

## **Sri Lanka**

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# **Iranamadu Irrigation Development Project - Mid Term Review Report**

Main report and appendices

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Asia and the Pacific Division  
Programme Management Department



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## Abbreviations and acronyms

ADB	Asian Development Bank
AWPB	Annual Work Plan and Budget
BWA	Bulk Water Allocation
CBO	Community Based Organisation
CPO	Country Programme Officer
DAPH	Department of Animal Production and Health
DSD	Divisional Secretariats Division (Administrative Unit)
FO	Farmers Organizations
GN	Grama Niladhari
GoSL	Government of Sri Lanka
IIDP	Iranamadu Irrigation Development Project
KDWDF	Kilinochchi District Women Development Federation
MPCRD	Ministry of Provincial Councils and Regional Development
NGO	Non Governmental Organisation
NSC	National Steering Committee
PD	Project Director
PID	Provincial Irrigation Department
PM	Project Manager
PMC	Project Management Committee
PMO	Project Management Office
PRA	Participatory Rural Appraisal
RIMS	Results and Impact Management System
UNDP	United Nations Development Programme
USD	US Dollar
VAT	Varietal Adaptability Trials
WRDS	Women Rural Development Societies



## A. Introduction<sup>1</sup>

1. The Iranamadu Irrigation Development Project (IIDP) became effective on 30 January 2012 and would be completed on 31 March 2017. Lead Project Agency is the Ministry of Provincial Councils and Regional Development (MPCRD) and the Project Management Office (PMO) is located in Kilinochchi. The total project cost is estimated at USD 29.32 million. The total cost consists of a highly concessional loan of USD 22.231 million (75.7%) from IFAD. The Government of Sri Lanka's (GOSL) counterpart contributions amount to USD 3.158 million (10.8%), the private sector and the beneficiaries would contribute USD 1.23 million (4.2%) and USD 2.7 million (9%) respectively.

2. The *goal* of IIDP is to contribute to poverty reduction and increase in household incomes of 7000 households with about 22,100 persons in 23 *Grama Niladhari* (GN) Divisions of Kilinochchi District of the Northern Province. The Project's development objectives are (i) to promote the effective and sustainable management of the irrigation infrastructure; and (ii) to achieve sustainable improvement of water and land productivity. It has two components: (A) infrastructure development with two sub-components, namely irrigation infrastructure rehabilitation and other infrastructure development; and (B) production and marketing with two sub-components namely social mobilization and training, and production, extension and marketing.

3. The Mid-term Review Mission (MTR) was carried out during 26 July to 12 August 2015. The objective of the Mission were to (i) assess the implementation progress of the Project at its mid-term including complying with IFAD's fiduciary and loan covenant responsibilities; (ii) identify constraints and challenges, and recommend solutions; (iii) review implementation status of recommendations of the last SIS mission; (iv) provide implementation support to remove any bottlenecks that IIDP is facing; and (v) consider and propose relevant improvements to the two project components.

4. After the detailed presentation of the progress made by the IIDP staff, the mission along with the project staff held a briefing meeting with the Hon. Governor of the Northern Province, Chief Secretary of the Northern Province, the District Secretary of the Kilinochchi District, Directors of the Departments of Irrigation, Agriculture and Animal Health and Livestock during the 1st week of the mission. The recently-appointed NGO staff was also met and the staff participated with the mission in all the field visits and meetings with the beneficiaries. Field visits were carried out to observe status of various completed and on-going activities during 28th July to 2nd August 2015. During field visits discussions were held with representatives and members of Farmers Organisations (FO) and Women Groups with particular focus on the level of their participation in the planning, design and implementation of project interventions. The mission had a detailed meeting with the chairpersons of all 21 farmers' organizations, which was very useful to understand their perspectives, issues and needs concerning IIDP. The mission had a pre-wrap-up meeting with the staff of IIDP and the implementing partner on 07 August 2015 in Kandy and discussed the findings and recommendations in detail. The Aide Memoire with main findings and agreed actions was presented and discussed at a wrap-up meeting, chaired by the Secretary, MPCRD on 12 August 2015 and the Aide Memoire was endorsed. The mission thanks the MPCRD staff of IIDP, all partners, the private sector and the beneficiaries for their generous support and hospitality.

## B. Overall assessment of project implementation

### Overall implementation progress

5. The overall Implementation performance is rated as *moderately satisfactory* (4). Slow progress in the second sub-component of the first component and the second component resulted in the current performance rate. The total disbursement as at end June 2015 was 24.96% including private sector and beneficiary contribution, where IFAD loan disbursement was 28.89%. Implementation of the Project particularly canal rehabilitations activities of component one which takes about 72% of the total project cost, has been progressing well. About 85% of the total canal rehabilitation activities has been achieved-either completed or on-going- at the mid-term. The progress during 2014 was

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<sup>1</sup> Mission composition: Mr Anura Herath – Mission leader and the agricultural economist, Mr Shankar Achuthan Kutty, Procurement Specialist, HQ, IFAD, Mr Bodhi Wanniarachchi – M&E and business development specialist, Mr P Kulatunga – Irrigation Engineer, Mr Mahinda Panapitiya - Water Management and Institutional Development Specialist, Mr R K Dayananda - Financial Specialist, Ms Dammika Dasanayaka – Gender Specialist.

particularly encouraging. While leaders of all the farmer organizations were appreciating the progress, they raised concerns about lack of progress in developing the field canal systems, which is needed to get the full benefits of the irrigation rehabilitation work. Usefulness, as the mission observed, of few irrigation structures could have been better if the designs of such have been assessed with the full participation of the farmers. Nevertheless these, as perceived, will not affect the overall efficiency of the irrigation system in terms of water delivery. The second sub-component has not progressed well except for the construction of PMO and PMC buildings. There is a strong community demand for drying floors, small agro-wells and access farmer roads.

