Independent Office of Evaluation

IFAD
Investing in rural people

Democratic Socialist Republic of Sri Lanka

Smallholder Plantations Entrepreneurship Development Programme

PROJECT PERFORMANCE EVALUATION

Independent Office of Evaluation

IFAD

Investing in rural people

Democratic Socialist Republic of Sri Lanka

Smallholder Plantations Entrepreneurship Development Programme

Project Performance Evaluation

February 2019
Report No. 4987-LK
Document of the International Fund for Agricultural Development

Photos of activities supported by Smallholder Plantations Entrepreneurship Development Programme

Front cover: A programme beneficiary in her rubber smallholding (Bokagonna Grama Niladhari Division, Medagama Divisional Secretariat, Monaragala District). ©IFAD/Ranjith Mahindapala

Back cover: A family who received support from the programme for their dairy activity (Eksath Enterprise Group, Udagama Grama Niladhari Division, Ganga Ihala Korale District Secretariat, Kandy District) (left); A member of the Swarnamali Enterprise Group and her husband in their tea holding (Orayanwatta Grama Niladhari Division, Doluwa District Secretariat, Kandy District). They received support from the programme for replanting 0.25 acres of tea. ©IFAD/Fumiko Nakai

Preface

The Independent Office of Evaluation of IFAD (IOE) undertook a project performance evaluation of the Smallholder Plantations Entrepreneurship Development Programme in the Democratic Socialist Republic of Sri Lanka. The programme was implemented between 2007 and 2016 and combined two distinctive sub-programmes – one in mid-country with a focus on tea, and the other in Monaragala with a focus on rubber. The programme was intended to improve the livelihoods of smallholder tea and rubber growers by establishing or upgrading plantations and supporting other income-generating activities, community infrastructure, and other needs.

The core programme investments in tea and rubber production, coupled with intercropping, were successful in improving the incomes and livelihoods of smallholders in a sustainable manner. Once established, these plantations are stable and can provide steady cash flows over years. Improved transport infrastructure complemented the productive investments in tea and rubber plantations. Rubber planting in Monaragala with an extent of 5,087 hectares had a generally positive environmental impact.

While the focus on production was appropriate given the existence of well-established marketing pathways for tea and rubber, there could have been greater attention to post-harvest improvements. The majority of the individual-based enterprises supported by the matching grants were largely successful, but the benefits reached only a small number of beneficiaries, who tended to be better-off members of groups. Interventions to support group-owned businesses were less successful than for individual/family-owned businesses.

This project performance evaluation was conducted by Fumiko Nakai, IOE Senior Evaluation Officer, with contributions from IOE consultants David Young and Ranjith Mahindapala, who were part of the evaluation mission team. Shijie Yang, IOE Evaluation Analyst, provided substantive inputs for the assessment of efficiency and rural poverty impact. Internal peer reviewers from IOE (Kouessi Maximin Kodjo, IOE Lead Evaluation Officer, and Fabrizio Felloni, IOE Deputy Director) provided comments on the draft report. Laure Vidaud, IOE Evaluation Assistant, provided administrative support.

IOE is grateful to IFAD's Asia and the Pacific Division and the Government of Sri Lanka, in particular the Ministry of Plantation Industries, for their inputs at various stages of the evaluation process and the support they provided to the mission. I hope the results generated will be of use to help improve IFAD operations and development activities in Sri Lanka.

Oscar A. Garcia
Director
Independent Office of Evaluation of IFAD

The President of the Thambana Janashakti Society standing in his rubber plantation intercropped with cacao (Thambana Gramma Niladhari Division, Medagama Divisional Secretariat, Monaragala District).

Contents

Annexes

Currency equivalent, weights and measures

Currency equivalent

Currency unit = Sri Lankan Rupee (LKR)
USD 1.00 = LKR 155

Measures

1 hectare (ha) = 2.47 acres
1 acre = 0.405 ha

Abbreviations and acronyms

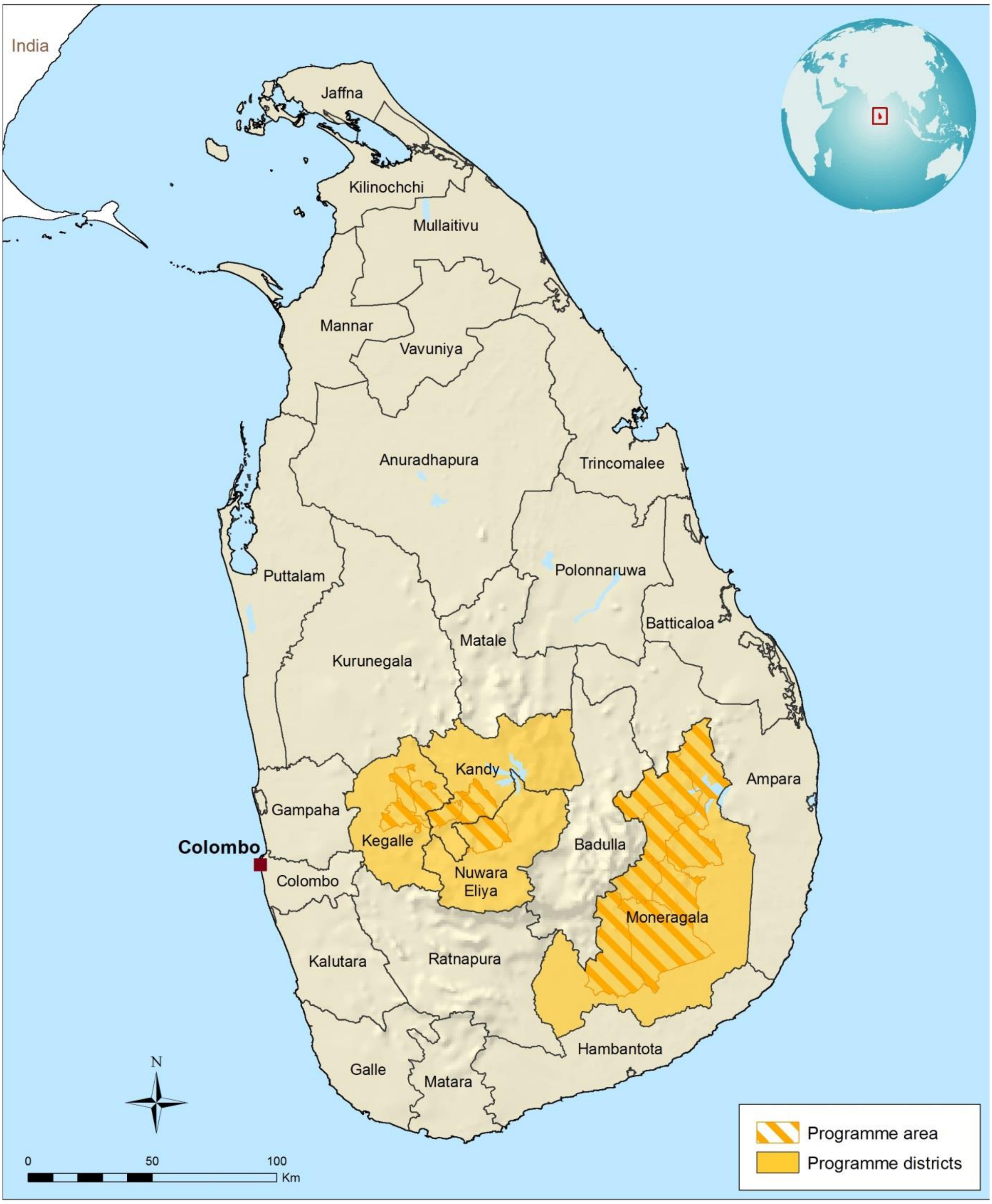
CBSL	Central Bank of Sri Lanka
COSOP	country strategic opportunities programme
CSPE	country strategy and programme evaluation
DSD	divisional secretariat division
EG	enterprise group
GND	grama niladhari division
GRPC	group rubber processing centre
IOE	Independent Office of Evaluation of IFAD
LRA	Land Reform Authority
M&E	monitoring and evaluation
MPI	Ministry of Plantation Industries
MTR	mid-term review
NPCU	national programme coordination unit
NPD	National Planning Department
NRMC	Natural Resource Management Centre
PCR	programme completion report
PFI	participating financial institution
PPE	project performance evaluation
RDB	Regional Development Bank
RDD	Rubber Development Department
RIMS	Results and Impact Management System
S&CG	savings and credit group
SOGEDeP	Smallholder Outgrowers Estates Development Project
SPEnDP	Smallholder Plantations Entrepreneurship Development Programme
SPMU	sub-programme management unit
STaRR	Smallholder Tea and Rubber Revitalisation Project
TF	Thurusaviya Fund
TSHDA	Tea Small holdings Development Authority
USAID	United States Agency for International Development
VRDC	village rubber development cluster
WRC	Wallassa Rubber Company

Map of the project area

Democratic Socialist Republic of Sri Lanka

Smallholder Plantations Entrepreneurship Development Programme (SPEnDP)

Project performance evaluation



IFAD

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

Map compiled by IFAD | 21-02-2019

Executive summary

Background

1. The Independent Office of Evaluation of IFAD (IOE) undertook a project performance evaluation (PPE) of the Smallholder Entrepreneurship Development Programme (SPEnDP) in the Democratic Socialist Republic of Sri Lanka with the main objectives to: (i) assess the results of the programme; and (ii) generate findings and recommendations for the design and implementation of ongoing and future operations in the country.

2. This evaluation was based on a desk review of available data and programme-related documents and a country mission from 12 to 28 March 2018. Data collection methods included desk-based research and review, interviews with various stakeholders and key informants (e.g. former project staff, project lead and implementation partner agencies, financial institutions, service providers, IFAD staff), focus group discussions with project beneficiaries and their organizations, a telephone survey of matching grant recipients, and direct observations (e.g. bookkeeping records, plantations, other on-farm and off-farm income-generating activities). The PPE team visited all four programme districts.

The programme

3. According to the design, the programme was to target approximately 8,700 households or 39,250 persons, including settlers in the resettlement schemes of the HADABIMA[1] Authority and the Mahaweli[2] Authority in the districts of Kandy, Kegalle and Nuwera Eliya in mid-country; and poor smallholder farmers in parts of Monaragala District where it was considered feasible to establish new rubber plantations. The original programme design included estate workers as part of the target group, allocation of Government-owned estate lands in mid-country and the concept of outgrower schemes, but these were not retained in the final design. The programme was designed over a relatively long period between 2004 and 2006, possibly due in part to the tsunami event in December 2004, and the programme implemented over nine years between 2007 and 2016.

4. There was no consistent statement of objectives applied over the life of the programme or within key documents, due in part to last-minute changes to the design. According to the financing agreement, the programme objectives were defined as follows: (i) strengthen the beneficiaries' institutional capacity and negotiations skills; (ii) improve the land tenure status of smallholder tea and rubber growers; (iii) increase producers' profits through improved post-harvest handling, storage, processing and marketing of their products; (iv) develop and expand rural finance and credit services; and (v) ensure that women improve their living conditions and reduce their time poverty.

5. The programme comprised the following five components: (i) community development and grassroots institutions; (ii) outgrower and diversification development; (iii) processing and marketing; (iv) rural financing and credit; and (v) programme management. These components encompassed two sub-programmes (mid-country with a focus on tea, and Monaragala with a focus on rubber), with some differences in planned activities even under the same component.

---

[1] *Haritha Danav Bim Sanvardhana Madhyama Adikariya*; (HADABIMA Authority: The Green Habitat Development Authority of Sri Lanka). Landholders under the HADABIMA Authority, formerly the National Agriculture Diversification and Settlement Authority (NADSA), which was involved in the resettlement of about 3,000 families on neglected tea estates in the mid-country region.

[2] Mahaweli Development Programme initiated in the 1970s included irrigation development and hydropower development using waters of the Mahaweli River. Displaced families were resettled in other parts of the country.

Main evaluation findings

6. **Relevance**. Because of lack of consistency and clarity in the objective statements, the relevance of objectives can be assessed only in the broad sense and with some qualifications. For example, the programme goal and purposes referred to estate workers and outgrower systems, which were no longer relevant to the final design. Nonetheless, what the programme aimed to achieve, i.e. to improve livelihoods of smallholder tea and rubber growers, was generally relevant to national policies and priorities at design and remained so during the programme life.

7. The programme design was also relevant to the needs of the target group, with support for investment in tea and rubber plantation establishment and replanting and infilling of tea, coupled with other income-generating activities during the crop gestation period and for livelihoods diversification. The design also recognized the importance of secure long-term land tenure for perennial crop investment and improved access to financial services. The decentralized implementation modality was relevant to Sri Lanka's institutional and administrative framework.

8. On the other hand, the relevance of the programme approach to form new farmer groups could be questioned, given that in both tea-and rubber-producing communities there were existing groups, associations or societies which could have been engaged and/or strengthened. Groups formed specifically for the programme implementation lost a large part of their relevance once the programme ended. Furthermore, the rationale for providing concessional credits for tea factory improvement and the expected benefits to smallholder tea growers were not clear. On the targeting approach, while the selection of small administrative units (grama niladhari divisions) was to be based on consideration of poverty levels, there was little further consideration of specific sub-groups or targeting strategies and mechanisms, despite the stated intention of selecting beneficiaries based on their level of poverty and vulnerability.

9. **Effectiveness.** The core programme investments in tea and rubber production were generally successful in improving productive capacities of the plantations. The achievements in this area were complemented by other interventions, including: (i) road construction or rehabilitation, generating benefits in terms of easing access to plantations and markets and services; and (ii) income diversification through intercropping and alternative income-generating activities, although the outreach of the latter was relatively limited. A strong focus on production was appropriate, as both tea and rubber are internationally traded commodities with well-established marketing pathways, but opportunities for improving post-harvest activities and thus returns to the growers were not explored in a substantive way. Group rubber processing centres showed mixed performance.

10. In other areas, the programme achievements fell short of the objectives and the intentions, in particular relating to land tenure regularization, despite the programme investment in cadastral surveys and issuance of temporary permits to tea smallholders. This was due to the difficulties on the side of the beneficiaries in paying the fees for title conversion as well as the complexity of procedures. The funds for credit lines were disbursed through participating financial institutions, and loan recoveries were satisfactory, but the programme effectiveness in improving access to finance by the target group was not clear without detailed data on socio-economic profiles of the borrowers.

11. With regard to outreach and targeting, the programme reached more beneficiaries than planned, i.e. 18,000 households against the original target of 8,700. On the other hand, targeting largely depended on geographical area selection and groups which were formed for the purpose of the programme and whose membership gave them access to various programme support. The poverty focus was weak and there was evidence of elite capture, for example in the allocation of matching grants.

12. **Efficiency.** The programme had a slow start-up with slow pace of disbursement during the first three to four years. There were also some financial management issues, and high staff turnover affected implementation. On the other hand, even though there were *de facto* two projects in one with three management offices, the management costs stayed at a reasonable level (12.3 per cent of the total cost). With the main benefit streams being profits from tea and rubber, but also considering other income-generating activities, the programme shows a healthy economic rate of return. The programme completion report estimated the overall economic internal rate of return to be 20 per cent. Given that the assumptions used in computation were optimistic in some aspects but conservative in others, a robust return rate is credible.

13. **Rural poverty impact**. The increases in production and productivity from tea replanting and infilling and rubber planting, and the resulting increases in income, can be considered definitive and almost indisputable. SPEnDP focused on productivity enhancement by promoting good agronomic practices through various training programmes and providing improved planting materials. Rubber planting was undertaken by farmers who did not previously grow rubber, and was generally on idle or unproductive plots used for *chena* (shifting) cultivation. With suitable quality of planting materials and agronomic conditions, once established and mature, these plantation crops last for a long time period with minimum care and can provide steady incomes to be complemented by other income sources. It was estimated that 0.1 hectare of replanted tea and 1 hectare of rubber could generate incremental income of US$600-800 per household once both crops have reached full production, excluding incomes from intercropping or the value of timber from rubber plantations. Income-generating activities supported by matching grants had high success rates, but the outreach was limited and there was a targeting issue.

14. There is little evidence on the impact on social capital and empowerment. The groups formed under the programme (such as enterprise groups and village rubber development clusters) served as a mechanism to channel the programme support – for the groups themselves as well as individual members. The rationale for forming new groups when smallholder groups on tea and rubber already existed was vague at best, and it is not a surprise that most of these did not serve as a basis for empowerment. The programme had a limited impact on the structure and function of the institutions or on policy issues, including those related to land rights.

15. **Sustainability of benefits.** The prospects for sustainability of benefits vary considerably between the different components, activities and impact domains. The benefits from replanting and infilling of tea plantations and the establishment of new smallholder rubber plantations have good sustainability prospects for the remaining life of the plantations since these provide regular cash flow for the beneficiaries. Income-generating activities financed by matching grants are also likely to be continued, but it should be noted that the grants were to support the expansion of existing individual enterprises rather than start-ups, where the success rates are usually much lower. On the other hand, the sustainability prospect is unclear or low for group-operated business ventures (e.g. group rubber processing centres) and for grassroots rural institutions formed under the programme.

16. **Gender equality and women's empowerment.** The participation of women and men in most SPEnDP activities was reasonably balanced, with men predominating in some areas and women in others, even though in general there was limited systematic attention to gender issues. Access to grants or loans has improved women's access to economic opportunities. Changes in women's drudgery are likely to have been positive. However, women’s empowerment was constrained by their inability to own land either individually or jointly with their spouse.

17. **Environment, natural resources management and adaptation to climate change.** The rubber sub-programme in Monagarala has generally had a positive impact on the environment and natural resources. Earlier, forest degradation and soil erosion due to *chena* cultivation, encroachment of reserves and deforestation were seen as main problems in the area. SPEnDP established over 5,000 hectares of rubber plantations. Coupled with intercropping and leguminous cover crops, it is believed that there is overall improvement to the ecosystem as a result of rubber planting.

18. On the other hand, in mid-country some cases of negative environmental outcomes were observed, mainly associated with the subsidization of tea planting on unsuitable lands. The risk was recognized in the design but not adequately managed during implementation. There is limited evidence of promoting and applying appropriate soil and water conservation measures. The situation was exacerbated by prolonged drought in 2016-17 resulting in patches of dead tea, thereby exposing the soil.

19. The programme could have more effectively assessed and incorporated measures to address weather-related risks, but there were some interventions contributing to climate change adaptation (e.g. provision of suitable tea and rubber cultivars, agro-forestry, cover crops, agro-wells), even without being labelled as such. Adverse weather in 2016-17 was rather extreme, which would have been challenging to address with adaptation measures.

Recommendations

20. Key recommendations are provided below for consideration by IFAD and the Government of Sri Lanka.

21. **Recommendation 1. Project design needs to be supported by a well-articulated theory of change and targeting strategy.** It is paramount to develop a shared understanding among all stakeholders of how impact pathways are expected to be followed and to critically reflect on the targeting strategy and outreach assumptions in the design. Specifically on future investment in smallholder plantations, measures to support plantation (re)establishment, intercropping or income diversification activities need well-defined eligibility criteria (possibly including land-holding size, dependence of household incomes on agriculture), assessment criteria and transparent decision-making processes to avoid mis-targeting and elite capture. This is relevant also because the eligibility criteria for the Government subsidies for (re)planting do not take poverty level into consideration.

22. **Recommendation 2. Ongoing support for the smallholder plantation sub-sector should pay more attention to post-harvest improvements and environmental issues**. Greater care should be taken to avoid subsidizing planting on unsuitable or environmentally fragile lands. Furthermore, along with support to improve production, the opportunities for improving post-harvest activities and returns to the growers should be explored more vigorously.

23. **Recommendation 3. Engage and strengthen existing community-based organizations rather than create new ones.** SPEnDP's limited success in the creation of sustainable grassroots institutions provides a clear signal that engaging the existing tea and rubber societies would have been more effective and sustainable.

24. **Recommendation 4. Adopt a more cautious approach to supporting group/community-owned business ventures.** Given the largely unsuccessful experience with business ventures operated by un-incorporated/informal groups, it is important to carefully reflect on the circumstances and conditions in which such group/community-owned business ventures would make sense and would be feasible, and to develop support activities accordingly.

IFAD Management's response[1]

1. Management welcomes the project performance evaluation (PPE) of the Smallholder Plantations Entrepreneurship Development Programme (SPEnDP) in the Democratic Socialist Republic of Sri Lanka, and wishes to express its appreciation for the quality and candidness of the report.

2. Overall, Management agrees with the IOE’s assessment of the Programme's performance. It notes that the PPE recognizes SPEnDP’s unique and significant contribution towards improving the incomes and livelihoods of tea and rubber smallholder producers in a sustainable manner, and in a context of vastly different geographical and ecological areas. It also recognizes that the programme was challenged to fully realise the expectation that beneficiary groups would evolve into sustainable grassroots institutions capable of significantly promoting post-harvest improvements and supporting the increasing and more business-oriented interests of their smallholder membership.

3. The lessons learned under SPEnDP have been reflected, and its successful interventions scaled up, under the follow-up IFAD-financed Smallholder Tea and Rubber Revitalization project (STaRR) which was approved in December 2015. This project, which responds directly to the the continued priority accorded by the Government to modernize the smallholder tea and rubber sectors, also introduces a stronger element of commercialisation into smallholder farming systems.

4. Management appreciates the PPE recommendations which are generally already being internalized and acted upon. Management’s detailed views on the proposed recommendations are presented below:

   - ***Targeting strategy.*** *It is paramount to develop shared understanding between all stakeholders on how impact pathways are expected to be followed and to critically reflect on the targeting strategy and outreach assumptions in the design. On future investment in smallholder plantations, measures to support plantation (re)establishment, intercropping or income diversification activities need well-defined eligibility criteria (possibly including land holding size, dependence of household incomes on agriculture), assessment criteria and transparent decision-making processes to avoid mis-targeting and elite capture.*

     <u>Response from Management</u>: Agreed. The STaRR project implementation manual, building on the lessons of SPEnDP, has been reviewed and amended to reinforce a better defined eligibility criteria and strengthened mechanisms for assessing proposed economic and income diversification activities. In addition to agronomic potential, household poverty levels are fully taken into consideration during targeting. For transparency, all societies (and their membership) are sensitized and assessed, with joint and participatory identification of the most vulnerable households to be prioritized for project support.

   - ***Support for the smallholder plantation sub- sector should pay more attention to post-harvest improvements and environmental issues.*** *A greater care should be taken to avoid subsidising tea (re)planting on unsuitable or environmentally fragile lands. Furthermore, along with support to improve production, the opportunities for improving post-harvest activities and returns to the growers should be explored more vigorously.*

     <u>Response from Management</u>: Agreed. Environmental considerations and adherence to Government regulations have been highlighted in STaRR and other ongoing projects in Sri Lanka (e.g. SAP). STaRR is also promoting

[1] The Programme Management Department sent the final Management's response to the Independent Office of Evaluation of IFAD on 12th December 2018.

better land use practices to minimise soil erosion and conserve biodiversity. In addition, environmental screening procedures have been introduced to prohibit infrastructure (road) development or interventions in ecologically sensitive areas or other areas where they are likely to have a negative impact on the environment.

As part of the efforts under STaRR and SAP to enable producers to realise higher incomes and returns, post-harvest and marketing activities are strongly promoted. STaRR specifically includes an income and marketing diversification sub-component for tea and rubber development, with a priority given towards establishing linkages with the private sector for a more credible and sustainable approach.

- ***Engage and strengthen existing community-based organisations rather than create new ones.*** *SPEnDP's limited success in the creation of sustainable grassroots institutions provides a clear signal that engaging the existing tea and rubber societies would have been more effective and sustainable.*

  Response from Management: Agreed. As also recognized by the PPE, STaRR has opted to work with existing tea and rubber societies that show potential, rather than continue the SPEnDP approach of establishing new/project-specific EGs and VRDCs.

- ***Adopt a more cautious approach to supporting group/community-owned business ventures****. Given largely unsuccessful experience with business ventures operated by un-incorporated/informal groups, it is important to carefully reflect on in which circumstances and conditions such group-community-owned business ventures would make sense and would be feasible and to develop support activities accordingly.*

  Response from Management: Agreed. A more sustainable business approach has been adopted by ongoing projects, with rigorous assessment of feasibility of proposed business plans. The shift towards use of credit instruments rather than matching grants has also reinforced this changing mindset, as has the approach of using the own loan appraisal processes of commercial banks.

5. Management thanks IOE for the productive process and is committed to internalize lessons learned and outcomes of this exercise to further improve the performance of IFAD-funded programmes in Sri Lanka and elsewhere.

Members of the Thambana Janashakithi village rubber development cluster, at work in a rubber processing centre (Thambana Grama Nilhadari Division in Medagama Secretariat Division, Monaragala District).

Democratic Socialist Republic of Sri Lanka Smallholder Plantations Entrepreneurship Development Programme Project Performance Evaluation

I. Evaluation objectives, methodology and process

1. **Background.** The Independent Office of Evaluation of IFAD (IOE) undertakes project performance evaluations (PPEs) for a number of selected completed projects.[1] The Smallholder Entrepreneurship Development Programme (SPEnDP) in Sri Lanka was selected for a PPE based on a number of considerations, in particular to provide inputs to the country strategy and programme evaluation (CSPE) in Sri Lanka undertaken in 2018.

2. **Objectives and focus.** The main objectives of the PPE were to: (i) assess the results of the programme; (ii) generate findings and recommendations for the design and implementation of ongoing and future operations in the country; and (iii) provide project-level evidence that will feed into the corporate-level evaluation on IFAD's engagement with pro-poor value chain development. While all PPEs cover standard evaluation criteria as per the IOE evaluation manual (second edition),[2] this evaluation focused on selected key issues that emerged from a desk review including: (i) effectiveness of targeting through group formation; (ii) effectiveness of programme support for marketing and value chain development; (iii) relevance of design, particularly with regard to it being a long-term programme of multi-components; (iv) partnerships with the private sector; and (v) sustainability of programme benefits.

3. **Methodology.** The PPE follows IFAD's evaluation policy,[3] the IOE evaluation manual and the guidelines for project completion validation and project performance evaluation.[4] It adopts a set of internationally recognized evaluation criteria (see annex II) and a six-point rating system (see annex III, footnote a). The evaluation was based on a desk review of available data and documents[5] and a country mission, including field visits, for over two weeks.

4. Data collection methods included desk research and review, interviews with various stakeholders and key informants (e.g. former project staff, project lead and implementation partner agencies, financial institutions, service providers, IFAD staff), focus group discussions with beneficiaries (e.g. enterprise groups, village rubber development clusters); interviews with individual beneficiaries (in particular, recipients of matching grants); and direct observations (e.g. bookkeeping records, plantations, other on-farm and off-farm income-generating activities). After the field mission, the PPE team also conducted a telephone survey of 84 matching grant recipients (70 randomly sampled for mid-country, and 14 in Monaragala not by random selection due to the absence of a comprehensive list of recipients – see annex X for details). The phone survey was to collect additional data to complement the interviews conducted in the field, particularly concerning the beneficiary profiles, and effectiveness and impact of the matching grant instrument.

5. **Process**. Following the desk review and the preparation of the approach paper, the PPE mission was undertaken from 12 to 28 March 2018. At the start of the mission,

---

[1] The selection criteria for PPEs include: (i) synergies with forthcoming or ongoing IOE evaluations; (ii) novel approaches; (iii) major information gaps in project completion reports; and (iv) geographic balance.
[2] http://www.ifad.org/evaluation/process_methodology/doc/manual.pdf
[3] http://www.ifad.org/pub/policy/oe.pdf
[4] http://www.ifad.org/evaluation/process_methodology/doc/pr_completion.pdf. See annex IV for an extract from the guidelines "Methodological note on project performance assessments".
[5] Including supervision mission reports, mid-term review report, project completion report, impact evaluation report. See also annex XIII for bibliography.

meetings were held in Colombo with the Ministry of Plantation Industries (MPI), the Rubber Development Department (RDD) and the Tea Small Holdings Development Authority (TSHDA), both under the MPI. Between 14 and 23 March 2018, the PPE team travelled to all four districts in the programme area (Kandy, Kegalle and Nuwara Eliya in the mid-country tea-growing areas; and Monaragala in the rubber-growing areas). The full mission itinerary is shown in annex VI.

6. In mid-country, the team met with representatives from the TSHDA (Kandy and Kegalle regional offices), the Department of Export Agriculture, the Land Reform Authority Kandy office, divisional secretariats and the Regional Development Bank (in Gampola). The field visits covered four divisional secretariat divisions (DSDs) out of the six covered by the programme, and the team interacted with four enterprise groups (EGs), 20 matching grant recipients and one tea factory.

7. In Monaragala, the team met with representatives of RDD, the Department of Animal Production and Health, the ongoing IFAD-financed Smallholder Tea and Rubber Revitalisation Project (STaRR), the Thurusaviya Fund,[6] the Rubber Research Institute, the Regional Development Bank and People's Bank. The field visits covered four of the eight DSDs in the programme and interacted with seven village rubber development clusters (VRDCs), 18 matching grant recipients and nine group rubber-processing or milk collection centres.

8. A wrap-up meeting was held on 28 March 2018 at the MPI office in Colombo, where the PPE team presented its preliminary findings. A list of key people met is provided in annex VI. Following the mission, further analysis of the data was conducted to generate findings and prepare the draft PPE report. The draft report was first subjected to a peer review within IOE. It was thereafter shared with IFAD's Asia and the Pacific Division and the Government of Sri Lanka for comments, which were taken into consideration when finalizing the report.

9. **Data availability and limitations**. Key data sources were basic and included periodic programme reports (e.g. design document, supervision mission reports, mid-term review (MTR) report, project completion report (PCR), project status reports with self-assessment ratings, and data on the standard indicators in line with IFAD's results and impact management system [RIMS]).[7] The PPE also reviewed and used the results of the impact evaluation (particularly the section on rural poverty impact), which was commissioned by the programme management under MPI[8] as part of the PCR process. More details and comments on the quality of the programme data are provided in the relevant sections of this report (e.g. paragraphs 34, 91-92).

10. The major limitation was the availability of and access to a comprehensive and coherent set of monitoring and progress data that are retrievable, can be easily manipulated and could also have served as a basis for sampling sites and groups for field visits as well as for triangulation. At the same time, there were also cases where the team found the data availability and management in some localities (e.g. DSDs with regard to infrastructure supported) impressive, although this was not necessarily a common phenomenon. SPEnDP was a combination of two separate sub-programmes, one in mid-country with a focus on tea, and the other

---

[6] Thurusaviya Fund is a corporation which was established under the Thurusaviya Fund Act No.23 of 2000 under MPI. The objective of the Thurusaviya Fund is to enhance the income level and uplift the social status of the rubber small holders through the increase of the productivity. The activities and support include the formation of Thurusaviya societies for the rubber small holders at rural level, mobilization of the members and distribution of standard equipment for their production activities through the societies, establishment of group processing centres at district level to process rubber latex of the members of the societies and sell them through the auction. (adapted from the Thurusaviya Fund annual report).

[7] In 2003, IFAD established the Results and Impact Management System (RIMS) to measure and report on three levels of results (activities and outputs, outcomes, and impact) based on common standard indicators. For the impact level, a standard questionnaire for household-level survey was developed to capture data on household living standards and child malnutrition was also a mandatory indicator to be reported on, whether through anthropometric measurement to be conducted specifically for the project or existing data.

[8] Conducted by DDPM Dunusinghe, Department of Economics, University of Colombo.

in Monaragala with a focus on rubber, each with a sub-programme management unit (SPMU) and under a national programme coordination unit (NPCU) at central level at MPI. Limited availability of comprehensive data in electronic format might be a result of the decentralized set-up and temporary units at sub-programme level not anchored at existing institutions. In order to address such limitation to the extent possible, data and information from different sources were reviewed, analysed and triangulated, combined by the in-country work, to provide an informed assessment of the programme performance.

11. Another important limitation was the lack of a well-articulated theory of change underlying the programme design and expected impact pathways. This is not an uncommon shortcoming in development projects, but the case of SPEnDP was even more pronounced (as discussed in later sections) in view of the multiple versions of programme goals and objectives. Moreover, the programme component/sub-component structure, objective statements, logical framework and performance indicators in the project document did not capture the real intention and planned interventions, due to last-minute changes to the design. This complicated the PPE exercise, as the basic project framework could not fully serve as a relevant basis for performance assessment. Consequently, the assessment also used the reconstructed theory of change (see annex VIII) by identifying expected but unstated outcomes and overall intention reflected in what the programme actually did – while commenting on the inconsistencies in the design, intention and actions.

II. The programme

A. Programme context

12. **Overall national and sectoral context.** SPEnDP was implemented against the background of major changes in Sri Lanka's social and economic situation, also bearing in mind that this was an exceptionally long-term programme with a duration of nine years. During the period, the country experienced steady economic growth, which accelerated even more after the civil war ended in 2009. From 2009 until 2014, real gross domestic product (GDP) grew by 43 per cent. Sri Lanka's gross national income (Atlas method) per capita increased from US$1,360 in 2006 to US$3,850 in 2016. The national poverty headcount ratio declined from 22.7 per cent in 2002 to 15.2 per cent in 2006 and 6.7 per cent in 2012.[9]

13. The agricultural contribution to GDP decreased from an average of 15 per cent between 1999 and 2009 to less than 9 per cent between 2010 and 2016. However, 30 per cent of the labour force still remains in agriculture. Agriculture has been an important driver of poverty reduction, but this has been the consequence more of higher agricultural wages than of productivity improvements.[10]

14. Sri Lanka's agriculture is characterised by a non-plantation subsector (food and other crops) and a plantation subsector with three key export crops, i.e. tea, rubber and coconut. Sri Lanka has been the third largest tea exporter in the world in the past decade. For natural rubber production, Sri Lanka ranks lower than tenth in the world, but rubber is the second biggest agriculture-based export earner after tea for the country. Both the tea and rubber sectors have been dominated by smallholders,[11] and the contribution by smallholders has seen an upward trend over the last three decades.[12] During the project period, there was an increase in area and the share of smallholder tea and rubber (annex XII). In 2015, it was estimated that there were 400,000 smallholder tea farmers in the country.

