



### Sri Lanka at a glance

Population	19.4 million
	76.4% rural
Population growth	1.3%
GNP per capita	USD 870
Agriculture	19.4% of GDP
Inflation	7.3%
Life expectancy	73.5
Poverty (% of population)	25%
Human Development Index	81/162

Source: World Development Indicators Database, World Bank 2001; Human Development Report, UNDP 2001

Total IFAD lending 1978-2000	USD 112 million
Project/loans	10

## Evaluating IFAD's Country Programme in Sri Lanka

### Let the poor decide

**Sri Lanka enjoys sustained economic growth, has a high per capita income, and can boast commendable achievements in health, education, and rural-urban and gender equity. Yet, 25% of the population lives below the poverty line; civil strife is intensifying as peace negotiations fail to pay dividends. Increased spending on defence means the budget deficit, at 7.5% of GDP, is the highest in south Asia.**

Sri Lanka's 2000 Framework for Poverty Reduction calls for greater decentralisation to bring decision-making closer to the poor, and recognises that organisation and mobilisation of the poor is a pre-requisite for their effective participation in the development process: for the first time ever, national consensus exists on poverty reduction. However, the idea of devolving power has resulted in duality rather than devolution. How can the key concepts of inclusive development, social mobilisation, decentralisation, bottom-up planning, and gender mainstreaming, all equally important to IFAD, be realised? Main recommendations are:

- **IFAD-supported projects need** to generate effective participation and ownership at all levels. IFAD could support policy makers in observing how government-supported, but autonomously governed, organisations are mobilising the poor in South Asia. Changes in local level decision-making could also ensure that budgeting, planning and implementation are more open to poor people.
- **Pro-poor interventions** must include the most vulnerable and marginalised farmers. The poorest, landless farmers or those with micro holdings deserve far greater attention. It is crucial to get technical, agricultural, and environmental interventions right both at the country strategy and design stages.
- **Environmental screening**, and if necessary, a full-scale environmental impact assessment for every future project needs to be considered. There is currently inadequate monitoring of environmental impacts in IFAD-supported projects. →

### Main achievements

IFAD-supported interventions have, in general, targeted provinces with the highest incidence of poverty. Achievements in terms of infrastructure, agricultural development and credit have been significant: road construction has led to improved quality of life, access to social services and markets, cheaper transport costs, and wider employment and enterprise opportunities. Households have improved water supplies closer to home, which in turn have reduced the incidence of water-borne diseases. Paddy and tea production initiatives and the rehabilitation of irrigated tanks have contributed to small farmers' livelihoods. Savings and credit schemes have had modest effects on poorer families yet beneficiaries value the stronger empowerment gained through savings groups. Monitoring and evaluation was inadequate in most projects, however, and their full impact on poverty was difficult to assess. Yet, in some instances, better-off farmers benefitted more than poorer farmers and some interventions were not pro-poor: for example, the agro-well programmes, which enjoy a 20-30% subsidy, were beyond the reach of poorer farmers unable to muster adequate resources to benefit from the subsidy.

## Effective participation?

Individual projects have targeted the poorest provinces and have been relevant to overall government priorities and IFAD objectives at the time of the Country Strategy. Beneficiary participation, however, is limited, their role in planning and decision making marginal. Projects have attempted to work with different community organisations, which, however, don't have the required organisational or operational linkages with each other. For example, most Farmer Organisations, through which small irrigation schemes are carried out, require organisational, technical and financial capacity building.

## Focus on farming

Paddy and tea production initiatives have contributed to small farmers' welfare. Crop diversification, however, though promising, is not yet widespread. In livestock development, goats have been particularly successful but access to veterinary care needs improvement. Co-operation between projects and line agencies deserves intensification, thereby allowing farmers and livestock owners to unleash their full potential. The large numbers of small farmers has meant that line agencies have been unable to include them all in their subsidy schemes. Neither is credit for cattle purchases extended to very poor farmers, as they cannot afford to provide the veterinary care cattle need.

Crops in which Sri Lanka has a comparative advantage, using existing technology or improved technology proposed under the project, should be promoted. With market liberalisation, input subsidies and floor prices will disappear; agricultural commodity prices in general and rice prices in particular are bound to fall whilst factor prices rise. Sri Lankan farmers will thus be forced to compete on equal terms with farmers abroad.

## A better environment?

Environmental issues, especially early on in the country programme, were not addressed proactively enough. For instance, the Kirindi Oya Irrigation and Settlement Project is having salinity/sodicity problems, yet this was recognised by local scientists as a potential problem before the project began. Similarly, falling water tables in areas with high concentrations of agro-wells are cause for concern. Water sector interventions have benefited the target groups, whilst the large agro-well programmes with a 20-30% subsidy have mainly benefited the less poor, as have the household level water supply schemes. Infrastructure interventions must correspond to the requirements of the target groups, and their scope, size and nature should be flexible enough to address the needs of all groups including the poorest. It is equally important for infrastructure development to focus on simple, rugged and community-friendly designs and strengthen local organisations concentrating on resource generation and capacity building.

## Conclusion: future IFAD strategy?

A central point of tension is the need to work with the government and participatory institutions. Engaging NGOs and project staff to help mobilise rural communities and introduce participatory planning helps. However, a central government agency presently leads this initiative and the tension evident at strategy and project design levels is thus transferred to the operational level. Getting the balance right is fundamental to IFAD's poverty alleviation focus. IFAD, with experience from Sri Lanka and other relevant countries, could work towards resolving such key issues.

Certain agencies can provide service delivery but cannot mobilise people for poverty alleviation and link them to other government organisations, banks or markets. NGOs do not have the capacity and resources to address poverty alleviation or provide micro-finance on a large scale. Rural organisations do exist in Sri Lanka, yet the CPE observed that most government and NGO sponsors of rural organisations had specific or limited sectoral mandates, and could not respond to the poor in an integrated or holistic manner, and certainly not on a large scale.

Would permanent autonomous support mechanisms fill the gap, as evidence from several neighbouring countries suggests? Fostering local organisations, local leadership, skills and linkages to service providers and policy makers, such mechanisms could help mobilise villagers and link them to public and private sector agencies. Rural Support Programmes (RSPs), for example, in parts of South Asia enjoy support from the highest levels of government and yet are strictly autonomous with professional management structures. The 'Framework for Poverty Reduction' calls for a collaborative approach to community-led development in which alliances are formed between the poor and those who generate opportunities for development – local government, the private sector and NGOs. Alliances, however, into which the poor enter on their own are often unequal. Alliances secured, on the other hand, through the involvement of a credible support mechanism – an 'honest broker' – are more likely to provide an effective springboard for the successful participation and empowerment of Sri Lanka's most vulnerable and marginalised people.



IFAD photo by Giuseppe Bizzari

A woman holds a rack of silkworm cocoons in Ranaketugana. Credit from the Kegalle Rural Development Project supports silk production and other micro-enterprises.