6. The implementation progress of component two which addresses livelihood improvement through social mobilization and training; and production, extension and marketing showed a progress which is less than desirable in terms of number of beneficiaries that IIDP is targeting to reach. As of the mid-term the social mobilization was limited to creating awareness among the FOs about the Project, initial stages of forming women groups and introducing few private sector partners. In addition there are localised demonstrations of non-paddy crops. The Provincial Department of Agriculture (DOA) has provided technical support. The NGO who would provide the coordination support for IIDP to implement this component has been recruited only in June 2015. As such, the limited technical and coordination capacity of IIDP constrained the progress. As the mission realised, the activities such as crop diversification with a wider coverage benefiting more than the current number of 1014, extension, market linkages and provision of processing facilities such as drying floors would have contributed to more physical and financial progress of the Project. The crop diversification activities have barely used the soil suitability maps that were initially prepared with IFAD loan resources. Implementation of systematic social mobilization and related activities, which will contribute to implementation efficiency of both components are urgent. This will also facilitate implementing farmer managed Bulk Water Allocation (BWA) system including participation of women, non-paddy crop production and off farm economic/income generation activities.

7. On the basis of the overall assessment of IIDP performance, the implementation modalities and the allocation of the budget among the expenditure categories, the mission proposes no amendments to the IIDP Financing agreement including its Schedule II of budget allocation. However, as mentioned later in the report, it required to increase the special allocation of IIDP in order to manage the anticipated expenditure of the first component.

### **Likelihood of achieving the development objectives**

8. This is rated as *moderately satisfactory* (4). Irrigation structures need to be fully developed with field canal systems together with BWA system and crop diversification activities through mobilization and market linkages to achieve the development objectives (DO). IIDP is on track in most of these activities, but still at the initial stages. Training on BWA, in which farmers are already interested, and extensive crop diversification with market linkages that also demanded by many farmers that the mission met, need urgent emphatic attention to ensure achieving the DO.

## **C. Outputs and outcomes**

9. **Component 1: Infrastructure development** has two sub-components: irrigation infrastructure rehabilitation and other infrastructure development. The overall performance is rated as *moderately satisfactory* (4) one rating lower than that of 2014 mission. This is mainly because of lack of progress in water management and also some design issues of the irrigation structures.

10. **The Irrigation Rehabilitation** The objective is to improve irrigation infrastructure and promote its effective use for water allocation, distribution and management by FOs, including women, with water saving management methods, and with climate change adaptation and mitigation measures. The Project will undertake rehabilitation of the downstream canal system including main canals, branch canals, distributary canals, field canals, drainage canals, road crossings and farm access roads.

11. The master plan of the Irrigation Rehabilitation sub-component has been revised and there are 96 contract packages, which are NCB (91) and the balance 5 packages containing 54 CBO small contracts (direct contract based on engineer's estimates). Out of 96 packages, 18 have been physically completed, 36 on-going and 42 to be awarded in 2015 and 2016. These 42 packages to be awarded would take about 25% of the total allocation for irrigation development.



12. The contract packages include the rehabilitation of 8.78 km of Paranthan Main Canal, 11.65 km of Right Bank (RB) Main Canal, Bridges and culverts of Left Bank (LB) Main Canal, Drainage Canals under Paranthan Main Canal and RB Main Canal. Out the total 465 Field Canals (275 km), only 52 (40 km) have been included in the master plan due to the limitations of funds. In view of the possibility of forgoing Maha cultivation in 2016 due to the closure of water in irrigation canals for the rehabilitation of Head Works, the Project is planning to award 50% of the additional packages in 2015. These include about 31 NCB and 2 CBO contract packages with a total value of LKR 315 million. The mission recommends that 50% of these are awarded in 2015 and the balance in the 1<sup>st</sup> quarter of 2016.

13. The Project Director in the capacity of Deputy Director of the Provincial Irrigation Department has expanded the 'Special Unit' by establishing 4 Operational Units each headed by Irrigation Engineer. These Engineers have been entrusted the authority to administer the contracts and the preparation of BOQs for the remaining contract packages (see para 14 & 15 for designs). In order to expedite the work in the balance period in 2015 and 2016, the Operational Units need to be further strengthened. The below table illustrates this requirement to which the mission agreed:

Operational Unit	Number of Contracts	Number of Contracts	Irrigation Engineers	Technical Officers	Work Supervisors	
	On-going	Future	Present	Present	Present	Requested by PMO
1 <sup>st</sup>	9	NCB 7, CBO 9(57) CBO1 (89)	01	04	02 05 (Trainees)	02
2 <sup>nd</sup>	10	NCB15 CBO7(57), CBO3(89)	01	05	08	05
3 <sup>rd</sup>	10	9 NCB & CBO 9(57) CBO1(89)	01	05	08 (Trainees)	04
4 <sup>th</sup>	7	09 NCB, CBO2(57) CBO3(89)	01	05	04 (Trainee)	06
<b>Total</b>	<b>36</b>	<b>42</b>	<b>04</b>	<b>19</b>	<b>27</b>	<b>17</b>

14. The 2014 mission agreed to deviate from the project design for replacing the out-source consultancy with a Special Unit for the preparation of designs and construction supervision work, O&M training, awareness campaign for communities about the BWA system, and technical training for technical staff of PID. The 2014 mission also recommended for strengthening the Special Unit by hiring a Senior Irrigation Engineer, 4 Junior Irrigation Engineers, 10 Technical Officers and 20 Work Supervisors for which the Project agreed. The Project however has strengthen the Special Unit by hiring a Senior Engineer, 4 Junior Engineers as Irrigation Engineers on part-time basis. PMO has to obtain carder approval for one Junior Irrigation Engineer. Another Junior Engineer and a Technical Officer are working under the Special Unit on full-time basis checking the cost estimates and claims prepared by the Irrigation Engineers of 4 Operational Units. There are 10 Technical Officers recruited and 9 come from the PDI and work on part-time basis. In order to pay their allowances the PMO should obtain carder approval. Further 10 Work Supervisors and 17 technically qualified Trainee Work Supervisors working under the 4 Operational Units. The mission assessment is that this staff strength is not adequate in terms of quality of designs of irrigation canal structures capable of water allocation, conveyance, distribution and management.