Table 1
Extent of tea and rubber by estates and small holdings: 2005 and 2016

		2005 hectares	*2005 %*	*2016 hectares*	*2016 %*
Tea	Estates	95 288	45	80 055	40
	Small holding	118 274	55	121 967	60
	Total	**213 562**	**100**	**202 022**	**100**
Rubber	Estates	47 941	41	44 697	34
	Small holding	68 109	59	87 996	66
	Total	**116 050**	**100**	**132 632**	**100**

Source: MPI. Statistical information on plantation crops 2016.

15. Government support, including various subsidies, has historically been strong for both commodities. The request for IFAD to support the rubber sector in addition to the tea sector during the SPEnDP design process was based on the broader national strategy to increase natural rubber production in Sri Lanka, including an extension of rubber plantations into Monaragala, which fell outside the traditional rubber-growing areas. The SPEnDP-supported sub-programme in Monaragala was to be the initial phase of the much larger Monaragala Rubber Development Programme, which was formulated by the rubber industry with the Government in

[9] World Bank databank.
[10] World Bank, 2016, http://documents.worldbank.org/curated/en/770411510060737091/pdf/Plan-Archive-3.pdf
[11] The definition of "smallholder" can be quite broad (<8 hectares (ha) for both commodities), but 88 per cent of the smallholder holdings are less than 0.5 ha, taking up 51 per cent of the areas for tea (2005 data), and for rubber, 39.4 per cent of the holdings are less than 1 acre (0.405 ha) and 40.9 per cent between 1 and 2 acres (between 0.405 and 0.81 ha) (MPI, 2016).
[12] For example, the tea areas by smallholders were only 75,769 ha in 1983, compared to over 200,000 ha at present.

the early 2000s and planned to develop 40,000 hectares (ha) of rubber plantations in the district.

16. Tea and rubber prices are influenced by the world market. The tea price has generally shown an upward trend since 2005, but the rubber price has fluctuated, with an upward trend from 2005 to 2011 and decreasing since then (annex XII).

17. **Programme design process.** The programme design process had implications on the clarity of the intervention logic, as discussed in later sections. The departure point of the initial programme concept, which looked different from the final design, was high poverty level among estate workers[13] (in particular, tea estates in the Central Province) as well as smallholders in the villages surrounding the estates. The original concept of the proposed interventions was presented in IFAD's country strategic opportunities programme (COSOP) of 2003. The COSOP recognized the possible sensitivity involved in the original programme proposal due to land and social issues,[14] but the inception, programme formulation and appraisal missions proceeded basically keeping the original concept. It was only at the end of the almost three-year design process (2004-2006)[15] that the need for substantial changes to the design surfaced.

18. After the inception mission in February-March 2004, the programme was initially formulated as the Smallholder Out-Grower Estate Development Programme (SOGEDeP) in late November 2005, at which point, the rubber programme in Monaragala was added at the Government's request. The programme was appraised in May 2006, but before and during the loan negotiations in November 2006, the Government requested the removal of the proposed activities related to the allocation/distribution of government-owned estate lands in the mid-country region (which were run by state corporations[16]) to estate workers and surrounding villagers. The Government also requested removing the activities related to the contract tea-plucking schemes on the privately run Regional Plantation Corporations in the mid-country region. A key underlying concern behind the Government requests related to the risks of possible social tensions associated with allocating lands to former estate workers.[17] Consequently, the programme design was revised for the Board submission with a different title, SPEnDP, which no longer included estate workers as part of the target group; neither did it include the outgrower concept.

B. Programme description

19. **Programme area**. The programme areas included: the resettlement schemes of the HADABIMA[18] Authority and the Mahaweli[19] Authority in the districts of Kandy, Kegalle and Nuwera Eliya in mid-country; and the intermediate zone[20] in

---

[13] Estate workers usually belong to the ethnic group referred to as "Indian Tamils". They were brought to Sri Lanka from southern India starting from the late 19th century by the British colonial rule as labours for the plantations. The Indian Tamils share religious and cultural ties with the Sri Lankan Tamils, but the two are considered distinct groups. Estate workers are considered to be among the poorest and the most marginalized segments of Sri Lankan society.

[14]The COSOP 2003 noted (paragraph 35): "The proposed intervention in the estate sector is … somewhat delicate in several aspects. First, critical issues such as access to non-productive or unallocated estates for the landless and smallholders are involved. Second, competition for the same workforce by both the smallholder out-grower schemes and the large plantations might pose problems for both groups. Third, potentially conflicting political considerations related to relations between plantations and nearby (and equally poor) villages might be sensitive." Perhaps realizing such sensitivity, the 2003 COSOP proposed a technical assistance grant first to test different options to generate lessons to be integrated into the SOGEDeP, but this grant did not materialize.

[15]The programme design process was prolonged most likely also due to the tsunami event in December 2004.

[16]This includes the Elkaduwa Plantations Limited, the Janatha Estates Development Board, and the Sri Lanka State Plantation Corporation.

[17] Request for reformulation (4 September 2006) and the agreed minutes of negotiations (November 2006).

[18]*Haritha Danav Bim Sanvardhana Madhyama Adikariya*; (HADABIMA Authority: The Green Habitat Development Authority of Sri Lanka). Landholders under the HADABIMA Authority, formerly the National Agriculture Diversification and Settlement Authority (NADSA), which was involved in the resettlement of about 3,000 families on neglected tea estates in the mid-country region.

[19] The Mahaweli Development Programme initiated in the 1970s included irrigation development and hydropower development using waters of the Mahaweli River. Displaced families were resettled in other parts of the country.

[20] Sri Lanka is divided into three zones based on precipitation patterns: wet zone; intermediate zone; and dry zone.

Monaragala District, where it was considered feasible to establish new rubber plantations even though the area was outside the traditional rubber-growing zones. The poverty headcount ratio in the SPEnDP districts in 2002 varied: 37 per cent in Monaragala, 32 per cent in Kegalle, 25 per cent in Kandy and 23 per cent in Nuwara Eliya.[21]

20. According to the PCR, in mid-country, in the six DSDs including the settlement areas, 65 *grama niladhari divisions* (GNDs)[22] were selected based on the following: (i) predominance of *Samurdhi*[23] recipients (identified as the poorest); (ii) predominance of women-headed families; (iii) availability or lack of basic infrastructure and facilities; and (iv) higher development potential. In Monaragala, six DSDs had been identified based on the potential for rubber production, and 33 GNDs in the six DSDs were selected on based on: (a) poverty levels assessed with the prevalence of *Samurdhi* beneficiaries; (b) geographic isolation; (c) prevalence of women-headed households; (d) land suitability and availability for rubber cultivation; and (e) existence or lack of infrastructure and facilities.

21. **Target group**. According to the President's report to the Executive Board, the programme was to target approximately 8,700 households, or 39,250 people, who would include tea estate settlers and marginalized smallholder tea producers in the mid-country region, plus poor upland food crop farmers in the intermediate zone of Monaragala District who wished to take up rubber cultivation.[24] The definition in the financing agreement was somewhat more restrictive: settlers of the HADABIMA and Mahaweli resettlement schemes and poor smallholders in the intermediate zone of Monaragala. According to the design, the target group was to be selected based upon level of poverty and vulnerability to poverty-inducing structural factors. The President's report also underscored the importance of gender equity and empowerment in the targeting modalities, especially in land distribution and decision-making at all levels.[25]

22. **Programme goal and objectives.** There was no consistent statement of objectives applied over the life of the programme, or even within key documents such as the appraisal and President’s reports.[26] As shown in annex VII, there were at least six different definitions of the programme goal applied at different stages. The frequent references to estate workers and outgrowers in the various versions (including the PCR) of the objectives appear to be a legacy from the previous version of the design (SOGEDeP, see also paragraphs 17-18). The various programme documents also describe an array of second-level objectives and purposes, many referring to outgrowers, estate workers, estate settlers, downstream processing enterprises, improvement of land tenure, access to finance, and others.

23. **This PPE uses the objectives contained in the financing agreement as a basis** (box 1 and annex VII), given that the financing agreement is the legal arrangement entered into by IFAD and the Government of Sri Lanka and therefore has precedence over the other versions of the programme objectives. Nonetheless, the two purposes stated in the financing agreement (e.g. outgrower systems with nucleus estates, public-private partnerships) were clearly a legacy of the initial design and were not relevant to the final design; therefore, they are not strictly used as a basis for detailed assessment.

[21] World Bank and the Department of Census and Statistics. 2005. Poverty maps in Sri Lanka.
[22] GND is a smallest and lowest unit in public administration.
[23] This is the main social assistance programme in Sri Lanka. Samurdhi subsidies consist of small monthly stamps worth between LKR 200 and LKR 1,500, given to families identified as poor by community offices.
[24] SPEnDP President's report, paragraph 9.
[25] SPEnDP President's report, paragraph 10.
[26] For example, the President’s report (December 2006) included two different goal statements, one in the text and the other in the logframe. The appraisal report dated August 2006 also includes two goal statements, one of which refers to estate crop outgrowers, which were not part of the target group and did not participate in the programme.

Box 1
SPEnDP objectives as stated in the financing agreement used as a basis in the PPE

Goal: The improvement of livelihoods and social conditions of smallholder estate crop producers on a sustainable basis

Purposes:

a) Enable smallholders to develop sustainable outgrower systems with nucleus estates and downstream processing enterprises

b) Promote and consolidate effective partnerships between the relevant target group and the private and public sectors

Objectives:

(1) Strengthen the beneficiaries' institutional capacity and negotiation skills

(2) Improve the land tenure status of smallholder tea and rubber growers

(3) Increase producers' profits through improved post-harvest handling, storage, processing and marketing of their products

(4) Develop and expand rural finance and credit services

(5) Ensure that women improve their living conditions and reduce their time poverty

24. **Programme components**. The programme comprised the following five components: (i) community development and grassroots institutions; (ii) outgrower and diversification development; (iii) processing and marketing; (iv) rural financing and credit; and (v) programme management. These components encompassed two sub-programmes (mid-country and Monaragala), with some differences in planned activities even under the same component. Various reports over the implementation period show some confusion with regard to what activities were to be placed under which components (e.g. component (i) or (iv) for savings and credit, or for matching grants).

25. **SPEnDP theory of change.** A theory of change for the programme was not articulated in any programme document, but it was inferred that if the six constraints listed below were addressed simultaneously, both sub-groups (tea and rubber growers) would be empowered to make significant and sustainable improvements to their livelihoods, subject to a number of implied assumptions. The six constraints were as follows:

- Lack of secure tenure over the land that they cultivate (for tea) or potentially cultivate (for rubber), which is a disincentive to invest in perennial crops.
- Weak market linkages in the form of contract-farming arrangements, processing and value-adding facilities.
- Undeveloped community-level grassroots institutions that have the potential to empower the target groups to access services and livelihood improvement opportunities.
- Very limited income-generating opportunities outside basic tea-growing and subsistence food crops.
- Underdeveloped social and physical infrastructure, especially in isolated areas.
- Limited access to financial services, including credit to finance investments in establishing perennial crops.

26. In the case of the tea growers, these constraints were seen to have caused the deterioration of tea plantations, land degradation and reliance on very low-paid work on commercial tea estates, exacerbated by the growers' inability to finance tea replanting and infilling. Smallholder farmers interested in rubber in Monaragala were seen to lack the financial resources and expertise needed to establish rubber plantations which had the potential to transform their livelihoods.

27. Specifically, six impact pathways were expected: (i) productivity gains and more sustainable use of land resources through land tenure security and adoption of more efficient farming systems, based on the two key perennial crops; (ii) income diversification through alternative production options (e.g. intercropping and other income-generating activities); (iii) increased profits and value-addition of tea and rubber through improved processing and post-harvest handling; (iv) enhanced access to markets via promotion of market linkages and road rehabilitation; (v) improved social capital through development of community-level grassroots institutions and construction of social infrastructure; and (vi) increased local demand for raw materials due to higher processing capacity from better capitalized small and medium enterprises. The implied/reconstructed theory of change is elaborated in annex VIII.

C. Programme implementation

Programme description

28. **Timeframe.** The IFAD loan of SDR 15.25 million (equivalent to US$22.5 million) was approved in December 2006. The financing agreement was signed in May 2007, and the loan entered into force in November 2007. The programme was completed on 31 December 2016, one year ahead of schedule.

29. **Programme financing.** The programme costs were initially estimated at US$39.9 million over ten years. The actual programme cost was US$26.6 million (table 2). This large gap was mainly because the co-financing initially expected from the United States Agency for International Development (USAID) and the Wallassa Rubber Company (WRC) for the Monaragala sub-programme (total over US$10 million) did not materialize.[27] The Government's contribution was also less than half the expected level. The actual cost was 94.1 per cent of the revised budget (without the co-financing part). At the loan closing, according to the IFAD database,[28] SDR 13.91 million (equivalent to US$20.92 million), or 91.2 per cent of the IFAD funding approved (SDR 15.25 million), had been disbursed. The PCR reported US$22 million for IFAD's contribution (table 2). It is not clear whether the difference in the reported IFAD contribution in US dollars between the IFAD system and the PCR can be explained solely by the exchange rate fluctuation between SDR and US dollars. See also annex IX for IFAD loan disbursement data by category.

Table 2
Project financing: estimated and actual cost by financier (US$ million)

	IFAD	*Government*	*USAID*	*WRC*	*PFIs*	*Beneficiaries*	*Total*
Approval	22.5	3.8	5.5	5.2	1.9	1.0	39.9
Revised [a]	22.54	3.78	N/A	N/A	0.96	1.0	28.28
Actual [b]	22.02[c]	1.72	N/A	N/A	0.96	1.89	26.6
Actual/revised (%)	97.7%[c]	45.8%	N/A	N/A	100%	187.6%	94.1%

Source: PCR, SPEnDP President's report.
PFI: participating financial institution.
[a] Without co-financing by USAID and WRC.
[b] Actual cost taken from the PCR, page vii "programme at a glance" and not appendix 7, which has lower figures.
[c] In the IFAD system, the disbursement rate of the IFAD loan (in SDR) is computed as 91.2 per cent.

[27]USAID proposed a more modest approach to support a Rubber Training Centre with an extendable grant of US$1 million after deciding not to follow the co-financing arrangements. This proposal with a reduced scope still did not materialize, as a viable business plan from SPEnDP was not received as per USAID's request. WRC did not see a safe mechanism to get returns on their investments while other non-investing companies could also access the smallholder rubber (supervision mission report 2010, paragraph 125). According to the correspondence from the Department of External Resources of the Government of Sri Lanka to USAID dated 8 July 2009, USAID informed the Government in the fax dated 1 July 2009 that it had no agreement with IFAD to co-finance the programme. Apparently this information was not consistent with the record of USAID's commitment documented in the minutes of the loan negotiations for SPEnDP between the Government and IFAD, at which USAID representatives were also present.
[28] Oracle Business Intelligence, Operational Results Management System. These provide actual figures only for IFAD and not for other financiers.

Table 3
Actual programme costs by component (US$ million)

Component	***Revised cost estimate****	*Actual programme cost**					*% of total*	*% against budget**
		IFAD	Government	PFIs	Beneficiaries	**Total**		
1. Community development and grassroots institutions	**5.745**	4.024	183		1.321	**5.528**	21	90
2. Outgrowers and diversification development	**12.089**	10.222	9		14	**10.245**	41	84
3. Processing and marketing	**1.239**	1.405	1		560	**1.966**	6	119
4. Rural financing and credit	**4.805**	4.520	-	961		**5.481**	20	102
5. Programme management	**4.404**	1.852	1.531			**3.383**	12	69
Total	**28.282**	**22.023**	**1.724**	**961**	**1.895**	**26.603**	100	100

Source: PCR 2017. Actual cost taken from page vii "programme at a glance"; revised cost estimate from appendix 7. These two sources have different figures for actual costs, but the former is used, as the figures are higher than those in appendix 7 and hence presumably the updated and latest.
*Excluding the USAID and WRC co-financing, which did not materialize.

30. **Implementation arrangements.** SPEnDP was implemented through two sub-SPMUs under an NPCU in Colombo housed at MPI. The NPCU, headed by a national programme coordinator, was responsible for coordination with SPMUs, consolidation of annual work plans and budgets and procurement plans, financial management, among other things. In mid-country and Monaragala, the SPMUs were each headed by a sub-programme manager and staffed with various subject matter specialists. The programme implementation was overseen by a programme steering committee chaired by the MPI Secretary.[29]

31. A large number of collaborating/partner institutions were involved in the programme as shown below:

Table 4
Key institutions involved and their roles

Institution	*Main roles*
Mid-country and Monaragala	
Provincial Departments of Agriculture	Soil conservation advisory services and distribution of subsidies
Provincial Department of Animal Production and Health	Inspection of animals and sheds
Department of Export Agriculture	Supply of intercropping planting materials and training
Divisional Secretariats and Local Councils	Tendering, procurement and surveillance of civil works
Food Research Unit - Agriculture Department	Mushroom training programme
Central Bank of Sri Lanka (CBSL) and seven participating financial institutions	Credit component
Mid-country specific	
TSHDA	Supply of tea plants and distribution of subsidies
Land Reform Authority (formerly called Land Reform Commission)	Procurement of land surveyors and transfer of land titles

[29] Comprising the Department of National Planning, External Resources Department; Regional Development Department of CBSL; heads of all collaborating institutions, heads of Provincial Administrations, other stakeholders, and others as required during implementation.

Monaragala specific	
RDD of MPI	Supply of rubber plants and distribution of subsidies
Rubber Research Institute of MPI	Technical support for rubber small holdings including intercropping
Land Use Planning Division (Monaragala)	Identification of lands suitable for rubber
Forest Department	Forest boundary demarcation

Source*:* Adapted from SPEnDP PCR (paragraph 153).

32. **Adjustments during implementation**. In 2014, the IFAD loan proceeds were reallocated between categories based on the MTR recommendations. The changes were substantial for the following loan categories (see also annex IX):
(i) agricultural inputs, with the final allocation of approximately US$3.5 million (more than tenfold of the original allocation) mainly due to the non-availability of WRC co-financing for rubber-planting materials; (ii) service provider contract (for training and technical support for growers, which was expected to be co-financed by USAID); (iii) equipment and goods (for rubber-processing facilities, which was expected to be co-financed by WRC); and (iv) credit (based on good progress and high demand).

33. Furthermore, IFAD and the Government agreed to complete the programme one year ahead of the schedule in view of: (i) the imminent launch of the follow-on programme (STaRR) and MPI's wish to implement the two programmes sequentially rather than overlapping; (ii) the Government's budget constraints to provide counterpart funding for two programmes with similar objectives;[30] and (iii) the reasonable level of achievement of the major SPEnDP objectives.[31]

Implementation progress and delivery of outputs

34. Implementation progress and outputs by component are summarized in the subsequent paragraphs. It is difficult to reconcile the reported output data in the PCR main text (paragraph 37) and the PCR appendices (8A and 8B), as some of these are inconsistent. Table 5 below presents selected key data on achievement of physical targets reported in the PCR. The targets are those given in the MTR, some of which were revised upwards from the original appraisal report targets. Annex IX contains expanded tables with more indicators from the PCR.

[30] IFAD Decision Memo: Request to Advance the Programme Completion Date (2016).
[31] SPEnDP PCR, paragraph 36.

Table 5
Achievement of physical targets

		Mid-country			*Monaragala*		
Indicator		Target	Actual	%	Target	Actual	%
No. of community groups formed		252	243	96	164	132[a]	80
No. of people in community groups	Male	-	5 330	-	-	7 064	-
	Female	-	3 175	-	-	2 450	-
	Total	9 000[b]	8 555	95	10 000[b]	9 514	95
No. of matching grants disbursed		994	794[c]	(60)	-	290[d]	-
Cumulative no. of borrowers (bank loans)		-	1 504[e]	-	2 400	2 157[f]	*90*
Tea replanted with vegetatively propagated tea (ha)		250	250[g]	100	N/A	N/A	N/A
Land under rubber plantations (ha)		N/A	N/A	N/A	5 000	5 087	102
Roads constructed/rehabilitated (km)		100	43	43	150	88	59

Source*:* PCR appendix 8A, unless otherwise indicated.
[a] According to the table on page 7 and paragraph 47 in the PCR, as well as MPI comment. Appendix 8B of the PCR indicates 164 and thus the full achievement.
[b] The number of people in community groups is presented as beneficiaries reached. The original target (at design) for the number of beneficiaries was 8,700. It is not clear how the target was revised. The appraisal target for "people in community groups formed/strengthened" was already revised in the 2009 supervision mission report.
[c] According to the PCR main text (paragraph 43). Appendix 8A indicates a different figure, 603.
[d] According to the PCR main text (paragraph 49). Appendix 8A does not include these data.
[e] PCR main text paragraph 73.
[f] PCR main text (paragraph 73) indicates a different figure, 2,201.
[g] The data from the PCR main text. Annex 8A in the PCR indicates 220 ha and 88 per cent achievement rate. The achievement of 250 ha is likely given that the June-July 2016 supervision mission indicated that 223 ha or 89 per cent had been achieved at the time and expected the remaining 27 ha scheduled for 2015-2016 to be met.

35. **Component 1: Community development and grassroots institutions.** The formation of groups under this component played a pivotal role in most elements of the programme. These groups were known as enterprise (or entrepreneur) groups (EGs) in the mid-country and VRDCs in Monaragala. Under the programme, 243 EGs and 164 VRDCs were formed, with the total group membership of around 18,000 (31 per cent women).

36. The programme also established 248 savings and credit groups (S&CGs) as sub-groups within most of the mid-country EGs. S&CGs are generally with ten members, almost all women. Some of the S&CGs received capital grants of LKR 50,000 and about half of these also received a second grant. At programme completion, the mid-country groups had accumulated LKR 18 million (US$120,000) in savings and had lent a total of LKR 21 million (US$140,000) to 2,390 members. S&CGs were not established in Monaragala although in some cases this function was performed by the VRDCs themselves.

37. The farmer groups (EGs/VRDCs) were also instrumental in channelling matching grants to their members for income-generating activities.[32] These were cash grants, usually amounting to LKR 50,000 (around US$300)[33] to individuals (members of EGs/VRDCs) to finance the expansion or development of existing business ventures, with a beneficiary contribution in cash or kind of at least 30 per cent of the project cost. According to the PCR (table in paragraph 37), 1,146

[32] In some cases, the matching grant activities seem to have been reported also under the component on processing and marketing.
[33] For dairy production, the ceiling was increased to LKR 125,000 due to the high cost of dairy cows.

matching grants[34] were disbursed (including 58 of them as a second grant), over two-thirds in the mid-country. The grants were used for a diverse range of income-generating activities such as dairy cows, goats, mushroom production, carpentry, dressmaking, food processing, spice grinding and beauty salons.

38. Another notable activity under this component was community infrastructure development, including access roads (table 5), as well as village water supply and community buildings. A noteworthy feature of the infrastructure component was decentralized procurement at DSD level and community engagement in the supply of materials and construction – this is in line with common practices pursued by the Government for public infrastructure of low value (i.e. contracting of rural development or other rural societies registered).

39. **Component 2: Outgrowers and diversification development.** As explained earlier, despite the component title, there was no activity on outgrowers. The principal activities under this component were replanting and infilling of smallholder tea plantations in mid-country and rubber planting in Monaragala. Both tea and rubber (re)planting attract Government subsidies (administered by TSHDA and RDD), which were supplemented by additional contributions from SPEnDP.[35] The planting or replanting targets were 100 per cent achieved for tea (against the target of 250 ha) and exceeded for rubber (5,087 ha against the target of 5,000 ha). In most cases this was accompanied by intercropping to generate cash flow during the crop gestation period and to diversify income sources in the long term.

40. One of the important activities under this component was related to the regularization of land tenure, especially for the tea smallholders. In mid-country, tea smallholders were either HADABEMA landholders without formal land titles, or Mahaweli re-settlers who held "entitlement certificates" but not freehold titles. SPEnDP undertook cadastral surveys of tea small holdings and issued temporary utilization permits which can be converted to freehold upon payment of certain fees to the Land Reform Authority (LRA).[36] Only 303 land ownership deeds against the target of 4,175[37] were issued.

41. **Component 3: Processing and marketing**. This component was intended to add value to the primary produce through improved handling, processing, storage and market access, and it was to cover not only tea and rubber but also other diversification crops. The main instrument deployed in this component was the provision of matching grants to groups or associations for the establishment of range production and marketing enterprises. The most common of these were group rubber processing centres (GRPCs, Monaragala only) and milk collection centres (mid-country and Monaragala), but there were other enterprises as well. Attempts were made to establish business groups as sub-groups of EGs to undertake collective enterprises, but with few successes. In Monaragala the effort was focused on rubber marketing, including latex collection and GRPCs, 31 of which were supported under the programme.

42. **Component 4: Rural finance and credit.** This component provided concessional credit facilities to three categories of prospective borrowers: (i) tea and rubber smallholders (maximum loan amount LKR 250,000); (ii) farmer groups (maximum loan amount LKR 2 million); and (iii) tea factories (maximum loan amount

---

[34] This number is not consistent with the figures presented in other parts of the PCR (i.e. those reproduced in table 5 in this PPE report). The table in paragraph 37 in PCR is the only place where the number of second matching grants is reported.

[35] According to the SPEnDP PCR (paragraph 22), the Government subsidizes about 25 per cent of the total cultivation cost for smallholder tea replanting but the subsidy is provided only after farmers make own investment. Therefore, the level of financial support combined with the need for upfront investment was not attractive enough for smallholders. SPEnDP support offered additional incentives to initiate replanting.

[36] Formerly known as the Land Reform Commission.

[37] The data in the PCR main text and appendix 8A indicate the number of land plots surveyed for regularization as 3,100 against the total of 1,500. The 2016 audit report stated that the ownership of 634 plots of land, out of 7,047 plots of land (surveyed), had been transferred as at 31 December 2016.

LKR 5 million). It consisted of a line of credit administered by the Regional Development Department of the Central Bank of Sri Lanka (CBSL) operating as a refinancing facility. The scheme was governed by a subsidiary loan agreement between the Government of Sri Lanka and CBSL, and operating instructions agreed between CBSL and participating financial institutions (PFIs). The facility operated as a revolving fund with PFIs borrowing from CBSL at concessional rates[38] to refinance loans advanced to eligible beneficiaries, to be repaid to CBSL in accordance with the scheduled repayments from the client.

43. According to the PCR, as of mid-2016, approximately 93 per cent of the total allocated amount for the line of credit had been cumulatively disbursed to 3,704 borrowers for agricultural and other income-generating activities. The borrowers included six tea factories, but no loans were approved for farmer groups. Seven PFIs[39] participated in the scheme, with the Regional Development Bank and Bank of Ceylon (both state-owned) having the largest portfolios. Credit risk was borne by the PFIs and repayment rates were reported to be satisfactory. Funds repaid to CBSL by the PFIs are held in a "consolidated revolving fund" in CBSL along with funds recycled from other IFAD-supported credit programmes in the country. The recovery of SPEnDP loans (principal and interest) has contributed LKR 487 million (US$3.2 million) to the revolving fund. It is intended to be used as a refinancing facility for ongoing and future IFAD operations in Sri Lanka.

Table 6
Key output data on rural finance and credit component

Individual borrowers	*No. of borrowers*[a]	*Of which for agricultural activities*	*Main PFIs*
Mid-country	1 504	60%	Regional Development Bank, Hatton National Bank
Monaragala	2 201	50%	Bank of Ceylon, Regional Development Bank
Total	**3 705**[b]	-	-
Borrower	*Number*	*Total amount of loans disbursed*	*Average loan size*
Tea factories	6	LKR 40 million	LKR 6.67 million (approximately USD 43 000)

Note: The PCR does not provide the amount disbursed for individual borrowers. Among the annexes, only the data for Monaragala are found (annex 8B): 2,157 borrowers and LKR 280 million. It is possible that the figure was not as updated as the PCR text (which indicated 2,201 borrowers). Based on these figures, the average loan can be computed as about US$830.
[a] According to the PCR, paragraphs 73-74.
[b] The PCR (paragraph 73) indicated 3,704 but the computed figure (3,705) is indicated here based on the computation from the data in mid-country (1,504) and Monaragala (2,201), both in the text.

[38] Interest rates varied over the life of the programme. During the final year they were: Government to CBSL 3 per cent per annum; CBSL to PFIs 3.25 per cent per annum; and PFIs to client 6.5 per cent per annum.
[39] Regional Development Bank, Bank of Ceylon, Commercial Bank of Ceylon, People's Bank, Hatton National Bank, Sanasa Development Bank and Sampath Bank (source: CBSL record).

Key points

- Tea and rubber are the plantation crops of importance to the national economy, and the contribution by smallholders to their production is significant.
- The programme design was changed significantly at a late stage of the three-year design process and part of the original concept of working on the estates and with estate workers was removed. This was not followed by comprehensive revisions to various basic design documents and hence resulted in many inconsistencies within and between different documents, which did not properly reflect the final design.
- SPEnDP was practically two independent sub-programmes with little linkage between them: one in mid-country with a focus on tea; the other in Monaragala focusing on rubber. The programme involved a large number of implementing partners in each sub-programme.
- The co-financing of over US$10 million initially envisaged from USAID and the private company did not materialize. This necessitated substantial reallocation for some IFAD loan categories to fill the gap.
- The target group was settlers of the HADABIMA and Mahaweli resettlement schemes in mid-country and poor smallholders in the intermediate zone of Monaragala District who wished to take up rubber cultivation.

III. Main evaluation findings

A. Programme performance and rural poverty impact

Relevance

44. The assessment of relevance considers the extent to which the objectives of a development intervention are consistent with beneficiaries' requirements, country needs, institutional priorities and partner and donor policies. It also entails an assessment of project design and coherence in achieving its objectives.

45. <u>**Relevance of objectives**</u>***.*** **SPEnDP's objectives (box 1) were generally relevant to national policies and priorities at design and remained so during the programme life.** The design objectives addressed Sri Lanka's poverty reduction policies as described in the current Poverty Reduction Strategy Paper known as "*Mahinda Chintana: Vision for a New Sri Lanka (2006-2016)*". The objectives also addressed the National Agricultural Policy through its quest for improved agricultural productivity, competitiveness and employment opportunities to enhance the living standards of the rural population. However, SPEnDP's objectives did not explicitly embrace the food and nutrition security objectives of the agricultural policy; and by focusing on independent smallholder rubber and tea growers, had limited relevance to the Estate Sector Policy at the time, which focused on improving the performance of state-owned plantations and tea factories.

46. <u>**Relevance of design**</u>***.*** **The SPEnDP design was generally relevant to the needs of the target groups,** i.e. smallholder tea growers and potential smallholder rubber growers. The design responded to opportunities for improving smallholder farmers' livelihoods through support for investment in tea and rubber plantation establishment, and infilling of tea, coupled with other income-generating activities to generate cash during the crop gestation periods and for livelihood diversification. It reflected the importance of smallholders in both the tea and rubber sectors. The design also recognized the importance of secure long-term land tenure for perennial crop investment, and improved access to financial services. The beneficiaries consulted during the evaluation confirmed the overall relevance of the design through their requests for "more of the same", especially tea and rubber replanting which have generated substantial improvements in household incomes and generate reliable and regular cash flows.

47. **SPEnDP's decentralized implementation modality was also relevant to Sri Lanka's institutional and administrative framework**. A large number of ministries and departments were engaged in implementing various components and activities (see paragraph 31) within the decentralized administrative structures at provincial, district, DSD and GND levels. Decentralized procurement and monitoring arrangements (e.g. for small-scale civil works at DSD level) were highly relevant to the devolved and decentralized nature of Sri Lankan administrative systems.

48. **On the other hand, the relevance of new farmer group formation could be questioned,** given that in both tea- and rubber-producing communities there were existing groups/associations/societies which could have been engaged and/or strengthened. Groups formed specifically for SPEnDP implementation lost a large part of their relevance once the programme ended, and consequently many have ceased to function. For much the same reason, the formation of federations of farmer groups envisaged in the programme design did not take place.

49. **Replanting or infilling of degraded tea plantations in some areas is also of questionable relevance** to the needs of the beneficiaries and in terms of environmental sustainability. In some areas visited by the evaluation team, tea has been planted or replanted on steep and heavily degraded land, placing these areas at risk of further soil loss and degradation. The programme design provided for land use planning to map land suitability for tea in mid-country, but this was

discontinued when it was found that farmers were planting tea regardless of land suitability. Government subsidies were also paid for tea planting regardless of land suitability. There was a provision in the design for using marginal or degraded tea lands for reforestation, pasture production or other more sustainable forms of land use, but this does not appear to have happened to any significant extent.

50. **The rationale for providing concessional credit for tea factory improvement is unclear** in terms of its contribution to programme objectives. According to the 2016 supervision report (paragraph 62), "the investments in tea factories have contributed to improved production and processing capacities, and subsequently the tea factories should be influenced to offer smallholder farmers a better price for green leaf". However, the attribution link between tea factory improvements and higher prices for farmers is tenuous against the background of steadily rising tea prices during the life of SPEnDP (see annex XII). There was, and remains, substantial excess capacity in the tea-processing sub-sector, with many factories having closed or struggling to continue operations. There is strong competition between factories to procure smallholder tea, as well as tea from the commercial estates, so it is not apparent how providing concessional credit for refurbishment/upgrading of six tea factories was expected to address the programme objectives. It would have been preferable for the loans to come with some conditions concerning support to be provided by the factories to the target beneficiaries, as is usual in agribusiness partnership initiatives.

51. <u>Relevance of targeting approach</u>***.*** **The targeting approach did not allow the programme to maintain the poverty focus**. The definition of the target groups was very broad: HADABIMA landholders and Mahaweli settlers in mid-country; and potential rubber growers in Monaragala. While GND selection was reportedly based on consideration of poverty levels (see paragraph 20), there was little further consideration of specific sub-groups or targeting strategies and mechanisms,[43] despite the stated intention of selecting beneficiaries based on their level of poverty and vulnerability (and not anyone in the selected GNDs). This influenced the actual outreach to the rural poor, as discussed in later sections.

