FPO-led) and three scale-up sub projects are in the pipeline targeting 6,227 beneficiaries, 48% of them with a tea infilling scale-up project. If approved and implemented as planned, the total comes to 43,672 (124% of design target). As of 30 September 2022, 24,572 grants have been at least partially disbursed and 26,445 beneficiaries have received either grant/partial grant or loan (or both) under the 4Ps. The Mission observes that promoting new 4P activities at this late stage of the project may not be feasible, and instead recommends that the PMU focus on accelerating implementation of existing 4P activities. That said, a few company-led 4Ps have been successfully completed and offer high potential for scaling-up should the project extension be approved; dairy,

OFC including maize, and vegetable are among them. The mission recommends that PMU carefully assess the feasibility of scale-up pipeline projects in anticipation of a project extension.

28. 4P Beneficiary Grant Disbursement

29. The pace of beneficiary grant disbursement since 2021 SVM has appreciably improved, with 8,586 new beneficiaries receiving at least some items in grant agreements, with a cumulative total of 24,572 beneficiaries reached as of 30 September 2022. Of total grants, 55% has gone to company-led 4P beneficiaries, 28% to COVID-19resilience 4Ps, and 17% to FPO-led 4P beneficiaries. The overall achievement against the currently agreed target of 43,000 however, remains low (57%) and disbursement in this sub-category has been USD 2.8 MN, only 27% of the allocated amount. The low disbursement is due to unanticipated price escalations which have slowed the procurement of grant items and delays in the procurement process, and management challenges. To expedite the procurement process SAPP obtained IFAD NO to apply direct payment method but this has not been utilized and thus has had no impact to-date. The SVM observes that the approval process for grant disbursement for 4Ps takes 2 to 3 weeks and recommends that SAPP re-visit and streamline the approval process to minimize delays.
30. Many 4P beneficiaries have been given financial literacy training, and skill training through SAPP, provincial Government Departments as well as promoter companies. The SVM concludes that a second round of training focusing on productivity improvement, best farming practices, and appropriate skill training on operation and maintenance of appropriate agricultural machineries should be developed for 4P farmers already in production and that have received first round of training and repeat first round of training to any who have not received any training. This training is essential as one of the exit strategies of SAPP.
31. **Farmer/Producer Organization Grants.** Each FPO-led 4P, and mature FPOs in company-led 4Ps, is entitled to a start-up support grant of up to USD 50,000. Four start-up grants (one addition since October 2021 SVM) have been disbursed to three FPOs (turmeric, traditional rice, and backyard poultry) and another nine have been approved with three already in the 2022 procurement plan. The rest are in various stages of re-evaluation due to price escalations and changes in the business plans. Per design, 70 FPOs were to be benefited through the grant with allocated USD 3.5 MN, which was revised to USD 0.9 MN when the internal target number of FPO-led 4Ps was reduced, and disbursement of this sub-category is still only 24% on revised allocation.
32. **4P Promoter Matching Credit/Grant Support.** Three matching grant/credit proposals for 4P promoters have been approved, (Ruwansiri Dairy, Friends Groundnut and Ruhunu Turmeric) and five proposals, CBL, Maliban, Kithul, Floriculture and Coffee are in development or evaluation stage. Estimated investment for this credit support stands at USD 0.2 MN, and the grant support USD 0.1 MN out of USD 0.3 MN has been allocated but none disbursed as grants or as credit.
33. **Off-farm infrastructure grants.** This category of 4P support strengthens the viability of 4Ps and enhance returns to SHFs. As of 30 September 2022, 21 4P promoters have been approved (14 FPO-led and 7 company-led) and one other proposal is pending for NSC approval, but only four have been disbursed. Investment so far for completed four proposals has been USD 0.04 MN against the total estimated investment of USD 0.3 MN. Work related to seven proposals are in development stage. Several activities of original plans have been revised (revisions due to price escalation and change of activities due to land ownership issues) and up-dated proposals have been received which are currently under evaluation.
34. As of 30 September 2022, a total of 2,484 youth have been identified for support through the youth component, 808 additional youth since 2021 SVM. Of these, only 881 grants have been disbursed or partially disbursed, recording 35% of target but a substantial improvement (134%) since the 2021 SVM. For credit, 1,529 youth received credit facility, a significant gap between grant and credit numbers. Disbursement as of September 2022 had been USD 0.4 million, only 6% achievement. PMU continue to maintain the strategy of withholding grants to youth until loans have been taken and operations begin, but the SAPP field staff closely monitoring the performance of loan recipients to expedite grant payments, and this helped improve the number of grant recipients to 928 as of 15 November 2022 with a minor change in credit recipients.
35. In addition to the design target of 2,500, SAPP requested IFAD approval to increase the target to 5,000 youth. The plan was to mobilize these youth in the following fashion. First, 1,000 youth would be mobilized through the National Youth Council of Sri Lanka (NYCSL) entrepreneurship development programs. Second, another 1,000 youth would be identified by the Mahaweli Authority of Sri Lanka (MASL), and the balance 500 through the SAPP field network (i.e. continued work in youth clusters and as part of 4P activities). The mission observes that neither NYCSL nor the MASL are in a position to provide a pipeline of bankable youth entrepreneurs suitable for SAPP. The mission recommends that the outreach target for youth remain at 2500.
36. **Institutional strengthening and capacity building of producer groups.** *This sub-component is rate moderately satisfactory (4).*
37. This sub-component supports capacity building of FPOs to become effective partners under 4P schemes, and to be able to take informed decisions about their business. Seventy FPOs were expected to be supported under 3 models: (i) private sector-led 4Ps with 20 FPOs; (ii) mature FPOs or farmer cooperatives (10) already managing sizable businesses; and (iii) incipient FPOs (40), mainly under the Mahaweli Authority of Sri Lanka (MASL) areas. In the course of implementation, several challenges have emerged arising from the weak capacities of the FPOs, and the actual number of approved FPO 4Ps is only 12.
38. SAPP has engaged 6 consultancy firms as service providers to support capacity building of FPOs through: i) mobilization, organization, and institutional strengthening of FPOs identified by the SAPP; ii) capacity building of FPOs to plan, implement and manage agribusiness effectively as per their business plans, and iii) enabling the organization to act as a business enterprise after the specified time period. Twelve FPOs have been selected for assistance under this sub-category, out of which service contracts relevant to seven FPOs were awarded. Three contracts have already been completed and other four are in progress. Eighteen-month contracts awarded far back in 2019/2020 got delayed implementation due to COVID-19and transportation issues and now scheduled to complete by 31 December 2022. The investment so far on service contracts has been USD 0.065 MN, a 50% of the total allocation. SAPP plans to award 13 contracts for support to five FPO clusters with a completion date of 30 June 2023. Close monitoring will be required to ensure completion of activities by the project completion date.

39. The approach of the FPO capacity building was firstly to assess the maturity and performance level for which, a detailed maturity assessment tool (MAT) focusing on key elements including governance, financial management, membership participation, economic services, as well representation and partnerships, used. It is expected that FPOs demonstrate over 75% maturity on completion of the capacity building exercise. Of three completed FPOs it was reported that over 82% of maturity and performance level has been recorded.
40. Lengthy interaction with six service providers during the SVM indicated that good governance, maintenance of regular financial accounting and audited accounts, development of marketing plan, and human resource development have been the major challenges of the assignment. During the limited field visit SVM observed that some FPO's still have bottlenecks to go forward, such as poor market linkages, and, one in particular, a land clearance issue which prevent granting SAPP start-up investment for infrastructure development (collection and processing centres). It was also observed that technical trainings have also been organized and conducted by SAPP and 4P partners on various topics including agronomic practices, post-harvest technology, climate adaptation technology, and financial literacy among others.
41. The SVM in 2021 encouraged SAPP to facilitate stakeholder interactions to bring promoters and producers onto a common platform for discussion as an exit strategy and SVM recognize that with the completion of on-going capacity building contracts, as scheduled by 31 December 2022, Q1 2023 would be feasible to have this workshop. With the objective of reviewing and validating the maturity assessment tool which has been used so far, SAPP has arranged a stakeholder workshop with the participation of MOA, Department of Co-Operatives, NGOs, and MSMEs to be held on 21 November 2022. The expected outcome would be to create a nationally accepted maturity assessment tool for FPOs, which is a good initiative and an important component of the SAPP exit strategy.
- 42. Component 2: Access to rural finance**
43. *This component is rated as moderately satisfactory (4), with the good performance on outreach and mobilization. The rate of disbursements increased in 2022, despite the harsh economic conditions, but still overall cumulative component disbursement remains low against targets.*
- 44. Financing of 4Ps, Youth Activities, and Income Generating Loans.** *This sub-component is rated as moderately satisfactory (4).*
45. **4Ps** A total of 12,816 loans have been disbursed to 4P beneficiaries as of 30 September 2022, an increase of 3680 loans (40%) over the 9138 loans that had been disbursed as of 30 September 2021. Loan disbursement was seriously affected by the economic crisis that ensued in March of 2022 described earlier. Of these, 10,665 (83%) are direct loans from PFI to farmer.
46. **Bulk loans to Promoters.** These are loans where a PFI makes a large loan to the 4P promoter, who in turn uses the loan funds for providing in-kind input finance to SHFs. The PFI remains responsible for the eventual repayment of the promoter bulk loan to the CBSL. To date, only one bank (People's Bank) issued a promoter bulk loan, to the Plenty Foods field crops 4P, which disbursed to 1,478 farmers (12% of total 4P loans), compared to no disbursements as of 30 Sep 2021. Despite initial interest from five PFIs, most promoter companies have not been interested in taking on the responsibilities of loan collection. Plenty Foods itself only disbursed in-kind credit to 38% of Plenty beneficiaries that received grants. Plenty were concerned about rampant side marketing that ensued after the steep escalation in crop prices.
47. **Bulk loans to cooperative and Sanasa financial societies,** This facility provides for PFIs to provide loans to rural cooperative financial associations (rural development banks) and Sanasa societies, for the purposes of on lending to 4P beneficiaries. The PFI remains responsible for the eventual repayment of the bulk finance facility to the CBSL.
48. SDB and Peoples Bank, the two most rurally focused of the PFIs, with long standing connections to cooperative societies, were initially the most active and interested in this type of bulk loans (although a third PFI, RDB has made these type of loans, but not through SAPP). To date, 636 4P farmers (5% of the total) have received loans through this mechanism from both Peoples and SDB banks, an increase of 403 loans (173%) over 30 September 2021.
49. Although overall loan disbursements are still not very high, this is a fast growing 4P loan category that has substantial potential for growth. The rural banks and Sanasa societies are much closer to the farmers than commercial banks; in fact, the farmers are members of these banks and societies. Therefore, the loan officers have a good idea of the ability and willingness of potential borrowers to repay their loan. Furthermore, their branch network is much more extensive than commercial banks, and the requirements for borrowing are typically less onerous than PFIs, and decision times and disbursement are quicker.
50. The main issue that has slowed growth in this category is that the allowed margin of 3.5% for these type loans has to be split between the PFI (1.5%) and the rural development bank (2.75%). The low margins leave little cushion to cover risk of defaults. As a result, People's Bank requires 100% cash collateral from the rural development banks. This means that the cooperative societies must have sufficient liquidity to deposit the equivalent of their own funds at People's Bank to cover the SAPP bulk loans, which restricts both the number of societies and the amount of loans. In order to open up the bulk finance program to more societies and more farmers, the SVM recommends that that measures be taken to ameliorate the situation. One option is the maximum rate charged to borrowers be based on a sliding scale based on collateral policy, where 6.5% would remain the minimum interest rate (100% cash collateral) and 12% the maximum interest rate (0% cash collateral). Another option is for the GoSL to authorize an interest rate rebate for PFIs that agree to provide loans to rural development banks at reduced or no collateral requirements.
51. SDB Bank, for its part, has now stopped disbursing bulk loans to the societies, although this appears to be a management decision in the face of mounting losses experienced in the bank's portfolio rather than any particular issue with the SAPP bulk finance program.

52. **Youth loans** A total of 1535 youth loans have been disbursed, 61% of the SAPP target of 2500 and a substantial improvement of 85% over 30 September 2021. Another 933 loans are registered with the CBSL but are as yet undisbursed; generally over half of registered youth loans eventually disburse. If this 50% conversion rate from registered to disbursed holds, 200 loans or 80% of the SAPP target will likely have been achieved in the next quarter or two. The Rural Finance team should continue to seek ways to accelerate the pace of registration of beneficiaries and disburse these youth loans.
53. **Income generating loans (IGLs).** A total of 4239 IGLs have been disbursed as of 30 September 2022, an improvement of 2589 loans (157%) since the last SVM. Despite the strong performance over the year, this is still only 35% of the newly agreed target of 12,000.
54. Nearly all of this increase has come from the bulk financing facility, as the disbursement of individual IGLs by the PFIs has been discontinued given the difficulty in ensuring targeting and impact. An additional 2411 bulk IGLs have been disbursed since the last SVM, taking the total from 97 to 2508.
55. Implementation of bulk IGLs for 2022 has exceeded expectations, and the PMU has requested that approximately LKR 210 million (~ USD 575 thousand) be moved up from the 2023 AWPB to the current 2022 AWPB. This would mean 100% disbursement of the IFAD LOC by the end of 2022, and an increase in outreach by another 1,119. The mission concurs with this request and recommends that the revised 2022 AWPB incorporating this request should be submitted for IFAD No Objection.
56. The mission observed that the impact of IGLs on recipients was largely due to the increased liquidity to rural banks, and low-cost credit for beneficiaries, but there is little in the way of upgrading or innovation that is found in the 4Ps. In some cases, however, the PMU had helped facilitate additional training from the government departments.
57. **Institutional strengthening of the financial services sector.***This sub-component is rated moderately satisfactory (4).*
58. With SAPP funding, the CBSL is developing an automated system for registration of credit beneficiaries. The purpose was to (i) link all the PFIs of SAPP with the CBSL for effective information gathering and monitoring; (ii) provide an effective and speedy service to smallholders; (iii) avoid delays by the PFIs in registering beneficiary loans; (iv) expedite the PFI refinancing process. The automated system has two phases. The first stage is system instalment at the CBSL level and linking the PFIs. The second stage is establishing linkages between the CBSL system, PFI systems, and the PMU of SAPP for the information flow. There have been serious delays in implementation, and essentially very little progress has been made since the last SVM, with only testing of Phase 1 completed. CBSL provided the mission with a revised schedule where Phase 1 will be completed by mid-January 2023, and Phase 2 completed by end March 2023. The PMU needs to ensure that this schedule is adhered to by the CBSL, given their track record to date.
59. Financial sector capacity building implementation continues to a satisfactory degree, with a number of trainings on the PFI bulk loans, ToT for the NEDA financial literacy training, and general refresher courses on SAPP credit procedures.
60. Financial literacy training for SAPP beneficiaries has been developed and is being rolled out by the service provider the National Enterprise Development Agency (NEDA) as well as by the CBSL. Year to date trainings have been provided for 420 beneficiaries. The pace of this training needs to be accelerated to ensure that most if not all SAPP beneficiaries will be covered.
61. **Component 3: Programme Management and Policy Dialogue**
62. *This Component, which incorporates programme management and policy, is rated moderately satisfactory (4).*
63. **Programme Management.** *This sub-component is rated moderately satisfactory (4).*
64. A major issue is the substantial variation between budget versus actual expenditures in the AWPBs. The overall disbursement of IFAD funds for the 2022 AWPB is only 33% at the end of October 2022, compared to 2021 AWPB disbursement which was 78%, a significant deterioration in performance.
65. In part, this is due to the massive devaluation in April of this year, where value of the LKR dropped by 70% and significantly disrupted procurement. In response, IFAD agreed to certain measures to address the obstacles of price escalation and the shortage of foreign exchange, including direct payments (discussed in the procurement section).
66. In general, however, there has been ongoing issues with budget and physical target planning and effective disbursement. One example is the management of consultancy/training category, where the PMU had not made a plan disburse over USD 6.5 million in allocations by the end of project completion. The mission also notes the lack of preparation for the SVM, e.g. the updated logframe was not provided until the second week of the mission.
67. The PMU currently has full staff strength with all key staff positions filled, and all regional staff have been recruited. With the full strength of staff both at the PMU and in the region, a higher disbursement could be expected. Although the distribution of duties and responsibilities among the key staff at the PMU and the field have been rationalized, a substantial improvement in the output delivery is not visible. As such the mission recommends that a further review of the duties of all the staff members should be carried out, to determine if duties are assigned to obtain the maximum utilization of the staff. This could result in a better reallocation of duties to expedite the output delivery withing the remaining short period of the project.
68. In addition to the management support recommended in the main Agreed Actions, the mission also recommends that all staff have monthly individual work plans linked to overall action plan and the AWPB, with a monthly review and planning process.
69. **Policy Dialogue**
70. *This sub-component is rated satisfactory (5).*

71. Previous IFAD missions have acknowledged and encouraged SAPP's contribution to the agricultural policy agenda in the areas of dairy sector development and credit/crop/livestock insurance. The PMU has completed two policy studies with stakeholder input in the area of the dairy sector and insurance policies. IFAD has reviewed the studies and endorsed the coverage, quality of the findings and the relevance to SAPP. The two stakeholders' meetings have been conducted in November 2022 and the two consultants have incorporated relevant observations in the policy reports. The final step in the process is to propose such policies to the government for incorporation in the national level policy agenda. Further, SAPP also could select some of the policy actions and implement to showcase the effectiveness of the process.
72. A study on Gender Pay Gap in Agriculture is also underway. The mission was provided a copy of the Concept Paper for the study, and was informed that the project is in the process of recruiting a consultancy for the study.

Agreed Action	Responsibility	Agreed Date
Eoi Prepare EOI for maize resilience 4Ps incorporating fertilizer and hybrid seed imports of USD 10 million	PMU, with IFAD implementation support	12/2022
Workplan for extension completion date Prepare 24 month workplan for proposed extension of SAPP to 31 December 2024. Carefully consider the needs for management support up to and during the extension period.	PMU, with IFAD implementation support	12/2022
Pipeline focus on scale up proposals only PMU to carefully assess the feasibility and to be selective on pipeline proposals, focus on scale-up of successful 4Ps (in terms of outreach and disbursement). Any approvals of pipeline proposals would have to await a decision on project extension.	PMU	12/2022
Streamline Grant approval process Re-visit and streamline the grant approval process	PMU	12/2022
Increase Bulk Loan Rural Bank disbursement by addressing the low margins available to PFIs and rural development banks One option is for a step or sliding scale system can be adopted whereby the minimum rate remains 0% (100% cash collateral required) and the maximum rate would be 12% (0% cash collateral required). Another option is for GoSL interest rebates for PFIs that agree to provide rural development bank bulk loans with reduced or no collateral.	PMU, CBSL, ERD, CBSL	12/2022
Revised AWPB Submit revised 2022 AWPB incorporating additional funds for IGL loan disbursement for IFAD No Objection	PMU	12/2022
Policy papers Submit a concise policy brief to the government to be included in the national policy agenda	PMU - BDS	12/2022
Fertilizer needs Identify urgent fertilizer needs of existing 4P and youth cluster beneficiaries, and amend 4Ps to provide fertilizer as resilience response.	PMU	01/2023
Monthly workplans Introduce monthly workplans linked to the overall action plan and AWPB, with a monthly review and planning process	PMU	01/2023

Training follow-on Consider developing another round of training specialized on productivity improvement, best farming practices, and operation and maintenance of appropriate agricultural machineries to be available to those farmers who received first round of training and to repeat first round of training to those who have not received any training.	PMU	03/2023
FPO Service Provider Platform Bring FPO service providers together onto a common platform for peer-to-peer learning and exchange	PMU	03/2023
Registration for beneficiaries Ensure that CBSL completes beneficiary registration system according to latest schedule provided.	PMU-RF w/CBSL	03/2023
Maintain Youth Outreach target at 2500 The PMU focus should be to ensure full disbursement and support to 2500 youth.	PMU	
Review the list of duties. A close review of the duties of all staff should be undertaken to assess whether the best utilization of staff time is adhered to. If required reallocation of duties should be done with a view to expediting the project output delivery	PMU-PD	

E. Project implementation

a. Development Effectiveness

Effectiveness and Developmental Focus

Effectiveness	Rating: 4	Previous rating: 4
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Justification of rating

73. Since the MTR, there continues to be good progress in programme mobilization and outreach. 36 4P agreements have been committed, structured to support 37,445 HHs (107% of the original design target).

In terms of concrete impact, due to a series of successive crisis (COVID-19, fertilizer ban, political and economic meltdown), project implementation has progressed slowly. As of 30 September 2022, 26,445 4P beneficiaries have received a partial or complete grant, or a loan, or both. More have received some technical assistance and training from SAPP, but those without loans and grants are not able to fully participate in the 4P or youth activities and thus increase productivity, household incomes, asset ownership, etc.

Log-Frame Analysis & Main Issues of Effectiveness

74. The low rate of disbursement of beneficiary loans and grants has limited the ability to achieve programme goals and objectives. The key factors accounting for these low disbursements are not due to structural problems with the design, but were primarily due to the impacts of the COVID-19 pandemic in 2020/2021, the ban on imports of chemical fertilizer in 2021/2022, and the economic and political meltdown which has left the country with almost no foreign reserves and commercial interest rates higher than 30%.

Development Focus

Targeting and Outreach	Rating: 5	Previous rating: 5
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Justification of rating

75. SAPP is national in scope and is reaching the intended beneficiaries, that is, rural household producers (owning less than 1 ha of land and relying on agriculture for at least 50 per cent of their household income); households participating in 4P schemes established under the NADeP programme. Project activities have been taken up by women and youth to reach overall targets of 40% and 20% respectively. The project is behind target in outreach in terms of actual credit access and grant disbursement, but this is due to COVID impacts in 2020 and 2021, fertilizer ban of 2021, and the economic crisis which came to a head in March

2022. Because of this, attaining design outreach in terms of actual disbursement of credit and loans to beneficiaries will not be achieved by current project completion date of 30 June 2023.

Main issues

- 76. The project is delivering on the outreach strategy through the development and approval of new 4P projects, youth activities, and IGLs. Logframe data show that 41,461 households (1,515 being female headed households) are receiving services through SAPP against 57,500 end target. To date, 36,816 4P beneficiaries have been registered, exceeding the design target of 35,000. Youth registration is 2500, which is 100% of target. Although registration of IGL beneficiaries is 5,480 or only 46% of target, implementation has increased significantly.
- 77. While the PMU had proposed to revise youth target to 5,000, it was agreed that the youth target will be maintained at 2,500. During field visits, the mission noted that some companies are offering welfare related services through their Corporate Social Responsibility initiatives.

Gender equality & women's participation **Rating: 5** **Previous rating: 5**

Justification of rating

- 78. Women participation is currently at 45% against the design target of 40%. Of the 18,917 households reached so far, 1108 are female headed households.

Main issues

- 79. SAPP has made progress on gender equality and women's empowerment through the following key areas: i) developed a gender strategy and action plan; ii) developed a training manual which is being rolled out through a ToT model; iv) project level sexual harassment policy developed; and v) analyzing gender pay gap with a view for advocacy to address women's economic empowerment at the policy level. SAPP is using awareness raising through various innovative mechanism including gender campaigns under the tagline "Change4Gender in Agriculture", and development of relevant IEC/BCC materials in local language. SAPP recognizes the need to work with men towards gender equality and women's empowerment, and has developed specific material for men under the 'MenEngage for Change4Gender in Agriculture program'. The gender training manual focuses on 7 major thematic areas, namely: Gender and Socialization, Challenging gender stereotypes, Reducing the gender pay gap, Gender division of labor, prevention of sexual harassment, access to markets, knowhow / technology and women empowerment.
- 80. During the field visit, the mission observed the impacts of the financial literacy training that is enabling beneficiaries (including women) to manage book keeping in order to track financial performance and improve their businesses. Women's economic opportunities can be strengthened, particularly under the 4Ps, by incorporating gender considerations amongst the evaluation/ assessment criteria in review and implementation of the sub-projects. While there are efforts to disaggregate programme data by gender, it is important that gender analysis is part of key policy studies and surveys conducted by the programme including annual outcome surveys.
- 81. Gender awareness campaigns coupled with leadership training has promoted women representation in the decision-making especially in the farmer organizations. Cumulatively, 810 women are recorded to be in leadership positions. Support in the form of providing machinery has gone a long way in saving women's time and reducing their workloads. That said, the team observed during the field meetings that some machinery provided through SAPP are not women friendly, and in such cases, women still have to rely on male labour, either from the household or hired labour.
- 82. In terms of human resources, SAPP has two technical staff at PMU charged with gender and 'cross-cutting' themes: i) Gender consultant; ii) Programme coordinator, cross-cutting themes, who work with Women development officers at regional level. The mission observes the need to improve training reports in order to capture issues, views and ideas that emerge during group discussions.