15. As a remedial measure the Mission strongly recommends to recruit an experienced Senior Irrigation Design Engineer (SIDE) as a consultant with immediate effect. The mission also recommends to recruit a consultant Irrigation Engineer, as requested by the Project, for reviewing irrigation rehabilitation proposal prepared by the project for which the mission agreed. These short term consultants will be recruited using "selection of individual consultants" method for a maximum period of 6 months with a total budget not exceeding LKR 2 million each (the TORs is attached in the working paper).

16. The Mission observed that some of the canal structures have not been designed to meet the intended functions of the Project such as efficient water allocation, conveyance, distribution and management. As such the mission recommends that for already awarded contracts: (i) certain works such as culverts, earth work etc can be implemented with minimum design modifications and also not affecting the on-going work; (ii) for other existing designs and drawings of canal structures which are

to be used for future contracts, the appointed consultant will examine and rectify for improvements; (iii) Designs prepared by SIDE should be agreed upon with the consultant to be appointed by the NGO for BWA; (iv) a variation committee needs to be constituted for the project period, and variations of works will be approved by that committee whenever necessary as per ICTAD guidelines (composition of the variation committee is given in the working paper); (v) rectified designs should be approved by the design committee which will be constituted with the Provincial Director of Irrigation, Deputy Director of Irrigation, and the Project Director. The designs of canal structures to be awarded should have the approval of the design committee.

17. The farmers and the PID are concerned that there is additional development work to be absorbed on the rehabilitation of remaining 413 Field Canals (250 km) and 230 km of farm roads. At present the project budget is not adequate to cover the total requirement. The mission recognises the importance of such work to achieve the project development objectives, and as such it is pertinent that the Project / PID makes a formal request through the government to seek possibilities of making additional funds available.

18. **Other infrastructure sub-component** includes: (i) rainwater harvesting structures, (ii) marketing structures, (iii) small storage units, and (iv) buildings for simple primary processing equipment. The progress in this sub-component is limited to rehabilitating PMO and PMC buildings. Given the budgetary constraints the Mission recommends that investment on infrastructure development be limited to agro-wells, drying floors and farm access roads.

Agreed action	Responsibility	Agreed date
1. Recruit a Senior Irrigation Design Engineer as a consultant for 6 months	NSC/PD	Sept 2015
2. Establish a Variation Committee	PD	Sept 2015
3. Establish a Committee for the review and approval of standard canal structures and drawings		Sept 2015
4. Procure the required types and numbers of current meters for calibration of water management structures	PD	Sept 2015

19. **Water management.** Target group is the total population of farmers with lands in the command area which is about 7000 households with 22095 persons. According to the implementation activities the following groups are treated as target groups for strengthening process related to water management: 21 FOs and 275 field canal groups (FCGs). At the moment Iranamadu Tank has only a dead storage. Availability of water and to have necessary measuring structures on the ground to operate the system at least at Main Canal level is necessary pre-requisite to mobilize BWA program in full scale. Even though the structural rehabilitation component could be completed in time, water for the canal system would be available for operation in full scale only from January 2017 because the Main Reservoir supplying water is under repair and tank would be empty until end of 2016. Filling of the tank would commence from October 2016 monsoon. This is a situation which was not expected at the design phase of IIDP in relation to water availability for the Project.

20. Without calibrating canal system, *Field Training* required for implementing BWA system cannot be implemented. However training in the form of *class room exercise* could be implemented until water is available from 2016/2017 Maha, for Field Training. These training will be undertaken by the NGO who will outsource resource personnel and finance this entire training programme. NGO-arranged this training should undertake (i) awareness creation on BWA for leaders and members of FOs; (ii) formation of Field Canal Groups (275 groups) where the gender equity should be maintained; (iii) form 21 D-Canal groups and 3-main canal groups; and (iv) form a project management committee.

21. Also the structural rehabilitation can be completed during 2016 without any delays. In BWA approach, there is a need to make water allocation on annual basis from the beginning of *maha* season which begins from October in any year. Allocation will be decided based on probable water volume annually available in the Main Reservoir from *maha* rain. The ideal time to begin the water management activities related to BWA in the case of Iranamadu, is from October 2016, because the water is available only after headwork rehabilitation to be finished towards the end of 2016. Dependency for irrigation water from the main reservoir at full scale starts after the peak period of maha rain beginning from December of the year 2016. Therefore, more than 3 months is available to complete the practical training about BWA before project completion, even though the rehabilitation of the Main Reservoir would be completed to a level to issue water without interruption would begin from January 2017. To facilitate on-farm water management, the Project will train the PID staff in the design

aspects of Field Canal to distribute water according to the BWA principles. The BWA consultant to be hired by the NGO will undertake this training. Bulk water management system should be introduced to suit existing physical and social status of the command area.

Agreed actions	Responsibility	Agreed date
5. Hydraulic Checking and Calibration of D Canal Outlets from Main Canal using available water in the Main Reservoir for 2015/2016 <i>maha</i> season	PMO	Oct 2015
6. Completion of the rest of the rehabilitation of all the D Canal with better technical supervision to guarantee hydraulic efficiency to achieve water measuring capabilities of outlets from D Canal to F Canals	PMO, Sen. Irrigation Engineer	Oct 2015
7. For construction of F canals, awarding can be made in stages to suit available funds and according to priorities indicated in the Design Report	PMO	Sept 2015

**Component 2: Production and marketing** also has two sub-components namely social mobilization and training; and production, extension and marketing. The overall performance rating is *moderately unsatisfactory* (3).

### Social Mobilization and training

22. Social mobilization supports both component 1 and 2. In the 1<sup>st</sup> component, capacity building focusing on BWA is the major activity under the focus of water management. No action has thus far been taken under this component except inclusion of BWA training as a component of the TOR of a capacity building program planned to be implemented by the NGO. Technical Staff of the NGO is not fully capable of implementing the water management activities unless they are supported by Subject Matter Specialists who has previous experience. However the NGO is capable of initial strengthening of farmers as a group to face the challenges to be encountered during application of BWA during operational period.