52. **Summary – relevance**. The relevance of the objectives can only be confirmed in the broad sense and with qualifications, due to the lack of clarity on the objectives, and the way in which they were re-stated several times over the programme life. Among the five objectives listed in the financing agreement, increased income from tea and rubber production is not mentioned, even though it was the core activity. The relevance of the design was generally satisfactory, with some exceptions mentioned above in relation to farmer groups, environmental risks and concessional finance for tea factories. Consequently, the overall assessment of relevance is rated as **moderately satisfactory (4)**. This compares with the rating of satisfactory (5) by the IFAD Programme Management Department (PMD), which did not discuss some shortcomings of the design or discrepancies between the design and actual implementation.

Effectiveness

53. Effectiveness is assessed by examining the extent to which the objectives were achieved through the outputs and outcomes generated. Here again, the various versions of the objectives as well as inadequately formulated objective statements complicate the assessment. As indicated earlier, in this section the evaluation uses the objectives presented in the financing agreement (see box 1) as a basis, except for objective (5) which will be discussed in the section "gender equality and women's empowerment".

---

[43] For example, SPEnDP PCR also noted that "there was an overall lack of clarity on the targeting approach within the identified geographic target area in mid-country" (paragraph 120). This statement indicated a different view from the MTR mission (2014), which stated that the HADABIMA and Mahaweli settlers were by definition poor and therefore, even without deliberate efforts, poverty tageting was adequately addressed (MTR, paragraph 72).

54. **<u>Objective 1: Strengthen the beneficiaries' institutional capacity and negotiation skills</u>*.* The beneficiary groups established under the programme were effective instruments mainly for SPEnDP implementation but their roles did not continue beyond the programme life.** SPEnDP established 243 EGs and 164 VRDCs involving around 18,000 members. The intention that these groups would become permanent, independent and self-sustaining grassroots institutions and members of higher-level federations was not realized. Nor have the EGs and VRDCs become engaged in local-level development planning and policy and the mobilization of public services, as was planned. Although the programme conducted training courses on various subjects, including marketing, group management, leadership, and financial literacy, there is little evidence that these trainings enhanced the institutional capacity or negotiation skills of the groups (see also paragraph 100).

55. Apart from the small number of GRPCs, the groups did not engage in processing or marketing of tea and rubber, or the development of partnerships with processing companies, which might have enabled them to receive better prices. The final (2016) supervision report stated that *"…the majority of grassroots institutions remain nascent, serving primarily as a vehicle for roll-out of project-supported activities, and not offering the scope of services to continue any long-term support to members. With the exception of a small percentage, the grassroots institutions established under the project are unlikely to be sustainable without additional support beyond the project lifetime."*[44] As anticipated, many of the groups have in fact become dormant since SPEnDP completion.

56. **<u>Objective 2: Improve the land tenure status of smallholder tea and rubber growers</u>*.* SPEnDP's achievements with respect to this objective were well short of expectations**. SPEnDP undertook cadastral surveys of tea small holdings and issued temporary utilization permits which can be converted to freehold upon payment of certain fees to the LRA.[45] However, the reluctance or inability of landholders to pay the fees, combined with the complexity of the LRA procedures, meant that the rate of conversion to freehold has been very slow. At completion, only 7 per cent of the targeted number of land ownership deeds (see paragraph 40) had been issued, despite the advocacy and facilitation support and assistance with payment of fees to LRA during the programme. LRA in Kandy District is continuing the effort of freehold conversions among SPEnDP beneficiary communities, but the affordability of the fee payments remains problematic. A further shortcoming of the land tenure activities was the apparent inability of the LRA to issue land titles in joint (husband and wife) names.

57. In Monaragala, SPEnDP assisted rubber smallholders to obtain long-term (30-year) land utilization permits issued by the Forest Department (for forest buffer zone lands) or the Divisional Secretariats. These permits provide secure tenure over the life of the plantation, but cannot be converted to freehold, sold, subdivided or used as collateral.

58. **<u>Objective 3: Increase producers' profits [through improved post-harvest handling, storage, processing and marketing of their products]</u>.** The assessment here is based on the broad interpretation of the objective statement, including agricultural production (i.e. not only post-production) and *non-agricultural* productive activities, many of which were supported under the programme. Furthermore, this section focuses on the extent to which various productive, post-production, value-adding and marketing activities were successfully introduced and implemented, rather than assessing the extent of profit increase as such (which will be discussed in the rural poverty impact section).

59. **Improvement in income/profit-generating capacity of rural households came largely from tea and rubber (re)planting activities,** which was not

[44] SPEnDP 2016 supervision mission report, paragraph 9.
[45] Formerly known as the Land Reform Commission.

properly reflected in the programme objective or purpose statements. In fact, this is where the programme achievement was the most visible and significant. The programme supported tea replanting on 250 ha in mid-country and a significant expansion of rubber plantation by over 5,000 ha in Monaragala. The effects of these activities on production and productivity are straightforward: tea replanting in old tea plantation areas improving productivity, whereas rubber plantations are new in areas which were not utilized or under-utilized. Once established, these plantations are stable and can provide steady incomes, even if they are unlikely to meet all household needs. On the other hand, the contribution by the tea factory improvement to returns to tea growers is unclear (see paragraph 50). There were no systematic efforts to promote public-private partnerships for tea and rubber, as suggested in the programme purpose statements (box 1): such partnerships were to be expected largely through outgrower schemes, which, however, were no longer relevant in the final design (see also paragraphs 18, 23).

60. **Road rehabilitation is likely to have contributed to increasing returns to beneficiaries for productive activities, as well as social benefits.** The programme upgraded 381 road segments totalling 43 km in mid-country and 96 segments totalling 88 km in Monaragala.[46] The improved roads have provided tea and rubber growers with better access to their plantations for maintenance,[47] harvesting and processing (in rubber) operations and improved access to buyers and markets, reducing the transport cost and the transport time.[48] The PPE field visits, direct observations and interaction with road users confirmed such effects. Especially in mid-country with hilly terrain, even a spot rehabilitation of a small section makes a substantial difference, for example, by making it possible for a three-wheeler to pass, as also mentioned by the beneficiaries met by the PPE team.

61. **The majority of the individual-based enterprises supported by the matching grants were largely successful.** Over 1,000 matching grants were disbursed to individuals to finance a range of enterprises, including non-agricultural ones such as carpentry and beauty salons. The individual enterprises visited by the PPE team (38 of them) were successful and all are continuing to operate their businesses post-project, with further expansion in a number of cases. Such an overall positive picture was further corroborated by the phone survey on the matching grant recipients (see annex X): over 70 per cent of the respondents considered the business as highly successful or successful with good returns. One former SPEnDP staffer gave an estimate that was not far from the survey results, i.e. about 60 per cent of the matching grant projects were successful, 30 per cent partially or unsuccessful and 10 per cent of recipients absconded.

62. **However, the matching grants were provided only to about 6 per cent of the EG/VRDC members and there were targeting issues.** Most matching grants were to support the expansion or diversification of existing ventures rather than start-ups. This was the case for over 90 per cent of the phone survey respondents and also applied to the matching grant recipients visited by the PPE team. This approach inevitably favoured the more entrepreneurial members of the farmer groups. Group office bearers were well represented among the recipients[49] and there is evidence of elite capture in many groups. The targeting problem, especially in Monaragala, was repeatedly mentioned by the supervision missions and the MTR, but no remedial measures were implemented (see also paragraph

---

[46] A large difference in the average length per "segment" reflects different terrains in the two sub-programme areas; in mid-country, with hilly terrains, narrow footpaths and access roads, the need was mainly to rehabilitate critical – though shorter-length – degraded points.
[47] In mid-country, it was reported that the rehabilitated roads improved access to about 200 ha of tea lands (PCR, paragraph 80).
[48] PCR, paragraphs 115-116.
[49] The PCR noted (paragraph 121) that even though EGs/VRDCs were an appropriate approach to involve the poorest populations, in some cases the beneficiaries receiving the majority of the project services were position-holders within the organizations.

75). Furthermore, it was reported the matching grants totalling LKR 4.13 million (approximately US$27,000) were disbursed to 87 members of the VRDCs within the last five days before programme completion[50] – it is not clear whether this last-minute disbursement had been based on proper due diligence.

63. **Experience with group-based enterprises was mixed, with issues associated with the group ownership and management model in some cases**. The most common group-based enterprises supported were milk collection centres (both sub-programmes) and GRPCs (Monaragala only), while there were other enterprises as well (e.g. spice processing). The milk collection centres and some of the GRPCs have functioned well, because these activities are well-suited to collective ownership and management, and formed part of an integrated value chain linked to private sector operators. There were few successes with other business group ventures.

64. In line with the PPE findings, the supervision reports and the PCR noted that most of the business groups were not functioning well and relied on continuous support from the programme.[51] Post-SPEnDP, many of the ventures failed or were taken over by individual members and operated as private businesses. One exception is the milk collection centres, most of which continue to operate satisfactorily. These generally operate in partnership with one of the dairy companies or the parastatal (Milco), with individuals operating the facilities under contractual arrangements and with technical support from the companies. These arrangements are profitable and sustainable because they provide group members with secure and stable market linkages.

65. **The 31 GRPCs established in Monaragala have experienced varying degrees of success**. An assessment of the GRPCs undertaken by the ongoing project STaRR in June 2017 found that 21 per cent were operating well, 65 per cent operating, and 14 per cent not operating. Although rubber prices are low by historical standards and the processing margins are thin, throughput is trending upwards as more rubber trees planted during the project period reach tapping age.[52] Some are working at full capacity of around 200 ribbed smoked sheets per day. Some of the more successful GRPCs visited by the PPE team are being operated by individuals under various contractual arrangements with the VRDCs which own them. However, most or all have not been constituted as legal entities (such as incorporated bodies or cooperatives) and do not have formalized recordkeeping and financial management systems. The less successful GRPCs tend to be associated with weak VRDC management or are located in areas with limited latex supplies and poor road access. The PPE team also found that some rubber plantations are not tapped due to prevailing low prices.

66. GRPCs are not essential for successful smallholder rubber production since there are other latex marketing options. Only 31 (19 per cent) of the 164 VRDCs have established GRPCs which, according to the STaRR assessment, are being utilized by around 200 (2 per cent) of about 9,500 SPEnDP rubber growers. There are also other individually owned processing centres and latex collectors operating in Monaragala District that provide rubber smallholders (SPEnDP and other) with a range of marketing options. In addition, the business case for GRPCs under existing rubber pricing structures is not particularly strong, since the amount of net value addition compared to selling latex is quite small. However, there have been enough successes to demonstrate that GRPCs can be a viable rubber-marketing approach when they are suitably located and well managed. Consequently, STaRR

[50] SPEnDP 2016 audit report.
[51] Quoted from SPEnDP PCR (paragraph 70): "Most of the business groups formed are non-functioning compared to the enthusiasm at initiation, and some individual members independently carry out the industries" with some exceptions.
[52] It takes about six to seven years (from planting) for a rubber tree to reach a point when tapping can start. Tapping means making a cut in the bark of the rubber tree to harvest the latex.

proposes to establish an additional 44 GRPCs, subject to the findings of a detailed assessment of the SPEnDP GRPCs to identify the critical success factors.

67. **As for the tea subsector, while the production support was effective, few efforts were made for the tea growers to obtain better returns**. The predominant marketing channel is that of selling plucked green tea leaf to tea factories, which ends up in auctions in Colombo where more than 95 per cent of the country's tea production goes through. The SPEnDP design envisaged support for direct marketing and fair trade and organic labelling, but none of this was pursued. There could also have been other opportunities such as separating, grading and pricing of individual grower's tea to establish stronger incentives for quality improvement.

68. **<u>Objective 4: Develop and expand rural finance and credit services</u>.** SPEnDP employed multiple financing mechanisms for *credit services* as follows:

- Loans from PFIs (financed through the CBSL refinancing facility) to EG/VRDC members.[53]
- Loans from PFIs to six tea factories.
- Loans from S&CGs to individual group members, and occasionally non-members.
- Loans from EGs/VRDCs to individual group members – many also matching grant recipients.
- Loans from PFIs to individuals to finance land registration.

69. Some of the above loan funds to farmer group members were also complemented by the following capital grants:

- Capital grants to S&CGs to supplement savings accumulated by members for internal lending.
- Capital grants to business groups (sub-groups of EGs/VRDCs) to establish group-owned/operated business ventures.
- Capital grants to EGs/VRDCs for on-lending to members, or to establish revolving funds for fertilizer acquisition or GRPCs, milk collection centres, etc.

70. There were also:

- Matching grants to individual members of EGs/VRDCs, generally LKR 50,000 per grant with a beneficiary contribution of 30 per cent of the project cost.
- Subsidies from TSHDA for tea planting/replanting and RDD for rubber planting.

71. The listings above show that there were numerous mechanisms for beneficiaries to access finance, grants or credit. These are found to be quite confusing, especially without clear definition of eligibility, purpose, mechanisms and processes. This lack of clarity is likely to have been behind the reported cases of multiple grants and concessional loans to the same recipients.

72. **Over 90 per cent of the amount available for credit lines was disbursed and recovered, but the recovered amount was not well utilized**, thus limiting outreach below its potential. It appears that there was only a single round of lending and on-lending by the PFIs, while it may be expected that the fund could have revolved several times over a nine-year programme period.

73. **It is challenging to assess the effectiveness of the scheme in terms of outreach and income generation for the intended beneficiaries** as there is no information on the socio-economic profiles of the borrowers. According to the CBSL representative interviewed by the PPE team, about 60 per cent of loan applications were approved by the PFIs, with major hurdles being the PFIs' requirement for a clean credit history, and security for loans of over LKR 100,000.

[53] Lending to business groups for the establishment of group-owned/operated business ventures was also foreseen but did not materialize.

It is not possible to determine how much of the lending would have taken place under non-concessional terms in the absence of the scheme, i.e. to what extent the loans advanced under the scheme reached beneficiaries who were otherwise un-bankable. But several of the PFIs interviewed by the evaluation team expressed satisfaction with the scheme in terms of engagement of first-time borrowers, some of whom have subsequently become regular clients of the banks, but the exact percentage of such cases is not known.

74. **Effectiveness relative to objective statements.** Table 7 below summarizes programme performance relative to the objectives in the financing agreement.

Table 7
Summary of effectiveness assessment by PPE relative to objective statements

Objectives	*Effectiveness*
(1) Strengthen the beneficiaries' institutional capacity and negotiation skills	• Moderately satisfactory: grassroots institutions were effective as vehicles for programme implementations but have limited sustainability.
(2) Improve the land tenure status of smallholder tea and rubber growers	• Unsatisfactory: only 7 per cent of the planned number of land titles were formalized in mid-country and none in Monaragala. No certificates of title were issued in joint (husband/wife) names.
(3) Increase producers' profits *[through improved post-harvest handling, storage, processing and marketing of their products]*	• Satisfactory: profits were significantly improved but not from post-harvest activities mentioned in the objectives. Most of the profits are generated from tea planting and infilling, rubber planting and intercropping.
(4) Develop and expand rural finance and credit services.	• Moderately satisfactory: credit lines through PFIs were disbursed and loan recoveries were satisfactory. However, their effectiveness in improving access to finance by the poor is uncertain.

Note: Objective (5) is discussed in the section on gender equality and women's empowerment.

75. **Effectiveness of targeting. While SPEnDP reached more beneficiaries than planned within the stated target groups, the poverty focus was not evident.** The programme services reached approximately 18,000 households through 407 groups (see table 5), well above the original target of 8,700.[54] They belonged to the stated target group, but targeting largely depended on geographical area selection and groups which were formed for the purpose of the programme and whose membership gave access to various programme support. The poverty focus was weak in group mobilization and there is evidence of elite capture in the allocation of matching grants and concessional loans in both sub-programme areas (see also paragraph 62), and in the provision of rubber planting subsidies to farmers with quite large areas of land and existing rubber plantations.[55] However, capping support for tea replanting to one quarter of an acre (0.1 ha) was a useful measure to ensure that the benefits from replanting support would not be disproportionately captured by those with larger land holdings.

76. **Summary – effectiveness.** There were clear and highly attributable achievements in sustainable income generation from tea and rubber production. On the other hand, the achievements were limited or less than expected in other areas, such as development of grassroots institutions, land tenure, alternative

[54] Those 18,000 households were considered to be beneficiaries by virtue of being members of EGs or VRDCs, and the level of benefits varied between members. Based on the SPEnDP appraisal report and the earlier formulation report, it appears that 8,700 was computed by removing part of the targeted population originally included in the design and costing but excluded in the final design (i.e. estate workers).

[55] The programme had no deliberate poverty focus or vulnerability assessment in selecting beneficiaries (Supervision Report, 2013, paragraph 64), especially in Monaragala, where a self-targeting system based on demand for rubber planting was employed. Adverse selection of beneficiaries is more of an issue in Monaragala, as exclusion was due to landlessness, non-involvement in the mobilization activities, and not being a member of a VRDC. The 2014 MTR report (paragraph 72) pointed out that there was an unacceptable level of off-targeting in Monaragala, both in the case of rubber cultivation and other activities, and predominantly in the credit component. The same 2014 report observed that about 30-40 per cent of the rubber beneficiaries own "over 5-8 acres" (2-3.2 hectares) of land and are not necessarily in the poor group and that the SPMU did not have a tool to control off-targeting; neither had it taken previous mission observations seriously.

income-generating activities and post-harvest marketing and value addition, and there was a targeting problem. Effectiveness is assessed as **moderately satisfactory (4),** one point lower than the PMD rating of satisfactory (5).

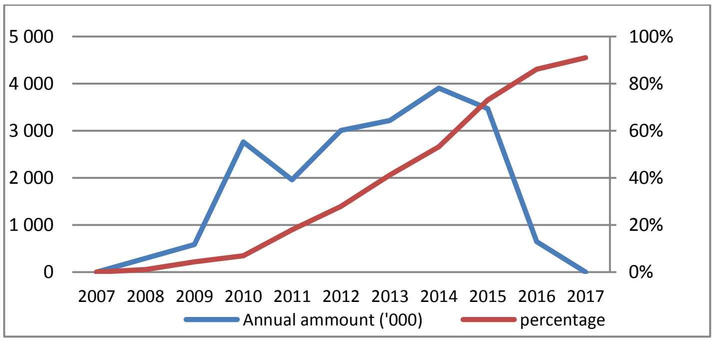
Efficiency

77. Efficiency is a measure of how economically resources and inputs (such as funds, expertise, and time) are converted into results. Here, efficiency is examined in relation to the following aspects: (i) timeliness; (ii) disbursement performance; (iii) programme management; (iv) financial management; (v) cost per beneficiary; and (vi) economic and financial impacts.

78. **Timeliness.** The timeline from approval to effectiveness compares favourably with the regional average for the projects approved between 2004 and 2008[56]: 10.8 months from approval to effectiveness (regional average 12.2 months); and 6 months from signing to effectiveness (regional average 7.3 months). The programme was completed on 31 December 2016, and the loan closing was on 30 June 2017, both one year ahead of schedule. The decision to terminate the programme earlier was based on the fact that most of the physical targets had been largely achieved, and because of the imminent launch of STaRR, which would have required MPI to support two overlapping programmes during 2017.

79. **Disbursement performance.** The first disbursement occurred in March 2008. As with many IFAD-supported projects, implementation was sluggish during the first three years (from 2007 to 2010), with a 6.9 per cent IFAD loan disbursement rate after 30 months entry into force (June 2010 supervision mission report). But the disbursement picked up starting from 2010 (figure 1) and reached 91.2 per cent by closing (with the balance of SDR 1.3 million, equivalent to US$1.8 million).

Figure 1
IFAD loan: cumulative amount disbursed and disbursement rates (2007-2016)



Source: IFAD Flexcube data.

80. A table in annex IX shows that the disbursements in category 3 (equipment and goods) and 5 (technical assistance and studies) were relatively low. This reflects the over-estimation of the allocation (PCR, paragraph 133). Due to the long delays in processing matching grants, category 6 (service provider contracts) and category 8 (subsidies and matching grants) were also underutilized.

81. The PCR (paragraph 134) notes that the low disbursement rate for government contribution reflects lesser than expected tax/duty exemption, as large-scale processing units requiring significant imports of equipment were cancelled when the planned co-financing by WRC did not materialize. Beneficiary contribution shows a higher disbursement rate due to the fact that: (i) contribution rates were often higher than the 30 per cent minimum required; and (ii) previous investments (assets built/acquired by beneficiaries prior to the programme) were accepted as beneficiary contributions.

82. **Programme management.** Even though *de facto* there were two projects in one with three management offices, the management costs stayed at a reasonable

[56] Computation by the PPE team based on the IFAD database (Oracle Business Intelligence).

level. The total programme management cost (i.e. component 5) was 12.3 per cent of the total costs compared with 15.6 per cent estimated at appraisal.

83. Nonetheless, the slow start-up, high staff turnover and other management problems still affected the programme performance. The NPCU and the two SPMUs had continuous staff turnover and an absence of certain specialized staff positions. There were four national programme coordinators, four programme managers in mid-country and also similar turnover in specialized staff positions in Monaragala.[57] The 2012 supervision mission aide-memoire had highlighted the deteriorating state of sub-programmes due to lack of key staff.

84. The management problem was more prominent in the Monaragala SPMU. Key management bottlenecks included: (i) highly inefficient staff coordination; (ii) lack of focus on internal progress review meetings and lack of focus on sharing monitoring information for planning in spite of repeated references made by the previous supervision missions; and (iii) poor recordkeeping of interventions in components 2,3 and 4. The MTR emphasized the urgency to improve those aspects with the intervention of the national programme coordinator and sharing experiences with the mid-country SPMU (2014 MTR, paragraph 65).

85. **Financial management.** In the absence of accounting software, the programme's accounting and financial systems were based on manual registers and Excel worksheets. The PCR asserted that even though the single-entry accounting system did not contain the basic required accounting controls and security features, due to close control the financial reports showed very few errors. However, this is inconsistent with the assessment by the 2016 supervision report that due to the single-entry accounting system, "there [was] a high risk of inaccurate accounting and financial data". The quality of financial management was mostly rated as moderately unsatisfactory in the periodic project status reports.[58] The programme did not have project-specific financial administrative procedures and manual detailing internal control systems, and the absence of procurement specialists resulted in the procedures not always being applied correctly.[59] Overall, the financial management could have been improved through use of appropriate accounting software, better budget monitoring, procurement monitoring, cash management/forecasting, and more financial analyses.

86. **Cost per beneficiary.** In total, the programme reportedly reached 18,019 households as direct beneficiaries[60], against an appraisal target of 8,700 households (39,250 persons). The actual cost per beneficiary household was much lower than estimated at appraisal due to the number of beneficiaries being higher and the total cost being lower than planned:

Table 8
Cost per beneficiary

	Appraisal estimate	*PCR estimate*
No. of beneficiary households	8 700	18 019
Total programme cost (US$'000)	39 878	26 603
Cost per beneficiary household (US$)	4 580	1 476

Source: Appraisal report, project completion report.

87. **Economic and financial impacts.** According to the PCR, the cost/benefit analysis yields an overall economic internal rate of return (EIRR) of 20 per cent, compared

[57] PCR, paragraph 142.
[58] Ten out of twelve project status report ratings available in the IFAD system. The other two had "moderately satisfactory" ratings.
[59] 2016 supervision report, paragraph 81.
[60] There are inconsistent beneficiary numbers: the factsheet in the PCR indicated an outreach of 19,000 households, while the number of 18,019 is shown in programme effectiveness, appendix 9 on RIMS results, and appendix 10 on project internal rate of return. The sum of the members of the groups formed by the two sub-programmes gives the total beneficiaries to be 19,985.

to 16.5 per cent at appraisal. Sensitivity analysis considering 25 per cent increased costs or 25 per cent decreased benefits over the base scenario still yields positive EIRRs, higher than the hurdle rate of 12 per cent,[61] indicating a robust return rate. The PCR analysis attributes the great majority of the economic and financial benefits to revenue from tea and rubber sales, which were estimated to reach LKR 873 million by 2018 and LKR 1,368 million from 2022 onwards, when the rubber plantations are expected to reach full maturity. The benefit streams calculated were equivalent to US$310 per beneficiary household in 2018 and US$510 per household from 2022 onwards. These benefits are quite modest in absolute terms, and relative to current GDP per capita levels, but significant in terms of the investment per beneficiary of US$1,476.

88. The PCR economic and financial analysis could be considered a little optimistic in its assumption of 75 per cent adoption of approved agronomic practices (including intercropping and conservation farming in cultivation of off-season spices and fruit crops). However, field observations and interviews during the PPE mission indicated that tea and rubber yields are broadly in line with expectations at this stage of crop development. Moreover, there are several aspects in which the analysis could be considered conservative. First, it does not attribute any benefits to the income-generating activities supported by matching grants and loans. Second, the period of the analysis only extends over 20 years to 2027, 11 years after programme completion, whereas tea and rubber plantations are expected to remain productive for a considerably longer period. Third, the tea price used in the analysis is LKR 65/kg of green leaf, whereas current prices are around LKR 95/kg.

89. **Summary – efficiency**. The programme had a slow start-up, and some financial management issues and high staff turnover affected implementation, particularly in the Monaragala sub-programme. However, SPEnDP still presents an acceptable level of efficiency due to a reasonable programme management cost, relatively low cost per beneficiary, and a healthy economic rate of return. Therefore, the PPE rates efficiency as **moderately satisfactory (4)**.

Rural poverty impact

90. Impact is defined as the changes that have occurred or are expected to occur in the lives of the rural poor (whether positive or negative, direct or indirect, intended or unintended) as a result of development interventions. The impact domains considered in the PPE are: (i) household income and net assets; (ii) food security and agricultural productivity; (iii) human and social capital and empowerment; and (iv) institutions and policies.

91. **Household income and assets.** The analysis on this impact domain is mainly based on the impact evaluation conducted as part of the PCR process in 2017.[62] This section reviews the analysis of income and expenditures as well as asset indexes in the impact evaluation. Regarding expenditures, the impact evaluation survey included questions on food consumption items (cereals, fish, meat/eggs, milk/dairy, tobacco and alcohol) as well as on a set of non-food consumption items (such as medical, education, clothing, equipment, construction). Although there was a baseline survey conducted in 2010, there was no systematic balance-check to confirm the validity of the control group as a counterfactual group.[63] The 2017 impact evaluation survey used quasi-experiment techniques, identifying a comparison group and using propensity score matching. A limitation was that due to the absence of a valid and comprehensive baseline survey, an ex-post matching was conducted using observable variables, leaving the results still questionable due

[61] This was the fixed-term deposit rate in Sri Lanka in 2017.
[62] The sample size of 1,200 in mid-country including 861 beneficiaries; and 1,381 in Monaragala including 963 beneficiaries.
[63] In fact, the average household income of the beneficiary group in mid-country was significantly higher than the control group at 1 per cent level. According to the baseline survey report, the mean monthly household income of beneficiaries was LKR 17,188 in mid-country, compared to LKR 11,449 for the non-beneficiaries. Furthermore, the sample sizes of the treatment and control groups were not balanced, at 900 and 100, respectively.

to potential endogeneity. This endogeneity was because the variables used for matching may change over time due to the participation. As recognized in the survey report, if households "with" and "without" project differ on other essential characteristics that are not captured by the survey or the statistical model, the results may still be biased. Therefore, the discussion on the impact evaluation data below need to be interpreted with caution.

92. **There is a statistically significant income difference between the SPEnDP beneficiaries and non-beneficiaries, although the effect is marginal in Monaragala.** The impact evaluation used the propensity score matching approach in identifying a suitable comparison group in the same area of the treatment group, based on a set of observable variables. The results indicated that incomes of the SPEnDP beneficiaries were significantly higher than those of the control group (non-beneficiaries), although the evidence from Monaragala is weak. In other words, tea replanting and infilling[64] on average has significantly improved household income by 21 per cent, thereby having a positive impact on poverty reduction. In Monaragala, on average the treatment group obtained 9 per cent more income than the control group, statistically significant at 10 per cent level. But it is difficult to pinpoint through which channel the programme support would have made the income difference after breaking down the intervention into three areas.[65] At the time of the survey most farmers had yet to reap the benefit, as tapping the rubber plantations was only just beginning and the report emphasized that the income impact in Monaragala was calculated without the full benefits of the main component of the project. The PPE field visits indeed confirmed the prospect of significant income impact as more rubber trees are reaching the tapping stage, even though the price tends to be low at present (see also paragraph 103).

93. **Production increase from tea replanting and infilling and rubber planting and the resulting income increase can be considered definitive and almost indisputable.** If the quality of planting materials and the agronomic conditions are suitable, once established and mature, these plantation crops last for a long time period with minimum care and can provide steady incomes to be complemented by other income sources. The evaluation team constructed two enterprise models to estimate incremental gross income per beneficiary from tea (table 9) and rubber (table 10) planting at full maturity. The models are based on the crop budgets for tea and rubber in the STaRR design report, adjusted to allow for current green leaf tea and latex prices. According to the enterprise models, 0.1 ha of replanted tea and 1 ha of rubber can generate incremental income of US$600-800 per household once both crops have reached full production levels. These estimates exclude incomes from intercropping or the value of timber from rubber plantations.

[64] The questionnaire in the survey asked about three sub-interventions in mid-country: tea planting, entrepreneurship development and livestock intervention.

[65] The three intervention areas tested were rubber growing, entrepreneurship development and livestock support.

Table 9
Incremental income from tea replanting (LKR/0.1 ha)

Gross Income	Without Replanting	With Replanting a/
Yield of green leaf tea (kg/ha)	3 000	18 000
Farmgate price of green leaf (LKR/kg)	95	95
Total Gross Income (LKR/ha)	**285 000**	**1 710 000**
Variable Costs		
Fertilizer	-	44 980
Pest control	-	2 000
Soil conservation works	-	3 250
Labour for field operations	19 500	104 000
Labour for plucking	104 000	471 250
Total Variable Costs (LKR/ha)	**123 500**	**625 480**
Gross Margin (LKR/ha)	161 500	1 084 520
Gross Margin (LKR/0.1 ha)	16 150	108 452
Gross Margin (USD/0.1 ha)	108	723
Incremental Gross Margin (USD/0.1 ha)		**615**

a/ At full development from year 8 onwards

Table 10
Incremental income from rubber planting (LKR/1 ha)

Gross Income	Without Rubber	With Rubber a/
Chena cultivation (LKR/ha)	25 000	-
Yield of latex (kg/ha)		2 820
Farmgate price of latex (LKR/kg)		105
Total Gross Income (LKR/ha)	**25 000**	**296 100**
Variable Costs		
Fertilizer		20 800
Labour		132 600
Total Variable Costs (LKR/ha)	**0**	**153 400**
Gross Margin (LKR/ha)	25 000	142 700
Gross Margin (USD/ ha)	167	951
Incremental Gross Margin (USD/ha)		**785**

a/ At full development from year 12 onwards

94. **With respect to household expenditure, there is only significant average treatment effect for tea-growing beneficiaries.** The absence of significant treatment effect for other interventions in mid-country (entrepreneurship development and livestock intervention) and in Monaragala implies that additional income generated through the programme had yet to be translated into additional consumption, and farmers had yet to obtain the benefits from rubber planting at the time of the survey.

95. **Regarding household assets,[66] there are significant treatment effects for beneficiaries in both mid-country and Monaragala**. Similar findings can be drawn from the data for both capital and non-capital assets. This implies that the programme significantly enhanced capital ownership for beneficiary households. The programme facilitated capital goods accumulation through the following channels: (i) tea and rubber planting; (ii) the matching grant scheme; and (iii) the rural financing facility. It is noted that average treatment effect of tea growers is positive (0.449) and statistically significant (t-value: 2.82), but average treatment effects of the other interventions (entrepreneurship development and livestock intervention) are not statistically significant in mid-country. This could be due to small sample size for the control groups. Asset ownership enhancement also improved resilience against external shocks such as adverse weather conditions. However, reportedly there were some instances where beneficiaries did not properly utilize such capital goods to generate income; instead, they sold those assets for cash once the programme completed.

96. **The matching grants do not seem to have been a particularly useful instrument for rural poverty reduction**. Only about 6 per cent of beneficiaries received such grants, which were only for the purpose of expanding or diversifying existing business ventures and therefore tended to bypass the most needy. Moreover, the supervision missions, the PCR and the evaluation mission all found evidence of elite capture, "double dipping" (multiple grants and concessional loans to the same recipients) and the prevalence of group office bearers among recipients. Many of these recipients were believed to be commercially creditworthy or with other means of financing the income-generating activities. The evaluation mission also heard stories about alleged misconduct and favouritism in the allocation of matching grants, but these cannot be verified.

97. **Food security and agricultural productivity*. Despite the lack of systematically collected data on agricultural productivity and production,***

[66] Household assets are considered in two categories: non-capital assets and capital assets. Non-capital assets include all types of vehicles (except tractors) and durable household goods such as televisions and refrigerators (except household furniture), while capital assets include goods that could be used for agriculture/industry/services-related activities (e.g. tractors, grinding mills, water pumps).

it is safe to say that productivity and production of tea and rubber improved. SPEnDP focused on productivity enhancement by promoting improved agronomic practices among farmers through various training programmes and providing improved planting materials. Tea replanting and infilling of older tea areas, combined with improved farm management and inputs used (e.g. application of fertilizer and dolomite), greatly improved productivity. While MPI statistics show that the trend in national tea production is flat, programme beneficiaries consulted during the evaluation mission confirmed that the tea replanting and infilling activities have substantially improved tea yields and incomes. The rubber planting was undertaken by farmers who did not previously grow rubber, and was generally on idle or unproductive plots used for *chena* (shifting) cultivation. Hence, all of the rubber now being produced by SPEnDP beneficiaries is incremental and fully attributable to SPEnDP interventions. The SPEnDP experience demonstrated the feasibility of growing rubber in an area which was not originally used for this purpose.