Agreed Action	Responsibility	Agreed Date
Capture emerging gender issues during awareness and training session Strengthen gender awareness and training reports by ensuring that key emerging issues are captured in order to promote local solutions	PMU	12/2022
Strengthen gender mainstreaming Include gender criteria in review and implementation of 4P sub-projects. Gender and social inclusion analysis embedded in key studies and outcome surveys. Promote women friendly technologies	PMU	

Agricultural Productivity **Rating: 3** **Previous rating: 4**

Justification of rating

- 83. The GoSL has requested a two year extension for SAPP, to allow for the successful completion of the 36 committed 4Ps, youth projects, and rural finance and to accommodate the USD 10 million request for fertilizer imports. The SVM concurs with this request, observing that the adverse economic and political climate from a succession of events (COVID-19, fertilizer ban, and

economic crisis) has caused serious disruption to project implementation.

Main issues

84. 4P promoters in some cases were able to advance farmers limited quantities of chemical fertilizer from their stocks, which helped mitigate losses in productivity. SAPP grant items (yet to be fully distributed) include tractors and smaller agricultural equipment such as interrow cultivators, these will help productivity especially when their fertilizer becomes more accessible to farmers.
85. Although SAPP tracks the *number* of households that report increases in agricultural productivity, there are no targets set for the level of productivity increases experienced. In any event, tracking and interpreting this would be challenging given the wide number of value chains with which SAPP engages.

Nutrition	Rating: 4	Previous rating: 4
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Justification of rating

86. Farmers experienced food shortages owing to several reasons including COVID-19 pandemic, fuel shortages, increased prices, and the ban on chemical fertilizers. SAPP has repurposed some activities to allow farmers to do home gardening. This approach was effective in supporting farmers' livelihoods as they recover from various crises. Through this adaptation, farmers have become more knowledgeable in terms of selecting nutritional crops. Key agriculture value chains supported under SAPP contribute to household nutrition.

Main issues

87. A nutrition manual has been developed and training is conducted in conjunction with other mainstreaming themes (gender, youth as well as Climate and environment). In addition, SAPP has captured the essence of the IFAD's 'Recipe for Change' campaign to divulgate how climate change is affecting the cultivation reducing the harvesting and stimulate farmers to adopt a diverse diet which contains more vegetables. Towards this, a video was developed and widely disseminated through SAPP and IFAD channels, depicting the use of available nutritious, and climate resilient crops, such as jackfruit.

Adaptation to Climate Change	Rating: 4	Previous rating: 4
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Justification of rating

88. Adaptation to Climate change is rated as moderately satisfactory with no major changes from the last (remote) supervision mission of October 2021 and the implementation support missions of March and August 2022. The project has continued to promote resilience-strengthening to climate, social, environmental shocks and stressors across the project interventions. The 36 4Ps subprojects under implementation have a high potential to contribute to enhancing the adaptive capacities of Farmer and Producer Organizations (F/POs) and sustainably improve the livelihoods of targeted communities. The targeted agri-food value chains are relevant for reducing climate-related risks and impacts. Yet, the rate remains moderately satisfactory the same because the implementation of several 4Ps is still at an early stage to enable an assessment of tangible and lasting impacts in terms of climate change adaptation benefits. Also, uptake and dissemination of climate-resilient practices and technologies would need to be further consolidated and systematized. The proposed 2-year project extension would facilitate the consolidation and documentation of results contributing to climate change adaptation.

Main issues

89. The Project design did not mainstream climate change adaptation or climate finance, or other specific resilience-building interventions. However, all project activities contribute indirectly to increase the resilience of the targeted value chains and to improve the adaptive capacity of smallholder farmers and dairy producers across the country. Good adaptation practices and approaches from the ongoing Smallholder Tea and Rubber Revitalization (STaRR) project are integrated in the implementation of the project activities for example crop diversification, intercropping and agroforestry. Indeed both programmes focus on value chain development, income diversification, access to rural finance and market linkages, thus leveraging synergies and contributing to systematization of lessons learned in the targeted food and non-food value chains.
90. As part of the implementation activities contemplated under Components 1 and 2, the Project is providing technical assistance and capacity building to F/POs via Government-led and Private Extension and Advisory Services for the improvement of staple crop productivity (mainly rice and maize) and income generation (fruits and vegetables, dairy, etc.) through the dissemination of sustainable and adapted agricultural practices. Improving the dairy productivity and animal health would also contribute to reducing methane emissions, which would represent an important project co-benefit in terms of climate change mitigation potential. Learning about piloting carbon credits schemes from STaRR are also considered as potential income generating opportunity for SAPP both for agroforestry schemes and for the dairy sector.
91. To harness market demand, SAPP is investing in capacity development of F/POs through the 4P subprojects that overall focus on sustainable agricultural production. The PMU has promoted a Training of Trainers (ToT) approach and developed training materials in partnership with promoters and extension services. The ToT approach has been beneficial to develop bottom-up capacity and disseminate adaptive and sustainable practices. Although, the participation rate at the technical trainings is high, the appropriation and sustainability of the practices and technologies promoted through the training sessions remain to be better assessed.
92. In terms of adaptation capacity, the sustainable production model would promote crops, breeds, inputs and technologies adapted to the local production areas. The extension services provide also tailored advices and technical assistance based on the dissemination of customized agrometeorological forecasts. Due to the fertilizer restrictions and fuel shortage, smallholder

producers have been “forced” to switch to more climate and environmentally-friendly production methods, reducing their carbon footprint and increasing to some extent resilience of their agri-food systems. Nevertheless, lack of quality inputs such as start-up fertilizers and seeds have negative impacts to productivity and incomes that combined with the current economic crisis in the country, have had detrimental effects to the livelihoods and reduce overall vulnerability of smallholders.

93. The importance of providing access to inputs and incentives to vulnerable smallholders is a key important element to foster transition towards low-emission climate resilient agribusiness in Sri Lanka. The aspect of technical support shall be accompanied by favorable enabling conditions such as policies and regulations that promote low-inputs and resilient agricultural production. Given the projected climate impacts and expected increase of extreme weather events in Sri Lanka, the mission reiterates the importance of integrating resilience-disaggregated indicators into the M&E framework. This would allow a more articulated quantitative assessment in terms of improved climate adaptation capacity of F/POs and rural communities including the more vulnerable groups (focusing on women, youth and other disadvantaged people) in alignment with the NDC and the National Communication, especially if the project will be extended.
94. The last three additional actions would be relevant only if the proposed project extension request is granted.

Agreed Action	Responsibility	Agreed Date
Strengthen climate and environment expertise of the PMU Recruit a consultant supporting data collection, record-keeping and capacity development on climate change adaptation, resilience-building, environment management and SECAP implementation	PMU	03/2023
Track progress on integration of good practices and technologies in food systems Document the implementation and dissemination of good adaptation practices including lessons learned and case studies	PMU KM Officer and cross-cutting Programme Officer	
Enhance Climate Change Adaptation information of training materials Keep integrating and improving awareness-raising and capacity-building information on climate-resilient agricultural and dairy management in the training package delivered to F/POs and promoters	PMU	
Promote additional approaches for dissemination of good adaptation practices Combine the ToT approach with other approaches for the dissemination of good adaptation practices such as farmer/livestock/business field schools, lead and peer-to-peer farmers exchanges, demonstration visits, homestead gardens, value chain mobilizers, outreach of extension officers etc.	PMU	

b. Sustainability and Scaling up

Institutions and Policy Engagement **Rating: 4** **Previous rating: 4**

Justification of rating

95. Previous IFAD missions have acknowledged and encouraged SAPP's contribution to the agricultural policy agenda in the areas of dairy sector development and credit/crop/livestock insurance. The PMU has completed two policy studies with stakeholder input in the area of the dairy sector and insurance policies. IFAD has reviewed the studies and endorsed the coverage, quality of the findings and the relevance to SAPP. The two stakeholders' meetings have been conducted in November 2022 and the two consultants have incorporated relevant observations in the policy reports. The final step in the process is to propose such policies to the government for incorporation in the national level policy agenda. Further, SAPP also could select some of the policy actions and implement to showcase the effectiveness of the process.

Agreed Action	Responsibility	Agreed Date
Policy papers Submit a concise policy brief to the government to be included in the national policy agenda	PMU - BDS	12/2022

Partnership-building **Rating: 5** **Previous rating: 5**

Justification of rating

The core mission of SAPP is partnership driven: to structure and support mutually beneficial APs between farmers, FPOs/POs

96. The core mission of SAPP is partnership-driven, to structure and support mutually beneficial 4Ps between farmers, FOS/FOS, PFIs, and the private sector. With 36 approved 4P projects, SAPP has been successful in its core mission of building partnerships.

Main issues

97. Despite the hardships caused by COVID-19, fertilizer ban, and economic crisis, most 4P promoters and PFIs remain interesting in continuing partnership activities. This is especially true for sectors where there is heavy dependence on smallholder producers. At least three promoter companies plan scale-up activities, highlighting a commitment to building commercial partnerships for the long term.

Human and Social Capital and Empowerment	Rating: 5	Previous rating: 5
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Justification of rating

98. SAPP has advanced human and social capital through awareness raising, technical training, exposure visits and institutional strengthening. These interventions have contributed to the strengthening of the farmer organizations. The mission had the opportunity to visit and interact with a few of these FOs during the field visits. Trainings are organized and conducted by SAPP through staff, service providers, 4P partners, and aligned GoSL agencies for all SAPP beneficiaries aimed at enhancing skills, knowledge and attitudes on both technical and soft skills including: agronomic practices, technology transfer, farming systems, post-harvest technology, climate adaption technology, financial literacy, entrepreneurial skills, gender and agriculture, leadership, marketing of agriculture products and record keeping. PFI and CBSL staff members have also benefitted from trainings in different relevant areas.

Main issues

99. An important dimension of the 4P concept is the encouragement of initiatives from the rural farmer community, activating their potential to create social capital – organizations that provide collective self-help or enable them to exchange information and bargain with suppliers and government support agencies, and to co-produce services that increase their productivity or improve the quality of their lives. Most farmers linked with SAPP 4Ps attempted to meet challenges offered by the GoSL decision to ban fertilizer imports in 2021. The fertilizer issue became a joint economic interest where farmers, FPOs, promoter companies, and government extension services worked together driving for solutions - promoter companies advancing limited quantities of fertilizer and farmers with the help of government extension services experimenting with a mix of organic and non-organic nutrients. The 4P concept helped empower farmers to use external assistance to launch activities. However, the 4P concept is a work in progress, and moving from a traditional out-grower system and building trust across partners is challenging and a long-term process

Quality of Project Target Group Engagement and Feedback	Rating: 4	Previous rating: 4
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Justification of rating

100. Beneficiary feedback, redress and grievance mechanisms have been developed and translated to local language. This has been disseminated through 6 trainings and 3 workshops with participants including regional project coordinators, VCM's, and farmer beneficiaries.

Main issues

101. Monthly meetings are held with Regional Coordinators and VCMs, and any arising complaints and issues are discussed informally in such meetings. It is however unclear how such complaints have been recorded, tracked or resolved. A project level sexual harassment policy has been developed and awareness training provided to PMU staff. It is important that this policy is rolled out to all SAPP implementers.

Agreed Action	Responsibility	Agreed Date
Maintain record of beneficiary feedback and grievances Record, Monitor, analyze, and report grievances, including the redress of any complaints – while maintaining due confidentiality.	PMU	12/2022

Responsiveness of Service Providers	Rating: 5	Previous rating: 5
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Justification of rating

102. Service providers are generally providing good quality services on time and within budget, and are responding to the needs of beneficiaries.

Main issues

103. SAPP is strengthening F/POs through a capacity building process, and has engaged 6 consultancy firms as service providers to provide: i) mobilization, organization, and institutional strengthening of FPOs identified by the SAPP; ii) capacity building of FPOs to plan, implement and manage agribusiness effectively as per their business plans, and iii) enabling the organization to act as a

business enterprise after the specified time period. The key tool for capacity assessment in the Maturity Assessment Tool (MAT). Assessments through this tool has shown slow gradual improvement of the F/POs. However, most F/POs are still not performing as envisioned, denoting the need for the service providers to be more innovative in strengthening the FPOs.

104. The CBSL beneficiary registration system is being designed by a service provider. There have been serious delays in implementation of the system, although this appears to be the responsibility of the CBSL, and not through any deficiencies in the service provider.
105. Two consultants have provided the service provision in the policy areas of dairy sector and agriculture insurance. There was a delay in submitting the draft full report of both consultancies which was due to the logistic disruption in the country brought about by Covid pandemic. After presenting the reports, both consultants very effectively conducted the consultations with the PMU to present results, and conducting the follow-up stakeholder workshops. The critical points highlighted during the two stakeholder workshops which would be useful for deriving policy instruments have been incorporated in the policy reports as the final output of the service provision. As such the service providers engagement in the area of policy has been satisfactory.

Agreed Action	Responsibility	Agreed Date
FPO Service Provider Platform Bring FPO service providers together onto a common platform for peer-to-peer learning and exchange	PMU	03/2023

Environment and Natural Resource Management **Rating: 4** **Previous rating: 4**

Justification of rating

106. Environment and Natural Resource Management is rated as satisfactory, acknowledging an important improvement and efforts undertaken by the project since the last supervision mission. The shortage of chemical fertilizer due to the import ban meant that smallholders had to rapidly adopt a low-input environmentally-friendly agriculture, and for many crops (maize, groundnuts, soy, tea) yields dropped about 50%. The M&E matrix updated in June 2021 include several environmental indicators and targets that are respectively applied and assessed in the 8 project sub-sectors. The focus on sustainable agricultural/dairy value chains is fully streamlined in project interventions and environmentally friendly production of staple crops, fruits and vegetables dairy products is integrated into project interventions. One 4P subprojects has achieved commercial organic production of rice.

Main issues

107. The Project environmental and social risk is categorized as moderate with predicted minimal impact to the management of natural resources. Project activities are focused on strengthening the smallholder agribusiness capacities for the selected value chains through the 4Ps approach. Thereby, investments focusing on sustainable NRM were designed to meet compliance with the environmental and social requirements of the project (SECAP – do not harm principle). However, the Project made efforts to promote sustainable agriculture methods and agroecological practices. Good agricultural practices are embedded in the subproject activities and implemented in the eight targeted subsectors across the country.
108. The current shortage in the country of quality agricultural inputs, in particular for chemical fertilizers, supported the transition towards a low-inputs agriculture focusing on implementing environmentally-friendly family farming systems. The project continues to promote an integrated nutrient management approach whereby use of inorganic fertilizers is limited to 30%. The shift towards agroecological and in some cases organic crop production (e.g. rice) has certainly improved the ENRM performance of the project with beneficial consequences on the health and nutritional values of the main staple food.
109. The implementation of the subprojects has been streamlining sustainable natural resource management. This includes reduced waste management and sustainable soil and water activities. By improving the land productivity and promoting efficient food production, the project contributes to fostering sustainable agricultural landscapes whereby natural resources are well managed and natural habitats are conserved. The Project capitalizes on the successful experiences of the ongoing STARR projects in order to share good practices and valuable lessons learned.
110. The project is supporting F/POs and companies through delivery of trainings, equipment and materials for sustainable agricultural production. Training of trainers include modules for sustainable NRM management, and practices for improved productivity and waste disposal. As per processing, training on the treatment of wastewater and solid waste and reduced water pollution is contemplated. Training is also provided for food safety and dairy producers to adhere to environmental, health and hygiene regulations. The project is also leveraging the dissemination of eco-friendly innovative technologies for sustainable food and dairy production.

Agreed Action	Responsibility	Agreed Date
Track and document progress on the uptake and scaling up of good ENRM practices and technologies Systematize and document the implementation and dissemination of good ENRM practices including those related to sustainable and innovative climate-friendly technologies	PMU	

Exit Strategy	Rating: 5	Previous rating: 4
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Justification of rating

111. The PMU has developed a rich set of initial ideas for the Exit Strategy in consultation with project stakeholders. The latest version of the exit strategy clearly indicates the actions to be taken for implementation, with responsibilities assigned. The PMU has conducted a workshop with the staff of the DOA to discuss and initiate the strategy. If the proposed project extension is accepted by IFAD, then the exit strategy will need to be updated.

Main issues

112. SAPP has implemented substantial number of 4Ps and youth enterprise development sub-projects. They are at different stages of implementation with varying level of maturity. As such the exit strategy for SAPP should include a combination of the strategies of phasing down (gradual reduction of SAPP activities for the 4P promoters or F/POs to takeover); phasing over (alternative agency such as DOA to take over selected project activities); and phasing out (complete withdrawal of SAPP activities).

113. The latest version now clearly indicates the actions to be taken to implement project exit strategy with responsibilities assigned, and will be attached as an annex to the main supervision report. The ISM in August 2022 re-emphasized the main items which were still relevant. These include: (i) continuation of capacity building and institutional strengthening of F/POs and agribusiness and for this purpose the PMU suggested an involvement of a national or international consultant for capacity building; and (ii) introducing mutually beneficial systems such as compulsory saving mechanism for beneficiaries to invest and scale-up their farming as a business.

114. SAPP needs to finalize the necessary implementation mechanism to channel reflows from the SAPP (and earlier IFAD projects) lines of credit (LOC) from the general Comprehensive Revolving Fund to an agriculture focused revolving fund (i.e., the Farming System Sustainability Revolving Fund). The Rural Finance division has proposed that an external consultant be develop a detailed plan for the establishment of the Farming System Sustainability Revolving Fund. The mission has reviewed the TOR and recommends that the PMU proceed with this consultancy. The Fund will utilize the SAPP-supported CBSL automated system, and as noted earlier implementation of this has been delayed.

Agreed Action	Responsibility	Agreed Date
Establishment of Farming System Sustainability Revolving Fund Retain consultant to develop a plan for design and implementation of the Fund.	PMU	12/2022
Convene stakeholder workshop for exit strategy Workshop to discuss the exit strategy, strategy, and identify implementable steps to proceed with the strategy. To be considered in the context of the proposed project extension.	PMU	03/2023

Potential for Scaling-up	Rating: 4	Previous rating: 4
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Justification of rating

115. Government, development partners, the private sector, and banks have demonstrated strong interest in the 4P and rural finance innovations introduced by SAPP. State institutions have been willing active partners of 4Ps, but have yet to show interest or ability in taking a leadership role in continuing to develop 4Ps. The private sector, particularly in sectors that depend heavily on smallholders such as dairy have been more proactive in expanding their contract farming arrangements to more comprehensive and equitable 4Ps.

Main issues

116. SAPP was built on lessons learned and experience on 4P models first introduced by IFAD in Sri Lanka through NADeP, and in turn was able to attract a good number of agribusiness companies, FPOs, and PFIs to partner with participatory smallholder farmers to develop a wide variety of agribusinesses. Several 4Ps have announced plans to scale-up, despite the current harsh economic climate. The PFIs have been encouraged to implement innovative financing arrangements through SAPP such as value chain financing (bulk promoter loan) and using rural development banks (bulk rural bank loans) to reach farmers that are not ready for borrowing from commercial banks.

117. SAPP has facilitated both the private sector, and state institutions under the Ministry of Agriculture, with technical training.

c. Project Management

Quality of Project Management	Rating: 4	Previous rating: 4
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Justification of rating

118. A major issue that continues to keep quality of project management ratings is the substantial variation between budget versus actual expenditures in the AWPBs. The overall disbursement of the 2022 AWPB is only 41% at the end of October 2022, compared to 2021 AWPB disbursement which was 78%, a significant deterioration in performance. There continues to be high

turnover, although in most cases the new staff are both qualified and enthusiastic.

Main issues

- 119. Without question, project management has been significantly disrupted to the economic crisis. In response, IFAD agreed to certain measures to address the obstacles of price escalation and the shortage of foreign exchange, including direct payments (discussed in the procurement section).
- 120. In general, however, there has been ongoing issues with budget and physical target planning and effective disbursement. One example is the management of consultancy/training category, where the PMU had not planned disburse over USD 6.5 million in allocations by the end of project completion. The mission also notes the lack of preparation for the SVM, e.g. the updated logframe was not provided until the second week of the mission.
- 121. The PMU currently has full staff strength with all key staff positions filled, and all regional staff have been recruited. With the full strength of staff both at the PMU and in the region, a higher disbursement could be expected. Although the distribution of duties and responsibilities among the key staff at the PMU and the field have been rationalized, a substantial improvement in the output delivery is not visible. As such the mission recommends that a further review of the duties of all the staff members should be carried out, to determine if duties are assigned to obtain the maximum utilization of the staff. This could result in a better reallocation of duties to expedite the output delivery withing the remaining short period of the project.
- 122. The mission also recommends that all staff have monthly individual work plans linked to overall action plan and the AWPB, with a monthly review and planning process.

Agreed Action	Responsibility	Agreed Date
Monthly workplans Introduce monthly workplans linked to the overall action plan and AWPB, with a monthly review and planning process	PMU	01/2023
Review the list of duties A close review of the duties of all staff should be undertaken to assess whether the best utilization of staff time is adhered to. If required reallocation of duties should be done with a view to expediting the project output delivery	PMU - PD	

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

Justification of rating

- 123. SAPP has developed the KM framework and strategy considering the potential actions intended to result in outcomes despite the complex activities. The KM strategy was developed after having identified four main pillars: strengthen existing data, increase visibility, improve and share knowledge and identify possible policy gaps related to smallholder agribusiness activities.

Main issues

- 124. SAPP is fostering all KM products focussing in key areas such as strengthening infrastructure for knowledge management, learning and knowledge sharing, disseminating local knowledge while addressing on SDGs in cross-cutting areas such as nutrition, gender environment and climate change.
- 125. SAPP developed a gender pay gap concept paper which has been approved by the National Steering Committee (NSC). In 2023 SAPP is planning to undertake a research to implement the policy and NSC has also provided approval for SAPP to conduct this study. The policy is meant to raise awareness and adopt equal payment for equal work with particular focus in agriculture. The SAPP KM team contributed to the dairy sector policy paper which has been recently submitted to the government for approval.
- 126. Despite the delay of the customization of the MIS, the mission commends the project for the numerous KM products that could highlight the best cases and success stories from the field. Till now, the project has produced 32 videos covering various topics including success stories, eight training material guidelines (Women empowerment training module, self-care for women booklet, gender ToT training booklet just to cite few) and four strategies (Gender strategy; Environment strategy, nutrition strategy and KM strategy) and five documentaries.

127. Communication

- 128. The project is using social media and their YouTube channel for disseminating videos, live streams or documentaries reaching for example more than 3800 followers in their FB page. The mission suggests that SAPP to be also more active on other platforms especially Twitter.
- 129. IFAD recently delivered a training on KM and Communication to SAPP and the project may consider engaging with IFAD in order to distribute more widely videos and documentaries, if prepared accordingly to the IFAD's requirements (duration and language/subtitle). The Project is organizing a workshop targeting local and international journalists to discuss the role of media for sustainable agriculture

Value for Money	Rating: 4	Previous rating: 5
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Justification of rating

130. The AWPB analysis and mission field visits indicate that some of the subproject visited have lost the productivity due to the ill effects of non-availability of fertiliser. The examples are maize and banana. Also, some subproject having obtained all the approvals could not start production for the reason that the required farm inputs such as machineries were not procured, again due to the economic crisis. As such there is a loss in the value for 2022 project expenditure as well as the project investments in the previous years, result in reducing the rating from 5 to 4.

Main issues

131. Expenditures have been judiciously used for production activities, and maintain an appreciative balance between productivity and the project management expenses and expenses for the first and the second components until 2021. The detailed EFAs conducted at the mid-term and the supervision mission of 2021 verified the financial benefits or the value for money by observing a financial and economic internal rate of returns that are significantly higher than the financial interest rates in the country and the social opportunity cost of the capital. The PMU has hired a consultant to undertake a detailed EFA for the project taking all the changes to the numbers of beneficiaries and the production models. While waiting for the results of this study, the mission conclusion is that the value for money has declined in comparison the value estimated in 2021. The main reasons are the loss of productivity of a number of 4P subprojects and low progress of the AWPB, 2022 in the first and the second components, which are critical in contributing to value generation.

Coherence between AWPB and Implementation	Rating: 4	Previous rating: 5
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Justification of rating

132. The coherence between AWPBs and actual expenditure showed a significant improvement in 2021 from previous years to 78%, however the rate has dropped to 33% in 2022. As of 30 October 2022, there were expenditure of USD 2.174 million out of USD 6.682 million budgeted in the AWPB. The overall low rate was observed in the two lead components that drive the investment cost of the project; 30% in the Component 1 (4Ps) and 47% in Component 2 (Rural Finance). The total recurrent cost, which accounts for salaries and operation cost, has 81% disbursement. A major factor for the poor performance has been the economic crisis which came to a head in March 2022.