23. Once the farmers are institutionally strong to work as an organization, their capacity to handle duties expected under BWA system could be enhanced further easily by additional training. However there is a need to conduct Field Training when the irrigation system is in operation. Due to rehabilitation work in the Iranamadu Main Storage Reservoir, water can be made available for Canal Operation only from December 2016. Therefore practical training has to be delayed until end of 2016.

24. Training related to O&M will be conducted in two stages. It was agreed to conduct *class room training* as first stage and develop draft of O&M manuals, with the participation of Farmer Groups under each D Canals. At the same time Field Visits to System H where BWA is in operation can be arranged for Farmer Leaders. Thereafter water issue starts at the end of 2016, Field Training in the second stage of training can commence. When water is available in canals, the calibration of the canals could be done in the presence of farmers while field trainings are being conducted. During that training, the draft O&M Manuals could also be finalized with Canal Calibration Data. All the activities related to second stage field training will start from July 2016 and the NGO will be fully responsible to undertake the activities under both stages.

### Production, extension and marketing

25. Sub-component performance is rated as *moderately unsatisfactory* (3). This sub-component has the focus on crop diversification in the *yala* seasons in the project areas with private sector linkages as marketing agents. The Project had progressed beyond the extent cultivated in the *yala* season (March) of 2014 which was 55 ha. The 2014 mission noted the progress of framers of five FOs (Maruthanagar, Uriyan, Ramanathapuram West, Mahilankadu, Thiruvaiaru) having taken the initial step of crop diversification with green gram, ground nut, cowpea and maize being the main crops. The progress in 2015 was about 240 ha cultivated by 1014 farmers (351 women) in the same FO areas and in addition 11 other FOs. The crops include green gram (212 ha), and cowpea (28 ha). Maize which has an appreciable market linkage in 2014 has not been cultivated in 2015 as the mission observed with concern. Also 90 ha of maize and 20 ha of sandwich crop cultivation with sesame have been recorded in *maha* 2014/15.

26. **Good agricultural practices:** There is a keen interest from the farmer side to learn good agriculture practices (GAP). There were few demonstrations which tried to communicate such practices but the knowledge spread was hardly visible. Such practises should take into account the

minimum usage of chemicals including the chemical fertiliser and encourage organic methods. NGO training on GAP need to address such interventions.

27. **Targeting:** The 2014 mission recommended using simplified targeting approach to select farmers for non-paddy crop cultivation. These included having at least ¼ ac of land ownership, priority for being a women-headed family, tail end farmer, and a member of the registered farmer organization. The mission noted with concern that these were not used except the membership conditions. Although the farmer groups that the mission met with indicated a strong interest in diversification, the effect of demonstration in systematic cultivation and also the number of farmers who have visited and learnt technical items and practices of upland cropping was very limited. The main reason for low adaptability was the limited spread of trials - out of total 57 ha, 41% was in Maruthanagar and 33% was in Thiruvaiaru with corresponding number of farmers. The mission strongly recommends that the diversification with the help of the NGO should be implemented in at least 15 FO areas with an acceptable level of equity among FOs. The selection criteria of farmers that were provided by 2014 mission should be strictly adhered to in 2015.

28. **Private sector linkages:** Initiation of business linkages among private sector companies and the project beneficiaries including women is the sub-component target which has not achieved. Last two SIS missions observed some interest of agribusiness companies in engaging business in the project area. IIDP in partnership with Prima Ltd initiated a project to cultivate maize under forward sales agreement but farmers opted to sell the produce elsewhere thus the company ceased operations in the project area. The mission along with Project and NGO staff met with a group of representatives of agribusiness companies, Cargills PLC, Prima Ltd., Hayleys Ltd., and state-own SATHOSA. These extensive dialogs formed an opening for three Business Proposals (BP); a) passion fruits with Cargills PLC – 100 farmers with a minimum of ¼ acre to commence in *maha* 2015, b) maize with Prima Ltd – 500 farmers with ¼ acre of each in *yala* 2015, and c) gherkins with Hayleys Ltd – 40 farmers with ¼ acre each as a demonstration and pilot project to commence in January/February 2016. The companies will provide seedlings and the Project to bear the cost. Crop-related training and extension services to undertake jointly by the Project and companies. All parties agreed that at least 30% of beneficiaries should be women. BPs to be developed jointly by project team and the NGO staff (mainly mobilizing farmers and creating awareness) with respective companies, but it is the sole responsibility of the component head led by the Programme Manager. Companies agreed that MoU need to be signed between parties and the mission recommends that parties to MoU should be farmer organizations and respective companies. It is strongly recommended that IIDP will take immediate action to facilitate the process. A template for MoU will be attached to the mission report.

29. Dairy is the other high potential sector for development in the project area in terms of market access, farmer enthusiasm and the availability of inputs such as fodder and veterinary services. While Cargills PLC has an opening for a partnership for milk production in months to come, Nestle already operates a milk collecting network in Kilinochchi which covers a part of IIDP beneficiaries too. Some IIDP beneficiaries, the majority of women, already involved in the Nestle's milk chain but their current milk production is limited as the cattle herd in the area consists of primarily low-yielding traditional varieties. In recognition of the need and the conducive environment for investment, the Mission recommends introducing a matching grant of LKR 75,000 to cover 75% of the cost of a cattle unit (one hybrid cattle (LKR 65-70,000) and a low-cost cattle shed (LKR 30-35,000). Farmers are willing to invest the rest. Criteria of selection should include; a) 50% beneficiaries be women including women-headed families, b) priority to existing dairy entrepreneurs for up-grading, c) new entrepreneurs with easy access to rural milk collecting centres, and d) procurement of cattle should be on par with the guidelines of the Department of Animal Production & Health (DAP&H) and is a responsibility of the beneficiary. It is expected that the Project will mobilize 50 investments of cattle units in 2015 and 150 in 2016. The DAP&H offers a range of both financial and technical services for dairy in the country and the Mission recommends that arrangement to be made to get all such services to the project beneficiaries. Project also can assist in arranging milk collection centres selling concentrates and medicine at a nominal price.