98. **The impact evaluation included data on children's diet and access to food,[67] but it is difficult to draw consistent findings.** In relation to child malnutrition, which is a serious issue in Sri Lanka,[68] the survey (which considered 16 food items) found that almost one third of households in mid-country failed to provide a balanced diet to their children and that this was even worse in the treatment group. The situation is better in Monaragala in that a higher proportion of households provide a balanced diet to their children. In terms of access to food, the impact evaluation used the standard Household Food Insecurity Access Scale Index,[69] asking nine questions regarding feelings of anxiety and uncertainty over food, perception of insufficient quantity and quality of food, and insufficient food intake and its physical consequences. According to the data, less than five per cent people experienced food shortages across the nine indicators in mid-country, while in Monaragala 16 to 35 per cent of people experienced some food shortage and this was higher among non-project beneficiaries.[70] Admittedly, the programme had no specific intervention to improve nutrition other than through increased incomes. A general observation is that for both beneficiaries and non-beneficiaries, protein intake remained relatively low, while carbohydrate intake remained relatively high compared to other food items.

99. **Human and social capital and empowerment.** According to the PCR, the programme conducted several hundreds of training courses on a number of subjects such as various facets of agriculture, marketing, group management, leadership, accounting, entrepreneurship, bookkeeping, self-employment skills, and financial literacy. Several exposure visits were also organized. The impact evaluation survey results showed that in each sub-programme area, beneficiary households were ahead of non-beneficiary households in applying the knowledge and technologies (table 11). However, the proportion seems to be still rather low, and perhaps more importantly, some "areas of knowledge" indicated below were directly linked to SPEnDP support (replanting and infilling). For example, it is not clear whether the use of fertilizer was simply a consequence of input provision or due to increased knowledge of the benefit of the input and how to apply it. On the

---

[67] Impact evaluation report, pages 56-61.

[68] According to the Global Nutrition Repot (2016), the country has one of the highest wasting prevalence indices in the world, ranking 128 out of 130 counties. The Global Hunger Index report 2017 ranks Sri Lanka at 84th out of 119 countries, with an overall score of 25.5 based on four indicators – prevalence of undernourishment, child stunting (low height-for-age), child wasting (low weight-for-height), and child mortality. Based on the composite score, countries are categorized into five (low, moderate, serious, alarming and extremely alarming), and Sri Lanka is categorized in the "serious" range.

[69] Coates, Jennifer, Anne Swindale, and Paula Bilinsky. "Household Food Insecurity Access Scale (HFIAS) for measurement of food access: indicator guide." *Washington, DC: Food and Nutrition Technical Assistance Project, Academy for Educational Development* (2007): 34. http://www.fao.org/fileadmin/user_upload/eufao-fsi4dm/doc-training/hfias.pdf.

[70] The PPE finds that the author of the impact evaluation might have misinterpreted the data when stating "starvation situation in Monaragala project area is relatively higher among project beneficiaries", assuming that the data presented in the report are correct.

other hand, the higher proportion among beneficiaries than non-beneficiaries keeping written records on farm activities may be seen as positive.

Table 11
Percentage of people using new or improved knowledge

Knowledge area	*Mid-country*		*Monaragala*	
	Beneficiary	Non-beneficiary	Beneficiary	Non-beneficiary
Use of hybrid seeds/planting materials	11.7	3.5	29.0	19.2
Use of machines (all crops)	13.1	2.8	40.6	11.2
Use of fertilizer (all crops)	27.4	7.3	19.0	5.5
Keeping written records of farm activities	18.9	2.4	19.3	6.6
Use of dolomite (tea)	26.5	7.3	N/A	N/A

Source: Impact evaluation report, tables 44 and 45.

100. There is little evidence indicating the programme impact on social capital and empowerment. The impact evaluation report concluded that the performance on social capital formation was mixed. As indicated earlier, the groups formed under the programme (mainly EGs and VRDCs) served as a mechanism to channel the programme support – to groups as well as individual members (e.g. individual matching grant recipients selected from the group members). The PPE team's discussions in the field and the phone survey indicated that the motivation of many for joining the groups was to access the programme support. The rationale for forming new groups when there already existed smallholder groups on tea and rubber (tea societies and rubber clusters) was vague at best, and it is not a surprise that most of these did not serve as a basis for empowerment. Moreover, because the groups were generally not active in developing market linkages or partnerships with downstream tea and rubber buyers, they were unable to deliver ongoing benefits to their members.

101. **Institutions and policies.** The programme had a limited impact on the structure and functions of the institutions or on the policies that they promulgate. As noted in the PCR, there was no or little contribution by the programme relating to laws, rules, regulations, institutions and processes that could better facilitate the securing of land rights. Even though joint ownership was planned in SPEnDP, no strategy was put in place to achieve such a result, and no joint ownership titles were issued. The PCR also stated that consolidated and concentrated engagement on policy issues with the relevant authorities was limited under SPEnDP. However, the programme did generate a number of useful lessons which may inform evidence-based policy formulation in the future.

102. **Summary – rural poverty impact.** The impact on tea and rubber productivity and production from (re)planting and resulting incomes is clear and sustainable. Income-generating activities supported by matching grants had high success rates, but the outreach was limited and there was a targeting issue. Furthermore, there is little evidence of the impact on social capital, empowerment, institutions and policies. Therefore, the PPE rates rural impact as **moderately satisfactory (4).**

Sustainability of benefits

103. **The benefits from replanting and infilling of tea plantations and the establishment of new smallholder rubber plantations have good sustainability prospects** for the remaining life of the plantations since these provide regular cash-flow for the beneficiaries. The tea sector is experiencing a period of increasing prices, which provides strong incentives for beneficiaries to manage their plantations sustainably, although some tea planted on steep and heavily degraded lands may struggle to provide sustainable yields. Rubber prices are currently low, but this does not present a major threat to the sustainability of

the rubber plantations. If rubber trees are not tapped for a period of time, no harm is done. In fact, the reverse is true: if plantations are over-tapped during times of high prices, their long-term productivity can be damaged. The sustainability of production from intercropping tea and rubber is more mixed, with pepper intercropped in tea looking positive, but cocoa interplanted in rubber generally performing poorly. For both tea and rubber, better results in obtaining secure land titles would have further improved the prospects for sustainability.

104. **Income-generating activities financed by matching grants are likely to be continued.** This was confirmed by the phone survey of matching grant recipients undertaken as part of the PPE (see annex X). The survey found that very few of the income-generating activities established by grant recipients had failed, and that almost three quarters of beneficiaries considered that the ventures were "successful with good profits" or "highly successful and expanding". This finding is consistent with the field observations and discussions with matching grant recipients during the PPE mission. However, it must be recognized that the grants were to support the expansion of existing businesses, not for start-ups, for which success rates are usually much lower. There are also questions about the additionality of the results since all the grant recipients were already bank account holders and half had previously taken bank loans for personal or business use.

105. **The sustainability of group-operated business ventures is less positive.** These include EGs, business groups and S&CGs in the mid-country and business ventures operated by VRDCs in Monaragala. Many of these were supported by capital grants combined with training in business management and financial literacy. Some EGs and VRDCs have accumulated funds from capital grants and member subscriptions which are being used as revolving loan facilities for use by members; but with weak administration and recordkeeping procedures, sustainability of such schemes is not clear. The performance of group-owned processing and value-adding businesses is also mixed: the milk collection centres are generally performing well in a sector which is experiencing strong growth; but some of the GRPCs are struggling and may not survive.

106. **The prospects for sustainability of grassroots rural institutions (EGs and S&CGs) are rather low.** Although the programme design envisaged that these would become permanent and sustainable community-based institutions, many of them have ceased to function after SPEnDP completion. These groups fulfilled their functions in programme delivery, but their ongoing relevance is limited, in the presence of many other rural and community-based organizations in the programme areas, including the tea and rubber societies, which have proven to be durable institutions over many years. It is notable that STaRR has chosen to work through the tea and rubber societies, rather than adopting the SPEnDP model of creating new ones.

107. **The likelihood of the groups continuing savings and internal lending activities is also not clear.** Apart from the fundamental question of continued existence and roles as groups, there are also other issues and risks. First, some EGs/VRDCs are experiencing problems in accessing and utilizing their accumulated funds due to lack of financial autonomy. The constitutions of the EGs and VRDCs required the SPMUs to approve the spending of group funds, but there is a lack of understanding on how this situation should be handled after the programme.[71] This indicates that a key element of the exit strategy was not adequately executed. S&CGs (sub-groups within EGs) do not face this problem as they were not registered with Divisional Secretariats like EGs. Secondly, there are issues with

[71] Apparently, the intention was for such authority to be passed to the Divisional Secretariats from the SPMU where the groups are located. In some cases, especially in mid-country, Divisional Secretariats have declined to approve disbursement or utilization of these funds, or for the groups to be liquidated and have the funds returned to members. Some of the Divisional Secretariats consider that authority to approve disbursements was never formally transferred from SPEnDP to them and that they are therefore not able to approve disbursement requests or agree to winding down and liquidating the groups.

capacity of the EGs/S&CGs. Most of the groups do not have properly established accounting and financial management systems and have not been sufficiently trained to undertake credit operations. A stronger focus on savings might also have helped by avoiding capital grants, which are seen as SPEnDP money rather than members' savings, or by making the capital grants conditional upon reaching certain savings targets.

108. **Summary – sustainability of benefits.** The prospects for sustainability of benefits vary considerably between the various components, activities and impact domains. The sustainability of benefits generated by SPEnDP is generally strong in relation to tea and rubber production and other income-generating activities operated by individuals. But the sustainability of community organizations created by SPEnDP is limited. Overall sustainability is therefore rated as **moderately satisfactory (4)**, the same as the PMD rating.

B. Other performance criteria

Innovation and scaling up

109. **Innovation. Innovations mentioned in the appraisal report were not relevant to the final design.** The appraisal report mentioned innovation through: (i) introduction of the outgrower concept: (ii) promotion of social harmony between estate workers and surrounding villages in the tea areas; (iii) linking outgrowers to nucleus factories and strengthening marketing infrastructure; (iv) public-private partnerships in input supply and extension; and (v) corporate social responsibility investments for social infrastructure. Most of these were related more to the earlier version of the programme design (SOGEDeP) than to SPEnDP and were no longer relevant.

110. **None of the activities implemented by SPEnDP are considered particularly innovative**. Rubber was new to smallholders in Monaragala District, but both the rubber and tea smallholder plantation industries were long established in Sri Lanka. The core element of rubber and tea planting or replanting is the subsidy programme. It has long been known that smallholders cannot finance rubber and tea plantation investments without this or some other form of assistance. SPEnDP financed an expansion of the ongoing subsidy schemes for tea and rubber administered by TSHDA and RDD, respectively. Intercropping of tea and rubber to generate income during the crop gestation period and to diversify the farming system are both traditional practices.

111. The PCR describes the GRPCs as an innovation. The form of (group) ownership may have been new, and has not been particularly successful, but the rubber processing technology itself is practiced by numerous independently owned small-scale processing units in the rubber-growing areas. Similarly, the MTR referred to the formation of business groups (for operation of communally owned business ventures) as an innovation in mid-country which could be scaled up in Monaragala. Given the generally poor track record of this ownership model in Sri Lanka and elsewhere, it is not clear why it was considered innovative. Not surprisingly, the business group model was not well accepted by beneficiaries and was not sustained, let alone scaled up.

112. **Notwithstanding the general absence of innovations, the decision to invest in smallholder tea and rubber growers itself could be highlighted**. Development partners have generally bypassed smallholder plantations. SPEnDP was one of the first projects, and the only or one of the few foreign-funded ones, with a focus on smallholder plantation farmers (instead of, say, estate workers or other smallholder farmers), complementing the Government programmes and subsidies. Such perception was shared by other development partners with the Sri

Lanka country strategy and programme evaluation mission (June 2018) and this was also implied in the government document.[72]

113. Based on the above, the criterion on innovation is rated as **moderately unsatisfactory (3)**. The PMD rating was moderately satisfactory (4) but this is not sufficiently supported by the narratives (see also above paragraph commenting on the PCR).

114. **Scaling up**. The successor programme to SPEnDP is STaRR, which adopts and expands on many of the more successful elements of SPEnDP. STaRR is planned to cost US$65 million over five years and is financed by IFAD, the Government of Sri Lanka, banks (state-owned and commercial) and beneficiaries. These financing arrangements are the same as for SPEnDP. Hence STaRR is considered as an extension or replication of SPEnDP rather than a scaling-up as defined by IFAD.[73] Expected government financing is substantial (US$33 million), but over 80 per cent is allocated for subsidies for planting/replanting, most or all of which would have been included in the government budget as part of the regular programme anyway.

115. According to IFAD's operational framework for scaling up results (2015), "scaling up results does not mean transforming small IFAD projects into larger projects", but rather it is about "how successful local initiatives will sustainably leverage policy changes, additional resources and learning to bring the results to scale". Scaling-up is rated as **moderately unsatisfactory (3)**. This compares with the PMD rating of satisfactory (5) for "*potential* for scaling up", citing STaRR.

Gender equality and women's empowerment

116. **Women were involved in all parts of the programme, with the level and nature of their participation varying between activities.** In the core programme activities of tea and rubber planting, participation was at the household level and there is no clear distinction between the benefits accruing to either men or women. According to the programme data, women’s membership in the farmer groups was 37 per cent in the mid-country and 26 per cent in Monaragala (tables 5 and 12), but as noted in the PCR[74] the membership is associated with households rather than household members; thus it can be misleading to interpret these figures. Other indicators also show relatively high women's participation, such as in group leadership positions and participation in training activities (table 12). In most of the consultations with EGs and VRDCs during the PPE mission, female participants outnumbered males by two to one and there were also a significant number of women office bearers.

117. **On the other hand, there does not seem to have been much effort in promoting women's participation on the side of service providers**. For example, there was minimal participation of women in training provided to financial institutions due to the low representation of female staff.[75] While no data are available, it is understood that most of the field animators were men, although it may also be due to the mobility challenges (e.g. women being reluctant to ride motorbikes on difficult terrain).

[72] Sri Lanka Rubber Secretariat, Ministry of Plantation Industries. Sri Lanka Rubber Industry Master Plan 2017–2026: A National Agenda - For Rubber Industry Development. This document states that various development agencies have provided development support but that the only ongoing project in the rubber sector is the Monaragala Rubber Development Project supported by IFAD/UN, which completed its first phase of 5,000 ha of smallholdings development.
[73] "expanding, adapting and supporting successful policies, programmes and knowledge, so that they can leverage resources and partners to deliver larger results for a greater number of rural poor in a sustainable way” (IFAD operational framework for scaling up results, 2015).
[74] The PCR raises a question as to whether dual representation in membership should be considered "necessary if spouse is already involved and family decisions are taken together" and notes that "comparing mere numbers could be misleading".
[75] PCR, appendices 8A and 8B.

Table 12
Level of women's participation in different activities

	Percentage of women
Group members – mid-country (8,505 members)	37%
Group members – Monaragala (9,514 members)	26%
Group leadership positions	About half (49% in mid-country)
Presidency positions held by women	About a third (32% in mid-country)
Participation in training	40-60% (usually less in Monaragala)
Borrowers from PFIs	45%
S&CG members	Almost 100%
Matching grant recipients	45% in mid-country, 35% in Monaragala

Source: PCR.

118. **Access to finance (grants or credits) facilitated by the programme is likely to have enhanced income-earning opportunities for women, although to varied degrees.** It should be kept in mind that it was a small proportion of group members who benefited from the matching grants (about 6 per cent) and bank loans, whereas access to credit of smaller amounts through S&CG benefited many more people. Some income-generating activities were exclusive to women recipients (e.g. tailoring, beauty salons), although in most cases for expanding existing activities rather than creating new ones. In many instances, income-generating activities were at whole-household level regardless of the recorded gender of the grant/loan recipient, and there generally appeared to be a good collaboration between the husband and the wife (and the children), according to the interaction in the field by the PPE mission.

119. **Decision-making on household affairs is more likely to be a joint undertaking.** The impact evaluation study found that the majority of the households indicated that decisions were made jointly by the husband and the wife for most of the farming-related activities.[76] A similar picture emerged from the PPE mission field visit and interaction with female beneficiaries. But it should be noted that this is likely to have been the prevailing situation in the programme area even without or before SPEnDP.

120. **One notable under-achievement was the failure to support joint land ownership**. The certificates of land ownership in both sub-programme areas were registered in the name of the male spouse in most cases. This means that in legal terms, the bulk of the financial returns generated by the programme (incomes from tea and rubber) accrued to men, despite women's considerable work inputs in crop production. Even though joint land ownership was planned in SPEnDP, no strategy was put in place to achieve such a result.[77] While this is not a shortcoming that can be attributed to SPEnDP, the PCR also indicated that more analysis and work ("to determine whether this option is indeed available in Sri Lanka, under which conditions, and through which procedures") and policy engagement efforts would have been needed.

121. **Changes in the drudgery of women are likely to have been positive, although the extent or the magnitude is not clear**. The evaluation did not find any programme-supported activities that would have unduly increased the drudgery of women. Instead, they enhanced women's roles in productive activities, in many cases also by making them more efficient with higher return to labour,

[76] The question was asked regarding who makes a decision (husband, wife or both) on a number of areas such as: crops to plant; types of seeds to use; where to sell crops; and taking farm produce to markets. For most questions, 45-60 per cent of the households indicated that they make decisions jointly.
[77] The procedures preventing joint spousal ownership of land apply nationally and are not confined to the SPEnDP beneficiaries.

e.g. with better equipment/machines financed by matching grants or loans. The upgrading of roads would have benefited all the people living around, facilitating physical access and reducing transport cost and time.

122. **Summary – gender equality and women's empowerment.** The participation of women and men in most SPEnDP activities was reasonably balanced, with men predominating in some areas and women in others. Access to grants or loans has improved women's access to economic opportunities. Changes in women's drudgery are likely to have been positive. However, women’s empowerment was constrained by their inability to own land either individually or jointly with their spouse. In view of limited systematic attention to gender issues, the overall programme performance in gender equality and women’s empowerment is assessed as **moderately satisfactory (4)**. This is one point lower than the PMD rating.

Environment and natural resources management

123. The appraisal report classified SPEnDP as a category B project on the basis that any adverse environmental impacts could be remedied by appropriate preventative or mitigation measures. The evaluation confirms that this categorisation was appropriate. The design acknowledged the risks associated with tea production on steeply sloped and erosion-prone lands in mid-country, which were already degraded from inappropriate management of the former tea estates, some of which had been abandoned. It was proposed that these lands be rehabilitated through restoring vegetative cover prior to replanting with tea and other crops, and that detailed land use planning be undertaken to ensure appropriate crop selection.

124. **Despite these plans, in mid-country there were some negative environmental outcomes mainly associated with the subsidization of tea planting on unsuitable lands**. Vulnerability to erosion and land degradation recognized in the programme design was not sufficiently managed during implementation. Many of the tea lands developed under SPEnDP in Nuwara Eliya and Kandy districts were already degraded, largely due to deforestation and soil erosion. SPEnDP quite correctly had decided to undertake a land suitability assessment before supporting the settlers on tea replanting or rehabilitation. An area of about 1,000 ha was surveyed and assessed by the Natural Resources Management Centre of the Department of Agriculture, but the task was then abandoned due to settlers demanding tea planting, which attracts a substantial subsidy, regardless of land suitability.

125. The situation was exacerbated by prolonged drought in 2016-17 resulting in patches of dead tea, thereby exposing the soil. Added to this situation is the practice of smallholders resorting to planting annual crops, causing frequent soil disturbance and erosion.[78] There is limited evidence of appropriate soil and water conservation measures, such as contour terracing, protected platforms, lock-and-spill drains, stone terraces and adoption of sloping-land technology. These measures are costly and should have been incorporated in the support package for tea planting and infilling. The PPE mission observed the issue of soil erosion in a number of places planted with tea, but the extent/frequency is not known.

126. **Conversely, in Monaragala District, the programme outcomes on the environment and natural resources have been generally positive.** In the early 1990s, the most common problems in Monaragala were identified as forest degradation and soil erosion due to *chena* cultivation, encroachment of reserves, and deforestation.[79] SPEnDP established over 5,000 ha of smallholder rubber starting around 2008 and this can be clearly seen in satellite images (annex XI). Tapping of rubber has started, and it is expected that yields will be around 1.0

---

[78] The Soil Conservation Regulations No. 01 of 2009 prohibits cultivation of annual crops on land with a slope of more than 60 per cent. Additionally, annual crops are not allowed in existing forests, plantation crops and grasslands if located more than 1,500 m above sea level.

[79] An environmental profile of Monaragala District. Central Environmental Authority of Sri Lanka and NORAD (1992).

tonne/ha, which compares well with other areas of the country. The micro-climate in the rubber plantations is much better, and crops such as pepper and cocoa are included in the farming system. In addition, leguminous cover crops are used in some of the rubber plantations, including Pueraria (*Pueraria phaseoloides*), Calopo (*Calopogonium mucunoides*) and Mucuna (*Mucuna braceata*). Although pre-project data are not available, it is the view of many that there is overall improvement to the ecosystem as a result of rubber planting.

127. While the rubber planting had positive impact on the environment owing to the very nature of this core activity, for the tea sub-programme what should/could have been done to mitigate or reduce negative environmental consequences was not followed properly. On balance, the criterion on environment and natural resource management is rated by the PPE as **moderately satisfactory (4).** The PMD rated this criterion as satisfactory (5), which does not discuss some environmental issues with tea planting on unsuitable lands.

Adaptation to climate change

128. **The programme did not incorporate specific climate change adaptation or resilience measures**. There is no mention of "climate change" in the appraisal report, perhaps because the programme was designed before "climate change" started receiving explicit attention at IFAD. That said, while the 2003 COSOP did refer to droughts, the SPEnDP design document had no discussion of weather-related risks. In fact, erratic rainfall and worsening soil moisture conditions in the mid-country have affected farming communities. Intensive rain and winds, and landslides have caused damage to tea smallholdings. Added to this is the prolonged 2016-2017 drought, causing bush debilitation and death. The holdings visited have experienced crop losses of as much as 50 per cent due to drought and lack of soil moisture conservation measures. The consequences are evident in Kandy and Nuwara Eliya districts, and less so in Kegalle District. Monaragala too has seen longer dry spells.

129. **Some programme interventions contributed to climate change adaptation, but more could have been done**. Beneficiaries have been provided with suitable tea and rubber cultivars for the conditions in the programme areas. In addition to land suitability considerations (which were later abandoned), establishment of shade trees (and agro-forestry), rainwater harvesting, and cover crops for retention of soil moisture and nutrients would have improved climate resilience but were not systematically applied. In Monaragala, agro-wells have been provided to some holdings which have helped during drought periods. In some areas, the programme has provided water storage facilities and sprinkler irrigation for vegetable cultivation. These could also have been pursued more systematically.

130. Given a substantial investment in plantation establishment and upgrading, the programme could have more effectively assessed and incorporated measures to address weather-related risks. At the same time, there were some interventions contributing to climate change adaptation even without being labelled as such, and no project activity substantially exacerbated the negative impacts of climate change. Furthermore, adverse weather in 2016-17 was rather extreme, which would have been challenging to address with adaptation measures. This criterion is hence rated as **moderately satisfactory (4),** the same as the PMD rating.

C. Overall programme achievement

131. The core programme investments in tea and rubber production were successful in improving the incomes and livelihoods of smallholders in a sustainable manner, as well as income diversification through intercropping and alternative income-generating activities. Improved transport infrastructure complemented the directly productive investments in tea and rubber plantations.

132. The expansion of existing non-farm income-generating activities supported by matching grants was successful, but the number of beneficiaries was quite few,

and there are concerns about mis-targeting of these interventions. In fact, the very broad definition of the target groups and the absence of specific targeting mechanisms beyond geographic targeting impaired the programme's achievements in poverty reduction. The expectation that the various beneficiary groups would evolve into sustainable grassroots institutions was only partially realized. The progress on land regularization was well short of the expectation.

133. The assessment of overall achievements is confounded by the various versions of the stated objectives and resulting ambiguity about what the programme was trying to achieve. Nonetheless, taking into account the programme's intention and results as well as some shortcomings, overall achievement is considered to be **moderately satisfactory (4)**, the same as the PMD rating.

D. Performance of partners

Performance of the Government

134. **The large number of implementing partners added to the management challenge, but collaboration between different institutions, in each sub-programme, worked relatively well**. The PCR noted that the technical institutions had extended their fullest cooperation throughout the period and on some occasions had also adapted their approach and methods to suit the needs of the sub-programmes.[80] At the same time, it was noted in the PCR that almost all public sector departments/agencies provided services to SPEnDP without any memoranda of understanding or contracts defining the rights and obligations of both parties, timelines, payment terms, cost recovery, etc., despite the fact that substantial payments were issued to these agencies for the interventions (supply of plants, subsidies, road construction, training) and for their administrative fees/expenses.

135. **Compliance with the financing agreement covenants was overall between satisfactory and moderately satisfactory** – fully compliant with 15 of the 20 covenants, partially compliant with three and non-compliant with two. Partial compliance related to establishment of a management information system, conduct of joint IFAD/MPI programme reviews (one instead of two specified) and regularization of land tenure. Non-compliance was with insurance of personnel and equipment. Annual audits of financial statements were conducted by the Auditor General of Sri Lanka and submitted to IFAD in compliance with the financing agreement.

136. **Counterpart funding by the Government was low but this was explained by the final financing arrangements.** The counterpart funding of only 43 per cent of the budget reportedly reflected the lesser-than-expected tax/duty exemption, as large-scale processing units requiring significant imports of equipment were cancelled when the co-financing did not materialize. For the rest, the Government contributed through co-financing of salaries (57 per cent) and operating costs (50 to 100 per cent depending on nature of cost), tax and duty exemptions.

137. **At all levels, the programme suffered from high staff turnover, with frequent vacancies of specialized staff positions**. During the programme life, there were four national programme coordinators and four sub-programme managers in each sub-programme. Monitoring and evaluation (M&E) staffing was erratic over the programme life, despite repeated agreements in supervision missions that staff vacancies would be filled. However, the project did complete an impact evaluation which provided some insights on outcomes and impacts. The PCR noted that despite these challenges, the programme staff, especially in the

---

[80] The examples mentioned in the PCR (footnote 17, page 31) are as follows: TSHDA Nuwara Eliya regional office modifying its tea smallholder data maintenance computer formats and programmes, TSHDA obliging to accommodate tea infilling of sub-programme replanted tea from first year onwards to suit the mid-country sub-programme requirements. RDD Monaragala regional office editing and updating records of all rubber planted by beneficiaries, field visiting all beneficiaries by temporarily back-stopped field staff to fast-track payment of subsidies, undertaking supply of all rubber plant requirement from RDD nurseries.

last years, had worked hard with commitments and completed the programme one year ahead of schedule, and therefore assessed the programme management performance as overall moderately satisfactory.

138. **Fiduciary aspects were rated between moderately satisfactory and moderately unsatisfactory during the programme life**. Financial management was mostly rated as moderately unsatisfactory; for example, by the 2016 supervision mission, which pointed out, among other things, the absence of an accounting software and consequent risks of inaccuracies and weaknesses in internal control systems (see also paragraph 85). Audit reports by the Auditor General presented a number of observations which can be related to financial risks and inadequate internal control; for example, the rushed disbursement of matching grants in the final days before the programme completion (see paragraph 62). The ratings by the supervision missions on procurement performance ranged between unsatisfactory and satisfactory.

139. Despite some programme management and staffing issues and shortcomings on fiduciary aspects, the collaboration between many implementing and technical partners worked fairly well to have made certain achievements of the programme, especially on the core programme of tea and rubber (re)planting. The performance of the Government is rated as **moderately satisfactory (4),** the same as the PMD rating.

Performance of IFAD

140. **The design process was elaborate and highly consultative,** which stretched over three years – prolonged probably in part due to the tsunami in December 2004. Based on the available documents from the inception (February-March 2004), formulation (October-November 2005) and appraisal (June 2006) missions, the missions had interactions with a wide range of stakeholders, including through a workshop during the formulation mission.[81] There were also preparatory studies by IFAD consultants in the early part of 2005.[82] Such elaborate and consultative processes can be seen as a reflection of IFAD's efforts to address the sensitivity involved in the original project concept (see paragraphs 17-18).

141. **After the major changes in the design, however, IFAD did not work with the Government to take adequate actions to fix many inconsistencies in the programme documentation**. The last-minute request for design changes by the Government was regrettable, but in hindsight it would have been prudent for IFAD to work further with the Government to revisit the design (including objectives, target group and components) and prepare a coherent document reflecting the actual design (even as a light version). The absence of a coherent programme design supported by a clear theory of change and relevant indicators at different results levels made monitoring and managing for results very challenging (see also paragraphs 22-23 and annex VIII).

142. **Supervision missions and implementation support were regularly undertaken.**[83] These missions were undertaken at least once a year and, except for the first two (2008 and 2009), comprised various specialists including for technical subject matters, management and institutional aspects and fiduciary aspects. All these missions produced comprehensive reports.

143. **However, supervision missions could have been complemented by programme performance reviews of a more strategic nature.** The financing agreement stipulated that two programme reviews (within 36 months and 84 months after the effectiveness date) should be conducted jointly by IFAD and the

[81] The participants included various tea estates and plantation companies, Planters' Association, Public Enterprise Reform Commission, non-governmental organizations working with estate workers, Asian Development Bank-funded project, USAID, WRC, among others.
[82] SOGEDeP formulation mission aide-memoire.
[83] The IFAD database shows that nine missions were fielded for SPEnDP between 2008 and 2016, one in each year. The mission in 2014 was called the MTR. In addition, there was a PCR mission in 2017.

Government. The first "in-depth" review in April 2011 was fielded as a "supervision mission", and the second "in-depth" review in April 2014 was called the MTR. These reports follow the supervision report format and it is difficult to detect differences between these "in-depth reviews" and other supervision missions. Most of the MTR team members had participated in previous supervision missions and the recommendations were more of a tactical nature, and none of a strategic nature.

144. IFAD supported a thorough and consultative programme design process in collaboration with the Government and various stakeholders, but the last-minute change to the design based on the Government request resulted in incoherent basic programme documentation, and no further investments were made to correct this situation. In general, IFAD fielded supervision missions with various experts regularly and produced comprehensive reports, but it could have facilitated programme performance reviews of a more strategic nature. On balance, the performance of IFAD is rated as **moderately satisfactory (4)**.

E. Assessment of the quality of the programme completion report

145. **Scope**. The scope of the PCR is comprehensive, providing a good narrative on what happened and why, and is broadly in line with IFAD's PCR guidelines. The scope is rated as satisfactory (5).

146. **Quality.** The PCR provides a good analytical account of programme performance relative to the MTR version of the goal, objectives and outcomes, but makes no reference to the several earlier versions of these. It reports on the impact evaluation and provides valuable insights on the magnitude and nature of the programme benefits. The economic and financial analysis provides a credible and fairly conservative estimate of the economic rate of return. The basic metrics on programme activities, outputs and outcomes are presented, but with some inconsistencies between the appendices (particularly appendix 8 on physical targets and appendix 9 on RIMS Indicators) and the main report. The quality is rated as moderately satisfactory (4).

147. **Lessons.** The PCR includes a section on lessons learned and knowledge generated (pages 35 and 36) which raised the following key points: (i) questions about the sustainability of the EGs and VRDCs; (ii) the need to further refine the targeting approach during implementation of the follow-on programme (STaRR); (iii) difficulties experienced in addressing land tenure issues – largely outside the control of the programme; (iv) the need for stronger coordination between programme management and the various implementation partners, including formalized partnership arrangements; (v) the need for a more systematic and results-based M&E system; and (vi) pressure to achieve disbursement targets which sometimes led to poor decisions (for example on matching grant awards). These lessons are considered to be sensible and reflective. The criterion on lessons is rated as satisfactory (5).

148. **Candour.** The PCR is candid in its assessment of SPEnDP's performance, particularly in relation to the targeting issues. Candour is assessed as satisfactory (5).

Key points

- SPEnDP objectives were generally relevant to national policies. The overall programme intention and intervention areas were largely relevant, with some exceptions, such as new group formation.
- The programme made the most palpable achievements and impact in terms of tea and rubber (re)planting, which is resulting in higher production and productivity and can be expected to provide steady income sources over years.
- On the other hand, the achievements were limited or less than expected in other areas, such as development of grassroots institutions, land tenure regularization, and post-harvest activities. There were high success rates with individual enterprises and income-generating activities supported by matching grants, but the benefits were limited to only a handful of group members and there was a targeting issue.
- The sustainability of benefits generated by SPEnDP is generally strong in relation to agricultural production and other income-generating activities undertaken by individuals. But the sustainability of community organizations created by SPEnDP is limited.
- Rubber planting in Monaragala had a generally positive environmental impact. On the other hand, in mid-country there were some cases where tea replanting was undertaken on lands that were not suitable and are susceptible to soil erosion and land degradation.

IV. Conclusions and recommendations

A. Conclusions

149. **Despite a peculiar trajectory of the design process and varied achievements under different components, SPEnDP as implemented was overall relevant and significant in a number of ways.** First, it was one of the few interventions by a development agency to support smallholder plantations in addition to the Government's own subsidy programmes for tea and rubber planting. IFAD remains the key development partner supporting the tea and rubber subsectors, which are highly relevant to smallholder farmers who grow or are interested in growing these crops. After slow progress during the initial years, the disbursement and physical output delivery at programme completion can be considered reasonable. Second, it provided a platform for subsequent design and implementation of STaRR, based on the experiences and lessons learned.

150. **The core programme investments in tea and rubber production were generally successful in improving the incomes and livelihoods of smallholders in a sustainable manner** in two very different sub-programme areas. The focus on production of primary commodities was appropriate, given the existence of marketing pathways for tea and rubber that have been well established for a century or more. Once established, these plantations are stable and can provide steady cash-flows over years. Even if these plantations alone are unlikely to fully meet household needs, they would still be one of the main sources of income. Furthermore, rubber planting in Monaragala had a generally positive environmental impact. It is noted, however, that there are concerns about the environmental sustainability of some tea plantations in mid-country.