AWPB Inputs and Outputs Review and Implementation Progress

133. As mentioned above, the drop in the overall disbursement rate of the AWPB 2022 is substantial, with the expectation that disbursement would have been at least 80% to achieve a considerable output delivery in the project. This is particularly important given that the project completion is currently scheduled for June 2023. The investment cost of the 1st component, Access to Commercial Partnership, is the matching grants and start-up funds. This sub-component has been allocated USD 4.6 million in the 2022 AWPB, which is 69% of the total AWPB value, and it provides financing for the company led 4P subprojects. The disbursement was 28% which was the lowest in comparison to last three years. For F/PO led 4Ps, the progress has been even poorer. There was an allocation of USD 459,000 for the F/PO led 4Ps, which is 7% of the AWPB value and the disbursement was 9%. Youth start-up funds that took 6% of the AWPB value of USD 411,000 got 56% disbursement.

134. The main reasons for the drop in the disbursement rates as for the PMU are (i) rapid fall in the value of the LKR (at the time of AWPB preparation the rate was LKR 292 per USD dollar and it went to LKR350 in June 2022 and LKR365 in September 2022, which were 19% and 20% drops respectively). However, this factor by itself cannot account for the 67% non-disbursement. (ii) non-procurement of various imported capital items such as machineries etc that are required by the 4P promoters due to the lack of access of unavailability of foreign exchange for imports. This could be an important bottleneck for disbursement company led 4Ps. However, the F/PO led 4Ps have limited investment on imported items to implement the 4Ps. (iii) poor response from local vendors for procurement request because of the high market price fluctuation that limit the possibility of honoring bids for the original bid value in case the contract implementation takes longer than expected time. With better and efficient procurement planning, it is likely the crisis could have been better managed and a higher rate of procurements achieved. (iv) As previous missions observed, the administrative procedure involved in approving grants to the beneficiaries can take several weeks. It is important that the PMU make attempts to find out more efficient ways of approving grants to the beneficiaries.

135. The physical progress of the 1st and the 2nd components is higher and better than the financial progress. The 1st component has achieved 58% physical progress on average, taking the progress of new 4P subprojects, scaled up subprojects, start-up funds for F/PO on farm development, and youth start-up funds. For the 2nd component, the average physical progress is 65%, taking the IFAD line of credit and GOSL revolving fund disbursement.

136. In order to reach end of programme disbursement level for IFAD funds, SAPP will have to disburse USD 4.21 million on average every month from November 2022 to June 20ef23 (USD 3.6 million for Component 1, USD 165 thousand for Component 2, and USD 440 thousand for Component 3). At the current exchange rate, this is about LKR 1,525 million disbursement per month. Under current conditions, this is not possible.

Performance of M&E System	Rating: 4	Previous rating: 4
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Justification of rating

137. All positions are now filled and there is a well-structured system among the PMU staff assigned to M&E and KM to collaborate and a fluid flow of information and communication. Gathering data from social mobilizers after SAPP has conducted trainings

results has been efficient and effective. The PMU conducts frequent field visits to validate data through enumerators.

M&E System Review

138. The customization of the MIS system is almost completed. Four modules have been developed: Programme management, Project management, Beneficiary management and Report management. Each module has sub-modules which are able to report the data on the basis of the objective and goal of the project and the user's manual has also been finalized. The retroactive input related to the farmers' profile, assigning a unique identifier for each beneficiary, is completed and it is expected that the remaining data entry into the MIS will be completed by December 2022. SAPP took advantage of the extra time to clean and revalidate the data collected during the previous year during the retroactive input. A refresher training dedicated to social mobilizers might be needed, as the input/data entry into the MIS has some issues e.g. the use of characters which are not permitted from the system.
139. The project has developed a mobile application which is able to capture gender and age disaggregated information and training attended for each beneficiary. Moreover, the application is capturing also GIS data, and once the information is transmitted to the M&E team in PMU they are able to identify the area of intervention, activities ongoing and performance.
140. SAPP has procured and distributed 47 tablets to field staff to collect complete, reliable and timely data at field level.
141. The project has developed a matrix for the purpose of M&E action plan. As the action plan is developed by project it will be useful is the team will consolidate the matrix into one document.

Agreed Action	Responsibility	Agreed Date
M&E Action Plan Consolidate the action plan into one matrix at project level instead of sub-project	PMU-M&E	12/2022
MIS System Complete the customization of the MIS and include M&E Geo Spatial references to enable the system to generate maps	PMU-M&E	02/2023
Training Conduct a refresher training for the data collection and data input for Social Mobilizer	PMU-M&E	02/2023
Integrate resilience-building indicators in the updated logframe and M&E matrix (if project extension approved). Review the project logframe in line with the repurposing and no-cost extension and identify indicators (outcome/output level) for adaptive capacity and/or resilience-strengthening	PMU	03/2023

Social, Environment, and Climate Standards requirements

Rating: 4

Previous rating: 4

Justification of rating

142. Compliance with SECAP is rated as moderately satisfactory. The project has adopted ESMPs for the specific set of subprojects under implementation. Approval of loans and matching grant proposals include a screening against environmental and social procedures in alignment with country regulations. 4P environmental and Social Management Plans (ESMPs) include provisions for the compliance with current environmental and social regulations and risk management mitigation measures. Monitoring of ESMP implementation at project level, important for the effectiveness of the mitigation measures, remains a challenge given the number and complexity of 4Ps subprojects.
143. The project has established an informal feedback mechanism to respond to queries and information requests. The Grievance Redress Mechanism (GRM) is operational but complaints and grievances need to be better recorded and documented in a database.

SECAP Review

144. Overall the project's social, environmental, and climate impacts are projected to be positive and beneficial for the livelihoods of smallholder farmer communities, in particular for women and youth. The key negative impacts and residual risks have been outlined in the ESMP and IRMF that the project has fully integrated in its management framework.
145. The selection of the 4Ps subprojects included environmental and social scoring criteria to meet national-level regulations and SECAP requirements. Companies and F/POs are aware of the loans and matching grant requirements and mitigation measures have been included in the specific ESMP including those for occupational health and safety. The Agrarian Development Centre attached to the Ministry of Agriculture provides technical assistance and oversight for potential environmental impact. c
146. A total of 36 4Ps agreements have been committed as of 30 September 2022, with two new 4Ps added since the 2021 October

SVM, which are structured to support 38,617 households (110% of the original appraisal target of 35,000 households). This requires integration of ESM and continuous monitoring for the implementation of the mitigation measures.

147. The site-specific ESMP reviews the climate change and environmental impacts under the agriculture, livestock, agribusiness and socio-economic sectors. The review is carried out in two stages. First stage review is done by considering the potential physical hazard, physical impacts, exposure and possible socio economic outcomes. Under the second stage, an action plan is developed to achieve the targets to overcome the climate change and environmental impacts by identifying the appropriate mitigation measures.
148. ESMP is at different stage of implementation for each site-specific subproject. Some of these grant resources have been allocated for the construction/rehabilitation of dairy/food processing facilities and the mission could verify that ESMP mitigation measures were implemented. With the pace of implementation, the Project should monitor and document the implementation of the environmental and social mitigation measures particularly for water supply, food safety and waste treatment. Treatment plants should be adequately designed and equipped. Regular reviews of the effective implementation of the mitigation measures shall be integrated into project monitoring and evaluation.
149. The environment related training programs cover the areas of climate change adaptation & mitigation strategies, water efficient farming methods, organic/agroecological farm production and soil and water conservation. ToT are conducted to fulfil the SECAP requirements and funds for these trainings have been allocated under the AWPB. In addition, the PIM provide elaborate information about the environment safeguard and climate change mitigation and adaptation contributing to the environment & climate strategy of SAPP.
150. The Grievance and Redress Mechanism (GRM) operates from village level up to the PMU, Ministry level and national level. Beneficiaries and other stakeholders have the possibility to share their comments, feedback and concerns via postal and email, and through social medias. Most of queries have been responded informally, thus these have not been properly recorded and documented in a database.
151. The last two agreed actions would be relevant only if the proposed project extension request is granted.

Agreed Action	Responsibility	Agreed Date
Update the SECAP review note for the procurement and distribution of inorganic fertilizers (if the repurposing request is approved) Include the assessment of the purchase and distribution of inorganic fertilizers and hybrid seeds in the SECAP review note and include mitigation measures in the ESMP	PMU	12/2023
Document grievances and complaints of project stakeholders Record complaints and requests in the GRM system	PMU	
Monitor the compliance with environmental and social/labour regulations in production and processing facilities Conduct visits on environmental, food safety and labour conditions	PMU	

d. Financial Management & Execution

Acceptable Disbursement Rate	Rating: 2.0	Previous rating: 3
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Justification of rating

152. The project is in its 6th year of implementation with only a 45% disbursement ratio. The disbursement including expenditures incurred up to 31st October 2022 is USD 34.74 Million which is 33% of the Total Project value USD 105.03 Million. This does not include the in-kind contribution from the Private Sector and beneficiaries from 1st Jan 2022 till 31st Oct 2022 as they report the figure annually. In addition, the Quarterly IFR submitted does not include these amounts. The figure of 34.74 million USD excludes the initial advance of USD 5.3 Million disbursed from the 3 IFAD loans. The average disbursement rate at the IFAD level including advances is 45.5 % for all three IFAD loans Automated rating based on IFAD disbursement data

Main issues

153. The project is scheduled to close in June 2023 so clearly given the financial progress of 33 % with about 8 months left, there will be substantial unutilized funds. The low disbursement reflects slow implementation of project activities, due to the restrictions and after effects of COVID-19 pandemic. Also due to the economic crisis in the country the Sri Lankan currency has seen sharp devaluation and a rapid increase in interest rates, which were induced in part by the Government of Sri Lanka decision to ban the importation of the chemical fertilizers. The PMU needs to work out options on how to resolve the payment for imported machinery given that the direct payment is no longer an option. The project will only be able to complete successfully if it resolves current bottlenecks in the procurement processes and issues related to the payment to foreign suppliers.

154. Disbursements

1. Disbursement of Grants to beneficiaries

155. Grants in cash are disbursed from IFAD Funds.

156. Grants in-kind are contributed by the Promoter companies under Component 1.

157. Total IFAD funds allocated for Grants under 03 Financing Agreements is USD 25.36 Million whereas by 31st October 2022, the actual disbursement figure stood at US\$ 5.91 Million representing Financial Progress of 23.25%. Grant disbursements are slow due to weak project implementation and bottlenecks in the procurement processes.

158. Disbursement of Credits to beneficiaries

- Of US\$ 11.79 Million allocation from IFAD, US\$ 11.22 Million has been disbursed. Financial progress of 95%.

Fiduciary aspects

Quality of Financial Management

Rating: 4

Previous rating: 4

Justification of rating

159. The finance unit has qualified staff and reliable accounting software for the project. Quarterly reports and WAs are sent on time. The project has reliable internal controls in place over financial operations. The project complies with the report-based disbursement requirements of IFAD. AWPB for the calendar year 2022 was prepared by the PMU in line with schedule 2 of the Financing Agreement in the format prescribed by IFAD and submitted for NOC through NOTUS in IFAD Client Portal on 29th Nov 2021.

Main issues

160. The country faced severe foreign currency issue and the government imposed strict control over imports. Opening LCs for imports was restricted. Thus, the Programme could not disburse the grants as expected since most of the equipment provided to farmers under grants were imported items. In Addition, the procurement process was hindered due to heavy price escalations.

161. The devaluation of currency had a great impact on US\$ value of the revised budget. The original budget for 2022 submitted in November 2021 was calculated based on Rs. 200/- per US\$ whereas the current market Rate is Rs. 360/- per US\$. Therefore, the revised budget was calculated based on an average rate of Rs. 292/- per US\$ to equalize the impact of currency devaluation.

162. The AWPB 2022 of SAPP amounting to USD 17.12 million was submitted to IFAD and IFAD issued No objection on 10th February 2022.

163. In October 2022 the AWPB was revised. Due to the recent economic and social developments in Sri Lanka, the implementation targets of the SAPP could not be achieved as planned. The revised AWPB stands at US\$ 9.15 Million.

164. The PMU finance is adequately staffed with defined responsibilities. The internal audit department just has one person, it could add another person dedicated to field visits only. This will enable timely and efficient reporting on the promoters and beneficiaries.

165. The project submits regular IFRs and WAs timely. Therefore, the project complies with the report-based disbursement requirements of IFAD. However, cash forecasts are very optimistic, given the project's past performance.

166. AWPB for year 2023 is USD 21.18 Million US\$ of which IFAD funds requested are USD 15 Million. However, the AWPB for 2023 is not sent to IFAD for No Objection.

167. Procurement Plan (PP) is prepared on the basis of the activities of AWPB. For revised AWPB 2022 in October 2022, PP has been uploaded on NOTUS. It is in progress to be approved.

168. PP for AWPB 2023 yet to be prepared.

Agreed Action	Responsibility	Agreed Date
Conduct physical verification of assets Conduct physical verification of assets at least once in a year to verify the physical existence with the fixed assets register.	PMU	12/2021
AWPB Prepare AWPB two months before the beginning of the fiscal year including the estimated contribution of Private sector and beneficiaries for the planned activities.	PMU	12/2022
Adequate documents for promoter organizations The project team should ensure that adequate documentation is maintained by promoter organizations to support reported transactions under private sector and farmer contributions. The project team should have a system to collect and file adequate supporting documents for the private sector and farmer contributions.	PMU	12/2022

Quality and Timeliness of Audit

Rating: 3

Previous rating: 3

Justification of rating

169. The audit report was supposed to be sent to IFAD on June 30, 2022. However, IFAD received the audit report only on September 28, 2022

Main issues

170. The National Audit Office conducted the audit. The audit report was supposed to be sent to IFAD on June 30, 2022. However, IFAD received the audit report only on September 28, 2022. The audit report was delayed due to the inability of the National Audit Office to work at total capacity during the economic and political crisis in Sri Lanka from April to August 2022. The auditor issued a qualified (exception) audit opinion. The qualification relates to improper documentation of private sector and farmer contributions reported in the financial statements. Given the small amount, qualification seems not appropriate. Emphasis of matter would be more appropriate. As the risk of improper documents for private sector contributions reported in the FS is minimal to IFAD, the audit report and audited financial statements are acceptable to IFAD. The audit was conducted in line with the Sri Lanka Auditing Standards (SLAuSs), which is acceptable to IFAD. The management letter was included in the audit report package. The management letter included a few control issues in the accounting and reporting and overall project implementation challenges. The management response to ML recommendations are also included.

Counterparts Funds

Rating: 4

Previous rating: 4

Justification of rating

171. The GoSL has been funding the salaries of the government seconded staff, taxes and credit disbursements through Revolving Fund in compliance with the Financing agreements. The government counterpart fund is being received as per requirement on request but fund for revolving fund is being received less than required amount.

Main issues

- Of GoSL allocation of US\$ 18.37 Million, 5.13 Million has been disbursed showing a progress 28%. The low ratio is due to devaluation of the local currency. Counterpart funds are received from time to time as beneficiaries are registered with the CBSL. After passing their own funds, PFIs request CBSL report on credits issued to beneficiaries. CBSL then releases funds/refinances to the PFIs.
- The Government contribution mainly consists of credit component of USD 18.37 Million. Given 95% of IFAD credit funds have been utilised, SAPP now plans to utilise the counterpart funds.
- The contribution from the Government is channelled through the Revolving Fund held at the Ministry of Finance.
- The GoSL provides funds for refinance on request from time to time.

Agreed Action	Responsibility	Agreed Date
<p>Development of accounting & reporting of beneficiaries' contribution</p> <p>Develop proper accounting and reporting method to calculate beneficiaries' contribution based on actual expenditures incurred, and revise the Guidelines for valuation of beneficiaries' contribution accordingly.</p> <p>Dec 6, 2021 update: IFAD and project finance team will develop guidelines for beneficiary contributions assessment and accounting and apply for 2021 annual financial reporting.</p>	PMU	12/2021
<p>Revolving fund</p> <p>Release all commitment of Revolving fund to CBSL</p> <p>Dec 6, 2021 update: The MOF agreed to transfer funds from SAPP loan repayments to Revolving Fund account and close the gap of around US\$ 3 million</p>	GOSL	06/2022
<p>Revolving Fund</p> <p>Request letter from CBSL for funds out of revolving Fund should be time bound, and supported with adequate documentation like number of beneficiaries registered.</p>	PMU	12/2022

Compliance with Loan Covenants

Rating: 4

Previous rating: 4

Justification of rating

172. The project has mostly complied with the covenants of the Financing Agreements, Loan to Borrower and the General Conditions. Non-compliance does not significantly affect project implementation or achievement of development objective(s), or violate IFAD's statutory requirements.

Main issues

173. The exceptions are:

174. (i) Section 8.02 (a) - there is a delay in procurement of new MIS for the M & E Division. The plan is to have it operational in Dec 2022.

175. (ii) Section 7.10 - Vehicles except equipment have been insured as per the Law in Sri Lanka.

176. (iii) All Staff and consultants are not covered by insurance. Only Government seconded staff are covered for health insurance.

Procurement

Procurement

Rating: 4

Previous rating: 4

Justification of rating

177. Procurement planning exhibits some gaps and inconsistencies that have limited impact on project implementation and performance. Implementation support is required, however, prompt resolution of issues/constraints is likely

Procurement Review

178. *Procurement Planning*: The procurement unit is currently headed by a procurement specialist and is assisted by a Programme Officer (from the Ministry) and a procurement consultant, who has joined just prior to this Mission. The procurement plan of 2022 includes goods, works and consulting services for a total cost of LKR 4761.06 Mn. Of this a substantial amount of LKR 3528.98 million pertains to procurement by 4P projects which are undertaken by the line agencies or the promoter organizations and which are only monitored and supervised by the PMU. The PP has been updated with actual payments made and not the actual contract value. Procurement Plan follows IFAD template with reference to the activities in the AWPB. Out of 83 items in the PP, the PMU has initiated action on 32, completed 17, partially completed 16 and not started the process in case of 21 procurements. In terms of value only LKR 533 million 11% of the contracts have been procured till date which is quite low considering that only two months remain in the year. The procurement process is generally slow and it takes about 3-4 months for a procurement which does not involve prior review. The progress is also hampered by current economic situation in the country. The project is in the process of additional procurement of about LKR 963 million which is likely to increase its achievement to about 31% of the planned activities by the end 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.

179. *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. There are delays in completion of contracts including supply of goods due to the current economic

situation. In most cases except for Individual Consultants Selection and NS, pre-bid meetings were held giving enough time for bidders to prepare their bids.

180. *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 (TEC) comprising of at least three members comprising of the DPD, the accountant from the Ministry and one representative from FCRMB. The findings of the TEC are placed before the Project Procurement Committee which approves the award of the contract. No-objection of IFAD is sought in case of prior review cases. 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. There are six pending procurement dossiers in NOTUS of which one is outstanding since July 2021.
181. *Contract Management and Administration:* The project is using ICP / CMT system of IFAD for contract monitoring. The Mission noted that the CMT had not been updated for all procurements undertaken in accordance with the PP. In addition, the CMT had instances wherein the closed contracts have not been updated for percentage completion resulting in their being shown as payment greater than physical completion. A case of cost overrun has also been noted. 19% of the contracts had been reflected as delayed implementation in the CMT. The Mission also noted that the end dates of some contracts are beyond the project completion date of June 30, 2023. These contracts need to be reviewed and amended as required to ensure completion by the project completion date or funding by GoSL thereafter. The project is advised to make the required changes in the contract documents as well as in the CMT.
182. *Record retention:* Almost all relevant documents are filed in separate folders. The documents in the file are not serially numbered and indexed in chronological order. The records have been well maintained and easily retrievable.
183. *Agreed Actions of the Previous Mission:* Though most of the agreed actions of the previous Mission have been complied with, the ICP-CMT has not been updated.
184. *Direct Payment.* Due to the foreign exchange shortages in Sri Lanka, it can be very difficult for local importers to access USD to purchase imports. The PMU had requested, and IFAD had agreed, to do Direct Payment to the foreign supplier provided the payment is at least USD 200,000. For various reasons, direct payments have not yet been required. Nonetheless, the PMU has indicated that it may need to use this direct payment for future procurements. Another possible option that the PMU can explore with the GoSL is to have IFAD payments in USD paid to a GoSL Direct Account (DA), which can then be used to pay the importer.

Agreed Action	Responsibility	Agreed Date
Contract Monitoring Tool Update the contract monitoring tool regularly in respect of procurements undertaken as per PP, completed and amendments to the contracts.	PMU	12/2022
Revised AWPB and PP Update the PP and upload it in NOTUS to seek NO from IFAD	PMU	12/2022
Explore Foreign Currency Payment options PMU should discuss with the GoSL the possibility of using a Designated Account to enable USD payments to local suppliers.	PMU	12/2022
Review/Amend Contracts Review contracts ending beyond the current project completion date and amend as required to ensure that there will be no IFAD funding required after project completion date.	PMU	03/2023
Accelerate Procurement Process Accelerate procurement process by preparing a time schedule and working backwards to ensure that all documentation is ready the moment the approval is provided by the PC/ NSC. The RFP/Bidding documents can be prepared parallelly while the approval process is ongoing.	PMU	

e. Key SIS Indicators

Likelihood of Achieving the Development Objective	Rating: 4.27	Previous rating: 4.35
Assessment of the Overall Implementation Performance	Rating: 3.83	Previous rating: 4.08

F. Relevance

Relevance	Rating: 5	Previous rating: 5
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Justification of rating

185. As a result of the current severe economic and foreign exchange crisis in Sri Lanka, food security, import substitution of many agricultural products including seeds, domestic seed production, private sector involvement in agriculture, and generating opportunities for rural employment including youth through agriculture have become critical needs in the country. SAPP has the potential to support most of these needs. In addition, SAPP has introduced flexible loan products since the MTR that may further support credit reach to rural poor, while the open market loan products are expensive. Some of SAPP targeted beneficiaries are not eligible for bank loans, and therefore value chain financing mechanism as well as the use of rural development banks have been introduced to overcome this limitation. As such the SAPP remains highly relevant.

Main issues

186. The programme development objective is to sustainably increase the incomes and quality of diet of smallholders. During the economic crisis situation, donor funded projects have an especially critical role to play in providing rural livelihood. From that perspective, the development objective of the project has high relevance for the country. The project approach of getting the private sector support in formulating value chain interventions, making private sector capital available through 4P arrangement, opening ensured markets for smallholders and target commodity production are the approach of the project. This approach is both relevant and required at present to support the government when the government is lacking resources to make adequate investment in the agriculture sector. The field visits and various discussions that the mission conducted verified the functioning of this approach in the field and the potential that the project is having to contribute to the development of the agriculture sector. For an acceptable level many of the existing 4P subprojects managed by both the private sector promoters and F/PO are generating products and marketed through agreed marketing channels. The 4P sub-projects involving sugarcane, dairy, maize, turmeric, tea green leaf, cinnamon, mushroom are some of the example to demonstrate the results of both agricultural production and livelihood development of the project. Currently, however SAPP is facing challenges in meeting output delivery targets due to reasons highlighted in this report. These challenges could limit the achievement of outputs related to production which practically demonstrate the relevance.

G. Project Modifications

Responsibility	Modification type	Description
PMU	Completion Date	The GoSL has requested a two year extension for SAPP, to allow for the successful completion of the 36 committed 4Ps, youth projects, and rural finance and to accommodate the USD 10 million request for fertilizer imports. The SVM concurs with this request, observing that the adverse economic and political climate from a succession of events (COVID-19, fertilizer ban, and economic crisis) has caused serious disruption to project implementation. <i>Describe the need for extension or early closure. Relate it to Financial Modification request if relevant</i>
PMU	Reallocation	The GoSL has requested that SAPP allocate USD 10 million for fertilizer imports. The SVM has reviewed the request and recommended that SAPP concur with this request, by focusing the fertilizer imports to support one or two new 4Ps in the maize value chain. If accepted by IFAD, this will require the reallocation of approximately USD 6 million from the training and consultancy to the matching grants category. This category reallocation will not impact the implementation of the 36 approved 4Ps and achievement of the youth and rural finance targets.