30. In order to achieve the full target of the sub-component, the following activities need to be adequately progressed - these were highlighted in 2014 mission as well but the progress has been limited: (i) mobilization of farmers and formation and strengthening of non-paddy women and youth groups – NGO is on board now and its Social Mobilizers (SM) should proactively inculcate the crop diversification concept among the farmers, (ii) identify suitable non-paddy crops and potential farmers

to cultivate: the soil suitability study that provides the list of crops has been completed by the Research Station of the Central Department of Agriculture (DOA) and nearly 300 ha of land each with 0.4 ha has been identified for OFC, but this information has so far not been effectively used and demonstration effect of what has been practiced has not wide spread, (iii) Varietal adaptability trials (VAT) with the participation of the farmers in their lands – In *yala* 2015, 20 plots established under VAT with green gram, black gram, cowpea and ground nut in four FO areas, (iv) Farmer training on VAT – eight training sessions have been conducted in 2015 on crop establishing methods and agro-chemical practices and soil and water management. More training on disease management, pest management and post-harvest management are in the agenda which need to be conducted, preferably on-site, covering a vast audience of farmers, (v) Market linkages: there appears to be no marketing problem for OFCs but some farmers tend to stock the produce during the glutting season in order to fetch a higher price. Events such as ‘field day’ and ‘harvesting ceremony’ organized by the Project involving stakeholder representatives witnessing farmer produce is an encouraging move. Organized marketers such as Cargills PLC and SATHOSA can be invited for such events to initiate dialogs for product quality, volumes and possible market linkages.

31. The facilitation role that is listed above is highly important for further encouraging the farmers to adopt crop diversification. The mission observed that unlike in the past the farmers tend to understand the advantages of non-paddy crops which need to be capitalized. The mobilization should hence focus on; (a) building the awareness about suitable non-paddy crops and varieties for their plots, (b) means of irrigating non-paddy crops in plots which are made to irrigate paddy, and (c) emerging market opportunities and potential higher incomes.

32. The mission further noted that one self-initiative of a small women group running a business to process farmer produce green gram, black gram and cowpea and selling flour to families in the vicinity. Mission also noted that pruning of mango trees in home gardens is a need in order to enhance the yield which was endorsed by the DOA and Cargills PLC (mango is in high demand at Cargills’ processing factory in Kilinochchi). The need is some pruning machines to be given to FOs to rent or hire for members. Both these cases highlight the potential for investment as matching grants on 70:30 formula (70% from the Project) with a ceiling of LKR 50,000 from the Project. It is expected that at least 20 such matching grants will be mobilized in 2015 covering wider spectrum of areas.

Agreed action	Responsibility	Agreed date
8. NGO to recruit a training specialist who could undertake bulk water management training in addition to others. This trainer, acceptable to the Project, should be hired by the NGO and paid by them for delivery of training to all 21 FO leaders and those farmers who would undertake the responsibility of managing water upto the D canal of the system	PMO& NGO	July 2016
9. Develop at least 3 BPs: a) passion fruits with Cargills PLC – minimum 100 farmers with a minimum of a minimum of ¼ acre each to commence in maha 2015, b) maize with Prima Ltd – 500 farmers with a minimum of ¼ acre of each in yala 2015, and c) gherkins with Hayleys Ltd – 40 farmers with ¼ acre each as a demonstration and pilot project to commence in January/February 2016 – secure help of NGO team and respective companies	PMO – lead comp. 2 head& NGO	Complete by end of August 2015
10. Implement a matching grant scheme for dairy and deliver 50 grants (50% women) in 2015 - LKR 75,000 to cover 75% of the cost of a cattle unit (one hybrid cattle (LKR 65-70,000) and a low-cost cattle shed (LKR 30-35,000). The PMO staff would visit SPEnDP Moneragala sub-programme office for knowledge sharing on matching grant delivery	PMOU – lead comp. 2 head	Commence in August
11. Deliver 20 matching grants under ‘other agricultural and off-farm development’ component as specified in the text. NGO will identify the beneficiaries	PMO – lead comp. 2 head& NGO	Commence in August

## D. Project implementation progress

### Quality of project management

33. **Project management** performance is rated as *moderately satisfactory* (4). PMO is fully staffed and all the administrative, financial, procurement, M&E systems, and project steering committees functioning well. The newly appointed Provincial Administrative staff including the Hon Governor is well aware of IIDP and its outcome. The mission was encouraged in observing their commitment to support implementation of project activities. Following the recommendation of last two SIS mission, functions relating to planning, implementation, monitoring, and management of the respective staff

with associated financial and administrative responsibilities for implementation of component 2, were delegated to the Project Manager (PM). The mission however noted that the delegation of authority to the PM to independently operate, keeping the policy level coordination with the Project Director (PD), should be further enhanced. This will improve the effectiveness and efficiency of project input delivery. The mission further recommends that PM, Agricultural Economist and the Gender and Mobilization Specialist should steer and lead the activities of the NGO.

34. The new approach of initiating four zones and deploying all staff of component one to these four was seen as an effective way of managing the component activities. The mission recommends that the activities of the NGO should also focus on these zones when they organize their activities.

35. The **NGO** is expected to provide services related to social mobilization and training for strengthening of farmer organizations and non-paddy crop groups (NPCGs) for implementation of bulk water allocation and crop diversification for water and crop productivity enhancement of the IIDP command area. The recruitment of the NGO took almost two years, about one year longer than what is expected in the design. This was mainly for two reasons: (i) project team was of the view that the canal constructions needs completion before commencing the social and mobilization activities which were to be implemented by the NGO, or a sequential approach was adopted whereas the design expected to implement both activities in parallel; and (ii) the PRA activities for canal designing work that were expected out of the NGO were carried out by the team of engineers of the provincial irrigation department. Thus the need for the NGO was not strongly felt. To implement this consultancy, the NGO team is consisted of a Team Leader (TL), Training Specialist (TS), Irrigation Engineer (IE), Agro Economist (AE), other 8 non-key staffs headed by Manager for the office and financial management, and 12 social mobilizers (SMs) for field activities. TL administratively supervises all activities including financial management. The Manager deals with field operations with consultants and SMs. The task of the SMs is forming of groups, organizing and conducting required trainings. SMs are working closely with the target beneficiaries in the project commanding areas.