151. **Increased tea and rubber production was successfully complemented by other interventions, even though greater attention could have been given to post-harvest improvements.** Road construction or rehabilitation complemented the productive investments in tea and rubber plantations and brought benefits in terms of easing access to plantations, as well as markets and services for the broader population. Furthermore, there were – though on a smaller scale – income diversifications through intercropping and alternative income-generating activities. On the other hand, opportunities for improving post-harvest activities and thus returns to the tea and rubber growers were not explored in a substantive way. GRPCs (for rubber) showed mixed performance. There were subsidized credits to several buyers of tea leaf (tea factories) to upgrade their facilities, but expected benefits to smallholder growers therefrom in relation to the programme objectives were not clear. There were no systematic efforts to promote public-private partnerships for tea and rubber, as suggested in the purpose statements, but this was mainly because the concept of outgrower schemes was no longer relevant in the final design.

152. **Poverty focus and targeting was weak**. The programme design shed little light on how poverty focus was to be ensured or on proposed targeting mechanisms. In mid-country, it was assumed that all HADABIMA and Mahaweli settlers were by definition poor, and "narrowing down" was based only on selecting GNDs supposedly with higher poverty level. In Monaragala, any landholder interested in receiving the rubber-replanting subsidy was eligible to participate. No deliberate measures were implemented to encourage or facilitate participation by poorer households or women, and supervision mission concerns about mis-targeting and elite capture were not acted upon. Groups such as EGs and VRDCs served to channel the programme services to the members but not necessarily to focus the investment on the poor smallholders.

153. The programme's shortcoming was particularly evident in the support for matching grants, which were used to support the expansion of existing income-generating activities. Those enterprises supported by the matching grants registered a reasonably high success rate, but apart from limited outreach (only about 6 per

cent of group members mobilized for the programme), concerns were repeatedly raised by supervision missions about the selection procedures, “double dipping” and elite capture. In sum, the promotion of other income-generating activities was pertinent, also given the gestation period of tea and rubber plantations and the importance of diversifying incomes to reduce risks. But such support did not necessarily reach the poor in a substantive way.

154. **Interventions to support group-owned business were less successful than support for individual/family-owned businesses.** There was never any enthusiasm for business groups in mid-country, which were intended to establish group-owned business ventures, with support from matching grants and loans. Group-owned rubber-processing centres in Monaragala have had mixed results, with some being defunct and others now being managed by individuals. Group-owned milk collection centres have fared better due to being a part of an integrated value chain with strong linkages to the Government-owned or private dairy companies, but they are usually under individual management. On the other hand, implementation of public infrastructure investments, mainly roads, via the community groups generally worked well.

155. **There were other areas in which SPEnDP's achievements did not reach expectations**. The expectation that the various beneficiary groups (EGs, VRDCs, S&CGs) would evolve into sustainable grassroots institutions was only partially realized. A question can be raised as to why SPEnDP did not engage and strengthen existing rural institutions, particularly the rubber and tea societies, rather than try to build new ones from scratch. Furthermore, the contribution of improved land tenure was less than expected; due to complexity and cost constraints very few of temporary utilization permits issued have been converted to freehold titles, and no certificates were issued in joint (husband/wife) names.

156. **Many of the lessons learned from SPEnDP have been used to inform the design of STaRR.** In particular, STaRR has opted to work with the existing tea and rubber societies (the latter with support from the Thurusaviya Fund – see footnote 7) rather than continue the SPEnDP approach of establishing new/project specific EGs and VRDCs. In the interests of sustainability, STaRR has also shifted towards the use of credit instruments rather than matching grants. The STaRR targets for tea planting/replanting have been increased substantially, recognizing SPEnDP’s success in this activity.

B. Recommendations

157. Key recommendations are provided below for consideration by IFAD and the Government of Sri Lanka.

158. **Recommendation 1. Project design needs to be supported by a well-articulated theory of change and targeting strategy.** It is paramount to develop a shared understanding among all stakeholders of how impact pathways are expected to be followed and to critically reflect on the targeting strategy and outreach assumptions in the design. Specifically on future investment in smallholder plantations, measures to support plantation (re)establishment, intercropping or income diversification activities need well-defined eligibility criteria (possibly including land-holding size, dependence of household incomes on agriculture), assessment criteria and transparent decision-making processes to avoid mis-targeting and elite capture. This is relevant also because the eligibility criteria for the Government subsidies for (re)planting do not take poverty level into consideration.

159. **Recommendation 2. Ongoing support for the smallholder plantation sub-sector should pay more attention to post-harvest improvements and environmental issues.** Greater care should be taken to avoid subsidizing tea (re)planting on unsuitable or environmentally fragile lands. Furthermore, along

with support to improve production, the opportunities for improving post-harvest activities and returns to the growers should be explored more vigorously.

160. **Recommendation 3. Engage and strengthen existing community-based organizations rather than create new ones.** SPEnDP's limited success in the creation of sustainable grassroots institutions provides a clear signal that engaging the existing tea and rubber societies would have been more effective and sustainable.

161. **Recommendation 4. Adopt a more cautious approach to supporting group/community-owned business ventures.** Given the largely unsuccessful experience with business ventures operated by un-incorporated/informal groups, it is important to carefully reflect on the circumstances and conditions in which such group/community-owned business ventures would make sense and would be feasible, and to develop support activities accordingly.

Basic programme data

			Approval (US$ mill)[b]		*Actual (US$ mill)*	
Region	Asia and the Pacific	Total Programme costs	28.28		24.74	
Country	Democratic Socialist Republic of Sri Lanka	IFAD loan and percentage of total	22.54	79.7%	20.52	82.9%
Loan No.	712-LK	Recipient government	3.78	13.4%	1.62	6.5%
Type of project (subsector)	Agriculture	Beneficiaries	1.0	3.5%	1.67	6.8%
Financing type		Participating financial institutions	0.96	3.4%	0.93	3.8%
Lending terms	Highly concessional[a]					
Date of approval	14/12/2006					
Date of loan signature	08/05/2007					
Date of effectiveness	06/11/2007					
Loan amendments	Sep 2014 (loan reallocation)	No of beneficiaries (direct, indirect)	8,700 households		18,069 households	
Loan closure extensions	None (completion/closing date advanced by one year	Programme completion date	31/12/2017		31/12/2016	
Country Programme Managers	Sana Jatta (-2011) Tian Ya (2011-2015) Hubert Boirard(2015-)	Loan closing date	30/06/2018		30/06/2017	
Regional Director(s)	Thomas Elhaut Hoonae Kim Nigel Brett (current)	Mid-term review			April 2014[c]	
PPE reviewer	Fumiko Nakai	IFAD funds disbursement at completion (%)			91.2%	
PPE quality control panel	Max Kodjo Catrina Perch	Date of PCR			April 2017	

Source: President's Report, Appraisal Report, PCR.
[a] Free of interest but bearing a service charge of three fourths of one per cent (0.75%) per annum and having a maturity period of 40 years, including a grace period of 10 years.
[b] Revised amount without co-financing by USAID and the private sector (a total of US$10.7 million) initially envisaged and indicated in the president's report. The original project total cost estimate was US$39.9 million.
[c] The financing agreement stipulated that two programme reviews (within 36 months and 84 months after the effectiveness date) be conducted. The first "in-depth" review in April 2011 was fielded as a supervision mission, and the "second in-depth" review in April 2014 was called MTR.

Definition and rating of the evaluation criteria used by IOE

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

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

[a] These definitions build on the OECD/DAC Glossary of Key Terms in Evaluation and Results-Based Management; the Methodological Framework for Project Evaluation agreed with the Evaluation Committee in September 2003; the first edition of the Evaluation Manual discussed with the Evaluation Committee in December 2008; and further discussions with the Evaluation Committee in November 2010 on IOE's evaluation criteria and key questions.

Rating comparison

Criteria	*PCR Rating*[a]	*PPE Rating*	*Rating Disconnect*
Rural poverty impact	**4**	**4**	**0**
Programme performance:			
Relevance	5	4	-1
Effectiveness	5	4	-1
Efficiency	4	4	0
Sustainability of benefits	4	4	0
Programme performance[b]	**4.5**	**4**	**-0.5**
Other performance criteria:			
Gender equality and women's empowerment	5	4	-1
Innovation	4	3	-1
Scaling up	5*	3	-2
Environment and natural resource management	5	4	-1
Adaptation to climate change	4	4	0
Overall Programme achievement[c]	4	4	
Performance of partners[d]			
Government	4	4	0
IFAD	4	4	0
Average net disconnect			**-0.58**

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

Ratings of the Project Completion Report quality

Criteria	*PMD Rating*	*IOE PCRV Rating*	*Net Disconnect*
Scope		5	
Quality (methods, data, participatory process)		4	
Lessons		5	
Candour		5	
Overall rating of the Project Completion Report		5	

PPE key evaluation questions

Criteria	*Evaluation Questions*	*Data/Information Sources*
Rural Poverty Impact	What changes have occurred or are expected to occur in the lives of the rural poor (whether positive or negative, direct or indirect, intended or unintended) as a result of the Programme? • Has the Programme had the anticipated impact on the target group? • To what extent have beneficiary incomes changed as a result of the Programme? • In what way have household assets changed during/after the life of the Programme? Is there any information available on changes in food and nutrition security? Consider some or all of the four “impact domains”: (i) household income and assets; (ii) human and social capital and empowerment; (iii) food security and agricultural productivity; and (iv) institutions and policies. **Household income and assets:** • To what extent were the rural poor able to access financial services more easily? • Were there any significant changes in market access for tea and rubber growers, or for other IGAs? **Human and social capital and empowerment** • To what extent do the rural poor play more effective roles in decision-making through membership of EGs and VRDCs? **Food security and agricultural productivity:** • How did agricultural productivity impact on household food security? • What was the role of improved access to input and output markets in enhancing the productivity of the rural poor? **Institutions and policies:** • What were the major ways in which the rural poor were affected by national/sectoral policies and the regulatory framework? • What were the contributions of the Programme to changes access to markets?	• Supervision reports, MTR and PCR • Impact assessment reports produced by the Programme • Interviews and group discussions with beneficiaries and non-beneficiaries in tea and rubber growing communities • Interviews with key informants: MPI and Department of Agriculture staff, local government, NGOs, service providers
Relevance	To what extent were the objectives of a development intervention consistent with beneficiaries’ requirements, country needs, institutional priorities and partner and donor policies? Assess Programme design and coherence in achieving its objectives. An assessment should also be made of whether objectives and design address inequality, for example, by assessing the relevance of targeting strategies adopted. • Are Programme objectives in line with key IFAD and Government objectives for promoting sustainable agriculture development as well as the needs of the rural poor? • Was Programme design appropriate (for example, in terms of components, financial allocations, institutional arrangements, etc.) to meet the intervention’s objectives?	• Appraisal Report, President’s Report • National and sectoral development plans/strategies/policies • Interviews with key informants: MPI and Department of Agriculture staff, local government, NGOs, service providers • Supervision reports, MTR and PCR

Criteria	Evaluation Questions	Data/Information Sources
	• Was the Programme adjusted during implementation to any changes in context? • Did the Programme benefit from available knowledge during its design and implementation? • Were Programme objectives realistic? • Did Programme objectives and design remain relevant over the implementation period?	• Other development partners • IFAD policy documents
Effectiveness	To what extent were the Programme's objectives achieved, or are expected to be achieved, taking into account their relative importance? • To what extent have the objectives been attained in quantitative and in qualitative terms? • What changes in the overall context (e.g. policy framework, political situation, institutional set-up, economic shocks, civil unrest) have affected Programme implementation? • Were adopted approaches technically viable? • Do beneficiaries have access to adequate training and materials for maintenance?	• Interviews with key informants: MPI and Department of Agriculture staff, local government, NGOs, service providers • Supervision reports, MTR and PCR • Technical reports produced by the Programme • Interviews and group discussions with beneficiaries and non-beneficiaries in tea and rubber growing communities
Efficiency	How economically were resources/inputs (funds, expertise, time, etc.) converted into results? • How does the economic rate of return at evaluation compare with that at Programme design? • What are the loan costs per beneficiary and how do they compare to other IFAD-funded operations in Sri Lanka • What are the total Programme management costs in relation to total Programme? • Was the project implemented in the most efficient way compared to alternatives?	• Supervision mission reports, MTR, PCR, PSRs • Programme financial records, IFAD disbursement records, audit reports • Impact assessment reports
Sustainability of Benefits	What is the likely continuation of net benefits from the Programme beyond the phase of external funding support? Also include an assessment of the likelihood that actual and anticipated results will be resilient to risks beyond the Programme's life? • Are the benefits of the Programme are likely to continue post-project • Are the benefits are environmentally as well as financially sustainable. • Do Programme activities benefit from the engagement, participation and ownership of local communities, grass-roots organizations and the rural poor. • Were the adopted approaches technically viable? • Is there a clear indication of government commitment after the loan closing date, for example, in continuity of pro-poor policies and participatory development approaches, and institutional support? • What are the chances that benefits generated by the Programme will continue after Programme closure and what is the likely resilience to post-Programme risks? • What were the measures taken in terms of an exit strategy to ensure post-Programme sustainability?	• Programme documents on exit plan and sustainability strategy • Supervision reports • Tea and rubber production statistics from Programme areas • Interviews and discussions with farmer groups (beneficiaries and non-beneficiaries)

Criteria	Evaluation Questions	Data/Information Sources
Gender Equality and Women's Empowerment	To what extent did IFAD interventions contribute to better gender equality and women's empowerment, for example, in terms of women's access to and ownership of assets, resources and services; participation in decision making; work load balance and impact on women's incomes, nutrition and livelihoods? • Assess performance based on the main objectives outlined in the COSOP and Programme design and IFAD's corporate gender policy. • Assess the Programme's efforts to integrate the main provisions in the UN Evaluation Group on human rights and gender equality. • What were the Programme's achievements in terms of promoting gender equality and women's empowerment? • What percentage of resources was invested in activities to promote gender equality and women's empowerment • To what extent did the Programme define and monitor sex-disaggregated results? • Was the Programme implementation structure adequate to support gender equality and women's empowerment goals? • Did the Programme contain specific activities for gender equality and women's empowerment, and what was their effect on the rural poor? • Did any activities give rise to unintended consequences on gender equality and women's empowerment? • Were corporate objectives on gender adequately addressed and integrated in the project activities/the results-framework of COSOPs? • To what extent did the Programme: (i) monitor gender-disaggregated outputs; (ii) adapt implementation to better meet gender and women's empowerment objectives; (iii) address and report on gender issues in supervision and implementation support; (iv) systematically analyse, document and disseminate lessons on gender equality and women's empowerment; and (v) engage in policy dialogue that would improve gender equality and women's empowerment? • What factors, were the most significant in promoting or hindering gender equality and women's empowerment? • To what extent is the gender-related impact likely to be sustainable?	• Supervision reports, MTR, PCR, PSRs • M&E data and impact assessment reports • Gender studies undertaken by the Programme • Interviews with beneficiaries including women's groups • Interviews with key informants: MPI and Department of Agriculture staff, local government, NGOs, service providers
Innovation and Scaling Up	To what extent did IFAD development interventions: (i) introduce innovative approaches to rural poverty reduction; and (ii) have been (or are likely to be) scaled up by government authorities, donor organisations, the private sector and others agencies? • Assessment of innovation to be based in IFAD's innovation and scaling up strategies • Consider IFAD's "operational framework for scaling up results" (2015), and whether design and implementation paid due attention to the "pathways, drivers, and spaces" for scaling up. • **Innovations:** (i) What are the characteristics of innovation(s) promoted by the Programme? (ii) Were the innovations consistent with the IFAD definition of this concept? (iii) Were the actions in question truly innovative? (iv) Have grants been used to promote innovation?	• Supervision reports, MTR, PCR, PSRs • Interviews with key informants: MPI and Department of Agriculture staff, local government, NGOs, service providers • Relevant document produced by other programmes and projects

Criteria	Evaluation Questions	Data/Information Sources
	• **Scaling up:** (i) What evidence was used to justify scaling up, and were innovations documented and shared to facilitate scaling up? (ii) Has IFAD proactively engaged in partnership-building and policy dialogue to facilitate the uptake of successful innovations? (iii) Have these innovations been scaled up and, if so, by whom? If not, what are the prospects that they can and will be scaled up by the government, other donors and/or the private sector? What were/are the pathways to scaling up? • To what extent did the Programme build on prior successful experiences and lessons with scaling up that may be well-established elsewhere, but new to the country or project area? • Was an explicit strategy defined, including identifying the origin of innovation and pathways and drivers for scaling up? Was an ultimate scale target included? • Did Programme implementation support the development of relevant drivers that are essential for scaling up? • Through what processes have the Programme innovations been replicated and scaled up and, if so, by whom? If not, what were the obstacles and what are the realistic prospects that they can and will be replicated and scaled up?	
Environment and Natural Resources Management	To what extent did IFAD development interventions contribute to resilient livelihoods and ecosystems? The focus is on the use and management of the natural environment, including natural resources defined as raw materials used for socio-economic and cultural purposes, and ecosystems and biodiversity – with the goods and services they provide. • To what extent did the Programme adopt measures for restoration or sustainable management of natural resources? • To what extent did the Programme develop the capacity of community groups and institutions to manage environmental risks? • To what extent did the Programme contribute to reducing the environmental vulnerability of the community and built resilience for sustainable natural resource management? • To what extent did the Programme contribute to long-term environmental and social sustainability? • To what extent did the Programme follow required environmental and social risk assessment procedures (e.g. SECAP procedures), including meaningful consultation with affected and vulnerable communities, and have complied with applicable IFAD or national environmental and social standards or norms? • Did the Programme contain specific activities for rehabilitation or protection of natural resources and ecosystem services? • In what way has the Programme impacted on environmental vulnerability (e.g. exposure to pollutants, climate change effects, volatility in resources, potential natural disasters)? • Was the rehabilitation or protection of natural resources and ecosystem services adequately addressed, in line with corporate objectives on environment and natural resources management? • To what extent did the Programme monitor and analyse changes in rehabilitation or protection of natural resources and ecosystem services?	• Appraisal report ESRN • Supervision reports, MTR, PCR, PSRs • Environmental Impact Assessment studies • Environmental audit reports (if any) • Interviews with key informants: MPI and Department of Agriculture staff, local government, NGOs, service providers • Community-based natural resource management groups • Local government authorities
Adaptation to	How did the Programme contribute to reducing the negative impacts of climate change through dedicated adaptation or	• Sections of Appraisal report and MTR

Criteria	*Evaluation Questions*	*Data/Information Sources*
Climate Change	risk reduction measures? • Assess Programme performance based on the main climate adaptation objectives outlined in the COSOP and IFAD's Climate Change Strategy. • To what extent did the Programme demonstrate awareness and analysis of climate risks? • What were the most important factors that helped the rural poor to restore the natural resource and environment base that (may) have been affected by climate change? • Did the initiative contain specific adaptation activities, and what was their effect on the rural poor? • Were climate issues adequately addressed, in line with IFAD's corporate objectives? • To what extent were the climate-related considerations integrated in the Programme design? • To what extent did the Programme include explicit measures to reduce the vulnerability of livelihoods to climate shocks and stresses? • To what extent did the Programme monitor changes in capacity to manage climate change, and systematically analyse, document and disseminate lessons on climate resilience?	relating to climate change • PCR • Interviews with key informants: MPI and Department of Agriculture staff, local government, NGOs, service providers • National climate change adaptation and mitigation policies/strategies
Performance of Partners (IFAD and Government)	What was the contribution of partners to Programme design, execution, monitoring and reporting, supervision and implementation support, and evaluation? Assessment of **IFAD performance**: • How well were the comments and recommendations of QE and QA processes included in the final Programme design? • Did IFAD have a well-functioning self-evaluation system? In particular was adequate supervision and implementation support provided and a MTR undertaken in a timely manner, and portfolio performance monitored on a continuous basis? • Did IFAD exercise its developmental and fiduciary responsibilities adequately, ensuring that Programmes had sound financial management systems, audit reports were submitted in a timely manner, the provisions in the financing agreements were fully met, etc.? • What support did the IFAD country office (where applicable) provide to the country programme and Programme operations? • At design stage, to what extent were efforts made to incorporate the lessons and recommendations from previous independent evaluations • To what extent was the design process participatory, thus promoting ownership by the borrower? • During implementation, to what extent did IFAD: (i) take prompt action to ensure the timely implementation of recommendations stemming from the supervision and implementation support missions, including the MTRs; and (ii) undertake the necessary follow-up to resolve any implementation bottlenecks?	**IFAD** • CPMT, QE and QA review documents • Supervision and implementation support mission reports • Interviews with IFAD staff (CPM, former Country Officer, consultants etc.) • Financing agreement and amendments thereof **Government** • Supervision mission reports, MTR, PSRs and PCR • Compliance reports on loan covenants • AWPBs, progress reports, annual reports and audit reports • IFAD disbursement and "no objection" records

Criteria	Evaluation Questions	Data/Information Sources
	• In what way has IFAD actively created an effective partnership and maintained coordination among key partners, including the scaling up of pro-poor innovations? • Did IFAD, together with the government, contributed to planning an exit strategy? Assessment of **Government performance:** • Did the government ensure that a baseline survey was done in a timely manner and that M&E systems were properly established and functioning? • How were periodic progress reports used and was the PCR provided in a timely manner and of the required quality? • Were counterpart resources (funds and staffing) provided in line with the financing agreement at? • Were audit reports completed and submitted as needed? • Were the flow of funds and procurement procedures suitable for timely implementation? • Did the government have the required capacity at all levels to implement the Programme as per schedule? • Has the government assumed ownership and responsibility for the Programme? • Did the government: (i) take the initiative to modify the Programme design (if required); (ii) take prompt action to ensure the timely implementation of recommendations from supervision and implementation support missions, including the MTR? • Did the M&E system generate information on performance and impact and was appropriate action taken on the basis of this information? • In what way has the government facilitated the participation of NGOs and civil society?	

Approach paper

A. Background

1. The Independent Office of Evaluation (IOE) undertakes: (i) validation of project completion reports (PCRs) for all completed projects, based on a desk review of PCRs and other documents; and (ii) project performance evaluations (PPEs) involving country visits for selected projects (about eight in a year).[1]

2. The Smallholder Plantations Entrepreneurship Development Programme (SPEnDP) (implemented between 2007 and 2017) in the Democratic Socialist Republic of Sri Lanka has been selected for a PPE, among others, to feed into the planned country strategy and programme evaluation (CSPE) as per the 2018 IOE work programme approved by the 122nd session of the IFAD Executive Board in December 2017. The SPEnDP PPE mission is scheduled for March 2018. The PPE will provide project level evidence for the overall country assessment, especially for interventions and issues that are common across the IFAD Sri Lanka portfolio (e.g. agribusiness development and rural finance). Additionally, the PPE will also contribute to IOE's corporate level evaluation on the value chain development.

3. This document presents a brief description of SPEnDP, the PPE objectives, scope and methodology, and evaluation questions that guide this PPE.

B. Project overview[2]

Poverty and agriculture sector context.

4. Economy. Sri Lanka is a lower-middle-income country of 20.5 million people and a per capita gross domestic product (GDP) of US$3,818 (2015). Growth over the past decade has been strong, averaging 6-7 per cent per year. The expansion was mainly driven by services, which account for 57.5 per cent of GDP. Within the services sector, wholesale and retail trade, banking and finance, and transport and communication were the significant contributors to growth.[3] Absolute poverty declined from 22.7 per cent to 6.7 per cent from 2002 to 2012. Despite this progress, roughly one quarter of the Sri Lankans remain nearly poor, as defined by living above the national poverty line (above US$1.5) but below US$2.50 per day (2005 PPP terms).

5. Agricultural sector. Sri Lanka is undergoing a structural transformation away from agriculture, which now accounts for only 10 per cent of GDP. However, 30 per cent of the labour force still remains in agriculture. Agriculture has been an important driver of poverty reduction and accounted for about one third of the decline in poverty over the past decade. According to the Ministry of Agriculture, poverty reduction in rural areas in Sri Lanka was driven by higher agricultural wages which grew annually by an average of 5.7 per cent during 2006 to 2013 and caused rural poverty to fall more rapidly than in other sectors. However, there is a risk that these income gains may not be sustainable if agriculture productivity does not improve and the sector does not start to modernize through diversification, commercialization, and value addition.[4]

6. Sri Lanka’s agriculture is characterized by a non-plantation sector and a plantation sector. Of the country’s approximately 2.3 million hectares of agricultural land, 80 per cent are used for non-plantation foods crops, comprising rice, maize, fruits, vegetables, and other crops that are primarily grown in small-holdings. About 1.65

[1] The selection criteria for PPE include: (i) information gaps in PCRs; (ii) projects of strategic relevance that offer enhanced opportunities for learning; (iii) a need to build evidence for forthcoming corporate level evaluations, country strategy and programme evaluations or evaluation synthesis reports; and (iv) a regional balance of IOE's evaluation programme.
[2] Information in this section is mostly derived from the SPEnDP president report, appraisal report, financing agreement, project completion report, and data from World Development Indicators.
[3] 2017. ADB. Country Programme Strategy.
[4] World Bank (2016) http://documents.worldbank.org/curated/en/770411510060737091/pdf/Plan-Archive-3.pdf

million smallholder farmers operate on average less than 2 hectares and contribute 80 per cent of the total annual food production.[5] The tea and rubber sectors have been making a notable contribution to the national economy. Tea smallholders who own less than 2.5 hectares contribute about 65 per cent of the country's total tea production while smallholder rubber growers make up 62 per cent of the land under smallholder rubber cultivation.[6]

Project information

7. The project was initially formulated as Smallholder Out-Grower Estate Development Programme (SOG-EDP) but the programme design was modified and it was renamed as SPEnDP. At a later stage of the programme design process and during the loan negotiation, the Borrower requested to remove the components and activities related to the allocation/distribution of government owned estate lands in the mid-country region to estate workers and surrounding villagers, which were run by state corporations[7]. They also requested removing the activities related to the contract plucking schemes proposed for introduction on the privately run Regional Plantation Corporations in the mid-country region. A key underlying concern behind the Government request related to the tension and risks associated with allocating lands to former Tamil estate workers living there.[8]

8. **Project area.** The programme was designed to benefit settlers of the Hadabima and Mahaweli resettlement schemes in the mid-country subprogram[9] and poor smallholders in the intermediate zone of Moneragala District cultivating rubber. In the mid-country sub-programme, six Divisional Secretariats Divisions (DSDs)[10] within three districts (i.e. Kandy, Nuwaraeliya, and Kegalle) were targeted, including a total of 65 grama niladhari divisions (GNDs). The resettlements of Hadabima and Mahaweli are historically the poorest in the region (PCR, para.18). In the Monaragala sub-programme, the appraisal recommended Bibile, Medagama, Badalkumbura, part of Moneragala, and Madulla to be covered by the programme interventions. During implementation, Wellawaya, Siyambalanduwa, and Buttala DSDs were added. According to the PCR, a total of 33 GNDs were selected within six DSDs in Monaragala subprogram (para.19)[11].

9. **Target group and targeting approach.** According to the design, the target group was to be selected based upon their level of poverty and vulnerability to poverty-inducing structural factors. The President's report also underscored the importance of gender equity and empowerment in the targeting modalities, especially in land distribution and decision-making at all levels (President's report, para. 10).

10. The programme aimed to target approximately 8,700 households or 39,250 persons. They include tea estate settlers and marginalized smallholder tea producers in the mid-country region, plus poor upland food crop farmers in the intermediate zone of Monaragala District wishing to take up rubber cultivation (President's report, para.9)

11. **Project goal and objectives.** The **goal** of the programme was the sustainable improvement of livelihoods and social conditions of smallholder estate crop producers. Its key **objectives** were that: (i) intended beneficiaries strengthen their

---

5 Sri Lanka, Ministry of Agriculture, downloaded from http://www.agrimin.gov.lk/web/index.php/media-gallery/video-gallery/12-project.

6 Smallholder Tea and Rubber Revitalization Project Design completion report

7 This includes the ElkaduwaPlantations Limited, the JanathaEstTES Development Board, and the Sri Lanka State Plantation Corporation.

8 Request of Reformulation (04 September 2006) and Agreed Minutes of Negotiations (November 2006)

9 Resettlement Schemes of the former Hadabima and the Mahaweli Authority of Sri Lanka which settled about 3 000 landless families on neglected tea estates between 1985 and 1992 (Appraisal report, para. 69).

10 Sri Lanka is divided into 9 provinces, which are further subdivided into 25 districts. Each district is sub-divided into DSD (Divisional Secretary divisions) and each DSD is sub-divided into GNDs (grama niladari divisions). Each GND consists of several villages.

11 It is noted that the number of DSDs mentioned in the PCR doesn't add up to six. The PPE team will further clarify it.

capacity and skills, and build sustainable out-grower schemes with downstream processing enterprises; (ii) smallholder tea and rubber growers improve their land tenure and develop profitable and sustainable out-grower farming systems; (iii) producers obtain increased profits through improved post-harvest handling and marketing, as well as through mutually beneficial public-private partnerships; and (iv) rural financial services are developed and expanded.[12]

12. **Project components**. In order to address the above mentioned challenges and achieve the objectives, SPEnDP was designed through four technical components:

  i. **Community development and grassroots institutions**. Under this component, the programme was to support: (i) the establishment of grassroots institutions, namely savings and credit groups in both programme areas, farmers' groups in the mid-country, and Village Rubber Development Clusters (VRDCs) in Monaragala, for carrying out socioeconomic and community infrastructure development; and (ii) on the grassroots institutions' demand, the federation thereof at Village, GND, DSD, and district levels.

  ii. **Diversification development**. This component in the mid-country sub programme consisted of the following: (i) land use planning for tea and other crops; (ii) land regularization through (a) assisting beneficiaries obtain the documentation required to secure land tenure status, (b) providing relevant policy support, (c) holding advocacy seminars and workshops, and (d) pilot testing alternative tenurial policies; (iii) **agricultural** development assistance to smallholders and villagers to rehabilitate their tea lands through infilling, replanting, or crop diversification; (iv) technical training of farmer groups, of para-professionals and of extension field officers in soil conservation, crop diversification, animal production, and post-harvest processing; and (v) provision of extension support by concerned government line departments.

  This component in Monaragala was to focus on (i) conducting a land suitability survey to prepare base maps of land suitable for rubber cultivation and issue relevant land quality certificates; (ii) development of rural infrastructure including farm access tracks, minor road within the VRDC, water supply facilities for rubber processing centres and laboratories; (iii) farm development through land preparation, providing planting material, inputs supply and extension advice; (iv) crop intensification and diversification through intercropping/parallel cropping, non-farm income generating activities, micro-business ad entrepreneurship development .

  iii. **Processing and marketing**: In mid-county, this component was designed to provide support on (i) training in post-harvest processing; (ii) establishing Market Intelligence and Promotion Centers; (iii) promoting market linkages; (iv) facilitating access to fair trade and organic markets; (v) establishing Central Processing Units for tea factories, their utilisation and performance, and (vi) rehabilitating selected village access roads.

  Some activities designed during the appraisal were dropped at the implementation, including fair trade and organic farming; developing contract arrangements between large scale buyers, processors and/or exporters and growers' associations.

  The sub-component in Monaragala was designed to include (i) organizing latex collection in village centres; (ii) establishing Group Processing Centres (GPCs); (iii) developing central processing factories for transforming latex

[12] The loan agreement set the programme purposes and objectives in a different way (Programme Loan Agreement, para.5).

and other field grades; and (iv) the development of a smallholder rubber processing and marketing plan.

iv. **Rural financing and credit.** A revolving credit line would be set up for on-lending, through participating financing institutions (PFI) to grassroots institutions, as well as to rubber processing factories and farm managers for factory development, and for carrying out income generating activities. The factory rehabilitation once recommended by the tea factory study too was to be financed by this component.

v. **Sub-programme management.** To fund the establishment of two sub-Programme Management Units in Kandy and Monaragala.

13. **Implementation arrangements.** The programme was implemented by three unified implementing entities. At apex level in Colombo, it was the lead programme agency, the Ministry of Plantation Industries (MPI) supported by the Project Steering Committee (PSC), and the National Programme Coordination Unit (NPC). This three-pronged apex body steered the Programme on-course by resolving issues at national and funding agency level. The MPI had delegated the authority to NPC to communicate with IFAD, the Government, especially with the Treasury Department of External Resources, Central Bank of Sri Lanka as well as with heads of collaborating institutions. The PSC ensured the implementation of the Programme following government policies and loan agreement, approved AWPBs, reviewed annual progress reports, and financial statements and resolved issues at national, and funding agency level. The NPC was the secretary of PSC. NPC was responsible over and above its obligations to MPI and PSC, for overall coordination with the subprogram management units, consolidation of AWPBs, and procurement plans, financial management and monitoring, ensuring sufficiency of funds, among other things needed for smooth functioning of the Programme (PCR, para.11-12).

14. At subprogram level in mid-country and Monaragala, there were the Sub-programme Management Units (S-PMUs), each headed by a programme manager and staffed with various subject matter specialists. The S-PMUs were responsible for overall planning, implementation and monitoring of Programme regional activities, ensuring sufficiency of regional funds, negotiating and contracting local implementing agencies or personnel as needed, maintenance of financial records and assisting in auditing (PCR, para.15).

15. **Project costs and financing.** The programme costs were initially estimated at US$39.9 million over the ten-year implementation period. This included: (i) an IFAD loan of US$22.5 million (56 per cent of total costs); (ii) a USAID grant of up to US$5.5 million (14 per cent); (iii) a Wellassa Rubber Company grant of US$5.2 million (13 per cent); (iv) participating financial institutions with an amount of US$1.9 million (5 per cent); (v) a beneficiary contribution of US$1.0 million (3 per cent); and (vi) a Government contribution, in duties and taxes, of US$3.8 million (9 per cent) (see Table 1).