H. Agreed Actions

Agreed Action	Responsibility	Agreed Date
Overview and Project Progress		
Eol Prepare EOI for maize resilience 4Ps incorporating fertilizer and hybrid seed imports of USD 10 million	PMU, with IFAD implementation support	12/2022

<p>Workplan for extension completion date</p> <p>Prepare 24 month workplan for proposed extension of SAPP to 31 December 2024. Carefully consider the needs for management support up to and during the extension period.</p>	PMU, with IFAD implementation support	12/2022
<p>Pipeline focus on scale up proposals only</p> <p>PMU to carefully assess the feasibility and to be selective on pipeline proposals, focus on scale-up of successful 4Ps (in terms of outreach and disbursement). Any approvals of pipeline proposals would have to await a decision on project extension.</p>	PMU	12/2022
<p>Streamline Grant approval process</p> <p>Re-visit and streamline the grant approval process</p>	PMU	12/2022
<p>Increase Bulk Loan Rural Bank disbursement by addressing the low margins available to PFIs and rural development banks</p> <p>One option is for a step or sliding scale system can be adopted whereby the minimum rate remains 0% (100% cash collateral required) and the maximum rate would be 12% (0% cash collateral required). Another option is for GoSL interest rebates for PFIs that agree to provide rural development bank bulk loans with reduced or no collateral.</p>	PMU, CBSL, ERD, CBSL	12/2022
<p>Revised AWPB</p> <p>Submit revised 2022 AWPB incorporating additional funds for IGL loan disbursement for IFAD No Objection</p>	PMU	12/2022
<p>Policy papers</p> <p>Submit a concise policy brief to the government to be included in the national policy agenda</p>	PMU - BDS	12/2022
<p>Fertilizer needs</p> <p>Identify urgent fertilizer needs of existing 4P and youth cluster beneficiaries, and amend 4Ps to provide fertilizer as resilience response.</p>	PMU	01/2023
<p>Monthly workplans</p> <p>Introduce monthly workplans linked to the overall action plan and AWPB, with a monthly review and planning process</p>	PMU	01/2023
<p>Training follow-on</p> <p>Consider developing another round of training specialized on productivity improvement, best farming practices, and operation and maintenance of appropriate agricultural machineries to be available to those farmers who received first round of training and to repeat first round of training to those who have not received any training.</p>	PMU	03/2023
<p>FPO Service Provider Platform</p> <p>Bring FPO service providers together onto a common platform for peer-to-peer learning and exchange</p>	PMU	03/2023
<p>Registration for beneficiaries</p> <p>Ensure that CBSL completes beneficiary registration system according to latest schedule provided.</p>	PMU-RF w/CBSL	03/2023

Maintain Youth Outreach target at 2500 The PMU focus should be to ensure full disbursement and support to 2500 youth.	PMU	
Review the list of duties. A close review of the duties of all staff should be undertaken to assess whether the best utilization of staff time is adhered to. If required reallocation of duties should be done with a view to expediting the project output delivery	PMU-PD	
Development Effectiveness		
Capture emerging gender issues during awareness and training session Strengthen gender awareness and training reports by ensuring that key emerging issues are captured in order to promote local solutions	PMU	12/2022
Strengthen climate and environment expertise of the PMU Recruit a consultant supporting data collection, record-keeping and capacity development on climate change adaptation, resilience-building, environment management and SECAP implementation	PMU	03/2023
Strengthen gender mainstreaming Include gender criteria in review and implementation of 4P sub-projects. Gender and social inclusion analysis embedded in key studies and outcome surveys. Promote women friendly technologies	PMU	
Track progress on integration of good practices and technologies in food systems Document the implementation and dissemination of good adaptation practices including lessons learned and case studies	PMU KM Officer and cross-cutting Programme Officer	
Enhance Climate Change Adaptation information of training materials Keep integrating and improving awareness-raising and capacity-building information on climate-resilient agricultural and dairy management in the training package delivered to F/POs and promoters	PMU	
Promote additional approaches for dissemination of good adaptation practices Combine the ToT approach with other approaches for the dissemination of good adaptation practices such as farmer/livestock/business field schools, lead and peer-to-peer farmers exchanges, demonstration visits, homestead gardens, value chain mobilizers, outreach of extension officers etc.	PMU	
Sustainability and Scaling up		
4P's and youth Ensure that all 4P's and youth project agreements have equitable redress guidelines and mechanisms	PMU	03/2020
Policy papers Submit a concise policy brief to the government to be included in the national policy agenda	PMU - BDS	12/2022
Maintain record of beneficiary feedback and grievances Record, Monitor, analyze, and report grievances, including the redress of any complaints – while maintaining due confidentiality.	PMU	12/2022

Establishment of Farming System Sustainability Revolving Fund Retain consultant to develop a plan for design and implementation of the Fund.	PMU	12/2022
FPO Service Provider Platform Bring FPO service providers together onto a common platform for peer-to-peer learning and exchange	PMU	03/2023
Convene stakeholder workshop for exit strategy Workshop to discuss the exit strategy, strategy, and identify implementable steps to proceed with the strategy. To be considered in the context of the proposed project extension.	PMU	03/2023
Track and document progress on the uptake and scaling up of good ENRM practices and technologies Systematize and document the implementation and dissemination of good ENRM practices including those related to sustainable and innovative climate-friendly technologies	PMU	
Project Management		
Environment and Climate Assessments of Ongoing 4P Projects Conduct basic climate risk analysis and environment assessments (as per the developed framework) using standardized methods, including ongoing 4P projects; and introduce relevant resilience/mitigation activities.	PMU	03/2020
M&E Action Plan Consolidate the action plan into one matrix at project level instead of sub-project	PMU-M&E	12/2022
Monthly workplans Introduce monthly workplans linked to the overall action plan and AWPB, with a monthly review and planning process	PMU	01/2023
MIS System Complete the customization of the MIS and include M&E Geo Spatial references to enable the system to generate maps	PMU-M&E	02/2023
Training Conduct a refresher training for the data collection and data input for Social Mobilizer	PMU-M&E	02/2023
Integrate resilience-building indicators in the updated logframe and M&E matrix (if project extension approved). Review the project logframe in line with the repurposing and no-cost extension and identify indicators (outcome/output level) for adaptive capacity and/or resilience-strengthening	PMU	03/2023
Update the SECAP review note for the procurement and distribution of inorganic fertilizers (if the repurposing request is approved) Include the assessment of the purchase and distribution of inorganic fertilizers and hybrid seeds in the SECAP review note and include mitigation measures in the ESMP	PMU	12/2023
Review the list of duties A close review of the duties of all staff should be undertaken to assess whether the best utilization of staff time is adhered to. If required reallocation of duties should be done with a view to expediting the project output delivery	PMU - PD	

Document grievances and complaints of project stakeholders Record complaints and requests in the GRM system	PMU	
Monitor the compliance with environmental and social/labour regulations in production and processing facilities Conduct visits on environmental, food safety and labour conditions	PMU	
Financial Management & Execution		
Development of accounting & reporting of beneficiaries' contribution Develop proper accounting and reporting method to calculate beneficiaries' contribution based on actual expenditures incurred, and revise the Guidelines for valuation of beneficiaries' contribution accordingly. Dec 6, 2021 update: IFAD and project finance team will develop guidelines for beneficiary contributions assessment and accounting and apply for 2021 annual financial reporting.	PMU	12/2021
Conduct physical verification of assets Conduct physical verification of assets at least once in a year to verify the physical existence with the fixed assets register.	PMU	12/2021
Revolving fund Release all commitment of Revolving fund to CBSL Dec 6, 2021 update: The MOF agreed to transfer funds from SAPP loan repayments to Revolving Fund account and close the gap of around US\$ 3 million	GOSL	06/2022
Contract Monitoring Tool Update the contract monitoring tool regularly in respect of procurements undertaken as per PP, completed and amendments to the contracts.	PMU	12/2022
Revised AWPB and PP Update the PP and upload it in NOTUS to seek NO from IFAD	PMU	12/2022
Explore Foreign Currency Payment options PMU should discuss with the GoSL the possibility of using a Designated Account to enable USD payments to local suppliers.	PMU	12/2022
AWPB Prepare AWPB two months before the beginning of the fiscal year including the estimated contribution of Private sector and beneficiaries for the planned activities.	PMU	12/2022
Adequate documents for promoter organizations The project team should ensure that adequate documentation is maintained by promoter organizations to support reported transactions under private sector and farmer contributions. The project team should have a system to collect and file adequate supporting documents for the private sector and farmer contributions.	PMU	12/2022
Revolving Fund Request letter from CBSL for funds out of revolving Fund should be time bound, and supported with adequate documentation like number of beneficiaries registered.	PMU	12/2022

<p>Review/Amend Contracts</p> <p>Review contracts ending beyond the current project completion date and amend as required to ensure that there will be no IFAD funding required after project completion date.</p>	<p>PMU</p>	<p>03/2023</p>
<p>Accelerate Procurement Process</p> <p>Accelerate procurement process by preparing a time schedule and working backwards to ensure that all documentation is ready the moment the approval is provided by the PC/ NSC. The RFP/Bidding documents can be prepared parallelly while the approval process in ongoing.</p>	<p>PMU</p>	

Sri Lanka

**Smallholder Agribusiness Partnerships Programme
Supervision Report**

: Logical Framework

Mission Dates: 7 November - 14 December 2022

Document Date: 09/01/2023

Project No. 2000000929

Report No. 6332-LK

Asia and the Pacific Division
Programme Management Department

Smallholder Agribusiness Partnerships Programme

Logical Framework

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2022)	Cumulative Result (2022)	Cumulative Result % (2022)	Source	Frequency	Responsibility	
Outreach	1.a Corresponding number of households reached							RIMS	Annual		
	Women-headed households				30	1 515					
	Non-women-headed households				4 087	39 946					
	Households			57 500	4 117	41 461	72.106				
	1 Persons receiving services promoted or supported by the project										
	Males				2 264	24 658					
	Females				1 853	16 803					
	Young				1 440	12 403					
	Total number of persons receiving services			57 500	4 117	41 461	72.1				
	1.b Estimated corresponding total number of households members										
Household members			230 000	17 703	160 635	69.8					
Project Goal Contribute to Sri Lanka's smallholders poverty reduction and competitiveness	% of households with improvements in asset ownership							RIMS; Impact surveys; National database	baseline/ completion	LPA / Programme	Political commitment - Stable macro-economic conditions
	Households		30	70	3	21	30				
Development Objective Sustainably increase the income and quality of diet of smallholders (57,500 hhs) involved in commercially-oriented production and marketing systems	% of supported households reporting an increase in income (60% on average)							RIMS; AOS, IP reports	Year	Programme; IPs	Availability and uptake of GAP and technologies - Steady market demand and conditions
	Households		40	70	0	60	85.714				

Results Hierarchy	Indicators						Means of Verification			Assumptions	
	Name	Baseline	Mid-Term	End Target	Annual Result (2022)	Cumulative Result (2022)	Cumulative Result % (2022)	Source	Frequency		Responsibility
Outcome Improved access of smallholder farmers and their organizations to markets in partnership with the private sector	% of 4P partnerships/ agreements in operation after 3 years									Commitment and willingness of beneficiaries and their institutions	
	% of partnerships with 4Ps		50	75	0	62	82.667				
	1.2.4 Households reporting an increase in production						RIMS	Annual			
	Households		40	70	20	50					71.4
	2.2.4 Supported rural producers' organizations members reporting new or improved services provided by their organization						RIMS	Annual			
	Percentage of POs members		33	55	0	97					176.4
	Number of POs				0	20					
	Total size of POs				2 609	21 453					
	Males				1 540	10 704					
	Females				1 069	10 749					
	Non-Indigenous people										
	Women in leadership position				99	810					
% increase in average volume and value of sales through 4P agreements						AOS; market studies	Bi-annually	IPs; Programme			
% of average volume and value of sales		15	40	5	40				100		
Output 4P business arrangements in place	No. of farming households engaged in 4Ps implemented						Progress Reports	Bi-annually	Programme	Willingness and mutual benefits to producers and companies; Mature institutions	
	Farming households engaged	20 000	45 000	57 500	4 117	41 411					72.019

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2022)	Cumulative Result (2022)	Cumulative Result % (2022)	Source	Frequency	Responsibility	
Output Organizational strengthening and capacity development of producer organizations and their members	% of programme-supported producer groups registered							AOS; particip. Surveys; Progress reports	Yearly	Programme	Commitment and willingness of beneficiaries and their institutions; Favourable and stable market conditions and demand
	% supported producers groups		40	70	0	23	32.857				
	1.1.3 Rural producers accessing production inputs and/or technological packages							RIMS	Annual		
	Males		27 000	34 500	1 870	25 619	74.3				
	Females		18 000	23 000	1 247	16 197	70.4				
	Young				838	11 801					
Total rural producers		45 000	57 500	3 117	41 816	72.7					
Outcome 57,500 households supported under SAP have access to rural financial services in a sustainable manner and at affordable rates	1.2.6 Partner financial service providers with portfolio-at-risk ≥30 days below 5%							RIMS	Annual		CBSL and PFI commitment
	Percentage		3	5	0	2	40				
	1.2.5 Households reporting using rural financial services							RIMS	Annual		
	Total number of household members				1 231	18 917					
	Households		70	100	0	45	45				
Women-headed households				61	1 108						
Output Small producers access targeted and pro-poor financial products	Funds leveraged through PFI own-resources (as % of total loans outstanding funded from the LOC)							CBSL/PFI reports; Progress Reports	Bi-annually	Programme; CBSL; PFIs	Willingness of PFIs and enabling regulatory framework
	% Funds leveraged through PFI		25	45	0	0	0				
	1.1.5 Persons in rural areas accessing financial services							RIMS	Annual		
	Women in rural areas accessing financial services - savings		18 000	23 000	553	9 056	39.4				
Men in rural areas accessing financial services - savings		27 000	34 500	678	7 776	22.5					

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2022)	Cumulative Result (2022)	Cumulative Result % (2022)	Source	Frequency	Responsibility	
	Total persons accessing financial services - savings		45 000	57 500	1 231	16 832	29.3				
	Number of rural youth (40% female) receiving credit to finance their income generating activity (disaggregated by sex and age)*							CBSL/PFI reports; Progress Reports	Bi-annually	Programme	
	Males		600	1 500	275	1 071	71.4				
	Females		400	1 000	206	834	83.4				
	Young				481	1 905					
Output Institutional strengthening and capacity building of Central Bank and PFIs	Share of agricultural loans in total loan portfolio							CBSL/PFI reports	Bi-annually	CBSL; PFIs	Stable macro-economic conditions
% agri loans in total loan portfolio		1	2	0	97	4 850					
Outcome Improved policy environment for equitable and sustainable smallholder farmer-sourced agribusiness development	Policy 3 Existing/new laws, regulations, policies or strategies proposed to policy makers for approval, ratification or amendment							RIMS and Progress Reports	Annual	Programme; CCC	Quality, relevance and acceptability of recommendations of analysis
Number		3	6	2	3	50					
Output Analysis conducted on prioritised policy issues/constraints and programme models/lessons learned	Policy 1 Policy-relevant knowledge products completed							RIMS and Progress Reports	Yearly	Programme	Focus of PMU on policy agenda maintained
Number		8	18	3	9	50					

Sri Lanka

Smallholder Agribusiness Partnerships Programme

Supervision Report

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

Mission Dates: 7 November - 14 December 2022

Document Date: 09/01/2023

Project No. 2000000929

Report No. 6332-LK

Asia and the Pacific Division
Programme Management Department

Table 1.a: Financial performance by financier, as at 31 October 2022

Financier	Appraisal (USD '000)	Disbursements (USD '000)	Per cent disbursed
IFAD loan	54,389	19,796	36%
Government	19,359	5,801	30%
Private Sector	16,967	2,431	14%
Participatory Financial Institutions	9,821	0	0%
Beneficiaries	4,494	6,721	150%
Total	105,030	34,748	33%

Note:

- 1 The IFAD and GoSL disbursements include expenditures incurred up to 31 October 2022 excluding advances.

Graph 1: Project Disbursement Progress against total Programme Budget

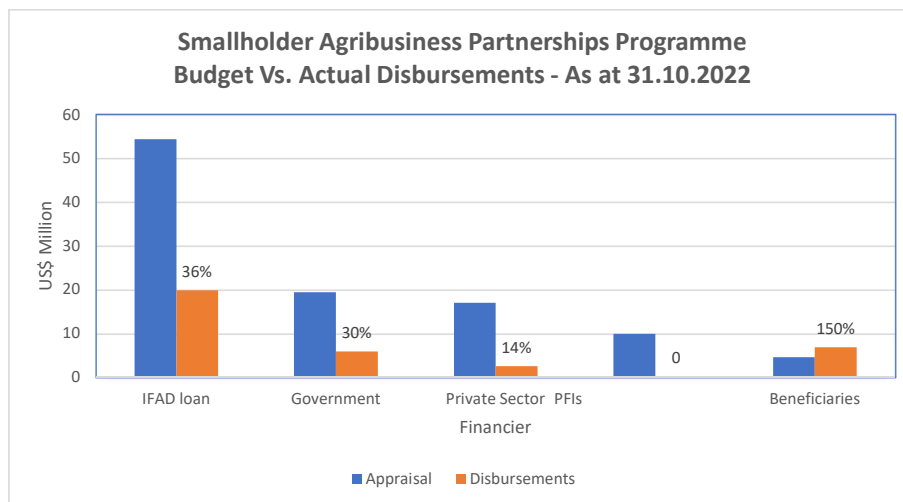


Table 1.b: Financial performance by financier by component (USD '000) as at 31 October 2022

Component	IFAD loan			Government			Private Sector		
	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%
1. Access to commercial partnerships	36,312	6,623	18%	184	23	12%	16,967	2,431	14%
2. Access to rural finance	12,641	11,281	89%	18,470	5,128	28%			
3. Programme Management & policy dialogue	5,436	1,892	35%	705	650	92%			
Total	54,389	19,796	36%	19,359	5,801	30%	16,967	2,431	14%

Commented [AA1]: This figure in PDR read USD 12.64 million while in financing agreement 1 it reads USD 11.79 million. Do you whats the difference amount attributed to?

Component	PFI			Beneficiary			Total		
	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%
1. Access to commercial partnerships			-			-	53,463	9,077	17%
2. Access to rural finance	9,821	-	-	4,494	6,721	150%	45,426	23,130	51%
3. Programme Management & policy dialogue			-			-	6,141	2,541	41%
Total	9,821	-	-	4,494	6,721	150%	105,030	34,748	33%

Note:

- The IFAD and GoSL disbursements include expenditures incurred up to 31 October 2022 excluding advances.

Graph 2: IFAD Loan disbursements Progress by Component

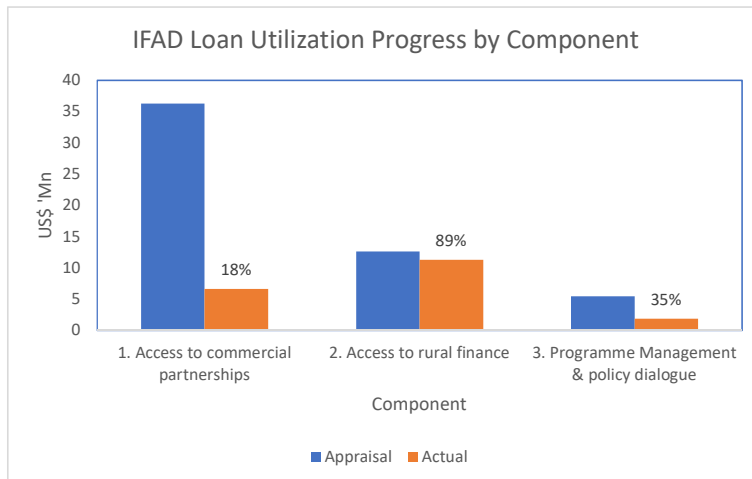


Table 1.c.: IFAD Loan 2000001843, 2000001984 & 2000002639 Disbursements (USD '000, as at 31 October 2022) by category

Category	Category description	Original Allocation	Revised Allocation	Disbursement	W/A pending July - Oct 2022	Balance	Per cent disbursed
I	Consultancy & Non-Consultancy Services	8,630	-	1,185	83	7,362	14%
II	Equipment & Material	850	-	151	3	696	18%
III	Credit	11,790	-	11,210	6	574	95%
IV	Grants	25,360	-	5,665	247	19,448	22%
V	Recurrent Cost	2,310	-	1,158	88	1,063	50%
	Unallocated	5,462	-			5,462	
	Authorized allocation (Initial Deposit)	-	-	5,300		(5,300)	
	Total	54,402	-	24,669	427	29,306	45%

Table 1.c.1.: IFAD Loan 2000001843 Disbursements (USD '000, as at 31 October 2022) by category

Category	Category description	Original Allocation	Revised Allocation	Disbursement	W/A pending July - Oct 2022	Balance	Per cent disbursed
I	Consultancy & Non-Consultancy Services	2,830	-	1,173	83	1,574	41%
II	Equipment & Material	520	-	148	3	369	28%
III	Credit	11,790	-	11,210	6	574	95%
IV	Grants	14,450	-	4,607	247	9,596	32%
V	Recurrent Cost	740	-	810		(70)	109%
	Unallocated	3,370	-			3,370	0%
	Authorized allocation (Initial Deposit)	-	-	2,800		(2,800)	
	Total	33,700	-	20,748	339	12,613	62%

Note:

- 1 The disbursements include expenditures incurred up to 31 October 2022.
- 2 The advance disbursement has been reported in disbursement column against initial deposit.

Table 1.c.2.: IFAD Loan 2000001984 Disbursements (USD '000, as at 31 October 2022) by category

Category	Category description	Original Allocation	Revised Allocation	Disbursement	W/A pending July - Oct 2022	Balance	Per cent disbursed
I	Consultancy & Non Consultancy Services	1,720	-	12	-	1,708	1%
II	Equipment & Material	110	-	-	-	110	-
III	Credit	-	-	-	-	-	-
IV	Grants	3,230	-	370	-	2,860	11%
V	Recurrent Cost	500	-	-	-	500	-
	Unallocated	620	-	-	-	620	-
	Authorized allocation (Initial Deposit)	-	-	500	-	(500)	-
	Total	6,180	-	882	-	5,298	14%

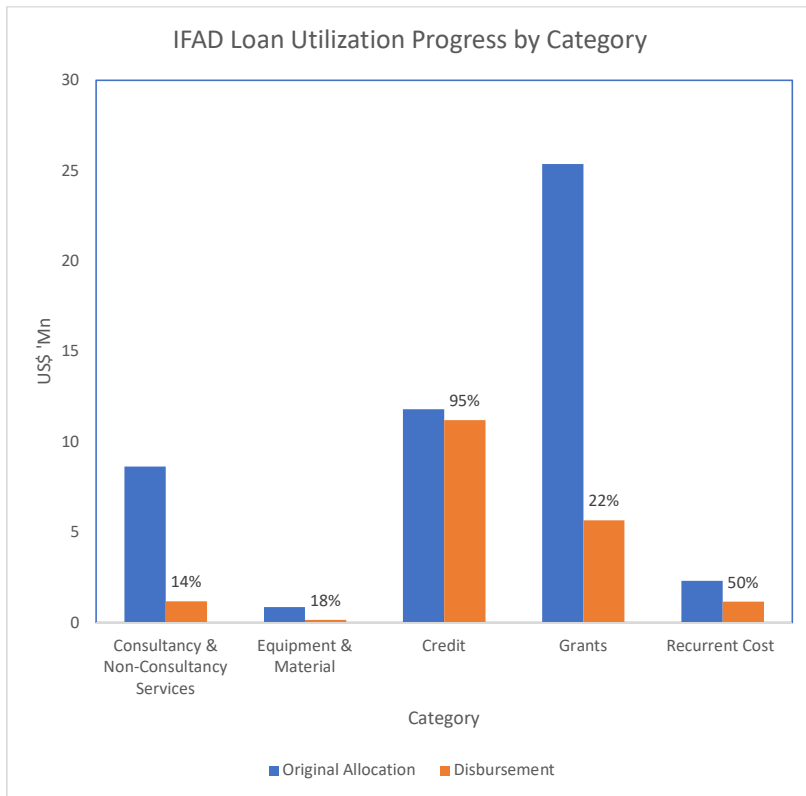
Table 1.c.3: IFAD Loan 2000002639 Disbursements (USD '000, as at 31 October 2022) by category

Category	Category description	Original Allocation	Revised Allocation	Disbursement	W/A pending July - Oct 2022	Balance	Per cent disbursed
I	Consultancy & Non Consultancy Services	4,080	-	-	-	4,080	-
II	Equipment & Material	220	-	3-	-	217	1%-
III	Credit	-	-	-	-	-	-
IV	Grants	7,680	-	688	-	6,992	9%
V	Recurrent Cost	1,070	-	349	88	633	33%
	Unallocated	1,472	-	-	-	1,472	-
	Authorized allocation (Initial Deposit)	-	-	2,000	-	(2,000)	-
	Total	14,522	-	3,039	88	11,395	21%

Note:

- 1 The disbursements include expenditures incurred up to 30 June 2022.
- 2 The advance disbursement has been reported in disbursement column against initial deposit.