36. The mission had close consultation with the NGO and also observed their delivery at the PMO and at the field level. The current capacity and skills of SMs, as the mission observed, are inadequate to; (i) support coordination of IIDP staff with the farmers, particularly women; and (ii) to facilitate implement the Gender Action Plan (GAP). Therefore, it is recommended that all SMs, except few who have previous experiences, should be given training to enhance their nascent skills in the areas of mobilization, group formation, and conducting training activities. The project GMST will carry-out this training and he should steer the NGO and lead the implementation of GAP using the SMs of the NGO and other necessary staff from the NGO. All costs of all gender related activities should be financed by the NGO. The Mission also recommends that (i) the Agro Economist of the NGO should take the responsibility of coordinating, sourcing and financing all resource personal who would be drawn from the state institutions, agribusiness companies and universities to provide all agriculture training programmes and varietal trials to the farmers; (ii) for the bulk water management related awareness and training programme also need to be outsourced since the Irrigation Engineer will only coordinate the activity. The full cost should be financed by the NGO budget; and (iii) in order to internally coordinate all NGO activities and also coordinate outsourcing efforts, the mission proposes to elevate the current Team Leader to a position of an Advisor to the NGO to provide overall policy advice, and to appoint a Team Leader who has basic experience in technical aspects of water management, agriculture and social mobilization. S/he would, while actively engaged in the field activities, coherently manage the full NGO team and also provide technical inputs to the NGO which is currently an urgent need. IFAD will field a follow-up mission in January 2016 to assess the performance of the NGO in terms of these recommendations. Failures in delivery and performance of the NGO on the basis of the revised action plan will have the risk of the contract termination.

37. **Monitoring & Evaluation:** Performance rate is remained as *satisfactory* (5). Project has a good M&E system in place with a detailed M&E manual approved by the NSC. M&E system functions well by systematically capturing and on-time reporting physical and financial progress data, and since early 2015 capturing outcome-level data. The weekly technical committee meeting provides the progress data on infrastructure development (Component 1) and the progress data of the Component 2 is captured monthly. Progress reporting varies from weekly (contract performance), bi-weekly (ministry), monthly (to ministry, Chief Secretary and line agencies), quarterly (ministry and stakeholders) to bi-annual and annual (to all others and IFAD). In addition, progress on infrastructure is reported to Dept. of Irrigation weekly and overall progress to the ministry bi-weekly. Monthly and quarterly report goes to the ministry, Provincial Project Coordination Committee (PPCC), chaired by

the Provincial Chief Secretary. In addition, updates of database of the Project Management & Monitoring Department of the Ministry of Finance and Planning, (MOFP), takes place monthly. Project has initiated to track the outcome of some of the small infrastructure (bridges) development and Mission reiterates that such actions to be repeated and shared the information with stakeholders periodically. M&E Specialist presented some outcome data on water productivity but the Mission views that to capture such data, a systematic approach needs to be developed with expert assistance. Also the component progress is still immature for such reporting.

38. RIMS reporting commenced with December 2013 followed with June 2014 (first level) and Dec 2014 (second level - Comp 2). Report for June 2015 presented to the Mission and now ready to deliver. Project plans to conduct a RIMS survey including second level data in the 4th quarter 2015 with an external consultant using the services of NGO-recruited SMs. The M&E Specialist successfully attended IFAD's M&E and KM workshop in January 2015 and has applied learning into actions. He has established a good reach and support from persons involved in Component 1 & 2 for M&E capturing which has created a conducive environment for project M&E. The Mission observed that the M&E data currently being disseminated are progressively used by the staff, irrigation engineers in the 'Special Unit' and the Ministry for progress reporting. Newly-appointed provincial administrative staff including the Hon Governor and provincial department officials are well aware of IIDP and its current status. M&E data also being used to develop knowledge management tools such as newsletters as a vehicle to reach the beneficiary community which needs to be broad-base.

39. Mission views that the current M&E system is adequate to capture on-going activities in the Component 2 but the system needs to place sufficient infrastructure at the ground level for data capturing. NGO-recruited SMs are the key in M&E data capturing whom should be given an exposure/training in M&E on priority basis. NGO agreed that out of 12 SMs one would be the coordinator who will consolidate the field data captured by SMs and liaise with the M&E Specialist. Data collection formats, to be used by SMs, are being developed. As the work load has increased with the Component 2 activities are commencing, the project's M&E unit warrants a M&E Assistant or an alternate for data consolidation and entry.

#### **Coherence between AWPB & implementation**

40. This is remained as *moderately satisfactory* (4). Information consistency between AWPB and implementation has been moderate for the Component 1 in 2014 (85% financial progress) but Component 2 has been further weaken (9% financial progress). The progress of the Component 3 has been modest and non-acquisition of motor vehicles has been the main reason for under performance. Cumulative financial progress as of 30 June 2015 shows only 24.96 overall progress. PMO anticipates only 80% financial progress in 2015 which indicates planning drawbacks and that lessons learned in previous years were not carried onto AWPB preparation for the current year.

#### **Gender focus**

41. The overall performance of gender focus is rated as *moderately unsatisfactory* (3). Gender mainstreaming and women development intervention of the Project as presented in the Gender Action Plan has been restarted with the recruitment of the NGO after a slow progress. This slow progress was the main reason for poor performance of gender focus. The NGO has recruited 12 SMs and trained them for the purpose. Mobilization and strengthening of gender is in progress with the help of SMs. Both the Project and the NGO has formed 132 small groups with 5 to 7 members each (total of 731 women & 7 men) covering 8 FOs and the mission expects that this progress will further improve with the involvement of the NGO. IIDP has initiated number of basic awareness sessions to increase and encourage the women participation in FOs. Few groups have started small scale saving and lending culture to fulfil the emergency requirement mainly for women. The mission noted that the women contribution in the Project activities is very limited. Continues awareness sessions need to be carried out for motivation and inclusions of more women as project beneficiaries. The mission recommended appointing the Gender expert of the Project as gender focal point for implementing the revised version of the GAP with collaboration of the NGO.