16. Both USAID and Wellassa Rubber Company (WRC)'s grants did not materialize. USAID proposed a more modest approach to support a Rubber Training Centre in Monaragala[13] with an extendable grant of US$ 1 million after informing their intention of not following the co-financing arrangements.[14] This proposal still did not materialise as a viable business plan from SPEnDP was not received as per USAID request. WRC did not see a safe mechanism to get returns on their investments while other non-investing local companies could also access the smallholder rubber, which made WRC not interested in co-financing anymore (supervision mission report 2010, para. 125).

[13] Letter from the Government to IFAD titled as "Co-financing facilities by the USAID for the SPEnDP" dated 04/03/2009.

[14] The correspondence indicated that it had not made any commitment to fund the project in the amount of US$ 5.5 million.

17. According to the PCR, the actual total project cost was US$24.731 million (table 1), including an IFAD loan of US$ 20.519 million.

Table 1
SPEnDP programme costs and finance

Financial performance by financier by component (USD '000)

	IFAD			Government			Financial Institutions			Beneficiaries			Total		
	Approval	Actual	%	Approval	Actual	%	Approval	Actual	%	Approval	Actual	%	Approval	Actual	%
Community Development and Strengthening of Grass root institutions	4,125	3,914	95%	610	167	27 %	-	-	-	1,010	1,109	110 %	5,745	5,190	90%
Outgrowers and diversification development	11,977	10,066	84%	112	8	7%	-	-	-	-	33		12,089	10,107	84%
Processing and marketing	1,183	947	80%	56	1	2%	-	-		-	526		1,239	1,474	119 %
Rural financing and credit	3,844	3,982	104 %	-	-	0%	961	925	0.96	-			4,805	4,907	102 %
Programme management	1,419	1,611	114 %	2,985	1,443	48 %	-	-		-			4,404	3,053	69%
Total	22,548	20,519	91%	3,763	1,619	43 %	961	925	96%	1,010	1,668	165 %	28,282	24,731	87%

Notes: The approval column does not include the grants that were not materialized.
Source. PCR (Appendix 7).

18. **Timeframe.** The IFAD loan of SDR 15.25 million (equivalent to US$ 22.548 million) was approved on 14 December 2006. The loan agreement was signed on 08 May 2007, and the loan became effective on 16 November 2007. The programme was completed on 31 December 2016, and the loan closing was on 30 June 2017, both of which were one year ahead of schedule.

19. **Adjustments during implementation.** During the programme implementation, loan funds were reallocated between categories (see Table 2). The programme completed one year ahead of schedule in view of: the reasonable level of achievement of all the major objectives (PCR, para.36); the entry into force of another IFAD financed project "Smallholder Tea and Rubber Revitalization Project (STaRR)", which could ensure the continuity of the activities in SPEnDP; and lastly Government's budget constraints and inability to provide counterpart fund contribution for the two projects with similar development objectives.[15]

Table 2
Loan reallocation in 2014 Mid-term Review

	Expenditure category (SDR '000)	Original Allocation	Reallocated category	Change % (increase = +)
I	Civil work	1,650	1,780	8%
II	Vehicles	141	120	-15%
III	Equipments & Goods	106	340	221%
IV	Training & Workshops	873	550	-37%
V	TA & studies	224	200	-11%
VI	Service provider contract	135	600	344%
VII	Agric inputs	230	2,500	987%
VIII	Subsidies and matching grants	7,421	5,600	-25%
IX	Credit	1,750	2,600	49%
X	Salaries & allowances	880	700	-20%
XI	O&M	340	260	-24%
	Un allocated	1,500		
	Total (SDR 1000)	15,250	15,250	

20. **Project implementation results - snapshot.** According to the PCR's assessment of the physical targets and output delivery, the overall effectiveness was rated as 5 *Satisfactory* as all physical output targets had been met and in some cases

[15] IFAD Decision Memo: Request to Advance the Project Completion Date (2016)

exceeded (details see table 3). By completion, it was reported 19,000 beneficiaries[16] were reached (PCR, p. vii)

Table 3
Key output indicators against the targets

	Outputs	Targets
Component 1: Development of Community and Grass Root Institutions		
No of entrepreneur Groups (EGs) – MC	243	240
No of Rubber Development Clusters (VCRDs) - M	132	164
No of Savings & Credit Groups - MC	248	224
No of Savings & Credit Groups - M	132	164
Component 2: Crop Diversification & Development		
Improved tea re-planting (hectares) – MC	250	100
Improved tea infilling (hectares) – MC	540	300
Improved Rubber new planting (hectares) - M	5,087	5000
Improved spice, fruit, and crop development (hectares) - M	3,215	2600
Improved infrastructure facilities (Km) – MC&M	142	330
Component 3: Processing & Marketing		
Number of processing centers (GPCs & spice processing centers) – MC&M	42	45
People trained in post-production, marketing (no of people) – MC&M	3,100	1250
Marketing groups formed (no of people trained) – MC & M	1,702	350
Marketing groups strengthening with women in leadership – MC&M	48	30
People trained in business and entrepreneurship – MC&M	4,036	3000
No of Matching Grants disbursed for income generating activities – MC&M	350	--
No of 2nd matching grant given for income generating activities – MC&M	58	--
No of Matching Grants disbursed for purchasing dairy cattle MC&M	738	--
Number of goats distributed – MC&M	700	--
No of cattle/goat sheds – MC&M	946	--

Source: PCR 2017
MC: Mid-country sub-programme; M: Moneragala sub-programme

21. According to the self-rating on the project performance at completion, the overall project achievement was considered as *moderately satisfactory* (4), with the ratings for relevance and effectiveness as *satisfactory* (5), while efficiency and rural poverty impact as *moderately satisfactory* (4).

C. PPE objectives and scope

22. The PPE will be undertaken in accordance with the IFAD's Evaluation Policy[17] and the IFAD Evaluation Manual (second edition, 2015), building on a desk review of PCR and other available data. The main objectives of the PPE are to: (i) assess the results of the project; (ii) generate findings and recommendations for the design and implementation of ongoing and future operations in the country; and (iii) provide project-level evidence that will feed into the corporate level evaluation on IFAD's support for value chain development.

23. **Scope**. A PPE provides assessment and independent ratings on the project performance according to the standard evaluation criteria defined in the IOE Evaluation Manual (see paragraph 39). At the same time, given the time and resources available, the PPE is not expected to examine the full spectrum of project activities, achievements, and drawbacks. Rather, it will focus on selected key issues of focus with consideration to the following: (i) contextual, project design and/or implementation issues that had a critical bearing on project achievements or challenge and unsatisfactory performance; and (ii) issues of importance that cut across the thematic issue of commodity chain development. The PPE will take account of the preliminary findings from a desk review of the PCR and other key

[16] It was reported in another section of PCR that the two programs covered 19,000 households, while the RIMS data (PCR. Appendix 9) reported 18,019 households received project service.
[17] http://www.ifad.org/pub/policy/oe.pdf

project documents and interviews at the IFAD headquarters. During the PPE mission, additional evidence and data will be collected to verify available information and make an independent assessment of performance and results. A theory of change for the project, which has been reconstructed by the PPE team in the absence of its clear presentation in the project design, will be used to guide the identification of key issues (Annex I) and the evaluation approach.

24. **SPEnDP theory of change.** The rationale for the programme is based on the view that both beneficiary sub-groups were affected by a similar set of constraints which limit their capacity to escape from poverty, including the following:

- Lack of secure tenure over the land that they cultivate (for tea) or potentially cultivate (for rubber) which is a disincentive to invest in perennial crops.
- Weak market linkages in the form of out-grower schemes, processing and value adding facilities.
- Un-developed community-level grass-roots institutions that have the potential to empower the target groups to access services and livelihood improvement opportunities.
- Very limited income-generating opportunities outside basic tea growing and subsistence food crops.
- Underdeveloped social and physical infrastructure, especially in isolated areas.
- Limited access to financial services including credit to finance investments in perennial crop establishment.

25. In the case of the tea growers these constraints have led to the deterioration of tea plantations, land degradation and reliance on very low-paid work on commercial tea estates. Target beneficiaries in the potential rubber-growing areas have been unable to establish smallholder rubber plantations which have the potential to transform their livelihoods. The Programme Design Report (2007) does not articulate a TOC, but it is inferred that if the six constraints listed above are addressed simultaneously both sub-groups would be empowered to make significant and sustainable improvements to their livelihoods, subject to a number of implied assumptions.

26. Specifically, six impact pathways are as follows: productivity gains and more sustainable use of land resources through land tenure security and adoption of more efficient farming systems; income diversification and generated through alternative production options (e.g. intercropping system); increased profits and value-addition of tea and rubber products through improved processing and post-harvest training; enhanced access to market via promotion of market linkages and road rehabilitation; improved living conditions through development of community-level grass-roots institutions and construction of social infrastructure; local demand for production of raw materials increases due to higher processing capacity from better capitalized SMEs (Theory of Change in annex I).

27. **Key issues for evaluation in PPE**. Based on a desk review of the project documents and preliminary discussions held with the current and former Country Programme Managers, key issues for this PPE (to be covered under different evaluation criteria) have been identified as below. These may be fine-tuned based on further considerations or information availability, consultation with IFAD's Asia and the Pacific Division and the Government.

28. <u>Relevance of the design</u>:

i. The project design applied a holistic approach in addressing the constraints hindering the livelihood improvements of the settlers and other beneficiaries around the key bottleneck of access to land/productive resources. Multiple activities were planned under each component. The programme was in fact two projects in one dealing with different crops and with different target groups. The PPE team will further understand what the rationale was for combining these into a single programme, and what the synergies were among different components in addressing the key development constrains.

ii. SPEnDP was designed as a ten-year programme, which is a long period for a development project. How did the programme adapt to the changes of the local context? Did the programme design remain relevant to the development needs of the target groups?

iii. The project design emphasized the partnership with private sector (e.g., tea factories privatization, public-private partnership in input supply and extension, especially in the rubber sector). The project was later implemented through a dozen public and private implementing partners according to the PCR. The PPE will examine how relevant private sector's involvement was in achieving a pro-poor development objective.

iv. The resource allocation was highly skewed toward production rather than processing and marketing (8 per cent of the total investment). According to the PCR, the performance was weak in the processing and marketing component. The PPE will examine the adequacy and relevance of the resource allocation in achieving its intended objectives.

29. The development of the value chain. As highlighted in the PCR, the programme was weakly performed in the processing and marketing component, especially in the Monaragala sub-programme: failure in the road-side market system, non-functioning of the business groups, and poor trading capacities in the producing center (PCR, para. 70). The PPE team will work on understanding the bottlenecks in the value chain development and whether the poor performance was due to the design flaws, implementation weakness, or general agribusiness development environment. The team will also look at whether the value chain has become more efficient in any way (more bulking of production and fewer steps before produce reaches processing phase) and whether some practices were effective and could be scaled up. As part of the assessment, the team will try to prices of different commodities (e.g., tea, rubber, and other cash crops) from different stakeholders (e.g. farm-gate price, price at the collector, processor, and national and international market) and compare the change of the prices with the trends in international prices to better understand the bottlenecks along the chain, and how the price premium could be better channelled to smallholder farmers to further assess the rural poverty impact.

30. The effectiveness of targeting through group formation. As mentioned earlier, the programme design indicated an inclusive targeting strategy to capture the poor farmers in the target areas. In fact, the mobilization and formation of groups of beneficiaries was an important instrument for targeting. All the programme beneficiaries are group members. There were different types of groups, i.e. Entrepreneur Groups, Business Groups, Savings and Credit Groups, Village Rubber Development Cluster. However, it is unclear how the targeting approach through group formation was employed in reality.

31. According to supervision reports and PCR, due to absence of the land suitability evaluation and land tenure study, mis-targeting of beneficiaries occurred recurrently[18]. For example, there was some degree of leakage to "wealthy" landholders in both the group formation[19] and rural finance activities. This was

[18] Supervision reports (2008 -2016) and PCR.
[19] The mission observed that the poorest families of the villages, which is about 10% of the total households in the areas visited by the mission, are not fully integrated into the Farmers Groups or Savings and Credit Groups. High poverty levels, social marginalization, and not being a member of other community organizations are some of the limitations for them to become members of FGs. Yet they represent a major segment of the IFAD target group and their inclusion in FGs should be ensured.(2008 Supervision report)

partially due to the difficulties such as high poverty levels, social marginalization, and not being members of other communities that constrained poor farmers to become members of farmers groups. The PCR also reported that in some cases the beneficiaries receiving the majority of the project services were position holders within the organizations while some of the more needy individuals were left out. In the case of savings and credit group, it was also reported that capital grants were used to provide large loans in certain instances to few group members – often they are the office holders of the group (PCR, para.10). Repeated lending to the same member was a common occurrence (PCR, para.9). The PPE team will further assess the applicability and effectiveness of the targeting approach in both the tea and rubber communities: whether it paid sufficient efforts on outreach activities to ensure participation and awareness amongst potential beneficiaries, and to assess what extent the investment went to non-intended households.

32. Sustainability of programme benefits. As reported by the PCR, there was considerable ambiguity in overall programme completion timing, which created uncertainty among the staff as to how they should plan their work and also in the field among the beneficiaries (PCR. para.6). Considering the programme had a slow start-up and was completed one year in advance, a question is raised as to whether it was possible to prepare and implement a solid exit strategy (e.g., transfer monitoring, capacity building and follow-up responsibilities to public institutions with the relevant mandate); whether the public institutions have enough capacities to absorb the inherited responsibilities; and how that affected the sustainability of programme benefits, including the following:

i. The programme contributed to reducing physical obstacles to connect with markets, but it was not as effective in creating sustainable market linkages (PCR, para. 117). A critical factor regarding the sustainability of the connection is related to the maintenance of the road and social infrastructure. The same issue related to the processing factories/centres and, whether they could sustain the operation without the continuous support from the programme.

ii. Among the various groups the programme formed, there is a broad spectrum of viability and maturity. For example, the maturity assessment of VRDCs indicated that only 44% are adequately matured to be independent in managing the VRDCs (PCR, para. 20). 57 out of 237 Entrepreneur Groups are vibrant enough to become effective entrepreneurial rural institutions (PCR, para. 6-7). The 2014 MTR supervision also noted that "community based organizations are still operating with limited capacities, technical and business training will be important to strengthen them further (para. 114)". The PPE will follow up on a sample of various groups to examine both the relevance and effectiveness of the group approach, but also their sustainability after the cessation of the programme support: whether they were equipped with sufficient capacity with the recommended training proposed in MTR[20]. A review of maturity assessment of VDRCs together with other relevant documents, and interviews with key informants and resource persons would be an important input to complement data collection during the field visits.

iii. Regarding land regularization and land tenure, in the mid-country sub-programme, only 29% of land was surveyed, and no deeds were prepared. The S-PMU had submitted details of 716 land lots to Mahweili in October 2012 requesting surveying estimates, and is still awaiting a response by project completion. This is a critical productive resource that largely matters for the farmers' farming activities after programme closure and the sustainability of

[20] This is an essential issue as indicated by MTR that "strong private sector partnerships with market linkages are required for the Programme to exit from commercial business activities undertaken by the business groups" while the project was lagging behind in developing such linkages.

programme benefits. The PPE team will follow up the land regularization issue and examine whether the titles were awarded as the PCR expected.

33. **Evaluation criteria.** In line with the IOE's Evaluation Manual (2015), the key evaluation criteria applied in PPEs in principle include the following:

(i) **Rural poverty impact**, which is defined as the changes that have occurred or are expected to occur in the lives of the rural poor (whether positive or negative, direct or indirect, intended or unintended) as a result of development interventions. Four impact domains are employed to generate a composite indication of rural poverty impact: (i) household income and assets; (ii) human and social capital and empowerment; (iii) food security and agricultural productivity; and (iv) institutions and policies. A composite rating will be provided for the criterion of "rural poverty impact" but not for each of the impact domains.

(ii) **Relevance,**[21] which is assessed both in terms of alignment of project objectives with country and IFAD policies for agriculture and rural development and the needs of the rural poor, as well as project design features geared to the achievement of project objectives.

(iii) **Effectiveness,** which measures the extent to which the project's immediate objectives were achieved, or are expected to be achieved, taking into account their relative importance.

(iv) **Efficiency,** which indicates how economically resources/inputs (e.g. funds, expertise, time, etc.) are converted into results.

(v) **Sustainability of benefits,** indicating the likely continuation of net benefits from a development intervention beyond the phase of external funding support. It also includes an assessment of the likelihood that actual and anticipated results will be resilient to risks beyond the project's life.

(vi) **Gender equality and women's empowerment,** indicating the extent to which IFAD's interventions have contributed to better gender equality and women's empowerment, for example, in terms of women's access to and ownership of assets, resources and services; participation in decision making work loan balance and impact on women's incomes, nutrition and livelihoods.

(vii) **Innovation and scaling up,** assessing the extent to which IFAD development interventions: (a) have introduced innovative approaches to rural poverty reduction; and (b) have been (or are likely to be) scaled up by government authorities, donor organizations, the private sector and other agencies. Separate ratings will be provided for innovation and scaling up.

(viii) **Environment and natural resource management,** assessing the extent to which a project contributes to changes in the protection, rehabilitation or depletion of natural resource and the environment.

(ix) **Adaptation to climate change,** assessing the contribution of the project to increase climate resilience and increase beneficiaries' capacity to manage short- and long-term climate risks.

(x) **Overall project achievement** provides an overarching assessment of the intervention, drawing upon the analysis and ratings of all above-mentioned criteria.

(xi) **Performance of partners**, including the performance of IFAD and the Government, will be assessed on an individual basis, with a view to the partners' expected role and responsibility in the project life cycle.

34. An evaluation framework will be developed with guiding evaluation questions according to the evaluation criteria described above. The evaluation questions

[21] An average of the ratings for relevance, effectiveness, efficiency and sustainability of benefits will be the project performance rating.

contained in the framework reflect the guidance in the IOE Evaluation Manual as well as key issues identified (in the next section).

35. **Rating system**. In line with the practice adopted in many other international financial institutions and UN organizations, IOE uses a six-point rating system, where 6 is the highest score (highly satisfactory) and 1 being the lowest score (highly unsatisfactory).

D. Evaluation methodology

36. The PPE will build on a desk review of PCR and other key project documents and available data (including impact assessment at project completion) while taking into account the contexts and information from interviews at the IFAD headquarters. During the main PPE mission, additional evidence and data will be collected to verify available evidence and to reach an independent assessment of performance and results. The PPE will use a theory of change for an examination of assumed causal linkages and whether there is sufficient evidence to support these linkages, while also examining to what extent key assumptions were realistic.

37. **Data collection**. Careful review, analysis, and triangulation of reported project achievements will be key. Validation of project results will be done through gathering and cross-checking information and evidence from multiple sources and stakeholder perspectives.

38. <u>Prior to the PPE mission</u>. In the preparatory stage, relevant documents and data will be gathered and reviewed to guide the evaluation design and planning and conduct of the PPE mission. Main project-related documents and data for a desk review include the following: (i) project design documents; (ii) project implementation manual; (iii) financing agreements, amendments and background documents; (iv) supervision and implementation support mission reports; (v) mid-term review report; (vi) PCR; (vii) IFAD periodical project status reports with self-assessment ratings; (viii) IFAD financial and disbursement data; (ix) baseline and end-line household survey reports in line with the IFAD's results and impact management system (RIMS) if available, and (x) other relevant IFAD financed project documents (i.e. STaRR. NADeP)

39. Additional data, information, and documents will be collected as much as possible before the mission-through email correspondence with the project stakeholders. These may include project monitoring and evaluation data and reports or some technical reports produced by the project.

40. Interviews will be conducted with IFAD staff, in-country stakeholders through audio or video conferences (with a limited number of people who were involved in the project management), and possibly also main consultants who were involved in supervision and implementation support. Interactions with stakeholders would help the PPE team identify additional relevant data and reports and key issues for attention before mission

41. Other than the impact assessment report, the PPE team will also seek to access data files to better understand the methodology, analysis, and findings presented. The available data and evidence are reviewed to examine the extent of consistencies or inconsistencies while reflecting the plausible causal links and assumptions in the theory of change and to identify gaps to refine the tools and questions to guide the field work.

42. <u>Data collection during the mission</u>. The PPE mission will be conducted for about two and half weeks, including visits to the project sites over 8-10 days. During the in-country work, additional primary and secondary data will be collected. Other than qualitative data collection and spot checking of the data collected by the impact

assessments[22], the PPE team is also exploring a participatory value chain study with both qualitative/quantitative data collected from different stakeholders along the chain, which would be linked to the planned CSPE and also to the SPEnDP PPE. The methods deployed will consist of individual and group interviews, focus group discussions with project stakeholders, beneficiaries and other key informants and resource persons, and direct observations.

43. Field visit site selection. The PPE mission will conduct field visits in both the mid-country subprogram and the Monaragala sub-programme. Site selection for field visits will be guided by the following consideration as may be relevant: (i) coverage of areas with different characteristics (e.g. agro-ecological conditions and farming systems, access to markets and services); (ii) coverage of different project activities (e.g., rural institutions and groups, community infrastructure, tea replanting and intercropping, land regularization, and processing/marketing centers) (iv) DSDs and GNDs with varied performance (e.g. capacity of district agriculture staff); and (v) project areas that are covered and not covered in the ongoing IFAD-financed project STaRR. The PPE team will try to randomize the site selection with various parameters mentioned above to ensure a well-representative sample. Balancing the consideration to these criteria with the distance and the time constraint of the PPE would be important.

44. Key stakeholders to be met in Colombo include the following: (i) Ministry of Plantation Industries (especially the Rubber Development Department and Tea Smallholders Development Authority) and former project staff to the extent traceable; (ii) Ministry of Finance; (iii) district and DSD-level agriculture staff (i.e. Department of Agriculture, Department of Export Agriculture); (iv) representatives from grassroots rural institutions (i.e., enterprise groups, business groups, and VDRCs); (v) representatives from Agricultural Development Bank and Participating Financing Institutions; (vi) management and staff of tea and rubber processing factories; (vii) main in-country partners and service providers involved in the project[23]; and (viii) other key informants.

45. **Stakeholders' participation.** In compliance with the IOE Evaluation Policy, the main project stakeholders will be involved throughout the PPE. This will ensure that the key concerns of the stakeholders are taken into account, that the evaluators fully understand the context in which the programme was implemented, and that opportunities and constraints faced by the implementing institutions are identified. Regular interaction and communication will be established with the Asia and the Pacific Region (APR) of IFAD and with the Government. Formal and informal opportunities will be explored during the process for the purpose of discussing findings, lessons, and recommendations.

E. Evaluation process

46. The PPE will involve following key steps:

- **Preparatory phase.** The preparatory phase will include the following activities: (i) desk review of PCR and main project design and implementation documents; (ii) collection and review of data and information; (iii) preparation of the PPE approach paper.
- In-country work. The PPE mission is scheduled for 12-28 March 2018. It will interact with representatives from the government and other institutions, beneficiaries and key informants, in Colombo in the field. At the end of the

[22] The impact assessment was carried out by using a mixed approach: a household survey was conducted and propensity score matching was used to identify a proper counterfactual group; and qualitative information was collected by in-depth interview. In mid-country, the sample size was 1,200 households (861 HHs in the treatment group), and in Monaragala the number of households surveyed was 1,381 (963 HHs in the treatment group). Among others, the survey collected information related to household income, consumption, capital assets, land assets, food security related data, loan distribution, source of finance for SMEs, and business performance.
[23] Namely, World Bank, USAID, and Food and Agriculture Organization. The other partners will be identified in the preparation stage.

mission, a wrap-up meeting will be held in Colombo to summarize the preliminary findings and discuss emerging issues. The IFAD country programme manager, country programme officer, and other relevant government representatives are expected to participate in the wrap-up meeting, which is tentatively scheduled for 28 March 2018.

- Report drafting and peer **review.** After the field visit, a draft PPE report will be prepared and submitted to IOE internal peer review for quality assurance.
- **Comments by APR and the Government.** The draft PPE report will be shared simultaneously with APR and the Government for review and comment. IOE will finalize the report following receipt of comments by APR and the Government and prepare the audit trail.
- **Management response by APR.** A written management response on the final PPE report will be prepared by the Programme Management Department. This will be included in the PPE report when published.
- **Communication and dissemination.** The final report will be disseminated to key stakeholders and the evaluation report published by IOE, both online and in print.

47. **Tentative timetable** for the PPE process is as follows:

Date	*Activities*
Jan – Feb 2018	Preparation and desk review
12– 28 March 2018	Mission to Sri Lanka
April–July 2018	Preparation of draft report
July 2018	IOE internal peer review
August 2018	Draft PPE report sent to APR and Government for comments
September 2018	Finalisation of the report
October 2018	Publication and dissemination

F. Background documents

48. The key background documents for the exercise will include the following:

SPEnDP project specific documents

- Appraisal report (2007)
- IFAD President’s Report (2006)
- Mid-term review repot (2014)
- Financing Agreement (2006)
- Supervision mission aide memoir and reports (2008-2016)
- Project status reports (2008-2016)
- Project completion report (2017)
- Results and impact management system: end-line survey (2017)

General and others

- IFAD (2015). Evaluation Manual – Second Edition
- IOE (2012). Guidelines for the Project Completion Report Validation (PCRV) and Project Performance Assessment
- IFAD (2011). IFAD Evaluation Policy
- Various IFAD policies and strategies, in particular, Strategic Framework (2007-2012), Targeting, Gender Equity and Women's Empowerment, Rural Finance

List of key persons met and mission itinerary

List of key persons met (chronological order)

Name		Position	Organization
Colombo			
A.G. Rohitha	Abeykoon	Senior Assistant Director	Regional Development Department, Central Bank of Sri Lanka (CBSL)
Rizna	Anees	Additional Director General	Ministry of National Policies and Economic Affairs
Kavitha	Arunasalam	Assistant Director	Department of External Resources, Ministry of National Policies and Economic Affairs
J.G.G.V.	Bandara	Accountant	Thurusaviya Fund
K.M.C.	Bandara	Engineer	Ministry of Fisheries and Aquatic Resources Development
Sagarika	Bogahawatta	Director	Department of Project Management and Monitoring
Ann	Dabarera	Assistant Director	National Planning Department
Sriya	Dayawansa	Director	Regional Development Department, Central Bank of Sri Lanka
M.C. Dilhan	De Silva	Senior Assistant Director	Regional Development Department, Central Bank of Sri Lanka
C J I Tilak	Fernando	Deputy General Manager, Extension ,	Tea Small Holdings Development Authority
K.B.	Guruge	Chief Accountant	Ministry of Plantation Industries
Dilan	Gunawardana	Promotion Officer	Thurusaviya Fund
P.N.N.	Jayanetti	Deputy Director	Ministry of Agriculture
B.A.P.	Kapila	Assistant Director	Ministry of Fisheries and Aquatic Resources Development
R.N.W.A.	Kumarasiri	Additional Secretary	Ministry of National Policies and Economic Affairs
D.G.	Mahipala	General Manager	Tea Small Holdings Development Authority
B.S.	Mallikarachichi	Monitoring and evaluation Specialist	Ministry of Provincial Councils and Local Government

Name		Position	Organization
Chaturi	Nakandala	Senior Assistant Secretary	Ministry of Primary Industries
M.M.	Nayeemudeen	Additional Secretary, Projects and Planning	Ministry of Provincial Councils and Local Government
R.B.	Premadasa	Director General	Rubber Development Department, Ministry of Plantation Industries
W.A.D.D.M.	Priyantha	Chief Internal Auditor	Ministry of Plantation Industries
Bharatha	Ramanayake	Director, Planning and Monitoring	Ministry of Fisheries and Aquatic Resources Development
Prabath	Ranaweera	Project Director	Ministry of Fisheries and Aquatic Resources Development
D.P.K.	Ranasinghe	Assistant Director, Planning	Ministry of Provincial Councils and Local Government
I.A.S.	Ranasweera	Assistant Director	Ministry of Mahaweli Development and Environment
N.B.Monty	Ranathunge	Director General, Technical	Ministry of Fisheries and Aquatic Resources Development
Dhammika	Ranatunga	Director, Development	Ministry of Plantation Industries
J.A.	Ranjith	Secretary	Ministry of Plantation Industries
Priyantha	Rathnayake	Director General	Department of External Resources, Ministry of National Policies and Economic Affairs
Jagath	Ravisinghe	Director, Development	Ministry of Plantation Industries
K.D.S.	Ruwanchandra	Secretary	Ministry of National Policies and Economic Affairs
Percy	Samarasinghe	General Manager	Ceylon Fishery Harbours Corporation
Dayan	Sanath	Assistant Director	Ministry of Plantation Industries
M.	Seuadeen	Assistant Director	Department of Project

Name		Position	Organization
			Management and Monitoring
Titus Sunil	Silva	Chairman	Thurusaviya Fund
Kanchana	Silva (Dr)	Director	Thurusaviya Fund
Manoj	Thibbotuwawa (Dr)	Research Fellow	Institute of Policy Studies
U.P.I.G.	Uggaldeniya	Assistant Director	Planning, Ministry of Fisheries and Aquatic Resources Development
A W M Rifa	Wadood	Assistant Director	Ministry of Mahaweli Development and Environment
Rohitha	Waidyaratne	Manager, Development	Tea Small Holdings Development Authority
N.S.	Wanasinghe	Director of Planning	Ministry of Plantation Industries
A.R.	Wickramaratne	Director	National Planning Department
Tharangani	Wickramasinghe	Additional Secretary	Ministry of Plantation Industries
Mid-country			
T.A.D.W.	Dayananda	Divisional Secretary, Doluwa	Divisional Secretariat
L.	Nishantha	Management Assistant, Kotmale	Divisional Secretariat
R.P.K.S.A.	Chandrakumari	Assistant Manager	Regional Development Bank – Gampola
Robert	Harley (Jnr)	Chief Executive Officer	Kurunduwatta Estate, Gampola
Charles	Wigley (Jr)		
Frank	Jayasinghe	Former SPEnD Sub-Programme Manager	Mid-Country, Smallholder Tea and Rubber Revitalisation Project
Anuraj	Jeewantha	Animator, Kandy	Smallholder Tea and Rubber Revitalisation Project
JanakaKenath	Lindara	Director	Department of External Resources
M.A.K.	Munasinghe	Additional Director	Natural Resource Management Centre
R.A.G.P.	Ranasinghe	Regional Manager, Kandy	Tea Small Holdings Development Authority
Upul	Ranaweera	Assistant Director	Department of External Resources
Piyasiri	Ranaweera	Animator, Kandy	Smallholder Tea and Rubber Revitalisation Project
R.G.C.	Senarath	Director, Kandy District	

Name		Position	Organization
			Land Reform Authority
B.M.	Senarathna	Community Development Officer, Kandy District Office	Smallholder Tea and Rubber Revitalisation Project,
Nuwan	Wijesinghe	Animator, Kandy	Smallholder Tea and Rubber Revitalisation Project, Kandy District Office
Priyanka	Wijetunga	Business Development Officer, Kandy District Office	Smallholder Tea and Rubber Revitalisation Project
W.H.P.S.	Wijetunge	Regional Manager, Kegalle	Tea Small Holdings Development Authority
W.T.R.P.	Wimalaratne	Regional Manager, Nuwara Elia	Tea Small Holdings Development Authority
W.L.P.	Zoysa	Assistant Director, Planning, Kotmale	Divisional secretariat
Monaragala			
Nishantha	Gunaseela	Officer in charge	Rubber Research Institute, Sub-Station, Monaragala
D M Wimal	Bandara	Animator, Ampara	Smallholder Tea and Rubber Revitalisation Project
M.M.A.	Amarasiri	Manager	People’s Bank
Kapila	Bandara	Divisional Secretary	Madagama
Asanka	Dayarathne	Divisional Secretary	Badalkumbura
D M P R.	Dissanayake	Assistant Director	Rubber Development Department
D.M.R.C.	Dissanayake	Management Assistant	Rubber Development Department
M.J.W.	Gunawardana	Rubber Development Officer Monaragala	Rubber Development Department
H.M.	Herath		
J.M.S.S.	Jayasundara	Director Officer	Land Use Planning Office, Ministry of Lands and Land Development
V.G.D.	Nishantha	Field Officer, Kumbukkana Station	Rubber Research Institute
Madhusani	Rangani	Assistant Director of Planning, Baddalkumburra	Divisional Secretary
R.M.P.	Ratnayake	Land Use Planning Office	Ministry of Lands and Land Development
D.M.	Siriwardana (Dr)	Deputy Provincial Director	Department of Animal Production and Health
H.S. Upamalika	Wanasinghe	Assistant Director	Land Use Planning Office, Ministry of Lands and Land Development
W.M.Y. Asela	Wickramasinghe	Business Development Officer, Monaragala District	Smallholder Tea and Rubber Revitalisation Project

Name		Position	Organization
Sumedha	Wijayanga	Management Assistant, Monaragala	Thurusaviya Fund
Wrap-up meeting 28 March 2018			
M.C. Dilhan	De Silva	Senior Assistant Director	Regional Development Department, Central Bank of Sri Lanka
Janaka	Dharmakeerthi	Additional Secretary	Ministry of Plantation Industries
K.	Gundawardane	Director	Ministry of Lands
M.K.S.N.	Jayasekara	Director Officer	Department of Project Management and Monitoring
A.	Kavitha	Assistant Director	Department of External Resources
Ranjith	Mahindapala	Consultant	Independent Office of Evaluation of IFAD
R.B.	Premadasa	Director General	Rubber Development Department, Ministry of Plantation Industries
Dhammika	Ranatunga	Director, Development	Ministry of Plantation IndustriesMPI
J.A.	Ranjith	Secretary	Ministry of Plantation Industries
Devmith	Rohanna	Director, Development	Rubber Development Department
Dayan	Sanath	Assistant Director	Ministry of Plantation Industries
Kanchana	Silva (Dr)	Director	Thurusaviya Fund
N.S.	Wanasinghe	Director of Planning	Ministry of Plantation Industries
Tharangani	Wickremasinghe	Additional Secretary	Ministry of Plantation Industries
David	Young	Consultant	Independent Office of Evaluation of IFAD