Graph 4: IFAD Loan Disbursement Progress by Category



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Smallholder Agribusiness Partnerships Programme Supervision Report

Appendix 2: Physical progress measured against AWP&B

Mission Dates: 7 November - 14 December 2022
Document Date: 09/01/2023
Project No. 2000000929
Report No. 6332-LK

Asia and the Pacific Division
Programme Management Department

Appendix 2: Physical progress measured against AWP&B

Component / Sub component	Indicator	Units	PHY - 1		PHY - 2		PHY - 3		PHY		PHY * annual achievement in 'M'		Cumulative		
			2018		As at 30th Oct 2019		31st May 2020		15th Sept 2021		Oct-22		Actual	Appraisal	%
			AWPB	Actual	AWPB	Actual	AWPB	Actual	AWPB	Actual	AWPB	Actual			
Component 1 - Access to Commercial Partnerships	New 4Ps - Individual financed private sector-led (project)	Number of beneficiaries	150	-	1,580	291	1,710	1,064	2,920	4,439	3,737	2,960	8,754	18,000	49%
	Scaled up Individual Nadep 4Ps (project)[Gal-Oya Project - 3994; Cargills dairy - 891; Chello dairy - 350; Kitul - 171]	Number of beneficiaries	-	-	1,134	-	1,526	1,190	363	3,578	181	168	4,936	20,000	25%
	Start Up funds involving FO s (on farm development)	Number of beneficiaries	-	-	613	612	5,102	-	3,753	4,830	6,371	5,579	11,021	4,000	276%
Youth Start Up Fund and Expansion	Youth Start Up Fund	Number of beneficiaries	-	-	500	-	1,640	171	450	206	716	551	928	1,000	93%
Farmer Organization-led 4Ps: FO Start-Up Funds	New 4Ps private sector led with FOs	Number of 4Ps	-	-	3		16		-	-	2			10	0%
FO led 4Ps - Coops in business	FO led 4Ps - Coops in business	Number of 4Ps	-	-	5	4	4	-	5	1	4		1	10	10%
FO led 4Ps - new Fos (Mahaweli + incipient FO)	FO led 4Ps - new Fos (Mahaweli + incipient FO)	Number of 4Ps	-	-	2	1	-	-	6	2	5		2	28	7%
Sensitization	Sensitization workshop/ training on 4P principals and cross cutting (e.g. CC, Youth): Workshops were conducted as demanded hence exceeding the target	Workshops	-	-	40	17	50	30	4	-			51	2	2550%
	4P advertisement	Number of adds	1	1	1	1	1	1				1	4	2	200%
	4P consultation workshop process (one national, four field level)	Workshops	-	-	-	-							-	2	0%
	4P development process	Workshops											-	2	0%
	4P Biannual review workshop	Workshops					1	1					1	2	50%
Farmer Training (VC awareness)	Workshops												2	0%	
Institutional Strengthening of Farmer Organizations	For Coops in business												-		
	Technical assistance - Service Providers [target is for staff months - Manager and Accountant, instead service providers are used]	Service providers	-	-	3	3	1	1	7	2		5	11	25	44%
	New 4Ps private sector led with FOs												-		
	Technical assistance - Service Providers [same as above]	Service providers	-	-	-	-	-	-					-	30	0%
For new FOs (Mahaweli + incipient FO)													-		
	Technical assistance - Service Providers [same as above]	Service providers	-	-	-	-							-	60	0%
Training and exchange visits for all FOs (under all categories)	Exchange visit at domestic level [4P partners were taken on visits on demand]	Nb visits	-	-	6	3	30	9	16	16			28	2	1400%
	Exchange visit in the Asia Region	Nb visits	-	-	-	-							-	3	0%
	Training [number of trainings SAPP conducted for FOs under all categories. In the PDR there is only 5 no. of trainings]	Nb training	10	4	40	22	187	50	240	219			295	3	9833%
	Business advisory services (TA for all Fos)	Nb TA s	-	-	-	-							-	6	0%
Social mobilizers and equipment	Tablets for data entry by SMs/k	Units	-	-	24	20	20	-	50	37		60	60	45	133%
	Training of SMs [more training required than in the design]	Nb training	4	3	5	3	6	1	3	2	2	2	11	2	550%
	Social Mobilizers	Person	20	20	24	19	40	22				47	47	80	59%
	Record keeping books	Books	-	-	15,000	14,830	10,000	-	10,000	1,122	25,000	4,920	20,872	30,000	70%

Component / Sub component	Indicator	Units	PHY - 1		PHY - 2		PHY - 3						Cumulative		
			2018		As at 30th Oct 2019		31st May 2020		15th Sept 2021				Actual	Appraisal	% out of appraisal
			AWPB	Actual	AWPB	Actual	AWPB	Actual							
Component 2: Credit Lines	Line of Credit: Number of loans to be given [loans for total beneficiaries]	Number of loans	7,737	2,119	7,951	5,853	8,880	339	2,415	1,220	488	567	10,098	57,500	18%
	Revolving Fund (GOSL): Loans given for NADeP beneficiaries using Revolving Fund - App target is 20,000 [registered with CBSL - 579]	Number of loans	634	-	666	-	1,336	-	2,655	2,276	5,193	4,520	6,796	20,000	34%
	Private Financial Institutions (PFIs): Nb of PFIs contributed to credit	Nb PFIs	-	-	-	-			-	-				7	0%
	Farmer Organization Contribution: Nb FOs contributed to credit	Nb Fos	-	-	-	-			-	-				4	0%
Institutional Strengthening to CBSL and PFI /	Central Bank of Sri Lanka												-		
	Technical Assistance in formulating the MF guidelines (International TA)	TA months	-	-	-	-			-	-				24	0%
	Technical Assistance in formulating the MF guidelines [Policy level MF guidelines training was not conducted. To be conduct in 2020 after discuss with CBSL]	TA months	-	-	-	-			-	-				48	0%
	Workshops with stake holders	workshop	-	-	-	-			-	-				9	0%
	Conferences for stake holders	Number	-	-	-	-			-	-				1	0%
	Training of MFIs on new policies	Sessions	-	-	-	-			-	-				2	0%
Technical assistance to PFIs	Training of PFIs on agriculture/ micro / group finance/c	Sessions	5	13	8	-			4	3	46	9	25	13	192%
	Training on systems development for MFIs /d	Sessions	-	-	-	-			-	-				3	0%
	PFI training on Technical Issues, including appraisal /e	Sessions	-	-	-	-			-	-				13	0%
	ITA on systems development & Training of Staff	TA months	-	-	-	-			-	-	1			5	0%
	Sensitisation workshops with PFIs	workshop	1	1	-	-			-	-			1	4	25%
	PMU- CBSL-PFI reviews of procedures/f	workshop	6	6	-	-			-	-			6	8	75%

Component / Sub component	Indicator	Units	PHY - 1		PHY - 2								Cumulative			
			2018		As at 30th Oct 2019						As at 15th Sept 2021					
			AWPB	Actual	AWPB	Actual	AWPB	Actual					Actual	Appraisal	%	
Component 3 - Programme Management and Policy Dialogue																
M&E and Knowledge Management	Start up workshop	workshop	-	-	-	-			-	-			-	1	0%	
	Sensitisation & Education Workshops	Number	-	-	2	-			3	-			-	1	0%	
	Annual Stakeholder Planning/ Review Workshops	workshop	-	-	1	-	6	2	1	-			-	2	0%	
	Annual Business Forums	number	-	-	-	-	1		1	-			-	2	0%	
Studies and Surveys	Baseline/ Annual Outcome/Impact Surveys/PCR: 4P baseline surveys	4P surveys	3	3	10	6	20	8	12	8	20		25	6	417%	
	Technical Studies	Studies	-	-	4	-	3	-	5	-	3		-	4	0%	
	External Audit	Audits	-	-	-	-						2	-	2	0%	
	No of Information and Communication Materials [no design target]	Nb material	-	-	10	16	60	44	7	7			67			
	No of Training Manuals [4P projects had training material that are counted]	manuals	-	-	6	3			3	3			6	1	600%	
	Development of environmental/climate change manual	manuals	-	-	1	1			1	1			1	1	100%	
	Gender strategy - as a manual	manuals	-	-	1	1							1	1	100%	
Youth	Youth strategy	manuals	-	-	-	-	1	1					-	1	0%	
	Training package - financial literacy	Nb youth	-	-	40	30	64	6					36	1,000	4%	
	Technical training /i	Nb youth	-	-	8	3			299		1,336	122	421	1,000	42%	
Policy Dialogue /k	Stakeholder meetings [National level Stakeholders in the Dairy Sector]	meetings	-	-	-	-		1	2	2		2	5	3	167%	
	Research studies, policy issues	studies	-	-	1	-			4	-	3	2	2	4	50%	
	Publications	Papers	-	-	-	-							-	2	0%	
	Policy advocacy /n	Papers	-	-	-	-							-	1	0%	
	Exposure visits /o	person	-	-	-	-							-	5	0%	
	Support for policy design and implementation /p	Seminars	-	-	-	-	1	1					1	1	100%	
Dialogue, R&D/private sector /q	Seminars	-	-	-	-							-	1	0%		

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Smallholder Agribusiness Partnerships Programme

Supervision Report

Appendix 3: Compliance with legal covenants: status of implementation

Mission Dates: 7 November - 14 December 2022

Document Date: 09/01/2023

Project No. 2000000929

Report No. 6332-LK

Asia and the Pacific Division
Programme Management Department

Appendix 3: Compliance with legal covenants: status of implementation

Section and Para Ref	Covenant	Target/Action Due Date	Remarks
Financing Agreement:			
Section B – Para 6 & Section E -Para 2 (a)	There shall be one Designated Account denominated in USD (the "Designated Account") opened by the Borrower at the Central Bank of Sri Lanka (CBSL), through which the proceeds of the IFAD Financing shall be channeled.	29/11/2017	Complied Already opened and operating effective from 29 November 2017
Section B – Para 7 & Section E -Para 2 (a)	There shall be two programme accounts opened at Bank of Ceylon or another bank designated by the Borrower, respectively for IFAD and GoSL funded expenditures.	01/10/2017	Complied Already opened and operating effective from 1 October 2017
Section B – Para 8	<p>The Borrower shall provide counterpart financing for the Programme in an approximate amount of nineteen million three hundred thousand United States Dollars (USD 19 300 000) comprising the estimated amount of eighteen million five hundred thousand United States Dollars (USD 18 500 000) towards the line of credit (LoC) for on-lending to beneficiaries which will be held in a segregated account at CBSL.</p> <p>The remaining approximate amount of one million USD will cover taxes and duties related to the Financing, and salaries of Government staff.</p>	During implementation period	<p>Being complied</p> <p>USD 18.5 million</p> <p>MOF has opened a special account at CBSL and all reflows of credits issued by previous IFAD projects have been accumulated for this purpose. As of today, the fund is USD 7.6 million approx. at current rate (LKR 363/USD).</p> <p>MOF has agreed for utilizing SAPP reflows for this purpose if any shortfall arises. As of today, SAPP reflows are USD 4.7 million.</p> <p>To cover taxes and duties related to the Financing, and salaries of Government staff USD 0.67 million has been utilized.</p>

Section and Para Ref	Covenant	Target/Action Due Date	Remarks
Section E - Para 2(b)	The Borrower has established the National Steering Committee (NSC) and the PMU in accordance with section II paragraph A7 of Schedule 1 to this Agreement;	Additional general conditions precedent to withdrawal	Complied At present there are 17 members representing the Line Ministry and other related institutions possessing expertise in related fields
Section E - Para 2(c)	The Borrower has appointed the PMU Programme Director and Finance Manager with terms of reference and qualifications acceptable to the Fund	Additional general conditions precedent to withdrawal	Complied Both positions have been filled effective from 1 July 2018
Section E - Para 2(d)	The Borrower has prepared a draft PIM as described in section II of Schedule I, in form and substance satisfactory to the Fund	Additional general conditions precedent to withdrawal	Complied FM Section of PIM has been granted NoC on 16 April 2020
Section E - Para 3(a)	No funds will be disbursed under Category III "Credit" before the Borrower and CBSL have entered into a Subsidiary Loan Agreement (CSLA) as outlined in section II paragraph B11 of Schedule 1 to this Agreement, in form and substance satisfactory to the Fund.	Additional specific conditions precedent to withdrawal	Complied Agreement has been signed on 03 July 2019
Schedule 1 – Section II Para 7.1 & 7.2	The NSC shall be chaired by the Secretary to the Line Ministry. (i.e. Ministry of Agriculture) or his/her representative and provide programme oversight and direction and will meet at least twice-yearly.	Twice in a year	Being complied NSCs meeting were held: In 2020 – 3 NSCs In 2021 - 3 NSCs In 2023 – 2 NSCs

Section and Para Ref	Covenant	Target/Action Due Date	Remarks
Schedule 1 - Section II Para 8.1	The PMU will absorb the current staff of the NADEP PMU, and will be further strengthened with additional positions. The key managerial staff, as described in the PIM, will be selected according to the Borrower applicable procedures to the extent these are acceptable to the Fund and their recruitment shall be subject to the Fund's no- objection.		NADeP Staff were absorbed on 01 July 2018 and recruitment of Other staff was started on 01 June 2018. GoSL approved 50 Nos. IFAD NOC for 32 Nos. Current Staff 48 Nos. Government MSD circular for Public GOSL & Foreign funded projects are followed for recruitments.
Schedule 1 – Section II Para 11	A LoC will be established for the Programme, consolidating the lines of credit established under previous IFAD-funded projects with new funding for credit under SAP. The Borrower and CBSL will enter into a Subsidiary Loan Agreement (SLA) governing the management of the LoC, which will be subject to IFAD no objection.		Complied Subsidiary Loan Agreement has been entered on 12 March 2018, between GoSL and CBSL and NOC of IFAD was obtained. Discussions are in progress to amend the SLA to consolidate the SAPP reflows into the Fund Account.
Schedule 1 – Section II Para 14	The LPA and the Fund shall jointly carry out a review of the Programme Implementation at the end of programme year three (the "Mid-Term Review").	June 2020	Complied Remote MTR was held in June 2020
Schedule 1 – Section II Para 15 &16	The LPA shall prepare a PIM acceptable to the Fund, drawing on the existing PIM of NADeP. The LPA shall forward the draft PIM to the Fund for comments and approval. The LPA shall adopt the PIM, substantially in the form approved by the Fund, and the LPA shall promptly provide copies thereof to the Fund. The Borrower shall carry out the Programme in accordance with the PIM and shall not amend, abrogate, waive or permit to be amended, abrogated, or waived, the aforementioned manual, or any provision thereof, without the prior written consent of the Fund.		Complied FM Section of PIM has been granted NoC on 16 April 2020

Section and Para Ref	Covenant	Target/Action Due Date	Remarks
Schedule 3 Para 1	Gender. The Borrower shall develop a gender strategy for the Programme to ensure that gender concerns shall be reflected, in order to offer equal opportunities under the Programme to men, women and youth		Complied
Schedule 3 Para 2	Implementation. The Programme will adhere with IFAD policies and strategies for environment and natural resources management, climate change and social and environmental and climate assessment.		Complied
Schedule 3 – Para 3	The Programme will procure an accounting software meeting IFAD's requirement for financial reporting. The system will be in place and finance staff trained in its usage at implementation start-up.		Complied TOMPRO Accounting software has been operational since the inception of the Project and all the FM staff is well trained for the purpose.
Schedule 3 – Para 4	The Borrower will ensure that one consolidated line of credit is established to be utilized for the Programme, drawing on funds from previous IFAD-financed lines of credit and new financing. The LOC will be held in a segregated account at CBSL and will be governed by an MOU between the Borrower and CBSL.		Complied
Letter to the borrower			
Paragraph 5	Before disbursement can begin, IFAD must receive from the Designated Representative specified in Section E of the Agreement a letter designating the name(s) of official(s) authorized to sign withdrawal applications, and Statement of Expenditure (SOEs), which includes their authenticated specimen signature(s).		Complied
Paragraph 13	The borrower will maintain a Designated Account denominated in USD at the Central bank of Sri Lanka (CBSL) in order to receive loan resources in advance as soon as possible after entry into force of the Agreement. The Designated Account will be administered following Imprest Account arrangements.		Complied Already opened and operating effective from 29 November 2017

Section and Para Ref	Covenant	Target/Action Due Date	Remarks
Paragraph 15	Documentation evidencing the opening of the designated Accounts, with details of the names and titles of the persons authorized to operate these accounts, must reach IFAD before withdrawal from the loan and grant accounts can begin.		Complied
Paragraph 16	The programme will maintain a Programme Account at bank of Ceylon or another bank designated by the borrower to receive funds from the Designated Account for eligible expenditure.		Complied Already opened and operating effective from 1 October 2017
Paragraph 17	Funds for the refinancing facility shall be transferred from the Designated Account to a segregated account held by CBSL for the purpose.	During implementation period	Being complied
Paragraph 18	The borrower will maintain a Programme Account to provide counterpart funds for programme implementation.		Complied
Paragraph 30	All contracts must be listed in the Register of Contracts, which should be updated and submitted to the IFAD Country Programme Manager every trimester.		Complied Managing through international accounting software and as well as ICP-CM
Paragraph 31	In accordance with Section 9.01 and 9.02 of the General Conditions, the Borrower/Recipient must prepare and submit to IFAD detailed financial statements of all the operations, resources and expenditures related to the Programme for each fiscal year.	Within 30 April of every year	Being complied Unaudited project financial statements of FY 2021 were submitted on the due date (05 th May 2022)
Paragraph 32	In addition, summary interim financial reports (IFRs) must be submitted to IFAD at quarterly intervals no later than 45 days after the end of the period-end.	By 15 May, 15 August, 15 November & 15 February of each year	Being complied All the IFRs have been submitted on time.
Paragraph 35	The Log of Audit Observation should be maintained and updated regularly.	During implementation period	Being complied Audit log has been updated with 2021 Audit report.

Section and Para Ref	Covenant	Target/Action Due Date	Remarks
General Condition for Agricultural Financing:			
Section 4.02	The first AWPB has been approved by the Fund and all other conditions specified in the Financing Agreement as additional general conditions precedent to withdrawal have been fulfilled.	Condition precedent for withdrawal	Complied
Section 7.01 (b) (i &ii)	The implementation of the Project by the implementation parties in accordance with the approved AWPB and the Procurement Plans. The AWPB and the PP shall be submitted two months before the beginning of the relevant Project Year.	During implementation period 31 October of every year	AWPB 2021 and 2022 were submitted to IFAD on time for NoC:
Section 7.03	In addition to the proceeds of the Financing, the Borrower/Recipient shall make available to the Project Parties such funds, facilities, services and other resources as may be required to carry out the Project in accordance with Section 7.01.	During implementation period	Being complied
Section 7.10	(a) The Borrower/Recipient or the Lead Project Agency shall insure all goods and buildings used in the Project against such risks and in such amounts as shall be consistent with sound commercial practice. (b) The Borrower/Recipient or the Lead Project Agency shall insure the goods imported for the Project which are financed by the Financing against hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation in accordance with sound commercial practice.		Partially complied The PMU maintains an up-to-date inventory list. The d physical verification of the assets for 2020 had to be abandoned half a way due to lock down and restrictions on movement due to Covid -19 pandemic. Vehicles have been insured as per the Law in Sri Lanka whenever due. Only 10 staff members seconded from the government service has been insured under government insurance cover.
Section 8.02 (a)	The Lead Project Agency shall establish and thereafter maintain an appropriate information management system in accordance with the Fund's operational guidelines and Results Measurement Framework.	During implementation period	Partially complied MIS of NADeP is being used at present. The project has procured the MIS system

Section and Para Ref	Covenant	Target/Action Due Date	Remarks
			and will be operational by end of December 2022.
Section 8.03 (a)	Progress Report: The Lead Project Agency, or other party so designated in the relevant Agreement, shall furnish to the Fund periodic progress reports on the Project, in such form and substance as the Fund shall reasonably request.	During implementation period	Complied
Section 8.03 (b)	Mid-Term Review: The Lead Project Agency and the Fund shall jointly carry out a review of Project implementation no later than the midpoint of the Project Implementation Period (the "Mid-Term Review") based on terms of reference prepared by the Lead Project Agency and approved by the Fund.	June 2020	Complied MTR was held in June 2020
Section 8.03 (c)	The Borrower/Recipient shall ensure that the recommendations resulting from the Mid-Term Review are implemented within the specified time therefor and to the satisfaction of the Fund. Such recommendations may result in modifications to the Agreement or cancellation of the Financing.	After June 2020	Complied with MTR agreed actions
Section 8.05	Plans and Schedules: The Project Parties shall furnish to the Fund promptly upon their preparation, such plans, design, standards, reports, contract documents, specifications and schedules relating to the Project, and any material modifications subsequently made therein.	During implementation period	Being complied
Section 9.01	The Project Parties shall maintain separate accounts and records in accordance with consistently maintained appropriate accounting practices adequate to reflect the operations, resources and expenditures related to the Project until the Financing Closing Date, and shall retain such accounts and records for at least ten (10) years thereafter.	During implementation period	Being complied Accounting function is carried out in accordance with the Delegation of Authority matrix. Record Keeping, reporting is done through an automated accounting packages which serves all the reporting requirements of the project
Section 9.02	Financial Statements: The Borrower/Recipient shall deliver to the Fund detailed financial statements of the operations, resources and expenditures related to the Project for each Fiscal Year prepared in accordance with standards and procedures	Within 30 April of every year	Being partially complied

Section and Para Ref	Covenant	Target/Action Due Date	Remarks
	acceptable to the Fund and deliver such financial statements to the Fund within four (4) months of the end of each Fiscal Year.		Unaudited project financial have been submitted to Auditors in April 2022 and to IFAD on 05 th May 2022.
Section 9.03 (a)	Audit: The Borrower/Recipient shall, each Fiscal Year, have the accounts relating to the Project audited in accordance with auditing standards acceptable to the Fund by independent auditors acceptable to the Fund.	During implementation period	Being complied Audit Office of Sri Lanka is the external auditor of the project which is the Supreme Audit Institution (SAI) of Sri Lanka which is acceptable to IFAD
Section 9.03 (b)	The Borrower/Recipient shall within six (6) months of the end of each Fiscal Year, furnish to the Fund a certified copy of the audit report. The Borrower/Recipient shall submit to the Fund the reply to the management letter of the auditors within one month of receipt thereof; Within	Within 30 June of every year	Partially complied Audit report was issued by the AG with the Management Letter on 16 th September 2022 was submitted within

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Smallholder Agribusiness Partnerships Programme Supervision Report

Appendix 4: Technical background analysis

Mission Dates: 7 November - 14 December 2022

Document Date: 09/01/2023

Project No. 2000000929

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Asia and the Pacific Division
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Appendix 4

No technical paper

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Smallholder Agribusiness Partnerships Programme

Supervision Report

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

Mission Dates: 7 November - 14 December 2022

Document Date: 09/01/2023

Project No. 2000000929

Report No. 6332-LK

Asia and the Pacific Division
Programme Management Department

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 Agribusiness Partnerships Programme (SAPP) Supervision Mission

MISSION START AND END DATES: 7 – 18 November 2022

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

MISSION COMPOSITION:

Sherina Tabassum, Country Director and Mission Leader

Mr Donald Greenberg, Team Leader

Anura Herath, Institutional Policy Specialist and Economist (remote participation)

Bodhi Wanniarachchi, Business Management and Public Private Partnership Specialist

Mehri Ismaili, M&E and KM Specialist

Pratul Dube, Procurement Specialist

Amit Arora, FM Specialist

Elizabeth Ssendiwala, Project Tech. Lead, Rural Institutions, Gender and Social Inclusion Specialist

Gianluca Gondolini, Climate Change and Environmental Specialist

BACKGROUND:

The USD 105 million Smallholder Agribusiness Partnerships Programme (SAPP), including an IFAD loan in the amount of USD 39.9 million (blend terms) was approved by IFAD's Executive Board in April 2017 and entered into force in May 2017. The programme completion and closing dates are 30 June 2023 and 31 December 2023 respectively. The lead programme agency is the Ministry of the Mahaweli, Agriculture, Irrigation and Rural Development. In September 2017 the EB approved the first additional financing and in December 2018, the IFAD EB approved a second additional financing to entirely fill the financing gap. The programme development objective is to sustainably increase the incomes and quality of diet of 57,500 smallholder households (initially) involved in commercially oriented production and marketing systems. This would be achieved through three components:

Component 1: Access to commercial partnerships. This component includes two subcomponents: (1.1) establishing 4Ps; and (1.2) institutional strengthening and capacity-building of producer groups (within a market- driven model).

Component 2: Access to rural finance. This component will have two subcomponents: (2.1) financing of 4Ps; and (2.2) institutional strengthening of the financial services sector. The component follows the strategies, modes of intervention and investment opportunities that emerge under component 1, and aims to facilitate sustainable access to rural financial services at affordable rates.

Component 3: Programme management and policy dialogue. This component comprises two subcomponents: (3.1) programme and knowledge management; and (3.2) policy dialogue.

The programme target group comprises 57,500 poor rural households (representing 230,000 individuals), with the potential to become active economic players in a diverse array of value chains. Essentially, there are three target subgroups: (i) 35,000 new rural household producers (owning less than 1 ha of land and relying on agriculture for at least 50 per cent of their household income) that will benefit from increased livelihood opportunities through their engagement with 4P schemes – this includes 4,000 households organized in 70 producer/ farmer organizations (P/FOs); (ii) 20,000 households already participating in 4P schemes established under the NADeP programme that will benefit from SAPP support in the form of access to seasonal working- capital loans to ensure the sustainability of their production systems; and (iii) 2,500 poor young women and men that will be supported in becoming entrepreneurs, responding to demand for products or services generated along the value chain and complementing the 4Ps – they are either unemployed, landless or own less than 1 ha of land. The Supervision mission mission will also focus on the recommendation of the previous supervision missions and MTR and specifically to the effectiveness and development focus to the 4Ps, to the sustainability and scaling up and to the programme management.