#### **Poverty focus**

42. This is rated as *moderately satisfactory* (4). The target group under irrigation rehabilitation covers the entire population of farmers having access to lands in the command area. About 85-90% of them operate 2 ha or less and are categorised as poor small farmers. The balance is relatively

resource rich, but continues to be the project beneficiaries. The efforts of group formation have paid adequate attention to capture the poor women. The group of farmers who have taken crop diversification and varietal trial have come from relatively non-poor. This is acceptable as a strategy because they could provide the required resources in terms of labour and inputs to fully run the demonstration.

### Effectiveness of targeting approach

43. This is rated as *moderately satisfactory* (4). The 2014 mission recommended two strategies to improve the targeting in view of the difficulties in determining social and economic differentiation of the households. This was due to the complexity of the post-war context, and lack of socio economic data to cover the entire irrigation scheme (the baseline study covered only a 10% sample). The strategies are: (i) a gender based approach which allows differentiation of men from women on the basis of the socially accepted stereotypes; and (ii) the family status approach that could be used as proxy indicator for socio-economic differentiation. Though the majority of the households cultivating paddy in the command area belongs to small farmer category, differentiation on the basis of land holdings would still be used to prioritise beneficiaries. The Project viewed this as a part of the NGO mobilization work and thus the strategies are yet to be taken into consideration in targeting.

#### Number of beneficiaries reached out

Target Group "category"	Total number of people to be reached by the end of project implementation (Appraisal Targets)	Number of people reached so far (cumulative)	
		Total number	Of which, women
Small rural farmers	86% total target group of 7,000	6,000 - partial benefits	1392
Women heads of households	18.5% of total target group (1,295)*825	1,296 (100%)*174 (maize)	174
Women-lead microenterprises	150 small groups of 6-8 members each	trained Groups 7(52)	34

44. All these farmers were involved in participatory rural appraisal during the review period in identifying irrigation infrastructure rehabilitation and other infrastructure needs and are currently being mobilized for project benefits. The full benefits of the Project, however, will reach them once the rehabilitation is completed, scheduled for 31 March 2017.

### Innovation and learning

45. This is rated as *moderately satisfactory* (4). Project has taken few good initiatives to generate, document and share its progress and results/outcome during 2014 and first half of 2015. Initiatives in specifics include; a) photo and video gallery - good collection of photos to portray results of project interventions across the board and a few video clips, b) use of effective communication tools such as power point and concise progress reports to disseminate and share the information, c) development of several success stories and case studies; and d) outcome measurement of some of the project interventions, and e) knowledge sharing with component heads and other staff. At the M&E and KM workshop it was agreed among M&E officers in the country programme to jointly develop a newsletter which is still to happen. However, IIDP has initiated a project newsletter which needs to be refined and developed further and share it with stakeholders and the beneficiaries. The Mission recommends that as a matter of priority appropriate KM training for the M&E Specialist, the focal point for KM and KS, should be provided.

### Climate and environment focus

46. This is rated as *moderately satisfactory* (4). Except tree plantation along the bund of the Main Canal, no other activities were observed related to climate and environment. It was also observed, that this tree plantation program can easily be incorporated with natural drainage improvement work now in progress under irrigation component. Planting trees along reservation of natural streams is a Bio Engineering techniques currently being practiced in other part of the country. Suitable tree varieties appropriate for riparian and wetland environment can be established in reservations allocated for natural stream banks. Roots of riparian tree strengthen the banks and prevent soil



erosion causing water clogging which result in salinity development. Root zones also act as Bio Filter cleansing water. Those tree belts along streams also act as Bio Corridors cum Nature Trails connecting isolated forest and tree patches found in agriculture landscapes of large scale irrigation projects. Depending upon needs, narrow Cycle Tracks/ Walking Paths could also be formed along stream reservations using the earth dredged during their rehabilitation process. These paths along stream banks provide environmentally sustainable transport (EST) mode as an added benefit for the local communities, in the form of alternative accesses to their farms.

47. PMO agreed to adapt those technologies by launching tree plantation programs in parallel to drainage improvement. Tree plantation would be done through contracts awarded to FOs. Indigenous Tree varieties suitable for riparian environment would be selected in consultation with Environmental Authority. Being a person having environmental background, the Project Manager could take a leading role in this environmental program.

Agreed action	Responsibility	Agreed date
12. Those tree plantation programs would be implemented through contracts awarded to FOs. In selecting plants, Riverine Plants generating economic benefits such as medicinal and fruit value can also be introduced	PMOU	Immediately

## E. Fiduciary aspects

### Quality of financial management

48. Quality of Financial Management is rated as *moderately satisfactory (4)*. PMO is responsible for overall financial management of the Project. Accordingly, PMO is mainly responsible for preparing Annual Work Plan and Budget (AWPB), maintaining adequate liquidity for project activities by obtaining counterpart funds timely from General Treasury and regular replenishment of Designated Account, keeping separate accounts for domestic funds and IFAD funds and preparation of Project Financial Statements (PFS) in line with the generally accepted accounting principles and IFAD guidelines. As the accounting software package that had been developed is not ready for full implementation as yet, Programme Accounts are maintained manually on cash basis. Required accounting information are extracted from books of accounts that are maintained mainly cater to the government system of accounting and posted to excel spreadsheets in order to prepare programme accounts and annual, semi-annual and monthly reports. Although the current system of manual accounting operates satisfactorily, it is subject to various human errors and increased work load of the staff. Therefore, mission reiterate that the installation of the accounting software should be done without further delay.