Meetings and consultations with beneficiaries: mid-country

Date	Name	Comments
15 March (Thu)	Gemunu Enterprise Group Katugolla grama niladhari division, Kotmale divisional secretariat division DSD	4 males, 6 females at the meeting
	R.G. Chandradasa, beneficiary, Mahawila , Kotmale DSD	Tea smallholder
	N.K. Basnayake, beneficiary, Kotmale DSD	Matching Grant: Vegetable collector for Cargills
	N. Chandima, Kotmale DSD	Matching Grant: Tailoring and dress-making
	Didulana Enterprise Group, Harangala South GND, Kotmale DSD	2 males, 7 females at the meeting
	Thushara Wickramasinghe, beneficiary, Kotmale DSD	Matching Grant recipient

Date	Name	Comments
16 March (Fri)	Swanramali Enterprise Group, Panvilatenna GND, Doluwa DSD	1 male, 12 females at the meeting
	SriyaniPushpalatha, beneficiary, OrayanWatta GND, Doluwa DSD	Tea small holder
	InokaPriyadarshini, beneficiary, OrayanWatta GND, Doluwa DSD	Matching Grant for rice grinding machine – making snacks
	Chamara J. Bandara, beneficiary, Gonatuwala GND, Doluwa DSD	Matching Grant for carpentry shop
	Priyanthi Dhammika, beneficiary, Gonatuwala GND, Doluwa DSD	Matching Grant for Kandyan wedding dress making
	GaminiWimalasiri, beneficiary, Gonatuwala GND, Doluwa DSD	Matching Grant for dairy
	M.G. Premalatha, beneficiary, Doluwa DSD	Tea smallholder
	MrUpaliWasantha, beneficiary, Gonatuwala GND, Doluwa DSD	Matching Grant for concrete works
	K.W.G. Premathilake, beneficiary, Udagama GND, Gangaihala DSD	Matching Grant for goat husbandry
	SujeewaEkanayake, beneficiary, Udagama GND, Gangaihala DSD	Matching Grant for dairy cattle
	U.G. Yasapala, beneficiary, Thambiligala GND, Gangaihala DSD	Matching Grant for tea nursery
	Eksath Enterprise Group, Udagama GND, Gangaihala DSD	3 males, 13 females at meeting
	U.R.G. Samaranayake, beneficiary, Gangaihla DSD	Matching Grant, Anthurium grower
	Charles Wigley, Kurunduwatta Estate tea factory, loan beneficiary	Loan for colour separator
17 March (Sat)	ShiromiNadeeshaSeneviratne, beneficiary, Kumarapura GND, Aranayake DSD	Matching Grant: equipment for beauty parlour
	NimalJayatissa, beneficiary, Kumarapura GND, Aranayake DSD	Tea smallholder
	J. Podisingho, beneficiary, Kumarapura GND, Aranayake DSD	Tea smallholder
	K.G. Karunathilake, beneficiary, Kumarapura GND, Aranayake DSD	Matching Grant for goats and goat shed
	Savings Group of Arunalu Sahana Enterprise Group Kumarapura GND, Aranayake DSD	2 males, 10 females at meeting
	Chandra Edirisinghe, beneficiary, Lambutuwa GND), Aranayake DSD	Matching Grant for mushroom production
	Samantha Chandrakumara, beneficiary, Lambutuwa GND, Aranayake DSD	Matching Grant for rubber processing, rollers and smokehouse
	M.R. SarathEkanayake Bandara, beneficiary, Lambutuwa GND, Aranayake DSD	Matching Grant for dairy

Meetings and consultations with Beneficiaries: Monaragala

Date	Name	Comments
19 March (Mon)	D.M. Tilakaratne, Thambana GND, Medagama DSD	President, Janashakti VRDC and Manager of Karametiya Processing Centre III
	D.M. Chandrapala, Thambana GND, Medagama DSD	Manager of Pepaladeniya Processing Centre I
	K.W. Dhammika, Thambana GND, Medagama DSD	Manager of Pepaladeniya Processing Centre II
	ShanthaPerera, beneficiary, Thambana GND,	Matching Grant for concrete works; loan

Date	Name	Comments
	Medagama DSD	for hardware store
	Visit to four rubber holdings established with Project support (Thambana GND), Medagama DSD	Cocoa and pepper intercropping
20 March (Tue)	D. H. SamanKumara, beneficiary, Kumbukkana GND, Monaragala DSD	Matching Grant and loan for concrete works
	BambaragalayayaSwayanpalitha Milk Society, C.K. GeethaPriyanthi (Secretary) and J.K.A. Jayaweera (Committee Member), Monaragala DSD	Milk collecting centre
	R A Nandasena, beneficiary, Guruhela GND, Monaragala DSD	Rubber planting supported by SPEND and the Rubber Development Department: loan for provisions shop
	D.M. Sunil Bandara, beneficiary, Guruhela GND, Monaragala DSD	Rubber holding with cocoa and pepper intercropping
21 March (Wed)	H.L. Viola Ranjani, beneficiary, Yakurawa GND, Badalkumbura DSD	Loan to establish a Caltex dealership
	A.M. Sirisena, beneficiary Yakurawa GND, Badalkumbura DSD	Mushroom cultivation under expansion
	G.W.M. ChannaGunathilake, beneficiary, Madukotanarawa GND, Badalkumbura DSD	Rubber holding with cocoa interplanted
	Helathunsala group rubber processing centre (GRPC), A.M. Sumanasena (President), Badalkumbura DSD	Rubber Processing Centre Not doing well; thinking of closing down.
	K.M. Gnanawathie, beneficiary, Eththalamulla GND, Badalkumbura DSD	Matching grant for dress-making. Own rubber roller and smokehouse.
	D.M. Jayasena, beneficiary, Eththalamulla GND, Badalkumbura DSD	Rubber holder; dairy with the matching grant; well organised
	Waththeyaya GRPC, Badalkumbura DSD	Non-functional
	Sriya Samankumara, beneficiary Eththalamulla GND, Badalkumbura DSD	Matching grant for snack-making
	A.M. Dayawathie beneficiary, Yakurawa GND, Badalkumbura DSD	Own roller and smokehouse and others bring latex (roller use free of charge)
	Udagangoda GRPC, Yakurawa GND), Badalkumbura DSD. A.M. Chandrapala (President), Sanjeewa Priyanka (Assistant)	Well organised GRPC, needs a more efficient and a larger new roller
	Samayanpitiya village rubber development cluster (VRDC) and some members from Shakthi VRDC, Yakurawa GND, Badalkumbura DSD	9 males and 18 females attended meeting
	Pragathi Milk Processing Centre, Lunugala GND, Badalkumbura DSD	Issues with milk quality and payment from Milco
	Pragathi GRPC, Lunugala GND, Badalkumbura DSD	Functioning well
22 March (Thu)	Thambana Janashakithi VRDC, Thambana GND, Medagama DSD	9 males and 20 females attended meeting
	Ilukapathana GRPC, Bokagonna GND, Medagama DSD. R.M. Dissanayake and Ms R.B. Hemakanthi	Husband and wife running processing centre
	R.M. Dissanayake. Beneficiary, Bokagonna GND, Medagama DSD	Rubber smallholder with pepper intercropping
	H.M. Padmawathi, beneficiary, Bokagonna GND, Medagama DSD	Rubber smallholder with pepper intercropping
	H.M. Ariyapala, beneficiary, Bokagonna GND, Medagama DSD	Rubber smallholder with pepper intercropping
	Ilukpathana VRDC, Thambana GND, Medagama DSD	5 males and 12 females attended meeting

Date	Name	Comments
	A.M.M.C Siritunga, beneficiary, Kotagama GND, Medagama DSD	Matching grant for sewing machine; and bank loan for expanding tailoring business
23 March (Fri)	Siyambalagune Milk Producers Society, Siyambalagune GND, Wellawaya DSD. Ms W.D. Cecilin, manager of centre	Milk collecting Centre
	Kivulegama GRPC, Siyambalagune GND, Wellawaya DSD. Ms W.D. Cecilin, Secretary of VRDC	Group Rubber Processing Centre
	Induruyaya GRPC, Siyambalagune GND, Wellawaya DSD. Ms K.W. NayanaKumari, Manager	Group Rubber Processing Centre

Mission itinerary

Date	Activities
Sun 11 March	• Team meeting - Colombo
Mon 12 March	• Meeting with Rubber Development Department, MPI • Meeting with Tea Smallholder Development Authority • Meeting with Department of External Resources, Ministry of National Policies and Economic Affairs
Tue 13 March	• Meeting with Ministry of Provincial Councils and Local Government • Meeting with the Ministry of Plantation Industries and Central Bank of Sri Lanka • Meeting with the Ministry of Fisheries and Aquatic Resources Development
Wed 14 March	• Meeting convened by the Ministry of National Policies and Economic Affairs to introduce the CPSE • Travel by road to Kandy • Meeting with three Regional Managers of the Tea Small Holdings Development Authority
Thu 15 March	• Meeting with Land Reform Authority, Kandy • Meeting with Department of Export Agriculture Headquarters, Kandy • Meeting with Assistant Director of Planning, Kotmale divisional secretariat division, and three former SPENDP Animators • Meetings with SPEND beneficiaries: – Matching grant recipient - spice grinding – Matching grant project – vegetable collection centre – Matching grant recipient – tailoring business – Didulana enterprise group – Matching grant recipient – exercise books
Fri 16 March	• Meeting with Regional Development Bank, Gambola • Meetings with SPEND beneficiaries in Kandy District, Doluwra divisional secretariat division – Swarnamali Enterprise Group – Meetings with matching grant recipients: carpenter, dressmaker, dairy, tea replanting, sweets making, concrete products etc. • Meeting with Divisional Secretary, Doluwra • Meetings with beneficiaries in Doluwa divisional secretariat division – Goat and dairy cow owners – Tea replanters – Flower (Anthurium) nursery • Meeting with UdagamaEksath Enterprise Group • Visit to Cooroondoowatte tea factory to see equipment purchased under SPED financing
Sat 17 March	• Meetings with beneficiaries in Aranayake divisional secretariat division, Kegalle District – Beauty salon – Plantation road – Goat producer – Arunalu Sahana savings and credit group

Date	Activities
	– Mushroom enterprise – Dairy cow owner
Sun 18 March	• Evaluation team meetings
Mon 19 March	• Meeting with STAFF Kandy District Office • Meeting with Natural Resource Management Centre, Peradinya • Travel by road to Monaragala • Meetings in route with President, Thambana Janashakthi VRDC in Medagama divisional secretariat division including visits to three small-scale rubber processing units (Karametiya; Pepaladeniya I and Pepaladeniya II) and two rubber small holdings
Tue 20 March	• Meeting with Rubber Development Department Office, Monaragala • Meeting with the Department of Animal Production and Health district office, Monaragala • Meeting with Land Use Planning Office, Monaragala District Secretariat • Meetings with Peoples Bank and Regional Development Bank • Visit to milk collection centre, Suduwathuara Village • Meeting with STaRR project staff, Monaragala • Meetings with rubber planting and intercropping beneficiaries, Guruhela
Wed 21 March	• Meeting with DS Office Badalkumbura • Visits to SPEND beneficiaries: – Motor oil shop (Caltex Agent) – Mushroom grower – Two rubber planters with intercropping – Three GRPCs (Group Rubber Processing Centres) (Helathunsala, Udagangoda, Samayanpitiya) and one independent rubber processor – Seamstress – Dairy farmer – Two VRDCs engaged in rubber planting and processing – Pragathi Milk Producers' Society and milk collection centre (Lunugala GND)
Thu 22 March	• Meeting with the divisional secretariat division, Madagama • Meeting with Thambana Janashakti VRDC • Visit to Ilukapathana group rubber processing centre and rubber plantations • Meeting with Ilukapathana VRDC • Visit to matching grant beneficiary (tailoring business) • Meeting with Thurusaviya Fund officer, Monaragala
Fri 23 March	• Visit to milk collection centre, Siyambalagune (Wellawaya divisional secretariat division) • Visits to two GRPCs (Livulegama & Inguruyaya), Wellawaya • Return to Colombo
Sat 24 March	• Review of field notes and project documents
Sun 25 March	• Preparation of draft presentation for wrap-up meeting
Mon 26 March	• Finalisation of presentation for wrap-up meeting
Tue 27 March	• Meeting with Thurusaviya Fund • Meeting with CBSL
Wed 28 March	• Wrap-up meeting hosted by MPI

Comparison of SPEnDP objectives, components and sub-components in different documents

Appraisal report logframe (Implementation Edition)	**Appraisal report text**	**President's Report Logframe**	**President's Report Text**
August 2007	August 2007	December 2006	December 2006
Strategic goal: • The livelihoods of estate crop outgrower and smallholder households are improved on a sustainable basis	**Strategic goal:** • Improvement of the livelihoods and social conditions of smallholder estate crop producers on a sustainable basis	**Strategic goal:** • Livelihoods of 8,700 settler and smallholder households are improved	**Goal:** • Sustainable improvement of livelihoods and social conditions of smallholder estate crop producers
Development objectives: • Sustainable outgrower and smallholder system developed for estate workers and marginal smallholders	**Primary objectives:** • Sustainable out-grower systems with downstream processing enterprises developed by smallholders • Effective partnerships promoted and consolidated between the target group and the private and public sectors	**Purpose:** • Put in place sustainable outgrower and smallholder production systems for estate settlers and smallholders	**Key Objectives:** • Intended beneficiaries strengthen their capacity and skills, and build sustainable outgrower schemes with downstream processing enterprises • Smallholder tea and rubber growers improve their land tenure and develop profitable and sustainable outgrower farming systems • Producers obtain increased profits through improved post-harvest handling and marketing, as well as through mutually beneficial public-private partnerships • Rural financial services are developed and expanded
Outputs: • Estate workers and poorer smallholders (24,600) are strengthened to engage in and develop fair and equitable outgrower smallholder estate crop production mechanism • Sustainable estate crop land use systems are applied on 17,000 ha, which are based on the control over land resources by the out-growers and smallholders and on their conservation practices and crop/employment diversification • Strengthened outgrower and smallholder involvement in downstream processing, value addition and marketing • Out-growers and smallholders have greater savings and credit capacity and better access to appropriate financial institutions and their resources • Informed policy dialogue to ensure relevant reforms in the plantation industry and relating to land are favourable towards establishment and strengthening of outgrowers and smallholder systems	**Immediate Objectives:** The intended beneficiaries strengthen their institutional capacity to take advantage of the opportunities offered by the programme through grassroots group formation on the basis of economic activities Smallholder tea and rubber growers improve their land tenure and develop profitable and sustainable out-grower/ smallholder farming systems in accordance with the land suitability Producers obtain increased profits through improved post-harvest handling, storage, processing and marketing of their products Rural finance and credit services developed and expanded to finance investments by beneficiaries in agricultural and income generating activities In all activities, women participate effectively and use Programme resources to improve their living conditions while simultaneously reducing their *time poverty*.	**Outputs (Components):** • Community development and institutions building • Improved land use and outgrower models adopted on 6,800 ha • Processing, value addition and marketing of commodities produced by outgrowers • Rural financial services and credit facilities for outgrowers and factory owners • Policy dialogue on estate sector reforms	

Financing Agreement	Revised logframe MTR	Revised logframe PCR
May 2007	May 2014	April 2017
Goal: • The improvement of livelihoods and social conditions of smallholder estate crop producers on a sustainable basis	**Strategic Goal:** • The livelihoods and social conditions of out growers and smallholder households are improved in a sustainable basis	**Strategic Goal:** • As for MTR
Purposes: • Enable smallholders develop sustainable out-grower systems with nucleus estates and downstream processing enterprises • Promote and consolidate effective partnerships between the relevant Target Group and the private and public sectors	**Development Objectives:** • Sustainable smallholder entrepreneur system developed leading to economic and social development	**Development Objectives:** • As for MTR
Objectives: • Strengthen the beneficiaries’ institutional capacity and negotiations skills • Improve the land tenure status of smallholder tea and rubber growers • Increase producers’ profits through improved post-harvest handling, storage, processing and marketing of their products • Develop and expand rural finance and credit services • Ensure that women improve their living conditions and reduce their time poverty	**Component Outcomes:** • Smallholders are strengthened to engage in and develop equitable smallholder production mechanism • Smallholders are facilitated for social infrastructure development • Smallholders are able to develop sustainable land use systems in 8,000 ha • Smallholders land tenure status secured • Smallholder are able to involve in processing, value addition, marketing and IGAs • Smallholders are able to use loan funds for establishing sustainable income generation activities • Improve credit worthiness and better access to appropriate financial institutions and their resources	**Component Outcomes:** • As for MTR

Components, sub-components and outputs

Appraisal Report, Implementation Edition (August 2007) – planned activities

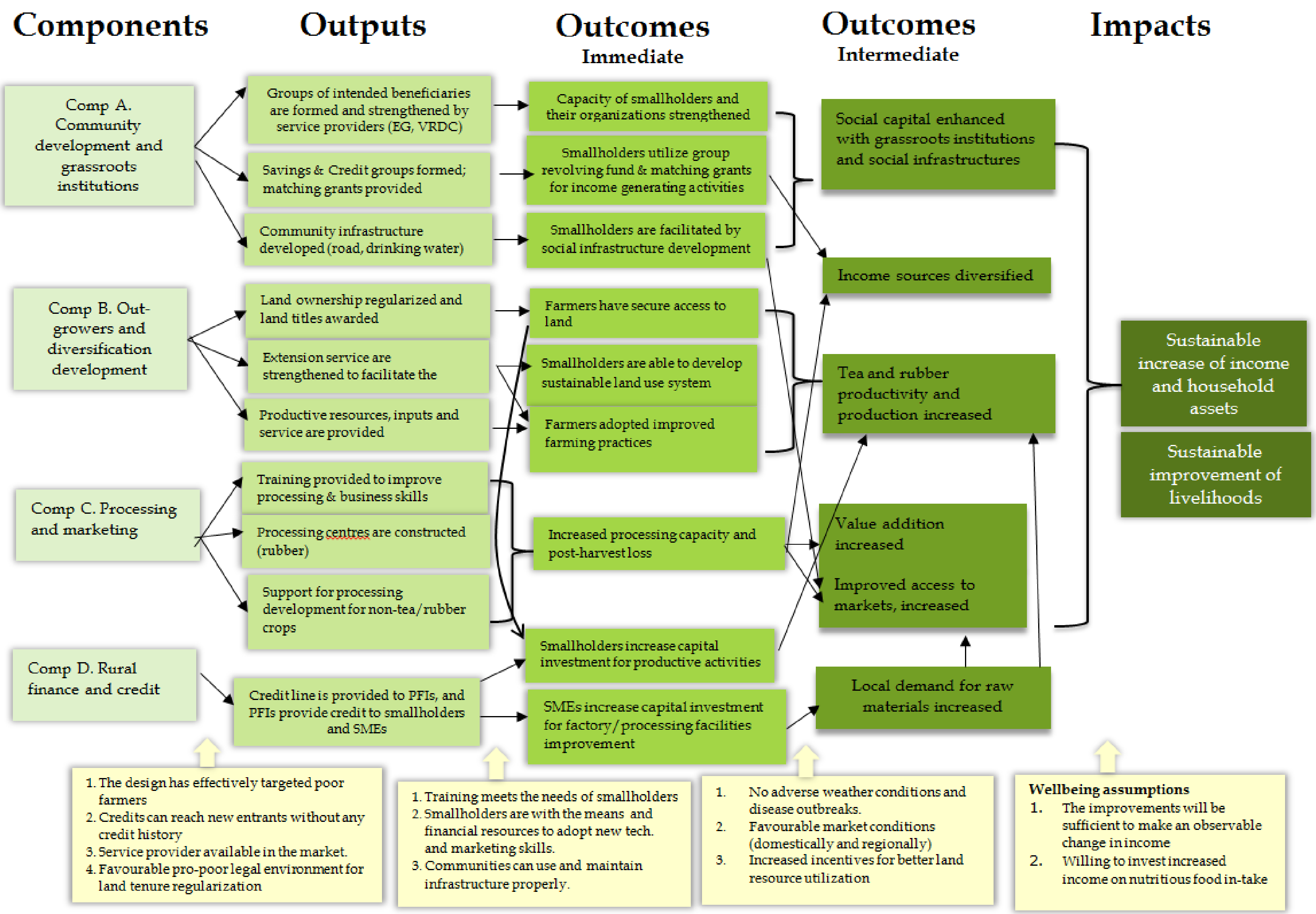
Mid-Country Tea Outgrowers Development Sub-Programme	Monaragala Rubber Smallholders Sub-Programme
Community Development and Grassroots Institutions	**Community Development and Grassroots Institutions**
Group formation Farm support Credit and savings Group capitalisation Associations and federations Social development Community infrastructure Institutional support	Group formation Farm support Credit and savings Group capitalisation Associations and federations Social development Corporate social responsibility fund Institutional support
Outgrowers and Diversification Development	**Smallholder Development**
Land use planning Land regularisation Agricultural Development (tea replanting/infilling/intercropping/agro-forestry) Technical training Extension support	Land allocation and ownership Development of infrastructure (tracks, roads, water and power supply) Developing integrated rubber farms (land preparation, planting materials, inputs supplies, extension services) Farm intensification and diversification (intercropping, non-farm activities, micro-business, entrepreneurship)
Processing and Marketing	**Processing and Marketing**
Training in value addition and post-harvest processing Providing marketing information and initiating market linkages Market intelligence and promotion centres Market linkages Fair trade and organic farming Non-tea crops Central processing units Refurbishing potentially viable tea factories Village access roads	Latex collection, processing and marketing (latex collection, group processing centres, central processing, marketing)
Rural Financing and Credit	**Rural Financing and Credit**
Loans for associations and federation for production, income generation and post-harvest activities Credit linking Credit for factory improvement	Credit lines Loans for associations and federations for production, income generation and post-harvest activities Credit linking Credit line for processing factories
Sub-Programme Management	**Sub-Programme Management**
Programme Coordination, Monitoring and Evaluation	
Programme Coordination Unit Mid-Country and Monaragala PMUs Support for policy formulation and dialogue	Planning, monitoring and evaluation Baseline survey and programme reviews

Mid-term review (2014) and project completion report (2017): components and activities

Mid-Term Review (May 2014)	Project Completion Report (April 2017)
Component 1: Community Development and Grassroots Institutions (Mid-Country and Monaragala) • Output 1.1: Community mobilised and grassroots level EGs/VRDCs operate successfully • Output 1.2: Savings and credit schemes introduced and implemented • Output 1.3: Societies/Associations/Federations converted to companies • Output 1.4: Homogenous production groups are formed by EGs/ S&CGs/VRDCs • Output 1.5: Social harmony established in community • Output 1.6: Target village infrastructure developed • Output 1.7: Community groups made aware of community credit scheme	**Component 1: Community Development and Grassroots Institutions (Mid-country)** • Output 1: Formation of Enterprise Groups • Output 2: Formation of Savings and Credit Groups, Savings and Lending • Output 3: Utilisation of Matching Grants for Income Generation • Output 4: Participatory Community Infrastructure Development **Component 1: Community Development and Grassroots Institutions (Monaragala)** • Output 1: Formation of Village Rubber Development Clusters • Output 2: Formation of Savings and Lending Groups • Output 3: Utilisation of Matching Grants for Income Generation • Output 4: Participatory Community Infrastructure Development
Component 2: Crop Diversification and Development (Mid-Country and Monaragala) • Output 2.1: Crop models and farm plans developed and utilised • Output 2.2: Farm inputs are available at farmer level • Output 2.3: Extension services are strengthened to facilitate the agricultural Programme • Output 2.4: Smallholders land ownership regularised in the Programme area (Mid-Country) and land user rights are established to facilitate cultivation (Monaragala)	**Component 2: Out-Grower and Diversification Development (Mid-country)** • Output 5: Land Use Planning • Output 6: Regularisation of Land Tenure • Output 7: Agricultural Development Tea replanting Tea infilling Intercropping tea lands with spice crops, fruit crops and coconut **Component 2: Out-Grower and Diversification Development (Monaragala)** • Output 5: Land Use Planning • Output 6: Regularisation of Land Tenure • Output 7: Agricultural Development Rubber replanting Rubber rehabilitation with infilling Intercropping rubber lands
Component 3: Processing and Marketing (Mid-Country and Monaragala) • Output 3.1: Potential value addition systems established • Output 3.2: Favourable market linkages established • Output 3.3: Market related services are provided (Monaragala)	**Component 3: Processing and Marketing (Mid-Country and Monaragala)** • Outputs not specified

Mid-Term Review (May 2014)	Project Completion Report (April 2017)
• Output 3.4: Potential business groups and beneficiaries identified and strengthened	
Component 4: Rural Financing and Credit (Mid-Country and Monaragala) • Output 4.1: Loan proposals formulated and achieved • Output 4.2: PFI/beneficiaries aware and willing to implement loan schemes • Output 4.3: Loan monitoring scheme established and implemented	**Component 4: Rural Financing and Credit (Mid-Country and Monaragala)** • Outputs not specified
Component 5: Programme Management • Output 5.1: Required staff recruited and employed • Output 5.2: Necessary facilities procured and operational • Output 5.3: Internal and external linkages established and operational • Output 5.4: Programme staff's knowledge and skills updated • Output 5.5: Operational and financial guidelines prepared and institutionalised • Output 5.6: AWPB and procurement plan prepared and activated • Output 5.7: Monitoring and evaluation system established and operational	**Component 5: Programme Management** • Outputs not specified

SPEnDP reconstructed theory of change



Complementary data: programme financing and outputs

Table IX-a
IFAD loan reallocation in 2014 after MTR and actual disbursement by loan category (SDR'000)

	Expenditure Category	*Original*	*Reallocation*	*% change*	*Disbursed*	*% disbursed (against revised amount)*
I	Civil work	1 650 000	1 780 000	+8%	2 139 979	120.2%
II	Vehicles	141 000	120 000	-15%	133 515 2	111.3%
III	Equipment and goods	106 000	340 000	+221%	155 191 1	45.6%
IV	Training and workshops	873 000	550 000	-37%	586 315 5	106.6%
V	TA and studies	224 000	200 000	-11%	136 999 9	68.5%
VI	Service provider contract	135 000	600 000	+344%	483 944 8	80.7%
VII	Agricultural inputs	230 000	2 500 000	+987%	2 507 334	100.3%
VIII	Subsidies and matching grants	7 421 000	5 600 000	-25%	4 153 248	74.2%
IX	Credit	1 750 000	2 600 000	+49%	2 521 182	97.0%
X	Salaries and allowances	880 000	700 000	-20%	83 9046 5	119.9%
XI	Operation and maintenance	340 000	260 000	-24%	230 610 8	88.7%
	Unallocated	1 500 000			-	
	Unjustified amount				22 023 55	
	Total	15 250 000	15 250 000	-	13 909 389 79	91.2%

Table IX-b
Achievement of physical targets: mid-country

Component	*Indicator*		*Target*	*Actual*	*%*
Community development and grassroots institutions	No of community groups formed		252	243	96
	No of people in community groups:	Male		5 330	
		Female		3 175	
		Total	9 000	8 555	95
	No of matching grants disbursed		994	603	60
Outgrower and diversification development	Tea replanted with vegetatively propagated tea (ha)		250	250	100
	Land under improved management practices (ha)		1 999	1 759	88
	Extent of tea intercropped with other crops (ha)		950	752	79
	Extent of fruit and vegetables cultivated (ha)		361	257	71
	No of land plots surveyed for regularisation		1 500	3 100	206
	No of land ownership deeds prepared		4 175	303	7
Processing and marketing	Roads constructed/rehabilitated (km)		100	43	43
	People trained in post-production processing and marketing:	Male	191	278	146
		Female	394	343	87
		Total	585	621	106
	No of marketing groups formed and/or strengthened		25	20	80
Rural financing and credit	Savings and credit groups registered		500	237	47
	No of participating financial institutions		10	7	70

Source: PCR Appendix 8A; except for the data on the area replanted with tea (250 ha in the PCR main text indicated above, instead of 220 ha in annex 8A).

Table IX-c
Achievement of physical targets: Monaragala

	Component/Activity		*Target*	*Actual*	*%*
Community development and grassroots institutions	No of community groups formed		164	164	100
	No of people in community groups	Male		7 064	
		Female		2 450	
		Total	10 000	9 514	95
	No of people trained in community management topics		1 000	1 127	113
Outgrower and diversification development	No of people trained in income-generating activities		1 200	2 010	167
	No of farmers practicing improved crop models		10 000	9 514	95
	Land under rubber plantations (ha)		5 000	5 087	102
	No of people trained in crop production practices and technologies		10 000	8 766	88
Processing and marketing	Market, storage, processing facilities constructed/rehabilitated		51	37	73
	Potential beneficiaries trained		2 000	2 113	106
Rural financing and credit	No of proposals accepted by participating financial institutions		2 500	2 757	110
	No of borrowers		2 400	2 157	90
	Total amount of loan disbursed (LKR millions)		299	279	93

Source: PCR Appendix 8B.

Summary note on phone survey on matching grant recipients

Selected data collected by the PPE team

Telephone survey of matching grant recipients

Introduction

1. During the PPE mission it was decided to undertake a telephone survey of recipients of matching grants to assess the current status of the Income Generating Activities (IGAs) supported by grants. The survey was conducted using a structured, pre-tested questionnaire (Attachment 1) by two research assistants under close supervision of the national consultant in the PPE team (Ranjith Mahindapala) during May 2018.

2. In the Mid-Country, a total of 794 matching grants were awarded. From this, 70 beneficiaries in different enterprise categories were randomly selected. A letter was sent to them explaining the survey, and that they would be contacted by telephone to seek information on the performance of IGAs supported by the grants.

3. However, from the initial sample, only 42 beneficiaries could be contacted on telephone. The rest could not be contacted due either to the fact that they had moved away (evidenced by the letters which were returned undelivered) or their telephone numbers were no longer functioning. Replacements (from the same enterprise category[1]) were identified, again randomly, from the same list, and were informed by telephone about the intended survey. It was not possible to obtain a complete list of matching grant recipients from Monaragala, so the survey was confined limited number (14) or beneficiaries who could be identified.

4. Attachment 2 provides a list of the enterprise categories for grant recipients in mid-country. Attachment 3 shows the number of beneficiaries selected by enterprise category in both mid-country and Monaragala.

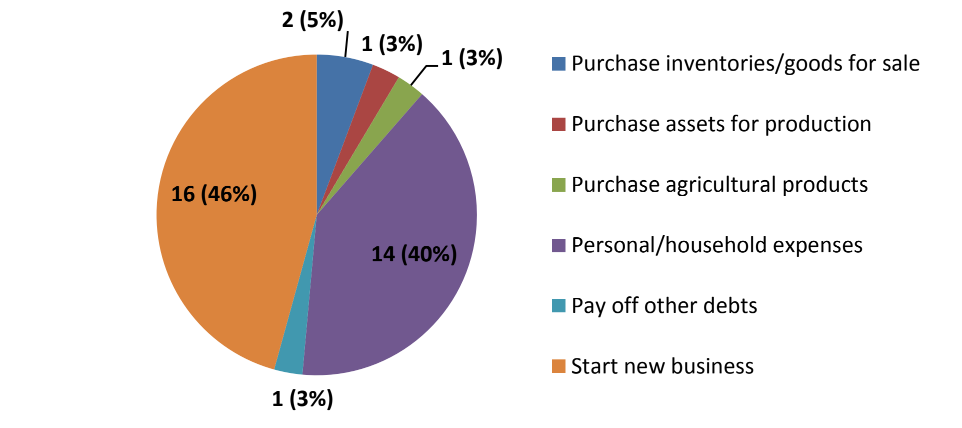
Information on Respondents: Mid-Country

5. All 70 respondents from the mid-country have bank accounts with one person's account opened in 1970. Fifteen have opened accounts in 1990s; 28 opened their accounts between 2000 and 2010; and 24 in this decade. Considering a bank account as an indicator of some form of wealth, it is reasonable to conclude that all have some form of financial security. However 29 respondents were not prepared to seek any other financial resources due to a variety of reasons.

6. Of the 70 respondents, 35 had taken bank loans for various purposes (Figure 1). The loans were largely for starting new businesses (46 per cent) and for personal/household expenses (40 per cent).

[1] Two of the originally chosen enterprise categories were replaced with other categories as there were only one or two beneficiaries who could not be contacted.

Figure 1
Purpose of bank loans taken by the respondents (35 out of 70)



7. Sixty-nine respondents knew about the matching grants scheme from enterprise groups and savings & credit groups. They all became members of one of the groups. One person got information on matching grants from officials of the Tea Small Holdings Development Authority. Fifty-five respondents received grants between LKR 40,000 to LKR 50,000 whereas the others got less, depending on the purpose for which they sought grants.

8. Forty-four respondents claimed that they knew the criteria for selecting beneficiaries for grants. In their perception, two criteria stand out: matching grants are for expanding existing businesses, or in a few cases it was for upgrading machinery (and thereby improving businesses).

9. As counterpart contributions, 57 respondents invested cash (30 respondents provided up to LKR 25,000; 10 respondents between LKR 25,000 and LKR 100,000; 11 respondents from LKR 100,000 and LKR 200,000; and five above LKR 200,000. One respondent invested LKR 800,000).Some respondents provided materials/machinery as counterpart contributions; these included land and buildings, and sewing machines.

10. Sixty-four respondents had business plans as a pre-requisite for Matching Grants.

11. Only two grant recipients used the money to start-up business; all others used the funds to expand existing businesses. Of the respondents, 17 confirmed that they would have anyway expanded the business if the matching grants were not available. Forty-seven respondents also stated that they would have proceeded to expand the businesses but at a lower scale. Only six respondents stated that they would not have been able to do business if no matching grants were available.