MISSION OBJECTIVES AND OUTPUTS:

The main objectives of the Supervision Mission for SAPP will be to: (i) assess the progress made in the implementation of the project after the supervision mission in 2021 in all components and sub-components (ii) review progress against the 2021 AWPBs and procurement plans; (iii) review the proposal for repurposing the project including fund utilizations and potential re-allocation of the resources; (iv) review the potential extension of the completion date and provide appropriate recommendations; and (v) propose agreed actions to increase the likelihood of attaining SAPP development objectives at completion.

In preparation for the supervision exercise, the PMU is expected to prepare and submit a brief progress report and self-assessment – this will reflect the latest physical and financial progress, performance data and M&E data (outreach, targeting, BP progress). The PMU will also prepare the documentation required for the review of fiduciary issues ahead of the mission (including procurement records, etc.). In addition, the PMU will prepare the draft field itinerary for the mission.

INDIVIDUAL RESPONSIBILITIES, EXPECTED OUTPUTS AND REQUIRED COMPLETION DATES

Ms. Sherina Tabassum, Country Director and Mission Leader

The country director will provide overall guidance to the supervision mission, review and clear the aide memoire, the supervision mission report and management letter, prior to their finalization. She will also review the project performance in climate change adaptation, environment and natural resources management and also the safeguards included in the SECAP. She will lead all wrap-ups meetings with the SAPP team and the Government.

Mr Donald Greenberg, Team Leader

You will be responsible for coordinating the mission members (and their inputs into the written deliverables), reviewing overall project implementation progress and assessing the general coherence and complementary linkages across components and activities. More specifically, you will assume responsibility for oversight and delegation of all components and sub-components, programme management and institutional issue. Specifically, you will be tasked to undertake the following:

- (i) Review implementation progress related to all components and sub-components and the promotion of 4P business arrangements; you will as well identify actual and potential/emerging operational problems, and propose solutions for corrective measures or improvements to be made;
- (ii) Consolidate all mission member inputs and provide written inputs related to your component/activities for the aide-mémoire and supervision mission report, including: (i) overall assessment; (ii) outputs and outcomes; (iii) implementation progress; (iv) sustainability issues; and (v) updated recommendation table with clear assignments, responsibilities and due date.
- (iii) With the help of the different team members, assess progress under different subcomponents and whether there is need for any redesign.
- (iv) Provide recommendations on how to improve implementation and, as needed, how to adjust activities for the remaining project period;

Mr. Anura Herath, Programme Management, Institutional Policy Specialist and Economist

Under the overall supervision of the Mission Leader and in consultation with the team leader, you will be responsible for the following tasks:

- I. Assess the quality of programme management and effectiveness / efficiency of other institutional arrangements in place;
- II. Assess the priority activities carried out in the roll-out of SAPP;
- III. Assessment of outreach and physical targets;
- IV. Assess overall progress against overall targets by the project including the AWPB review
- V. Assess the advancement of the policy dialogue
- VI. Examine the appropriateness of the exit strategy of the project

Deliverables: Prepare the Aide Memoire, consolidate input in the supervision mission report and prepare the draft management letter. In addition: (i) overall assessment; (ii) outputs and outcomes; (iii) implementation progress; (iv) sustainability issues; and (v) updated recommendation table with clear assignments, responsibilities and due date.

Bodhi Wanniarachchi, Business Management and Public Private Partnership Specialist

- I. Under the overall supervision of the Mission Leader and in consultation with the team leader, you will be responsible for the following tasks:
- II. Review progress review of sub-component 1: establishing 4Ps and youth projects; progress review of Component 2 –
- III. Assess the ongoing 4P model, including the evaluation and approval process, guiding principles and approach that are being scaled-up under SAPP;
- IV. Assess the quality and effectiveness of the 4P technical evaluation process currently in place and the achievements
- V. In collaboration with the mission leader you will be responsible for Assess the effectiveness and efficiency of the consolidated revolving line of credit, including a review of the appropriateness of the financial products and services;
- VI. Assess the level of cooperation with PMU, CBSL and PFIs, towards ensuring smooth and complementary delivery of services to the target group; and
- VII. Support the CD in reporting on the climate change, environment, natural resources and SECAP

Deliverables: Provide written inputs related to your component/activities for the aide-mémoire and supervision mission report, including: (i) overall assessment; (ii) outputs and outcomes; (iii) implementation progress; (iv) sustainability issues; and (v) updated recommendation table with clear assignments, responsibilities and due date.

Elizabeth Ssendiwala: PTL-, Rural Institutions, Gender and Social Inclusion Specialist

In close collaboration with the M&E and results management specialist, you will be responsible for assessing and providing technical support and assistance on all issues and aspects related to gender and social inclusion. Specifically, you will be tasked to undertake the following:

- (i) Based on appraisal targets and the 2021/2022 AWPBs, review output and outcome level progress, specifically from a gender and targeting, and social perspective;
- (ii) Assess the progress in preparation of the gender and targeting strategy(ies) (under private-led AND FO-led 4Ps), and the means by which to operationalize these strategies;
- (iii) Provide technical guidance on developing gender and targeting tools, methodologies, options, etc. to enhance gender and targeting delivery;
- (iv) Assess progress in the promotion of youth entrepreneurship and training activities;
- (v) Assess progress on the nutrition related activities for the project;

Deliverables: Provide written inputs related to your component/activities for the aide-mémoire and supervision mission report, including: (i) overall assessment; (ii) outputs and outcomes; (iii) implementation progress; (iv) sustainability issues; and (v) updated recommendation table with clear assignments, responsibilities and due date.

Mehri Ismaili: M&E, KM and Results Management Specialist

You will be responsible for reviewing the efficiency and effectiveness 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:

- (i) Based on appraisal targets and the 2021/2022 AWPBs, review overall output and outcome level progress;
- (ii) 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);
- (iii) Assess project achievements/ results and the M&E data and information from both a gender and youth-specific perspective;
- (iv) Assess the quality of M&E systems and reporting, and provide training and guidance to the PMU for improved reporting;(v) Identify and recommend options/ opportunities for effective knowledge management and dissemination; linked to this, provide guidance on development of a knowledge and communications strategy/ plan;
- (vi) With the gender and targeting specialist, review the methodology and the progress in undertaking the baseline survey;
- (vi) Prepare an information session and brief presentation of updated IFAD M&E requirements and reporting;
- (viii) Provide guidance in setting up the system for undertaking the annual outcome surveys; support development of tools, etc. that may be required;
- (vii) Provide written inputs related to your component/activities for the aide-mémoire and supervision mission report, including: (i) overall assessment; (ii) outputs and outcomes; (iii) implementation progress; (iv) sustainability issues; and (v) updated recommendation table with clear assignments, responsibilities and due date.
- (viii) contributing to the review of the government proposal for repurposing of SAPP and extension to the project period with a view to modify / improve M&E system
- (ix) Any other related duties that might be requested by the Country Director and the team leader.

Deliverables: Provide written inputs related to your component/activities for the aide-mémoire and supervision mission report, including: (i) overall assessment; (ii) outputs and outcomes; (iii) implementation progress; (iv) sustainability issues; and (v) updated recommendation table with clear assignments, responsibilities and due date.

Mr. Pratul Dube: 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, 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:

- (i) Summarize main progresses, issues and constraints in the current procurement process of the project;
- (ii) Review bidding documents (goods, works, and services) and bid evaluation reports prepared by the projects to ensure quality control;
- (iii) Undertake spot checks of procurement related documentation of projects;
- (iv) Review quality and progress in implementation of the procurement plan; provide guidance for updating the procurement plans (in conjunction with the AWPB) as required;
- (v) Assess the procurement capacity of the Implementing Agencies and Projects as may be necessary;
- (vi) Undertake performance checking of projects on procurement, contract management, disbursement, and safeguards and preparing score cards;
- (vii) Identify means for streamlining and improving existing procurement processes to ensure consistency and measures to minimize malpractices during bid submission;
- (viii) Any other related duties that might be requested by the Country Director and the mission leader.

Deliverables: Provide written inputs related to your component/activities for the aide-mémoire and supervision mission report, including: (i) overall assessment; (ii) outputs and outcomes; (iii) implementation progress; (iv) sustainability issues; and (v) updated recommendation table with clear assignments, responsibilities and due date

Amit Arora, Financial Management Specialist

Under the guidance of IFAD/FMD, you will be responsible for all fiduciary aspects and specifically for the tasks listed below:

- (i) Based on the financial reports prepared by the project, review the financial performance by expenditure category and component to assess the project's overall financial performance to date 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;
- (ii) Assess the project performance and fiduciary risk and describe major changes since project's inception;
- (iii) Assess regularity of WA preparation. Recommend concrete measures to ensure faster and more efficient disbursements;
- (iv) Review Project disbursement and flow of funds from IFAD. Identify any issues in disbursement and fund flow; Assess the project's treasury planning; analyse adequacy of DA authorised allocation, with respect to projected expenditure requirements;
- (v) Describe banking arrangements. Examine utilization and status of the Special Account and Project Accounts. Summarize financial progress by expenditure categories and by component in line with the required Aide Memoire formats. 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); Provide support to the appropriate Project staff as required;
- (vi) Identify financing agreement covenants and verify project's compliance;
- (vii) 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;
- (viii) Provide guidance to the Project on preparing financial statements and withdrawal applications in line with IFAD procedures and requirements;
- (ix) 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;
- (x) Review the system for Statement of Expenditures (SOE), including the utilisation of funds and spot checking of the documentation of expenditures claimed under SOE, the need for reallocations and compliance with financial covenants. Provide support and guidance to the Project as required; Document findings on individual SOE items, noting down any ineligible expenditures. Provide recommendations on any internal controls weakness noted.
- (xi) Review the expenditure process from the District offices in terms of quality, completeness, timeliness and compliance;
- (xii) Review functioning of the Borrower's record-keeping and accounting systems, including ensuring that the accounting records are kept updated;
- (xiii) 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;
- (xiv) Review the issue of payment of taxes. Review compliance on the repayment of taxes;

- (xv) 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;
- (xvi) Review action taken to address recommendations of previous FM-related mission; and
- (xvii) Identify current risks arising from material deficiencies and propose practical recommendations for improving financial management functions and/or capacity of staff for financial operations needed to mitigate risks. Prepare the current Summary Risk Analysis;
- (xviii) Reporting: Prepare a technical note on the above areas and a relevant section for the Aide Memoire by the date agreed, and submit technical report no later than 2 days after the last day of the field mission; Input to Main body of the aide-memoire: - Section E. Fiduciary Aspects covering : (a) financial management; (b) disbursement; (c) counterpart funds; (d) loan covenants; (6) external Audit; and the summary Risk Analysis table specifying, as relevant, the agreed actions, responsibilities and dates in respect of fiduciary mitigation actions.

Gianluca Gondolini, Climate Change and Environmental Specialist.

You will be responsible for undertaking remotely the review of the project's progress of implementation of aspects related to Environment and Natural Resource Management; Adaptation to Climate Change; and Social, Environment, and Climate Standards requirements. You will also review the progress made on the agreed actions from the last supervision mission.

Deliverables: Provide written inputs to the aide-mémoire and supervision mission report.

DOCUMENTATION

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

- Financing Agreement
- 2021 and 2022 AWPB and PP
- Updated physical and financial progress report from the PMU
- Supervision mission reports
- PDR
- MTR

MISSION SCHEDULE (to be confirmed and fine-tuned):

**Agenda
Supervision Mission November 2022**

Date	Time	Description	Remarks/ Responsible
Mission Kick off			
07 th Mon	10.00 am- 11.00 am	Kick off Meeting	PMU
		Agenda confirmation and revising if necessary	
	11.00am-01.00pm	Discussion on Repurposing & Fertilizer proposal	BDIS/PMU
	2.00 pm – 5.00pm	Progress of BD and RF	DM VC and RF
Meeting with PFIs			
08 th Tue	9.00 am -10.00 am	Meeting with PFIs DFCC,	Consultant RF/ DM- RF/ Ms. Ruwanganie
	10.00 – 11.00	SDB	
	11.00 -12.00	Peoples Bank	
	1.30 -2.30	RDB	
	IS Meeting		
	3.00 am – 05.00 pm	Meeting with Service providers of IS and on FPO capacity building	DM-IS/ Ms. Ruwanganie
	Meeting with PFI ---HNB		
9 th Wed	9.00- 10.00	Meeting with PFI ---HNB	

	10.00 – 11.00	CBL - OFC		
	11.00 – 12.00	Maliban - OFC		
	1.30- 2.30	CBSL Meeting		
	2.30 -3.30	FRIENDS -Ground nuts		Will be meeting at field
	3.30 – 5.00	Richlife, Milco , Pelawatte		
		Field visits from 10th Nov to 12th Nov		
10 th Thu	7.30 -11.00	Departure from Colombo to Galeweal		
	11.00 -13.00	Meeting Beneficiary of Ground Nut Friends Project Meeting with beneficiaries who had FL training	RPC – Mr. RM. Gunarathne Banda Mr. Bandara RF Consultant	04 – IFAD 04– PMU (Kelum, Sajith, Kumaran, Bandara)
	13.00- 14.00	Lunch		
	14.00- 14.45	Departure to Elahara		
	14.45 – 16.30	Gopi Banana youth project	RPC- Thissa	
	16.30 – 17.15	Travel to Damublla and Night stay		Night Stay
		Team 01 - UVA		
11 th Fri	07.30 am – 11.30 am	Travel to Welimada		4.30 hr 02 IFAD 02 PMU (Kelum, Kumaran)
	12.30 pm – 2.30pm	Richie dairies beneficiaries	RPC- Mr. Anil and VCMs	
	2.30pm- 4.30pm	Green House Project beneficiaries	RPC- Mr. Anil and VCMs	
	5.00pm- 6.00 pm	Night stay at Bandarawela		Night stay
12 th Sat	7.30am -9.00am	Travel to Keppetipola		
	09.00 am – 1.30 pm	Keels 4P, Kahattawela Janatha Govi Samagam and Youth beneficiary visits	RPC- Mr. Anil and VCMs	
	1.30- 6.30 pm	Having lunch and Travel to Colombo		
		Team 02 - NCP		
11 th	7.30am -9.30am	Travel To Kahatagasdigiliya		02 IFAD 02 PMU (Bandara, Sajith)
	9.30am-12.30pm	Meet with MPCS IG Loans Maize Farmers	Mr. Bandara/ Mr. Thissa	
	12.30pm-02.00pm	Lunch at Anuradhapura		
	2.00pm -3.30pm	District federation of Maize Farmers Prima 4P	Mr. Thissa	
	5.00pm	Night Stay Anuradhapura		
12 th Sat	7.30am – 9.00am	Travel to Puttalam		
	9.00am to 11.00 pm	Puttalama Kaluwaragaswewa Multi-Purpose Cooperation Society IG Loans/ FI bulk loans	Mr. Bandara RF Cosultant/ Mr. Kumaran DM RF	

	11.00-01.00pm	Meet up with VOICE Area Federation beneficiaries in Pipeline project Kaluwaragaswewa	Mr. Bandara/ Mr. Sunimal/ Mr. RM. Gunarathne	
	1.30pm – 5.30pm	Travel to Colombo after having lunch		
13th Sun		Report Writing		
Meetings in Colombo and Wrap up				
14 th Mon		Drafting Aide Memoire/Mission Report		
15 th Tue	9.30 am – 11.30 am	Meeting with MOA Officials for Fertilizer Discussion	Ms. Ruwanganie	At Ministry of Agriculture
16 th Wed	3.30 pm – 5.30 pm	Comments from SAPP on Mission report/ Pre -wrap up meeting	PMU	
17 th Thu		-----		
18 th Fri	10.00 am – 12.00pm	Wrap up meeting -Mission conclusion	At MOA	

All mission members will be expected to provide their full draft written input into the aide memoire 48 hours in advance of the final wrap-up meeting. The draft aide memoire will be provided to the lead project agency 24 hours prior to the wrap-up meeting.

Mission Filed Visit on 10.11.2022

Project :- Groundnut Project
 District :- Matale
 D.S. Division :- Galewela
 G.N. Division :- Kosgahahinna

Farmer	Regional Office	PMU	Mission Team	Promoter Company	Total
31	02	07	04	02	46

No	Name	Designation	Male/Female
01	P.K.W.Anulawathi	Farmer	Female
02	P.K.W.Nadeera Srimali	Farmer	Female
03	R.A.Thanuja Thusari Ranawaka	Farmer	Female
04	P.A.Suwarnalatha Damayanthi	Farmer	Female
05	L.L.P.S.Damayanthi Perera	Farmer	Female
06	R.U.Seelawathi	Farmer	Female
07	L.K.Dammika Rathnayake	Farmer	Female
08	H.M.D.Priyanthi Herath	Farmer	Female
09	W.G.Thusari Indumathi	Farmer	Female
10	P.G.Dingiri Manike	Farmer	Female
11	E.U.G.Pushpalatha	Farmer	Female
12	H.A.S.K.Hettiarachchi	Farmer	Female
13	K.D.S.Kaluarachchi	Farmer	Female
14	H.A.Devika Chathurani	Farmer	Female
15	Y.M.Nayana Samanmalee	Farmer	Female
16	D.G.Idunil Kumarai	Farmer	Female
17	E.M.Anusha Sanjeevani	Farmer	Female
18	R.H.M.C.P.Priyadarshani	Farmer	Female
19	E.R.U.Anoma Jayasingha	Farmer	Female
20	K.G.Nandani Permalal	Farmer	Female
21	N.D.Deepika Dilrukshi	Farmer	Female
22	K.N.Darmawathi manike	Farmer	Female
23	P.R.D.Kalyani Panditharathne	Farmer	Female
24	R.R.G.G.Darmakeerthi Bandara	Farmer	Female
25	R.R.G.K.D.Bandara	Farmer	Male
26	B.M.A.K.Basnayake	Farmer	Female
27	I.G.M.Kusantha	Farmer	Male
28	A.A.D.M.Abesingha	Farmer	Female
29	C.N.M.C.N.Chandani	Farmer	Female
30	E.U.G.Pushpalatha	Farmer	Female
31	U.A.Chandralatha	Farmer	Female
32	Irangni Samarasena	VCM - SAPP	Female
33	R.M.Gunarathne	RC - SAPP	Male
34	Kapila Rasnayake	Consultant	Male
35	Bandara Jayasingha	Consultant	Male
36	Shanika Warnakulasooriya	Programme Officer	Female
37	Thimira Indika	Programme Officer	Male
38	Prabudda Boralugoda	D.M.M & E	Male
39	Sajith Samarasingha	RC - SAPP	Male
40	Kalum Nishantha	D.M.V.C	Male

IFAD ISM 2022 November
 Uva Region
 Dairy Development Project - Richi Dairy Pvt Ltd
 2022.11.11 12.30 PM - 3.00 PM

Discussion With Beneficiaries				
#	Name	NIC	Address	Contact Number
1	J.D.SOMAWATHI	715072238V	No 31 Kottagaswaththa Ihala Busdulla Uva Paranagama	575676220
2	J.M.PASINDU HARSHANA	200007601899	KARAGASWATHURA,KEPPETIPOLA	774101008
3	K.K.CHATHURANGA	982040701V	KARAGASWAGURA, KEPPETIPOLA	754912803
4	R.M.N.RATHNAYAKE	766692850V	PILLA GAHA KANADA, DIWURUMGAMA	
5	W.R. NANDA MALANI	655704477V	HETTIGEDRA,KEPPETIPOLA	
6	E.M.J.W.K.EKANAYAKE	933282201V	HETTI GEDARA, KEPPETIPOLA	768680491
7	W.M.s.weerASINGHE	722682505V	CHANDRA NIWASA, DIYABEDUMA, KEPPETIPOLA	724236729
8	J.A.T.SAMANTHA	851813675v	MAHALIYADDEGEDARA, MEDAWALA, UDUKINDA	717913790
9	A.A.MADUSHA JEEWANTHA	952392018V	DEHIMALGOLLA,KANDEPUHULPOLA	713831277
10	W.M.S.WEERASINGHA	671862902V	HAWARIYAMAL WELA,BORALANDA	784696203

Field Visits				
#	Name	NIC	Address	Contact Number
1	R.M. B.PRADEEP KUMARA	731624321V	RATHNASIRI,THIMBILIYAGOLLA,HEWANAKUMBURA	782040997
2	N.M.C.LAKMALI	958082851V	11/1,MAHAWALATHENNA,BIBILIGAMUWA ,BOGAHAKUMBURA	701079259
3	M.M.JANAKA PUSHPAKUMAR A	851310649V	MAHAWELATHANNA,BIBILIGAMUWA,BOGAHAKUBURA	776366611

BDGGCS Tomato Cultivation Project
 2022.11.11 03.30 PM - 5.00 PM

Discussion With Beneficiaries & BOD					
#	Name	NIC	Address	Contact Number	Notes
1	R.R.W.M.S.Kumudulatha	197262904089	Suriya kote Gedara, Ambagahakumbura, Welimada	775513380	Beneficiary
2	S.Ekanayake	801055281V	Udawela, Mirahawaththa	713679446	Beneficiary
3	M.M.K.Manathunga	598504547V	Goradiyagolla, Uva paranagama	717108004	Beneficiary
4	W.M.G.Prassanna	790885201V	212, Udawela, Mirahawaththa	776091274	Beneficiary
5	R.M.N..Rathnayake	707762330V	197/2 Mada Gedara,Waththa,Abagahakubura,welimada	715404545	Beneficiary
6	R.M.Leelarathna	620420263V	Sirimedura,Welimadagama, Welimada		Committee Member
7	I.P.Thilak Karunarathna	632823436V	Pahala Welipeliya, Dharagala, Welimada		Committee Member
8	G.Swarnathilaka	667682894V	No.01, Dharagala, Welimada		Committee Member

9	R.M.Kusumawathi	667690790V	Udeni,Ampitidowa, Uva Paranagama	Committee Member
1 0	W.D.Anura Samarakoon	723254043V	Nayawatta,Bowela, Welimada	Committee Member
1 1	B.M.Anusha Nilmini	19865200242 3	Galawiddagoda, Pahaliya Kubura, Keppetipola	Committee Member
1 2	M.M.Dhammika Damayanthi	646140889V	Udawela gedara, Diwithotawela, Welimada	Committee Member
1 3	E.M.Yasawathi Kumarihami	19607430013 6	Semini,Aswedduma, Gawarammana	Committee Member
1 4	R.M.Namal Sanjeewa	713041882V	No.330, Nuwaraeliya rd, Welimada	Committee Member

Vegetable Cultivation Project - JayKay Marketing Service Pvt Ltd
2022.11.12 09.00 AM - 10.30 PM

Discussion With Beneficiaries				
#	Name	NIC	Address	Contact Number
1	R.M.JAYAWARDANA	731420327V	DILUNI,GETALAGAMUWA,BOGAHAKUBURA	728164830
2	U M M UDAYAKUMARA	981171721V	PITPOLA BORALANDA	783273113
3	S.A.A RANJITH	741033259V	ELAMAL ARAWA, PITAPOLA BORALANDA	776082124
4	U M C L UDUWAWALA	871192871V	PITAPOLA BORALANDA	712364724
5	H B M S J BANDARANAYAKE	807682733V	ELAMAL ARAWA, PITAPOLA BORALANDA	776107612
6	S A R R P BUDDIKA	881573350V	23, ELAMAL ARAWA PITAPOLA BORALANDA	724914784
7	R M D H NISANSALA	898553175V	PITAPOLA BORALANDA	767188690
8	R I RANMALI	928440977V	SAMAGI HAL MOLA PITAPOLA BORALANDA	702906017
9	R M S MUTHUBANDA	941562213V	ELAMALARAWA PITAPOLA BORALANDA	754326515
10	L M N CHANDRASIRI	731892431V	KIRIBANDIYA ULPATHA, PITAPOLA, BORALANDA	575616327
11	W B S LAKMAL	912291740V	ELAMAL ARAWA, PITAPOLA BORALANDA	712672412
12	R M GUNASEKARA	690114500V	GATALAGAMUWA BOGAHKUMBURA	723582807
13	R M D MADUSANKA	903602856V	DIMUTHU, GATALAGAMUWA BOGAHAKUMBURA	714264401
14	W M C JANAKANTHA	901950733V	NO,KIRIDIELA, BIBILIGAMUWA ,BOGAHAKUMBURA	712333790
15	R M W BANDARA	752383863V	MEDAGEDARA GATALAGAMUWA BOGAHAKUMBURA	758670225
16	R M H D RAJAPAKSHA	986451897V	394, APALAMANDIYA NUGATHALAWA	788252000
17	L M I PIYASEELI	685422220V	PITAPOLA,BORALANDA	701055913
18	R M C RATHNA	740302086V	CHANDANA GATALAGAMUWA BOGAHAKUMBURA	712877190
19	R.M.GNANARATHANA	730622546V	PIUMI,GETALAGAMAWA,BOGAHAKUBURA	717736203
20	R.M.JAYASEKARA	641993417V	GETALAGAMUWA,BOGAHAKUBURA	575785812
21	R.M.K.KUMARA	782213709V	MADAGEDARA,GETALAGAMUWA	715409076
22	R M J C RATHNAYAKE	880991183v	WELIWATHTHA BATAPALA KALABULULANDA	776735532
23	N.M.M.CHATHURANG A	931850067V	GETALAGAMUWA,BOGAHAKUBURA	711782739
24	R M D K RATHNAYAKA	875062840V	SISIRA,GATALAGAMUWA,BOGAHAKUMBU RA	719447494
25	M A B JAYARATHNA	963480067V	AMARA NIWASA GATALAGAMUWA BOGAHAKUBURA	767171528

26	B M P S MALA	785101367V	KOHILA GOLLA SIRIPURA NUGATHALAWA	758058521
27	J M D PATHMALATHA	797233366V	KOHILA GOLLA SIRIPURA NUGATHALAWA	765686993
28	M M M J MANATHUNGA	736521580V	CHATHUMI; KOHILAGOLLA NUGATHALAWA	710942395
29	A M D DANUSHIKA	908411790V	ANKANUHINNA DEHIPOLA NUGATHALAWA	770722608
30	L A M S R PREDEEPA	20035621240 1	WASANA NIWASA AONAKANUHINNA KOHILAGOLLA	714082592
31	R.M.C.N.Rathnayaka	908432347V	Niwithi arawa, Vidurupola, Keppetipola	
32	L.A.M.P.S.Galahitiyaw a	915320260V	Niwithi arawa, Vidurupola, Keppetipola	
33	H.M.S.S.Kumara	820890710V	Apalamandiya, Nugathalawa	
34	H.M.A.Dilrukshi	19888080269 7	Kohilagolla, Siripura, Nugathalawa	
35	T.G.M.P.Thalakubura	818221002V	Puranniwasa,Siripura,Nugathalawa	

Field Visits

#	Name	NIC	Address	Contact Number
1	R M H D RAJAPAKSHA	986451897V	394, APALAMANDIYA NUGATHALAWA	788252000
2	H.M.S.S.Kumara	820890710V	Apalamandiya, Nugathalawa	

Potato Cultivation Project - Janatha Govi Samagama - Kahaththewela

2022.11.12 11.30 AM - 01.00 PM

Discussion With Beneficiaries

#	Name	NIC	Address	Contact Number
1	B.M. Dasuni Udayangani	956181712V	Rathkarawwe Gedara, Pahala Kahaththewela, Bandarawela	711575707
2	B.M. Wijerathna	752150478V	Paradehiarawa, Pahala Kahaththewela, Bandarawela	711753044
3	B.R. Chandrani	715960621V	Nisala, Pahala Kahaththewela, Bandarawela	572224692
4	D.D. Harshani	867921630V	Hasarel Niwasa, Kethiganegoda, Pahala Kahaththewela, Bandarawela	721431786
5	D.M. Renuka Kumari	805180862V	Rathkarawwe Gedara, Pahala Kahaththewela, Bandarawela	713789585
6	K.A. Shriyani Priyadarshani	847480971V	Gepale Gedara, Pahala Kahaththewela, Bandarawela	713738616
7	Y.M.A.N. Kumara	923383603V	Uduthure, Pahala Kahaththewela, Bandarawela	712593572
8	P.K. Niluka Sandamali	835020177V	Rathkarawwe Gedara, Pahala Kahaththewela, Bandarawela	714120794
9	P.M.A. Lahiru	960952111V	Ambagahakubura, Abegoda, Bandarawela	771494588
10	R.M. Dilan	950640561V	Paradehiarawa, Pahala Kahaththewela, Bandarawela	713910811
11	R.M. Geethika	818501269V	Paradehiarawa, Pahala Kahaththewela, Bandarawela	702810650
12	W.M. Shantha	830460896V	Galkotuwa, Pahala Kahaththewela, Bandarawela	775746092
13	Y.M. Damayanthi	757690799V	Piyasewana, Pahala Kahaththewela, Bandarawela	717452077
14	R.M.T. Pradeep	931272802V	Paradehiarawa, Pahala Kahaththewela, Bandarawela	712260905
15	D.M. Achintha	958580614V	Perawathatha, Pahala Kahaththewela, Bandarawela	756439885

Sri Lanka

Smallholder Agribusiness Partnerships Programme Supervision Report

Appendix 6: Procurement

Mission Dates: 7 November - 14 December 2022
Document Date: 09/01/2023
Project No. 2000000929
Report No. 6332-LK

Asia and the Pacific Division
Programme Management Department

Appendix 6: Procurement Review Working Paper

Project Name: Smallholder Agribusiness Partnerships Programme (SAPP)

Name of Procurement Specialist: Pratul Dube

Mission Dates: 07th November to 18th November 2022

Field Locations: Sri Lanka

I. Introduction and background

The Working Paper is prepared during the course of the Supervision Mission of SAPP. The programme ends in June 2023, however, an extension of two years is being sought by the Government of Sri Lanka. The programme is being implemented by the PMU under the Ministry of Agriculture.

II. Procurement Review

A. Procurement Plan

Procurement Plan SUMMARY				
Country:	Sri Lanka			
Project Name:	Smallholder Agribusiness Partnerships Programme (SAPP)			
Project ID:	2000000929			
Version	1.2			
Version Date	18-Oct-22			
Prepared by:	Mr. Gamini Madura Arachchi, Procurement Consultant, SAPP			
Approved by:	Dr. (Mrs) Yasantha Mapatuna, Programme Director, SAPP			
Procurement Category	Plan		Actual	
	USD	LCU ('000)	USD	LCU ('000)
Goods	-	948,186.52	-	48,383.65
Works	-	107,072.72	-	15,013.21
Consulting Services	-	128,860.00	-	33,348.75
Non-Consulting Services	-	48,280.00	-	29,697.00
Grants	-	35,28,982.52	-	406,854.00
TOTAL	-	47,61,381.76	-	533,296.61

Out of 83 items in the PP, the PMU has initiated action on 32, completed 17, partially completed 16 and not started the process in case of 21 procurements. In terms of value only 11% of the contracts have been completed till date which is quite low considering that only two months are remaining in the year. The progress is hampered by current economic situation in the country. The project has revised its AWPB and procurement plan and is likely to expedite its procurements by the end of the year. Methods of procurement in the plan and actual procurement are generally consistent with the provision of Letter to the Borrower and IFAD guidelines.

In case of import of certain equipment, at the request of the project, IFAD had agreed to do Direct Payment to the foreign supplier provided the payment is at least USD 200,000. This procurement has not yet been undertaken and the project now plans to source this through the local vendor in which case direct payment from IFAD will not be required. Nonetheless, the PMU has indicated that it may need to use this in future procurements.

B. Review of Ongoing/Completed Procurement Activities and Documentation

Sample procurements undertaken during the year were reviewed with regard to the plan and the documentation (Annex 2)

a. Process and Procedures from Prequalification to bidding:

The project uses IFAD templates for all procurement packages including post review. Some procurements related to goods and works have been undertaken by the promoters under the 4P projects. Generally, the procurement procedures have been in accordance with the IFAD guidelines. Mission reviewed randomly selected ten procurements representing all three main categories of procurements. There are delays in completion of contracts including supply of goods due to the current economic situation. In most cases except for Individual Consultants Selection and NS, pre-bid meetings were held giving enough time for bidders to prepare their bids.

b. Process and Procedures from Evaluation to Awards:

There are six pending procurement dossiers in NOTUS. The project has followed IFAD procedures in respect of evaluation of bids and quotations and the award of contract to the successful bidders. 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 (TEC) comprising of at least three members. The findings of the TEC are placed before the Project Procurement Committee which approves the award of the contract. No-objection of IFAD is sought in case of prior review cases. This is however not been done in the case of procurement of Brush Cutters and Chaff Cutter machines valued at about USD 1 million and USD 1.15 million respectively. The procurement of these items are still not completed and hence the PMU has been advised to submit all relevant documents at various stages in NOTUS for No Objection from IFAD. 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 noted the following discrepancies:

- (i) Selection of Consultancy Firms for Baseline Survey of 4P Projects – total contract value LKR 1,262,250 (excluding VAT). Out of three bidders, one bidder scored 8%% in technical evaluation. However the financial bid was for LKR 1,298,000 whereas the other bidder scored 79% in technical bid but the financial bid was LKR 1,262,250. Though the combined score of technical and financial bid was higher in the case of the first bidder, the PC selected bidder two considering that the financial bid was lower.

C. Review of contract administration and management

a. Contract management and Administration:

Contract management and administration needs to be improved. The project has engaged a full-time procurement specialist and recently, a procurement consultant to handle all procurements and contract management.

b. Contract Monitoring Tool.

The project is using ICP / CMT system of IFAD for contract monitoring. The Mission noted that the CMT has not been updated for all procurements undertaken in accordance with the PP. In addition, the CMT had instances wherein the closed contracts have not been updated for percentage completion resulting in their being shown as payment greater than physical completion. One case of cost overrun has also been noted as the contract was not revised in the CMT. 19% of the contracts have been reflected as delayed implementation in the CMT. The project has during the course of the Mission updated data on ICP Contract Monitoring Tool (CMT). All contracts should be updated on the ICP and a system should be developed to review and update this data periodically.

The Mission also noted that the end dates of 9 contracts are beyond the project completion date of June 30, 2023. These contracts need to be reviewed and amended as required to ensure completion by the project completion date or funding by GoSL thereafter.

Indicators	Value	Comments
Number of delayed contracts under implementation-17	LKR 1,202,263,612	<i>The total delayed contracts represents 19% of the total contracts. Many of the contracts were to end in October 2022. The ICP-CMT needs to be updated for completed contracts. In the case of 3 contracts, the contract value is stated as LKR 1 which needs to be corrected</i>
Number of delayed contracts under implementation (120-200 days range)- 5	LKR 763,282,750	<i>This represents service contracts and in case they have been extended, the CMT should be updated with the revised dates</i>
Amount of delayed contracts under implementation	LKR 1,202,263,612	<i>The CMT needs to be updated to reflect the correct status of delayed contracts under implementation</i>

Cost over runs contracts - 1	LKR 26,276,410	<i>This is a contract of the year 2018. The CMT needs to be updated with the approved revision in cost if any.</i> <i>This contract is also reflected under the section 'Payment greater than implementation'</i>
% of non-competitive contracts	Nil	

D. Review of project's procurement filing system and the ease of document retrieval

The project's procurement filing system is in order and the documents can be easily traced and retrieved. The records have not been serially numbered or indexed in each file.

E. Assessment of further procurement staff training needs

The project currently has two full-time dedicated procurement staff who are experienced. However, some short-term training can be imparted to them for complying with IFAD's requirements.

III. Review of any significant changes in the Borrower/Recipient's procurement system and practices

No significant changes in the Borrower's procurement system and practices have been noted.

IV. Key findings and conclusions from the PRM assessment update

The project procurement is rated as Moderately Satisfactory. There are no major issues noticed in procurements during the period under review except that the achievement till date is only 11% of the procurement plan. The processes are generally consistent with IFAD's procedures

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

The issues identified in the previous Supervision Mission have not been fully complied with such as (a) updating the CMT (b) improvement of filing system. No issues related to procurement were identified in the project audit report.

VI. Procurement Performance Indicator Rating and Justification

Pillars	Rating	Justification for Rating
A. Procurement Planning Process	4	Procurement planning exhibits some gaps and inconsistencies that have limited impact on project implementation and performance. Implementation support is required, however, prompt resolution of issues/constraints is likely
B. Processes 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 for Evaluation and Contract Award	5	Processes and procedures applied exhibit minor shortcomings that have no impact on project implementation and performance.
D. Contract Management and Administration	4	Procurement planning exhibits some gaps and inconsistencies that have limited impact on project implementation and performance. Implementation support is required, however, prompt resolution of issues/constraints is likely.
E. Record Retention and monitoring	4	Procurement planning exhibits some gaps and inconsistencies that have limited impact on project implementation and performance. Implementation support is required, however, prompt resolution of issues/constraints is likely.
Overall	4	Procurement planning exhibits some gaps and inconsistencies that have limited impact on project implementation and performance. Implementation support is required, however, prompt resolution of issues/constraints is likely.

I. Agreed Recommendations for improvement and follow-up actions for the Borrower/Recipient and/or IFAD

a) Recommendations

Actions	Responsibility	Deadline	Status
Upload the Revised procurement plan for 2022 in NOTUS Update and upload the revised procurement plan for 2022 which should include the quantity to be procured.	PD	20 Nov 2022	Agreed
Update Contract Monitoring Tool (CMT) Update ICP CMT for all contracts finalised by the project	Procurement Specialist/ Consultant	20 Nov 2022	Agreed
Review/Amend Contracts Review contracts ending beyond the current project completion date and amend as required to ensure that there will be no IFAD funding required after project completion date.	PMU	31 Mar 2023	Agreed
Expedite Procurement Accelerate procurement process by preparing a time schedule and working backwards to ensure that all documentation is ready the moment the approval is provided by the PC/ NSC. The RFP/Bidding documents can be prepared parallelly while the approval process is ongoing.	PD	31 Dec 2022	Agreed

b) Follow-up (the table below shows the list of actions agreed during the previous Supervision Mission, together with updates on the status of such actions):

Recommendations	Responsibility	Agreed date	Actual status/Follow-up Action
------------------------	-----------------------	--------------------	---------------------------------------

Upload all ongoing staff contracts into the ICP CAT system from 2020 to date	PMU	31 Dec 2021	Updated
Improve the Procurement filing system as required by the IFAD Procurement Hand book	Procurement Specialist	29 Apr 2022	Needs to be improved
Prepare AWPB and PP two months before beginning of the fiscal year including the estimated contributions of promoters and beneficiaries, and the amount of PFA credit required for the planned activities to be implemented.	PMU	31 Oct 2021 onwards	Submitted the AWPB for 2023 for NOC through NOTUS on 31st Oct. 2022
Upload revised and updated Procurement Plan to NOTUS	PMU	8 Nov 2021	2021 PP has been submitted as agreed during the Mission. Submitted on 08.11.2021
Recruit Procurement Specialist	PMU	Immediate	The Procurement Specialist has been recruited with effect from 22.11.2021
Ensure that all IFAD NO requests for recruitment of staff/consultants are submitted at the beginning of the process	PMU PD	15 Oct 2021 and then continuous	Obtaining IFAD -NOC is done before starting the recruitment process

Annex 1

Procurement Check List

#1	Description	Check	Remarks
A	Procurement Planning (for entire PP)		
1	Are there planned dates for all procurements?	Yes	
2	Are the planned dates consistent with the procurement process and methods?	Yes	
3	Are the procurement methods consistent with the estimated budget for each procurement?	Yes	
4	Is the reviewed Procurement Plan an updated one?	Yes	The project has revised its AWPB and uploaded the revised Procurement Plan
5	How many updates of the current Procurement Plan were submitted for the year?	2	Original. Revision uploaded needs to be corrected
6	How many upgrades of the current Procurement Plan were submitted for the year?	1	The revised PP has been rectified and uploaded

#1	Description	Check	Remarks
A	Bidding Process (for each procurement)		
1	Is the item in the Procurement Plan?	Yes	
2	Is there a formal Procurement Requisition that initiates the process?	Yes	
3	Is the Method proposed in the PP used?	Yes	Procurement for 4P Projects are undertaken by the Promoter organizations but under the supervision and monitoring of the PMU. Quotations are called for by them and a competitive system (NS) is being undertaken.
4	Is enough done to demonstrate that competition was achieved?	Yes	

5	Is there time provided for bidders to request and receive clarifications, before the submission deadline?	Yes	
6	Is there enough time allotted for bidders to prepare quotations, bids and proposals	Yes	
7	Ensure that no late bids were accepted	None	
B	Evaluation Process (for each procurement)		
1	Was Preliminary Examination done?	Yes	
2	Are there objective and justifiable reasons for rejections at Preliminary Examination?	Yes	
3	Was Technical Evaluation done?	Yes	
4	Are there objective and justifiable reasons for rejections at Technical Evaluation?	Yes	
5	For QCBS and QBS was a Technical Evaluation Report submitted to and no-objected to by IFAD before the Financial Proposal(s) was/were opened?	No	The procurements under QCBS were 'Post Review'
6	For all advertised procurement, were bidders informed of the (technical) evaluation outcome?	Yes	This is done during the opening of financial proposals
7	Were the bidders given sufficient explanation as to their performance at the (technical) evaluation, if one or more requested this information?	No	There were no requests for such information
8	Were bidders given enough time to submit a challenge/protest?	NA	No such protest received
9	For consulting services under QCBS, QBS and LCS, was there a formal opening of financial proposals?	Yes	
10	Was Financial evaluation done and properly?	Yes	
11	Were corrections to Bidders' financials/prices were done, is there correspondence to show that the bidders were (i) notified and (ii) accepted the correction?	Yes in one case it was done and accepted by the bidder	
12	Are there objective and justifiable reasons for rejections at Financial Evaluation?	Yes	
13	For consulting services under QCBS, were bidders provided the results of the combined	No	

	evaluation and accorded sufficient time to challenge/protest?		
14	Were challenges/protests received? Were they handled properly?	No	
C	Award and Negotiations (for each procurement)		
1	Was award done after all challenges/protests were received?	NA	
2	Ensure that negotiations were not held for Goods and Works	No	No negotiations are held for Goods and Works
3	Ensure that negotiations were held for consulting services?	No	No negotiations are held for Consulting Services
4	Did the negotiations significantly alter (i) the scope, (ii) the duration and (ii) the prices?	NA	
D	Contract, Contract Administration and Management Process (for each procurement)		
1	Was the Contract signed by both parties? (A copy must be evident in file)	Yes	The contract was signed only on one page. All pages of the contracts need to be signed/initialled by both the parties.
2	Has the contract the standard commercial and contractual terms required for a proper procurement agreement, as per relevant category and method?	Yes	
3	Is the procurement requirement (terms of reference, description of services, schedule of requirements, technical specifications) expressed in the contract as consistent with the successful bidder's bid, evaluation report and negotiated outcome?	Yes	
4	Was a Contract amendment made to extend	No	The project has been advised to update the CMT by updating contracts that have ended and need to be renewed

Annex 2

SN	PP Item Ref	Procurements under Goods and Non consulting services	Procurement Status	Total amount in LKR
1	1 Goods	Procurement of 35 Laptops (NS)	20 Laptops purchased	5,210,000
2	13 Goods	Procurement of 60 Tablets (NS) – As per PP the procurement method is NCB as it was combined with laptops but since supply of tablets was not done, the same were procured through NS	Completed	4,440,000

3	17 Goods- Non consulting services	Contracting 16 VC mobilizers (NS)	Completed	4,400,000
4	19 Goods- Non consulting services	Service provider for hiring vehicles (NCB)	Completed	27,300,000
5	22 Goods- Non consulting services	Service provider for hosting the MIS system (NS)	Completed	4,889,000
6	24.09 Goods	2 Dryers (NCB) under 4P Project	Completed	6,800,000
		Procurement of Consulting services		
7	1 Consultancy	Selection of firms to conduct baseline survey for 4P projects – Selection for 8 surveys (QCBS)	Completed	10,499,474
		Works		
8	2 Works	Improvement of irrigation facilities (undertaken by line agencies) (NS)	Completed	4,089,000
9	18 Works	Construction of Processing Centre -4P Project (NS)	Partially complete discontinued due to price escalation	2,600,000
10	23 Works	Develop Access Road- Green House project – 4P (NS)	Completed	3,058,250

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**Smallholder Agribusiness Partnerships Programme
Supervision Report**

Appendix 7: Integrated Project Risk Matrix (IPRM)

Mission Dates: 7 November - 14 December 2022
Document Date: 09/01/2023
Project No. 2000000929
Report No. 6332-LK

Asia and the Pacific Division
Programme Management Department

Overall Summary

Risk Category / Subcategory	Inherent risk	Residual risk
Country Context	High	Substantial
<i>Political Commitment</i>	<i>High</i>	<i>Moderate</i>
<i>Governance</i>	<i>High</i>	<i>High</i>
<i>Macroeconomic</i>	<i>High</i>	<i>Moderate</i>
<i>Fragility and Security</i>	<i>High</i>	<i>High</i>
Sector Strategies and Policies	High	Moderate
<i>Policy alignment</i>	<i>High</i>	<i>Moderate</i>
<i>Policy Development and Implementation</i>	<i>High</i>	<i>Moderate</i>
Environment and Climate Context	Moderate	Low
<i>Project vulnerability to environmental conditions</i>	<i>Low</i>	<i>Low</i>
<i>Project vulnerability to climate change impacts</i>	<i>Moderate</i>	<i>Low</i>
Project Scope	Moderate	Low
<i>Project Relevance</i>	<i>Low</i>	<i>Low</i>
<i>Technical Soundness</i>	<i>Moderate</i>	<i>Low</i>
Institutional Capacity for Implementation and Sustainability	Moderate	Moderate
<i>Implementation Arrangements</i>	<i>Moderate</i>	<i>Low</i>
<i>Monitoring and Evaluation Arrangements</i>	<i>Moderate</i>	<i>Moderate</i>
Project Financial Management	Substantial	Moderate
<i>Project Organization and Staffing</i>	<i>Low</i>	<i>Low</i>
<i>Project Budgeting</i>	<i>High</i>	<i>Substantial</i>
<i>Project Funds Flow/Disbursement Arrangements</i>	<i>Moderate</i>	<i>Moderate</i>
<i>Project Internal Controls</i>	<i>Moderate</i>	<i>Low</i>
<i>Project Accounting and Financial Reporting</i>	<i>Moderate</i>	<i>Moderate</i>
<i>Project External Audit</i>	<i>Substantial</i>	<i>Moderate</i>
Project Procurement	Moderate	Low
<i>Legal and Regulatory Framework</i>	<i>Moderate</i>	<i>Low</i>
<i>Accountability and Transparency</i>	<i>Moderate</i>	<i>Low</i>
<i>Capability in Public Procurement</i>	<i>Moderate</i>	<i>Low</i>
<i>Public Procurement Processes</i>	<i>Moderate</i>	<i>Low</i>
Environment, Social and Climate Impact	Low	Low
<i>Biodiversity Conservation</i>	<i>Low</i>	<i>Low</i>
<i>Resource Efficiency and Pollution Prevention</i>	<i>Low</i>	<i>Low</i>
<i>Cultural Heritage</i>		<i>No risk envisaged - not applicable</i>
<i>Indigenous People</i>		<i>No risk envisaged - not applicable</i>
<i>Labour and Working Conditions</i>		<i>No risk envisaged - not applicable</i>
<i>Community Health and Safety</i>		<i>No risk envisaged - not applicable</i>
<i>Physical and Economic Resettlement</i>		<i>No risk envisaged - not applicable</i>

Risk Category / Subcategory	Inherent risk	Residual risk
<i>Greenhouse Gas Emissions</i>	<i>Low</i>	<i>Low</i>
<i>Vulnerability of target populations and ecosystems to climate variability and hazards</i>	<i>Low</i>	<i>Low</i>
Stakeholders	Moderate	Low
<i>Stakeholder Engagement/Coordination</i>	<i>Low</i>	<i>Low</i>
<i>Stakeholder Grievances</i>	<i>Moderate</i>	<i>Low</i>
Overall	Moderate	Moderate

Country Context	High	Substantial
Political Commitment	High	Moderate
<p>Risk:</p> <p>(i) The overall political situation was stable during November 2022. The Prime Minister, Ranil Wickramasinghe becoming the President as per the constitutional provision. It was expected that some provisions of the 20th amendment to the constitution would have been repealed to restore the Parliament's authority to ensure check and balance in the governance structure, but this has not happened. There continues to be intense political interference in the markets and , agriculture production with unsustainable policies. The unplanned and ill-fated ban on chemical fertilizer was a prime example of such policies, which was revoked after its devastating effect on the whole economy in general and on the agriculture sector in particular. This kind of dynamic could negatively influence liberal thinking in the free economy which might affect the private sector momentum, confidence in the political system and investment in 4Ps. The current economic crisis with reducing foreign exchange availability in the country, and the high interest rates (see below for statistics) exacerbate the risk that SAPP would have to face. (ii) In April 2022, the government temporarily suspended foreign debt payments to avoid a hard default and it is still in force in November 2022. Financing from IFIs do not fall under this suspension. The government has commenced technical discussions with the International Monetary Fund (IMF) on 9 May and will continue until May 23 and the discussion has not progress to draw a conclusion of a bailout package in November 2022. The current (June 2022, most recent number available) total foreign debt was LKR million 11,525,858 (see below for reference) and 54% of that is non-concessional debt. The country has no credible plan for repayment and that contributed, among other reasons, to the slow process of concluding IMF discussions. While major international treaties that have been signed would be however, respected eventually, significant delays could be possible in fulfilling budget related pledges to development projects such as SAPP. Severe constraints in the external reserves (see below for the statistics), and continued inappropriate political commitment to resolve the constraints will affect honoring pledges. The residual risk would be moderate if the government takes corrective actions on time.</p>	High	Moderate
<p>Mitigations:</p> <p>(i) Continued dialogue with the Ministry of Finance, Project Directors and the newly appointed cabinet to create awareness about the importance of the project at the national and village levels, and its contribution to employment creation, mobilizing private sector resources together with the government resources in poverty reduction, flexibility in implementation mechanisms would be worthwhile. (ii) Highlight the potential contribution of SAPP with the new government's policies, including food security, increased exports, import substitution mainly for food security, and support of small and medium enterprises in the agriculture sector.</p>		
Governance	High	High