12. Thirty-five respondents had access to other financial resources – largely bank loans (23) and personal savings (5).

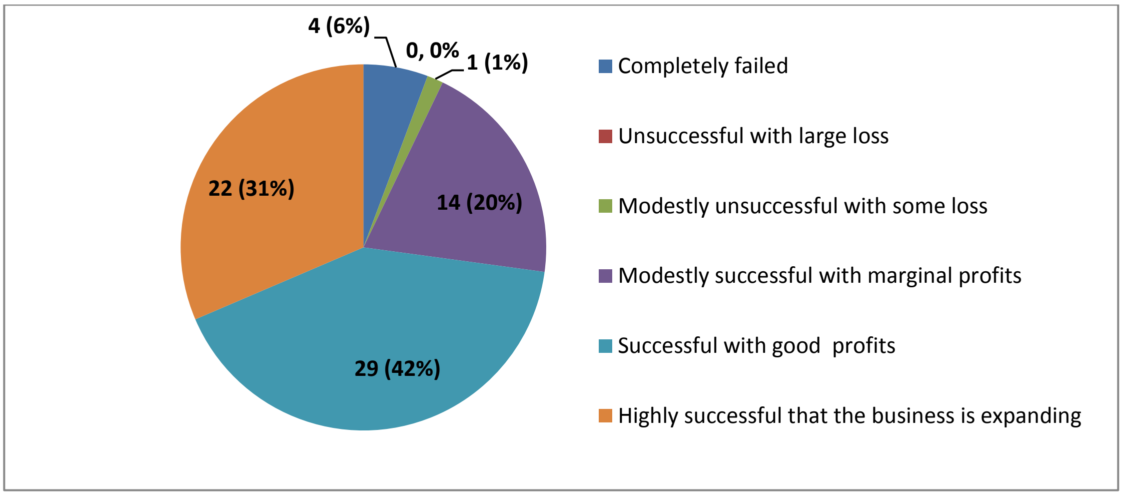
13. Some of the reasons for needing the Matching Grants are as follows:

    - Another bank loan may have been difficult as the respondent was already servicing a bank loan.
    - With household expenses and children’s educational expenses, personal investment for a business would have been difficult.
    - The financial circumstances were such that the respondents did not feel that they had the capacity to pay back loans, even on instalment basis.
    - Lack of co-lateral for a bank loan.

Performance of Enterprises Funded by Matching Grants: Mid-country

14. The success of otherwise of the IGAs was assessed (Figure 2).

Figure 2
Performance of Enterprises funded by Matching Grants



15. The analyses indicate that 31 per cent of the respondents rated their enterprises as "highly successful that the business is expanding". Some of the main reasons for success are set out below:

- The trainings and awareness creation imparted under the Project were very useful and helped in directing their businesses in the correct path.
- They were able to have a business without incurring the stigma being a debtor (in rural societies, debtors are not favourably looked upon).
- Without the matching grant, the respondents would not have been able to buy machinery of high quality.
- Access to new equipment and training on how to use it helped in increasing income. The Respondents would not have been able to buy all the equipment at the same time if there was no grant. Having a full set of tools has made their work more efficient and of better quality.
- Respondents own dedication to work.
- In many instances, the quality of the IGAs has been improved as a result of matching grant assistance.

16. Forty-two (42) per cent of the respondents classified success as "successful with good profits". The success depended on providing new machinery and improved quality of the products. The training provided the ability to use new techniques and was considered helpful. The success would have been even better if not for limited business potential and competition, which were not envisaged before launching the enterprises.

17. Four enterprises from matching grants were classified as "completely failed". The reasons are:

- Limited success with ornamental grass and other plant species owing to too much sunlight and unfavourable conditions making the business a failure.
- Two respondents had relied on their sons to look after the enterprise but they either got employment and left home or were not available; there was no one to look after the business.

- In one instance, the cost of production was too high to make a reasonable profit.

Information on Respondents: Monaragala

18. All respondents have bank accounts, the earliest being opened in 1982. All respondents have taken bank loans; seven for purchasing assets; three for housing; three for expanding existing businesses, and one for starting a new business.

Performance of Enterprises Funded by Matching Grants: Monaragala

19. All respondents claimed that they were aware of criteria for selection for matching grants. These included: assistance to start self-employment, and being a member of the rubber society. They all received LKR 50,000 except one who got LKR 48,000. Out of the 14 respondent, 12 received Matching Grants to expand an existing business. The other two used Matching Grants to start up business.

20. Thirteen out of 14 respondents also used their own cash resources to supplement matching grants. The amount invested ranged from LKR 2,500 to LKR 1.3 million. The respondents who invested larger sums of money took bank loans for that purpose.

21. Regardless of the matching grants, four respondents indicated that they would have anyway proceeded with expansion of their businesses; six would have expanded the businesses but at a lower scale. Only four respondents indicated that they would not have been able to do the business if a matching grant was not available.

Highlights: Monaragala

22. One person rated performance as "unsuccessful with a large loss". In this instance, the matching grant had been to purchase a spice grinding mill. His daily income has been about LKR 200–300, which he thinks is hardly sufficient given the increasing electricity bill. About six months ago the electric motor burnt out; he needs LKR 25,000 to replace the motor, and is not sure whether it is worth the while to invest.

23. Six respondents out of 14 rated performance as highly successful, whilst five rated successful. Although the respondents were largely reluctant to indicate their actual income increments, the following reasons given indicate improved income generation and state of the business:
    - In food processing, provision of essential infrastructure (water tank, gas cooker) significantly eased the burden on the respondent, and made the process efficient.
    - Introduction of bee-keeping was rated highly successful not because of income but because there was minimum labour need.
    - The grant enabled them to expand businesses; in livestock, the respondents would not have been able to buy livestock without the grant.
    - In one case involving livestock, the respondent received the grant when he already had three milking cows. The grant provided one more, and today he has 25 cattle. He has invested over LKR 1 million. The grant would have made little difference, as the respondent had in any case decided to expand the business and was able to raise over LKR 1 million on his own.
    - In a noteworthy submission, a respondent attributed success to the training provided by the Programme.

24. Analysis of Monaragala information perhaps does not reflect the real situation as the sample was small and respondents were not randomly selected.

General conclusions

25. **Sustainability.** Overall, IGAs funded by matching grants had a positive impact on increasing household income of the recipients. A noteworthy feature is the profitability and hence the sustainability of these initiatives. Taken as a whole, only five IGAs out of 84 assessed in the mid-country and Monaragala failed, but the others are continuing, and in many cases expanding. This demonstrates that supporting the expansion of existing SMEs is much less risky than start-ups where the failure rates are normally quite high. However, as shown in the following para, this has implications for targeting.

26. **Beneficiary selection.** The success of IGAs appears to be largely due to the selection of beneficiaries who were already engaged in an IGA. Matching grants provided an impetus to expand and improve the IGAs. Thus success can be attributed to the selection of this particular group of beneficiaries – whether the Programme envisaged assisting this group or a poorer group needs to be examined from the perspectives of the original Programme design. It is also to be acknowledged that expansion of a business carries a lesser risk and a higher probability of success than a new business.

27. **Additionality.** In a number of cases it is questionable whether some or all of the investments supported by matching grants were additional to what would have occurred without the grants.

Attachment 1: List of Questions Used in Telephone Survey

Information on the Respondent

1. Name, address and telephone number
2. Name and gender of person who received the grant
3. No. in the family
4. Main income source
5. Do you or any other member in the family have a bank account? If so from when?
6. Have you taken a bank loan before this Project? If so for what purpose?

Information About the Matching Grant

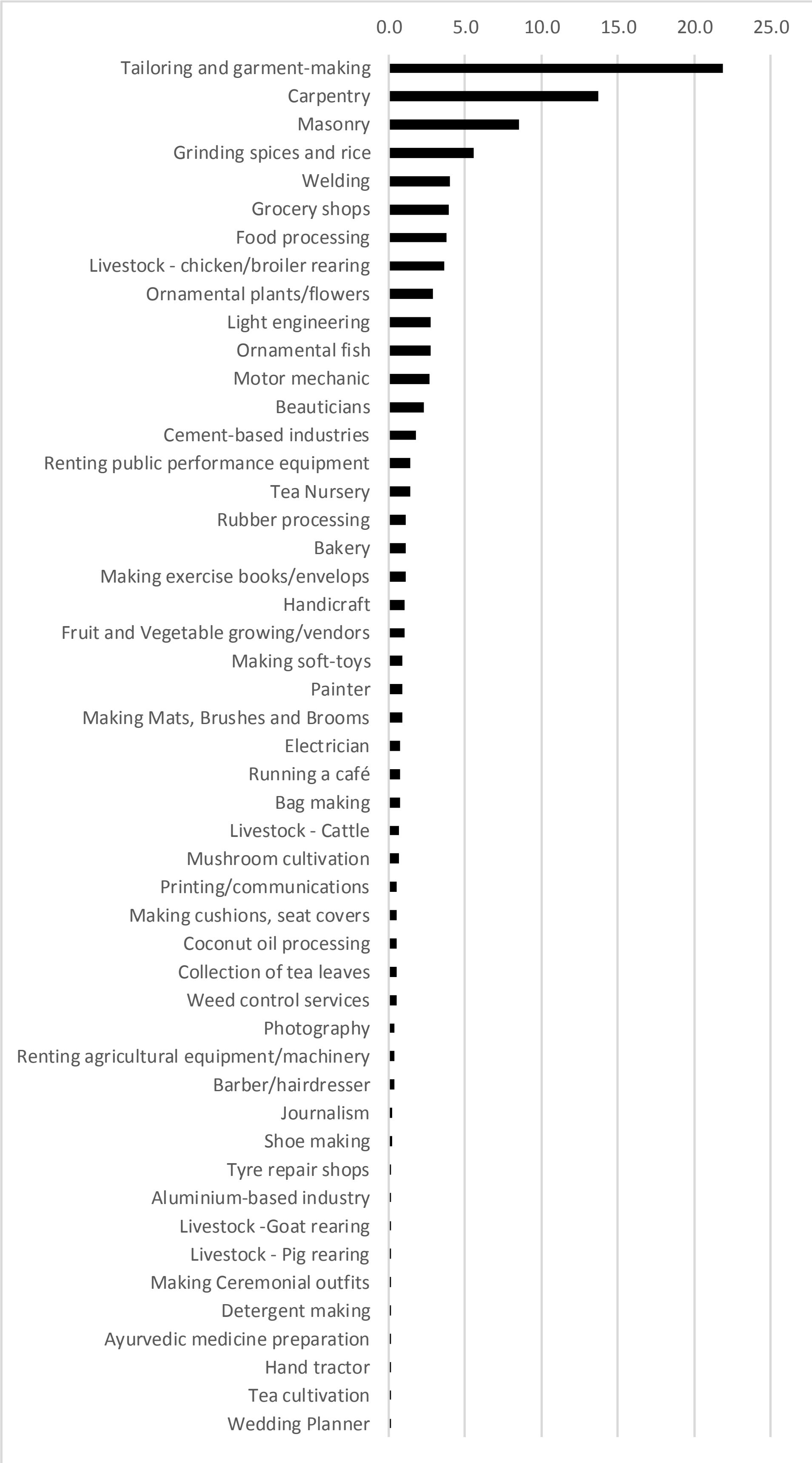
1. Did you or a member of your family receive a matching grant from SPEnDP to help finance an income-generating activity? (cash/assets/material)
2. How did they reach out to you?
3. If so, how much did you receive and when?
4. Did you know the selection criteria for receiving the grant?
5. Did you prepare a business plan?
6. What was your own contribution to the cost of the project? (money and other)
7. What was the nature of the business?
8. Was this a new business or expansion of an existing business?
9. Would you have undertaken this activity if you had not received the grant?

   1 = Yes, I would have done the same activity
   2 = Yes, but at a smaller scale
   3 = No
10. If you did not receive this grant, will you have been able to get other financial resources (e.g. loan from a bank)?
11. Was the project successful/un-successful (rank 1-6)?

    1- completely failed
    2- unsuccessful with large loss
    3- modestly unsuccessful with some loss
    4- modestly successful with marginal profits
    5- successful with good profits
    6- highly successful that the business is expanding
12. What caused the success/loss?
13. Current status of the business
    - Is the business still operating?
    - Has your business expanded from the time you received the matching grant, about the same or shrunk?
14. Do you employ others in the business? If so how many? Temp/Permanent
15. Impact on household income(rank 1-6)

    1-extremely negative
    2-negative
    3-negligible
    4-modest
    5-substantial
    6-extremely high
16. Did you receive any other assistance from the Project? (e.g. tea or intercrop planting)

Attachment 2: per cent of Grant Recipients in Mid-Country by enterprise type



Attachment 3: Number of survey respondents selected

Enterprise	*Mid-Country*			*Monaragala*		
	M	F	Total	M	F	Total
Tailoring and garment-making		20	20		1	1
Masonry	7		7			0
Carpentry	7		7			0
Beauticians		3	3			0
Ornamental fish/birds		3	3			0
Tea Nursery		3	3			0
Food processing	3		3		1	1
Welding		3	3			0
Ornamental plants/flowers	2		2			0
Livestock - chicken/broiler rearing	2		2			0
Light engineering/Hardware	2		2	1		1
Grinding spices and rice		2	2	1		1
Fruit and Vegetable growing/vendors	1	1	2			0
Grocery shops	1	1	2			0
Livestock	1	1	2	3	1	4
Renting agricultural equipment/ machinery		1	1			0
Bakery		1	1			0
Electrician		1	1			0
Making exercise books/envelops		1	1			0
Barber	1		1			0
Making bags		1	1			0
Running a café		1	1			0
Cement-based items				2		2
Mushroom cultivation				1		1
Carpet-making				1		1
Mobile sales unit					1	1
Bee-keeping				1		1
Total	27	43	70	10	4	14

Satellite image in Monaragala: rubber plantations[108]

<table>
<tr><td>Before SPEnDP</td><td>After SPEnDP</td></tr>
<tr><td>HH1 (2009)</td><td>HH1 (2018)</td></tr>
<tr><td></td><td></td></tr>
<tr><td>HH2 (2009)</td><td>HH2 (2018)</td></tr>
<tr><td></td><td></td></tr>
<tr><td></td><td></td></tr>
<tr><td>HH3 (2013)</td><td>HH3 (2018)</td></tr>
</table>

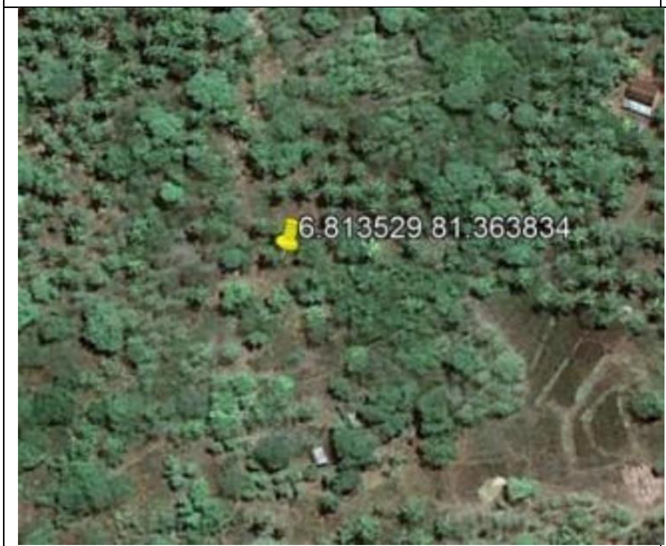
[108] The geo-reference coordinates were taken by visiting the areas.

HH4 (2012)

HH4 (2018)

HH5 (2011)

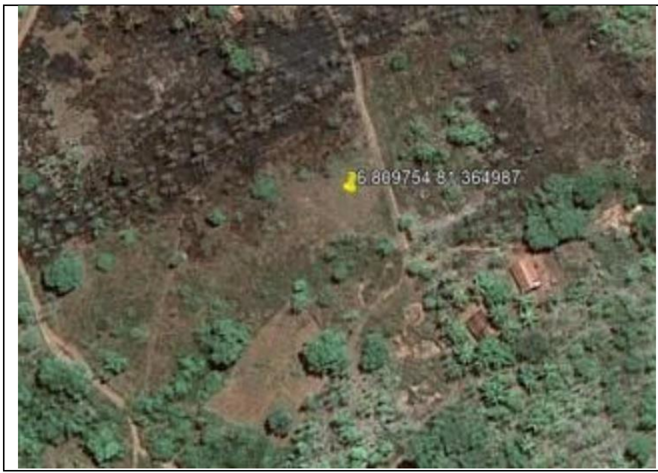
HH5 (2018)



HH6 (2009)

HH6 (2018)

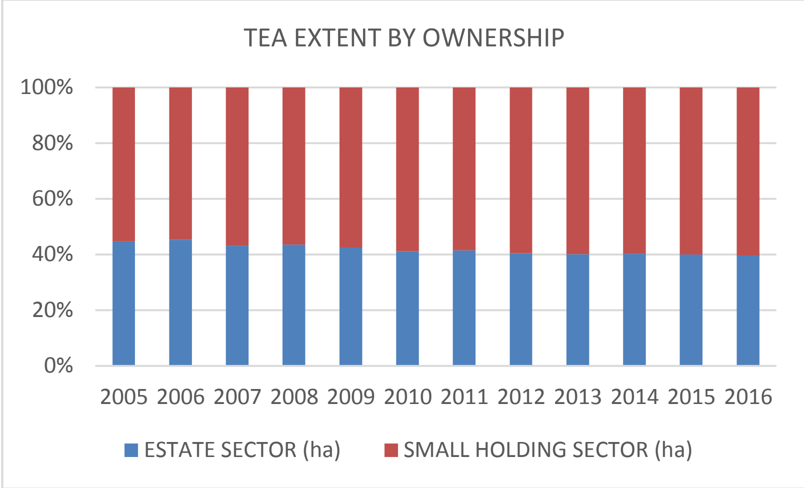
Annex XI



Key statistical data on tea and rubber

Tea extent by ownership

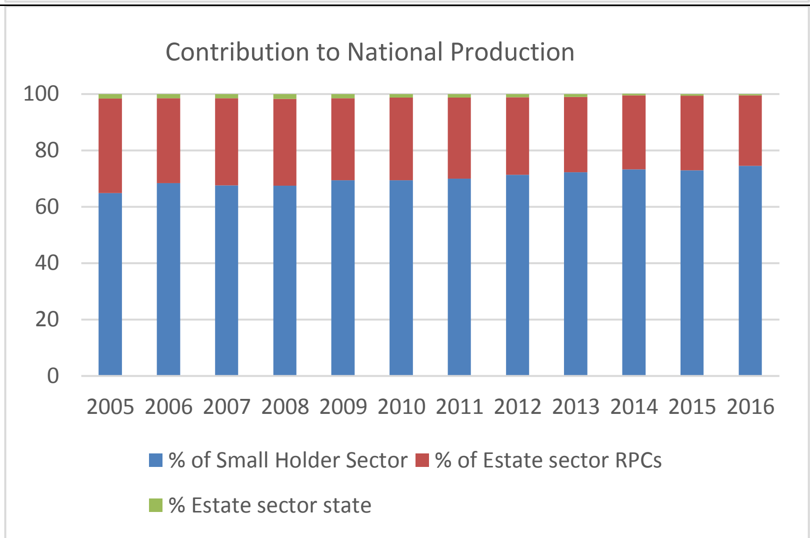
Source: Tea Small Holdings Development Authority, Regional Plantation Companies (RPCs), State Plantations



Made tea production by Sector (Mn kg)

Source: Sri Lanka Tea Board

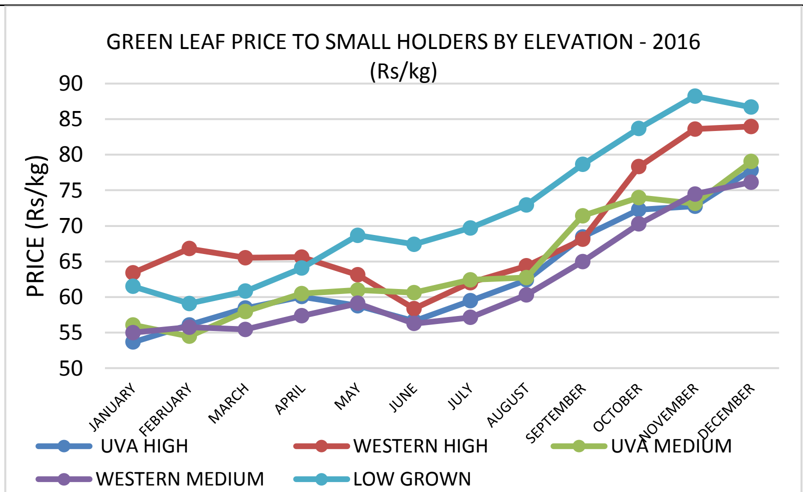
The highest percentage of made tea is produced by the small holder sector



Green Leaf Price to Small Holders by Elevation - 2016 (Rs/kg)

Source: Sri Lanka Tea Board

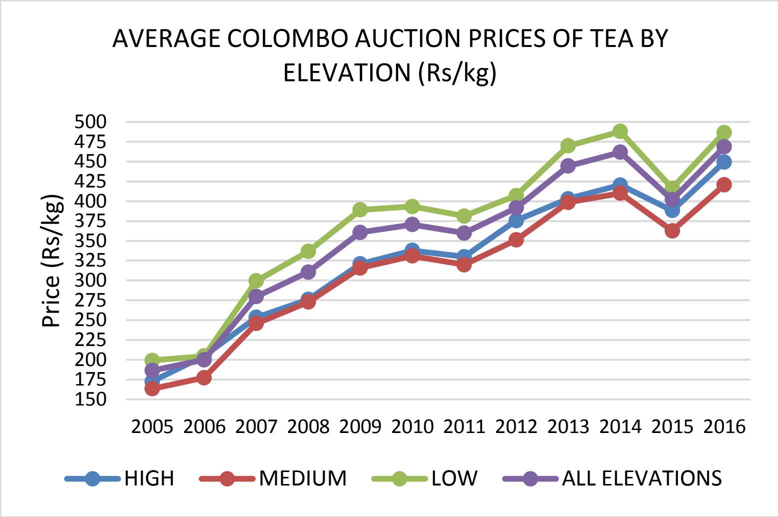
The price in 2016 shows an increment throughout the year



Average Colombo auction prices of tea by elevation (Rs/kg)

Source: Sri Lanka Tea Board

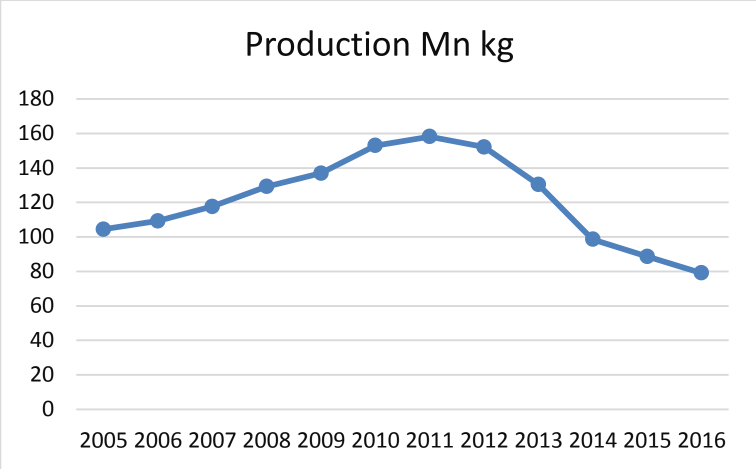
The Tea price in the world market is increasing



Rubber Production

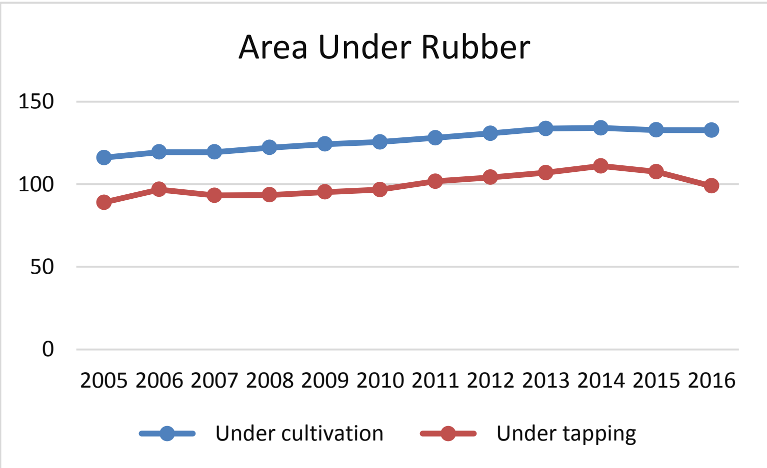
Source : [*http://www.rrisl.lk/statistics_e.php*](http://www.rrisl.lk/statistics_e.php)

Rubber production in the country has increased until 2011 and has drastically decreased afterwards.



Area Under Rubber cultivation

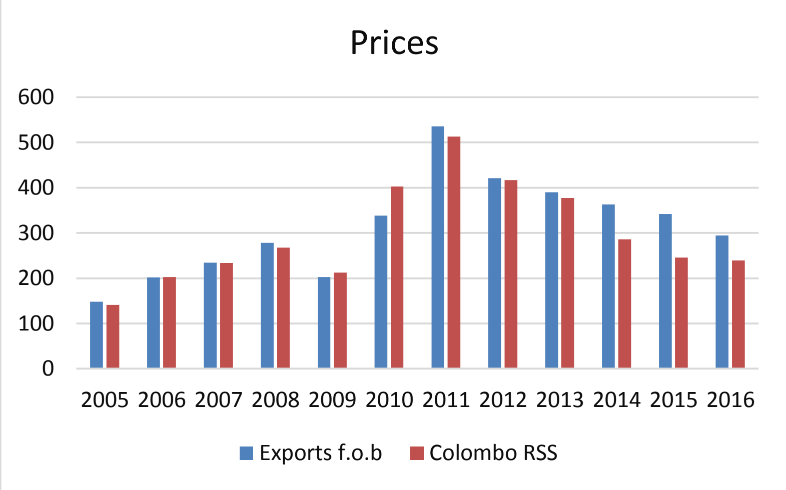
Source : [*http://www.rrisl.lk/statistics_e.php*](http://www.rrisl.lk/statistics_e.php)



Rubber Export Prices

Source : [*http://www.rrisl.lk/statistics_e.php*](http://www.rrisl.lk/statistics_e.php)

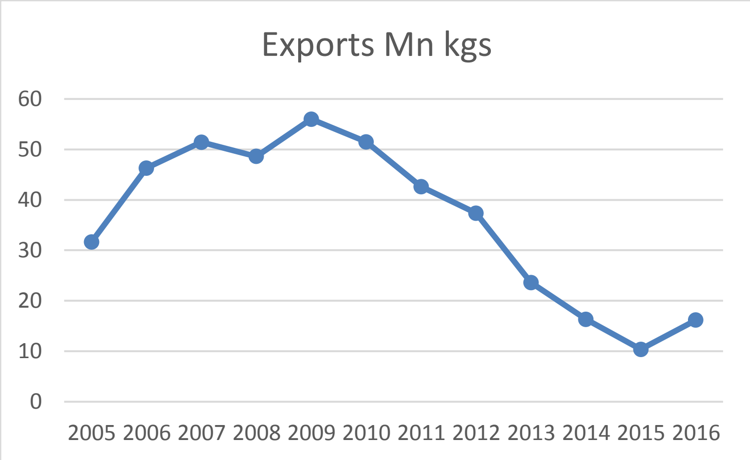
The export prices of the Rubber products are declining



Rubber Exports

Source : [*http://www.rrisl.lk/statistics_e.php*](http://www.rrisl.lk/statistics_e.php)

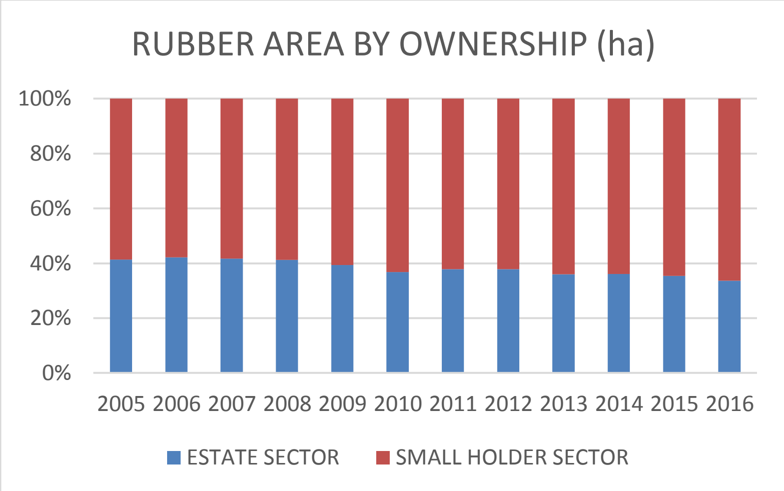
The rubber exports dropped between 2009 and 2015 and in 2016 the exports have slightly increased.

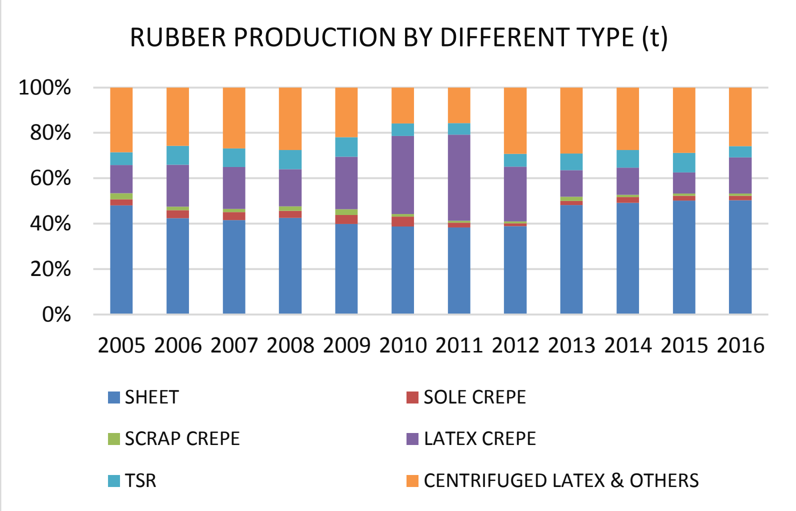
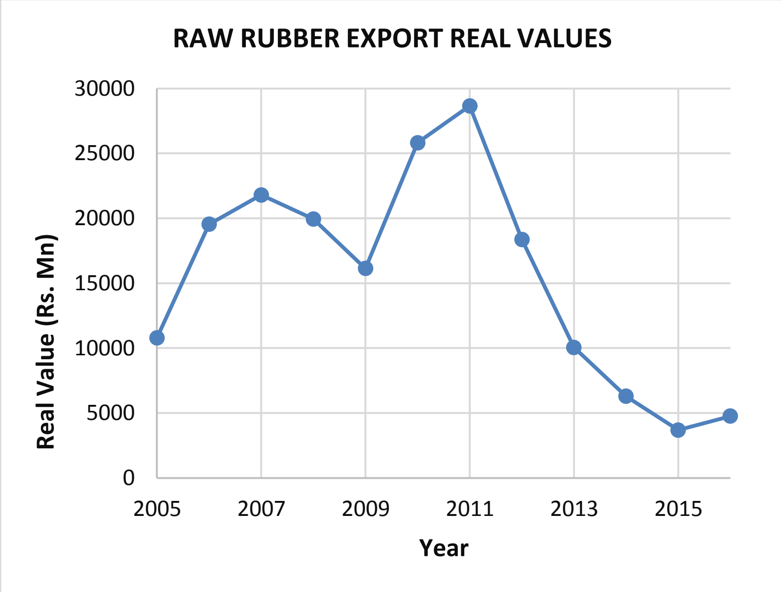


Rubber area by ownership (ha)
Source: Rubber Development Department

This compares the rubber extent under the estate and small holder sectors.

The area under small holder sector is higher compared to the estate sector.



Rubber production by different type (t)) *Source : Rubber Development Department* The highest production type of rubber is sheet rubber and it has been increasing while latex crepe production decreases.	
Raw rubber export real values *Source : Rubber Development Department* The raw rubber exports have drastically decreased after 2011. After 2015 the real values are increasing.	

Bibliography

Programme related documents

International Fund for Agricultural Development (IFAD) and the Government of Sri Lanka, 2004. Smallholder Out-Grower Estate Development Programme (SOGEDeP). Inception mission (23 February-13 March 2004) – Note of Understanding.

IFAD and the Government of Sri Lanka, 2005. SOGEDeP formulation mission (3 October–7 November 2005) - aide memoire.

IFAD, 2006. SOGEDeP Formulation report (May 2006)

IFAD and the Government of Sri Lanka, 2006. SOGEDeP appraisal mission (1-23 May 2006) – aide memoire.

IFAD 2006. SPEnDP president's report.

IFAD and the Government of Sri Lanka, 2006. SPEnDP loan agreement (8 May 2007).

IFAD, 2007. SPEnDP Appraisal Report, implementation Addition: Volume 1: Main Report, Appendices and Annex (August 2007)

IFAD, 2014. SPEnDP Mid-Term Review Report (May 2014)

IFAD, 2017. SPEnDP Project Completion Report: Main Report and Appendices (April 2017)

SPEnDP impact evaluation (2017).

SPEnDP supervision mission reports (between 2009 and 2016)

IFAD documents

2011. IFAD Evaluation Policy.

2012. Guidelines for Project Completion Report Validation and Project Performance Assessment. Independent Office of Evaluation.

2015. IOE Evaluation Manual – Second Edition. Independent Office of Evaluation.

2016. STaRR Design Completion Report: Main Report and Annexes (January 2016)

Other documents

Ministry of Plantation Industries, 2016. Statistical information on plantation crops.

World Bank and the Department of Census and Statistics, 2005. Poverty maps in Sri Lanka.

Independent Office of Evaluation

IFAD

Investing in rural people

Independent Office of Evaluation
International Fund for Agricultural Development
Via Paolo di Dono, 44 - 00142 Rome, Italy
Tel: +39 06 54591 - Fax: +39 06 5043463
E-mail: evaluation@ifad.org
www.ifad.org/evaluation
www.twitter.com/IFADeval
www.youtube.com/IFADevaluation

ISBN 978-92-9072-884-9

IFAD internal printing services