<p>Risk:</p> <p>National governance structures are currently improving after taking a setback in the 1st and the 2nd quarters of 2022. However, the presentation of the National Budget on November 2022 and related discussion indicated that there are deep divisions in the Parliament between political parties which may bring about lack of credibility of the governance process and the civil trust in the process,</p>	High	High
<p>Mitigations:</p> <p>(i) Encourage discussions at high level forums about risk of facing such policies and systems by the SAPP stakeholders. It should be emphasized that demonstrating credibility of the governing process is important for the private sector to continue with their contribution to implement SAPP sub-projects, which in turn contribute to general improvement in the livelihood.</p>		
<p>Macroeconomic</p>	High	Moderate
<p>Risk:</p> <p>The country is facing a severe economic and monetary problems as the foreign reserves have declined below USD 17 million when the need is about USD 6 billion to meet liabilities by November 2022. The total amount of local and foreign loans is about 119% of the GDP. COVID-19 during 2020 and unstable and unwise macro-economic policies in 2020 and 2021 were the main reasons which negatively affected government revenues and increased government expenditure and contributed to the current macro-economic instability and negative economic growth. Ill-fated policies, such as, ban on chemical fertilizers due to lack of foreign currency, although revoked in mid-2022, dealt a hard blow on the agriculture and the country's food and nutrition security. The rising commercial bank interest rates and newly introduced tax structure would also add to the volatile nature of enterprises. As such the performance of commercial businesses supported by the project are highly vulnerable to a slow macroeconomic progress, as currently being experienced in the country. While import substitution can help agriculture sector to some extent, sudden imposition of such policies, and in particular the banning of agro-chemicals including chemical fertilizer and deficient foreign reserves adversely affected the availability and cost of raw materials and intermediary products. The competitiveness and viability of business that SAPP supports could be severely compromised accordingly. Those conditions could limit the country's resilience to external shocks, and significantly impact market dynamics of value chains and 4Ps/youth activities, which could lower market prices and profit margins for project beneficiaries.</p>	High	Moderate
<p>Mitigations:</p> <p>Attractive sectors / commodities that would be less vulnerable to negative economic forces would be selected for 4P businesses with project assistance. Also, the value chains less dependent on imported raw material and products, that have import substitution potential (e.g. dairy) should be promoted. Local material to be promoted for use in the production process, at least to certain level to minimize the dependency on imported material. Disbursement of the grant to the beneficiaries as per the approved 4P business plans should be expedited so that the impact of macro-economic vulnerability could be minimized.</p>		
<p>Fragility and Security</p>	High	High

<p>Risk:</p> <p>As documented above, the country is currently politically stable, but economically unstable. The youth uprising and civil unrest that were observed in the 1st quarter of 2022 has been receding with the appointment of the new president. The economic crisis however is continuing with depleting foreign reserves, and severely decreasing balance of payment which was USD 1,802 million in September 2022 which was 2.1% increase from 2021. During the year up to 18th November 2022 (Nov 2021 to Nov 2022), the Sri Lankan rupee depreciated against the US dollar by 44.9%; Average Weighted Prime Lending Rate (AWPR) of commercial banks was 28.6% on 18th Nov 2022; official Reserve Assets (USD Mn 1,704 on October 2022; and trade balance is negative 4,104.2 during Jan-Sep 2022 (Monthly Economic Indicators, September 2022, Central Bank of Sri Lanka). The COVID-19 pandemic also contributed to the fragility of Sri Lanka. As shown above, the economic recession is at a high degree and affecting all fronts of the country.</p>	High	High
<p>Mitigations:</p> <p>As required, a temporary restriction or cessation of certain activities for subprojects in affected districts.</p>		
<p>Sector Strategies and Policies</p>	High	Moderate
<p>Policy alignment</p>	High	Moderate
<p>Risk:</p> <p>The government is in talks with the IMF to bring about policy reforms to rescue the country from the current crisis.</p> <p>(i) Fiscal policies (import and export tariff, import bans, exchange rate controls, tax structure for small and medium enterprises and all other enterprises earning more than Rs 100,000 per month) and the monetary policies (high interest rates), and cut in public expenditure act as a brake on private sector investment in their business; (ii) agriculture policies (e.g. the most disturbing was the ban on chemical fertilizer, the impact of which is still prevailing; on land tenure; gender, nutrition, youth, agriculture and livestock extension, private sector engagement etc) and livestock sector policies (e.g. engaging private veterinarians in government supported dairy activities etc) are not aligned with international best practices and at times serve to limit the efficacy of project activities; (iii) an excessive emphasis on national food security with extended import bans will promote inefficient agriculture and may also lead to pressure to utilize project financial resources for inefficient commodity sectors; and (iv) extensive import ban on a number of intermediary products that are required as inputs to some of the 4P sub-projects would also affect the project output delivery.</p>	High	Moderate
<p>Mitigations:</p> <p>mi) Analytical evidence from the field (with enhanced M&E system and annual outcome studies) should back the policy dialogue sub-component of SAPP highlighting a direct relationship between concerned macro policies and financial viability of most of the 4Ps and present them to the ministerial and political leadership at National Level to influence policies more aligned to the IFAD target group. The analysis at the same time should highlight the fact that the food security can be attained by enhancing income in the hands of people, in addition or instead of producing food crops; and (ii) SAPP to solicit partnerships from the private and farming sectors in policy advocacy arrangements. SAPP has taken advantage of its placement under the supervision of the Ministry of Agriculture to communicate policy issues, in particular issues relating to the ensuring sufficient incentives for the private sector to mobilize their resources and business management capacities for 4Ps.</p>		
<p>Policy Development and Implementation</p>	High	Moderate

Risk: (i) Lack of evidence-based policy making in the country; (ii) evolving trend towards centralized and unilateral policy formulation backed up by political objectives; (iii) unpredictability of policies governing the private sector operations could risk attractiveness of SAPP to private sector partners.	High	Moderate
Mitigations: SAPP has put in place mechanisms to obtain comments from the National Steering Committee on relevant policy developments and to inform the private sector and other stakeholders accordingly. In addition, the National Steering Committee may highlight, with evidence, the negative effects of policies. The SAPP Project Director has been an active member of the Agricultural Policy Committee, and has advocated for market-oriented reforms in agricultural policy		
Environment and Climate Context	Moderate	Low
<i>Project vulnerability to environmental conditions</i>	<i>Low</i>	<i>Low</i>
Risk: The implementation approach of the various subprojects in the different subsectors is to promote an integrated NRM and low-inputs agricultural production that minimize the environmental impacts	Low	Low
Mitigations: No mitigation required at this stage		
<i>Project vulnerability to climate change impacts</i>	<i>Moderate</i>	<i>Low</i>
Risk: (i) Climate change impacts in the form of erratic rainfall (early onset of rain, increased intensity of rain etc) and prolonged drought may contribute to reduced agricultural productivity. (ii) Increasing frequency of storms, floods and landslides pose livelihood risks in agricultural sector. (iii) Land degradation, soil erosion, decline of soil fertility and increase of land salinity remain significant environmental concerns in the targeted areas in North Central Province.	Moderate	Low
Mitigations: i) Adaptive and resilience-building measures are included in the project ESMP and in the specific subprojects 'ESMPs. ii) training and capacity-building events include the implementation of climate-resilient practices and technologies. iii) adaptive plans have been developed and are under implementation for some crops such as groundnuts. iv) The investment proposals are examined for possible climate change impacts and one of the requirement for approval is to include resilience-building measures with required financing. (v) In order to minimize the financial shock of climate-based risks, SAPP will continue the dialogue with CBSL, the Agricultural Insurance Board, and private Agric Insurance providers about making affordable and effective insurance products available. Furthermore, SAPP has initiated the implementation of several off-farm infrastructures which will minimize the impact of flash floods, soil erosion, and also mitigate drought impact with provision of irrigation.		
Project Scope	Moderate	Low
<i>Project Relevance</i>	<i>Low</i>	<i>Low</i>
Risk: The 4P business activities may not be accessible by certain poor smallholders, thus leading to elite capture.	Low	Low

<p>Mitigations:</p> <p>(i)The SAPP sub-project proposals already have demonstrated strong elements of inclusion of poor rural beneficiaries. The inclusion criteria are established and verified at different layers; lending banks, PMU and IFAD. (ii) Financing either through loans or matching grants are awarded based on these strict criteria (iii) the development of value chain financing and bulk loans to community banks post-MTR will greatly increase inclusion of poor smallholders who are otherwise not bankable.</p>		
<p>Technical Soundness</p>	Moderate	Low
<p>Risk:</p> <p>The private sector and F/PO 4P leaders assume that the beneficiary partners have adequate base of technical and business capacity, which may not always be the case. The technical departments that are providing technical know-how and do-how do not necessarily have business skills to respond to 4P business issues that are essential to for viability.</p>	Moderate	Low
<p>Mitigations:</p> <p>(i) Technical and business capacity building for beneficiaries through their F/POs by the SAPP service providers; (ii) technical training from 4P leaders; (iii) SAPP liaison with government technical agencies such as the Department of Agriculture who provide technical guidance; and (iv) multi-stakeholder discussions are flag issues with technical departments to raise awareness about business aspects of 4P approach.</p>		
<p>Institutional Capacity for Implementation and Sustainability</p>	Moderate	Moderate
<p>Implementation Arrangements</p>	Moderate	Low
<p>Risk:</p> <p>SAPP's Lead Agency is now the Ministry of Agriculture. The guidance and approval that is expected from the Ministry are provided with adequate frequency. However, the ground level implementation is heavily based on the Line departments such as the Department of Agrarian Development, Provincial Department of Agriculture and the Department of Export Agriculture. These institutions have their own activities which demand resources including technical personal. Timely provision of such resources could be a risk.</p>	Moderate	Low
<p>Mitigations:</p> <p>Effective planning, continuous consultation and proper timing are important to get the required implementation support for SAPP. With the approval for 4P sub-project such plans should be developed, shared with the ground level agencies and executed in timely manner to ensure their support.</p>		
<p>Monitoring and Evaluation Arrangements</p>	Moderate	Moderate
<p>Risk:</p> <p>(i) Delay in collecting and reporting data, low reliability and inadequate coverage of beneficiaries by the M&E system and thus inappropriate and less specific guidance and information for the project management and IFAD result management framework could be provided; (ii) MIS system is not functioning as expected. There is still delays in collecting and reporting data, low reliability and inadequate coverage of beneficiaries by the M&E system and thus inappropriate and less specific guidance and information for the project management and IFAD result management framework could be provided.</p>	Moderate	Moderate

<p>Mitigations:</p> <p>A qualified M&E consultant has been appointed and the retroactive input in the MIS is almost completed .</p> <p>The project has developed a mobile application which is able to capture gender and age disaggregated information. Moreover, the application is capturing also GIS data and once the information is transmitted to the M&E team in PMU they are able to identify the area of intervention, activities ongoing and performance.</p>		
<p>Project Financial Management</p>	<p>Substantial</p>	<p>Moderate</p>
<p>Project Organization and Staffing</p>	<p>Low</p>	<p>Low</p>
<p>Risk:</p> <p>The PMU has a Finance team of 5 people lead by CA,Thamara. The Finance leadership(FM and Deputy FM) have been there since the inception.</p> <p>There are clear job descriptions for the finance staff. Performance evaluations of staff are done annually.</p> <p>The contracts of the staff are entered in the Accounting Software Tompro and also in Ifad Client Portal Contract Management System.</p>	<p>Low</p>	<p>Low</p>
<p>Mitigations:</p> <p>Continuing upgrading of financial management skills</p>		
<p>Project Budgeting</p>	<p>High</p>	<p>Substantial</p>
<p>Risk:</p> <p>As of 31st Oct 2022, the disbursement from IFAD funds stood at USD 19.8 Million i.e 36% of the total amount USD 54.39 Million. This does not include Initial Advance of 5.3 Million USD. Given the financial progress of 36% during since 2017 to-date, there are substantial unutilized IFAD funds.</p> <p>AWPB for the calendar year 2022 was prepared by the PMU in line with schedule 2 of the Financing Agreement in the format prescribed by IFAD and submitted for NOC through NOTUS in IFAD Client Portal on 29th Nov 2021. In October 2022 the AWPB was revised. Due to the recent economic and social developments in Sri Lanka, the implementation targets of the SAP could not be achieved as planned. The country faced sever foreign currency issue and the government imposed strict control over imports. Opening LCs for imports was restricted. Thus, the Programme could not disburse the grants as expected since most of the equipment provided to famers under grants were imported items. On the other hand, procurement process was hindered due to heavy price escalations.</p> <p>The devaluation of currency has a great impact on US\$ value of the revised budget. The original budget for 2022 submitted in November 2021 was calculated based on Rs. 200/-per US\$ whereas the current market Rate is Rs. 360/- per US\$.</p> <p>Therefore, the revised budget was calculated based on an average rate of Rs. 292/- per US\$ to equalize the impact of currency devaluation.</p>	<p>High</p>	<p>Substantial</p>
<p>Mitigations:</p> <p>Agreeing on standards/assumption of comparison in 2022 i.e. to compare the BVA on LKR terms not in US\$ terms</p> <p>AWPB for 2023 is past due. It should be submitted to IFAD as soon as possible.</p>		
<p>Project Funds Flow/Disbursement Arrangements</p>	<p>Moderate</p>	<p>Moderate</p>

<p>Risk:</p> <p>Central Bank of Sri Lanka is the designated bank to receive IFAD funds in US\$. The PMU sends timely Withdrawal Applications to obtain funds in advance. The GoSL provides funds for refinance on request on timely basis. The contribution from the Government has to be channelled through the Revolving Fund held at the Ministry of Finance. Funds for revolving fund are being received less than the required amount due to forex changes. The amount of USD 18.3 Million was calculated at exchange rate during design stage 1 USD = 163 LKR and now its 1 USD = 363 LKR</p>	Moderate	Moderate
<p>Mitigations:</p> <p>SAPP recoveries are being utilised to bridge the gap of revolving fund. And amend the administrative agreement between GoSL & CBSL accordingly to factor in the SAPP recoveries for the Revolving Fund.</p>		
<p>Project Internal Controls</p>	Moderate	Low
<p>Risk:</p> <p>a. Project Implementation Manual (PIM) for different divisions has been approved by IFAD</p> <ul style="list-style-type: none"> - Finance & HR - Business Development - Rural Finance - M&E, Knowledge Management and Cross Cutting <p>was revised and no-objection was obtained in April 2020</p> <p>b. Approval matrix – Delegation of Authority is approved by the Secretary of the Ministry for each year</p> <p>c. Physical verification of the assets for 2021 was completed in May 2022 by a committee of 3 members consisting 02 PMU officers and 01 officer form Ministry of Agriculture.</p> <p>d. There is an internal auditor who conducts the internal audit of the project and submits internal audit report separately to the Project Manager and the Project committee.</p> <p>e. Chcks & Balances : Bank reconciliations are done monthly and cash book is closed accordingly. Once the Withdrawall application is processed in the sytem, editig of the vouchers is not allowed</p>	Moderate	Low
<p>Mitigations:</p> <ul style="list-style-type: none"> • The physical verification of the fixed assets once in a year was delayed for 2021 due to covid pandemic. For 2022 its due in Dec 2022/ Jan 2023. • Comply with legal covenants relating to submission of AWPB & PP, periodic progress report and auditor's management letter. • Take necessary actions to resolve the internal audit observations particularly to build capacity at the regional centres. 		
<p>Project Accounting and Financial Reporting</p>	Moderate	Moderate

<p>Risk:</p> <p>The Accounting software used at the PMU is Tompro</p> <p>10% sample vouchers of the SOEs for 2022 were checked for each of the three components</p> <p>The project maintains accounts based on accrual basis of accounting in accordance with Sri Lanka Accounting Standards using Account Software (Tompro). Annual budget is captured in the system enabling the budget control and budget variance analysis. The recorded transactions are reconciled monthly. Monthly Accounts are closed within one week from the month end.</p> <p>Other reports Generated form the Tompro System</p> <ul style="list-style-type: none"> a. Bank Reconciliations b. BvA – by Component/by Category/ by Activity c. General Ledger d. Disbursement Ledger e. Trial Balance f. Subsidiary Ledgers <p>In order to manage the credit disbursements under SAPP Loan Scheme, CBSL is planning to establish a MIS system with the support of SAPP</p>	Moderate	Moderate
<p>Mitigations:</p> <p>No addition mitigations are needed.</p>		
Project External Audit	Substantial	Moderate
<p>Risk:</p> <p>The Government Supreme Audit Institution; National Audit Office of Sri Lanka is the external auditor to the Programme since the inception.</p> <p>SAPP submitted the Financial Statements-2021 for Audit on 26th April 2022. The deadline was 30th April 2022 to submit the Unaudited Financial Statements.</p> <p>As per the IFAD General Conditions the Audit report is supposed be submitted to IFAD within six months from end of the Fiscal Year. The Audit report for 2021 was completed by Sept 2022 with a delay of 3 months.</p> <p>The audit report for 2021 has certain observations regarding the valuation of in-kind contribution of Private Company contribution towards the Project.</p>	Substantial	Moderate
<p>Mitigations:</p> <p>Request the Audit Office of Sri Lanka for timely completion of Audit for 2022. The PMU should share the unaudited financials by early April 2023.</p> <p>Provide adequate audit evidence towards promoters contribution.</p> <p>.</p>		
Project Procurement	Moderate	Low
Legal and Regulatory Framework	Moderate	Low
<p>Risk:</p> <p>The risk that the Borrower’s regulatory and institutional capacity and practices (including compliance with the laws) are inadequate to conduct the procurement in a manner that optimizes value for money with integrity.</p> <p>The National Procurement Commission, an independent authority, established to regulate and monitor public procurement system was dissolved and the duties and responsibilities were transferred back to the General Treasury. Due to this updating the existing Govt. Procurement Guidelines and Manuals is delayed.</p>	Moderate	Low

<p>Mitigations:</p> <p>1). Regularly update the Procurement Plan and use it effectively as a management tool to monitor the progress and support timely achievement of Project targets. t</p> <p>2). Adopt standard Bidding Documents issued by IFAD.</p> <p>3). Use IFAD Contract Monitoring system to its full extent by regularly updating amendments and additions of Contracts and as a management tool to effectively monitor the contracts.</p>		
<p>Accountability and Transparency</p>	Moderate	Low
<p>Risk:</p> <p>The risk that accountability, transparency and oversight arrangements (including the handling of complaints regarding, for example, SH/SEA and fraud and corruption) are inadequate to ensure the integrity of project procurement and contract execution, leading to the unintended use of funds, misprocurement, SH/SEA, and/or execution of project procurement outside of the required time, cost and quality requirements.</p>	Moderate	Low
<p>Mitigations:</p> <p>1). Adopt IFAD Prior and Post Review requirements and other provisions introduced in the latest Letter to the Borrower.</p> <p>2). Standard bidding documents to include provision for prohibitive practices (including SH and SEA) and safeguards.</p> <p>3). Address risk flags during supervision and prior review cases.</p>		
<p>Capability in Public Procurement</p>	Moderate	Low
<p>Risk:</p> <p>The risk of delay in staff recruitment and the low level of familiarity with IFAD procurement procedure resulted in undue delays.</p>	Moderate	Low
<p>Mitigations:</p> <p>1). Timely recruitment and periodic training of project procurement staff</p> <p>2). Regular advice and mentoring from external consultant on processes and internal controls.</p>		
<p>Public Procurement Processes</p>	Moderate	Low
<p>Risk:</p> <p>The risk of poor procurement planning and implementation impacts overall project implementation. The delay in submission of the Annual Procurement plan and implementation delays are observed.</p>	Moderate	Low
<p>Mitigations:</p> <p>1). Submit the Annual Procurement plan 60 days prior to the relevant year as required by the Finance Agreement and regularly update same depending on the project requirements.</p> <p>2). Improve and strengthen communication between contract leads and procurement unit</p> <p>3). Strengthen contract administration and management by improving internal controls systems</p> <p>4). Records retention system to be improved to ease retrieval of important documents.</p>		
<p>Environment, Social and Climate Impact</p>	Low	Low
<p>Biodiversity Conservation</p>	Low	Low

Risk: (i) If mono-cropping systems in 4P sub-projects are promoted this would disturb the existing bio-diversity; (ii) inappropriate use of inorganic fertilizer and chemicals to maximize the crop production could disturb the ecology in the vicinity.	Low	Low
Mitigations: (i) Continue to train farmers on the appropriate and cost-effective use of inorganic fertilizers by promoting the 4R rule (ii) Continue promotion of crop rotation and diversified cropping systems through extension advice from government and 4P sponsors; (iii) where appropriate, the use of bio-fertilizer and organic production is promoted, with controlled and high quality organic fertilizer (iv) monitor the implementation of the ESMPs		
Resource Efficiency and Pollution Prevention	Low	Low
Risk: The project is promoting 4Ps subprojects aimed at promoting sustainable and climate resilient food project. Each subproject has adopted ESMP whereby mitigation measures have been identified	Low	Low
Mitigations: No mitigation required at this stage		
Cultural Heritage		No risk envisaged - not applicable
no risk foreseen		
Indigenous People		No risk envisaged - not applicable
no risk foreseen		
Labour and Working Conditions		No risk envisaged - not applicable
no risk foreseen		
Community Health and Safety		No risk envisaged - not applicable
no risk foreseen		
Physical and Economic Resettlement		No risk envisaged - not applicable
no risk foreseen		
Greenhouse Gas Emissions	Low	Low
Risk: The use of inorganic fertilizer associated with intensified agricultural production in the 4Ps may contribute to greenhouse gas emissions.	Low	Low
Mitigations: The project is promoting the use of bio-fertilizers and composting where appropriate with a rate of 70% organic and 30% inorganic		

Vulnerability of target populations and ecosystems to climate variability and hazards	Low	Low
<p>Risk:</p> <p>Localized events such as flash flooding, landslides, and droughts are unavoidable and erratic. The VC partner farmers who are poor would disproportionately be affected by such vagaries.</p>	Low	Low
<p>Mitigations:</p> <p>(i) Environment and climate risk assessment are a requirement for all VC proposals; (ii) SAPP is promoting climate-smart agriculture where appropriate and convenient. and (iii) Off-farm infrastructure investments facilitated by SAPP could mitigate some of the climate vulnerabilities. (iii) monitor the implementation of mitigation measures included in the ESMP with particular focus on those promoting resilience-building (iv) recruit a climate and environment specialist to delivery trainings and promote the dissemination of climate-resilient agricultural practices and technologies</p>		
Stakeholders	Moderate	Low
Stakeholder Engagement/Coordination	Low	Low
<p>Risk:</p> <p>The private sector focus of the project could compromise to some extent the inclusion of IFAD's primary target groups, namely poor rural women and men and youth. Some of the technologies could be beyond reach for some sections of the target group.</p>	Low	Low
<p>Mitigations:</p> <p>(i) The 4P assessment criteria established by SAPP requires the inclusion of the most vulnerable poor farming communities. This have been revised to include economically active poor with USD 250 monthly income per family; (ii) Financing products, loans and grants are continually developed to meet the needs of the economically active poor in the Sri Lankan agricultural context.</p>		
Stakeholder Grievances	Moderate	Low
<p>Risk:</p> <p>The risk that the project has ineffective grievance/complaint redress processes (including with respect to allegations of non-compliance with IFAD's E,S,C standards, fraud, corruption, or SEA), leading to unaddressed stakeholder complaints that may undermine project implementation and achievement of project development objectives.</p>	Moderate	Low
<p>Mitigations:</p> <p>(i)Agreements are prepared between partners to address the rights and responsibilities of 4P members and how disputes are resolved, including possible interference from SAPP on an official or unofficial basis. (ii) The IFAD complaint investigation mechanism serves as safeguard system in the event that partner complaints are not resolved or resolved in an unfair manner that one of the partners might think.</p>		