49. The mission reviewed reconciliations of all bank accounts and the Designated Account (DA) and found that they are accurate and up-to-date. While overall financial performance of the Project remains at 24.96%, utilization of IFAD loan has reached 28.89% excluding pending WA of SDR 207,375.15. PMO has submitted WAs up to the end of June 2015. Out of LKR 153.4 million the National budget allocation for 2015, LKR 25.0 million has been obtained from the General Treasury and utilised only 11.7 million up to the end of second quarter of the current year. PFS of 2014 has been sent to IFAD and Auditor General on 21.04.2015 and audit report is expected in the second week of August 2015 as assured by the Assistant Auditor General of the Region. Asset verification for 2014 was completed on 18.01.2015 and no discrepancies found. System of internal control provides adequate safeguards for the project assets and ensures maintenance of proper accounting records. Progress reports are sent regularly to the Ministry and IFAD. The latest report reviewed was for second quarter of 2015 and reports are fairly informative and include agreed contents. While "Summary risk assessment" (Annex I) is enclosed herewith, questionnaire of "Financial Management at supervision" (Annex II) is attached to the WP.

50. **Accounting:** All basic books of accounts are maintained on cash basis, manually. Transactions are primarily recoded according the Treasury chart of accounts and they are subsequently posted to spreadsheets according to the classifications required to prepare annual consolidated financial statements and quarterly financial Progress Reports for monitoring purposes. First phase of the development of accounting software which contain Cash book, Bank Reconciliation, Classification of expenditure by Component and Activity basis and Payroll has been completed. Second and final phase include Contract Register, Inventory management, generation of WA and preparation of PFS.

The Mission reviewed randomly selected six bank reconciliation statements (three from each bank account relating to IFAD funds and Counterpart funds) and six Special Dollar Account reconciliation statements and found that they were in order. Financial progress reports are prepared quarterly and bi-annually and send to IFAD. Last report was sent to IFAD on 27.07.2015. Sources and application of funds for the year 2014 is at Annex 3, which provides details of budget vs. actual expenditures by financier and by category of expenditures and variances.

51. **Programme Financial Statement (PFS):** Annual financial statement for the year 2014 has been submitted to Audit Department within the stipulated time by the PMO through the Ministry. But there was a one month delay in forwarding the PFS to the audit by the Ministry. The mission reviewed the PFS and cross checked some randomly selected entries with the supporting documents and relevant records and arrived at the conclusion that it has been prepared satisfactorily to provide a true and fair view of state of affairs of the Project.

52. **Withdrawal Applications:** Since 2014 supervision mission PMO has submitted twelve withdrawal applications (WA 10-21) to the value of USD 3,957,689.98, out of which 11 applications except for the last WA have been replenished by IFAD. The mission reviewed all 12 WAs with supporting documents, giving special attention to their eligibility to claim under SOE procedure and whether they are classified according to the loan categories and agreed percentages. Mission satisfied as to the accuracy and the eligibility of these payments for IFAD financing.

#### **Acceptable disbursement rate**

53. Disbursement is rated as *moderately unsatisfactory (3)*. Although there is an improvement in disbursements in the year 2014 and first half of 2015 in relation to previous year, the actual overall achievement up to 30.06.2015 is 24.96% including private sector and beneficiary contribution. IFAD made the highest contribution at 28.89% and the next highest 24.74% was made by the Government. (Appendix 5 – Table A). While the actual overall achievement by financier by component is 24.96%; the expenditure against Component 1, Infrastructure is the highest at 31.15% and second highest is the Component 3, Project Management at 22.88% and the Component 2, Production and Marketing, is the lowest at 3.80%. (Appendix 5 – Table B). Status of disbursement from the IFAD Loan 857 LK as at 30<sup>th</sup> June 2015 is SDR 4,145,021.49, which is 28.89% of the total loan financing of SDR 14,350,000 excluding pending disbursement of SDR 207,375.15, whereas acceptable disbursement rate as per PDP is 44%. The cumulative projected loan disbursement (taken 100% of balance six months of 2015 AWPB) as at the end of 2015 would be SDR 8.04 million and cumulative rate of disbursement would be 56.04%. The balance will be utilised during the rest of the project life (Appendix 5– Table 3C).As recommended by 2014 mission, project management has taken beneficiary and private sector contribution into account for progress monitoring purposes.

54. **Request for upward revision of Authorised allocation:** Authorized allocation for IIDP is USD one million and submission of replenishment application is subject to minimum three month's expenditure or 30% of the initial advance which ever occur first. Although this arrangement was acceptable in the initial stage of the Project, with the acceleration of infrastructure activities, PMO would find it difficult to meet its liquidity requirements within this limit in future. There is also a time lag of about one month between sending application and receiving replenishments. According to the outstanding commitment and contracts to be awarded in the current year alone would cost around USD 11.2 million and payments would become due during the period of August 2015 to Sept, 2016. Therefore, PMO requires an increased initial advance up to USD 3 million, only for this period. Therefore, Mission recommend increasing initial advance up to USD 3 million for the above mentioned period and reducing it gradually to the original limit of USD 1 million, as a temporary measure to overcome impending shortage of liquidity of the Project.

55. **Internal Control:** System of internal control is designed to ensure that errors and shortcomings are either prevented or detected early, so that remedial action can be taken. System of Internal Control based on segregation of duties among the staff and the delegation of authority issued by the LPA operates satisfactorily. The mission test checked some transactions relating to procurement and payment for fixed assets such as office equipment, by "system walk through" and satisfied that the approved procedures were being followed. A system of quality control of civil works is in operation with the assistance of implementing agencies under the supervision of the PMO. The Internal auditor (IA) has been appointed on part time basis from the staff of the Northern Provincial Council and up to now, three audit reports covering administrative and financial management aspect of the Project have

been submitted. PMO has responded to the observations satisfactorily. The latest report was issued on 21.04.2015. In order to improve internal auditing and reporting the mission recommend that IA should follow "Guidelines for Internal Audit to Projects Funded by Foreign or Local Funds" issued by the General Treasury in future audits and also conduct audit inspection on quarterly basis.

56. **Assets Management:** Annual Board of Survey was conducted on 18.01.2015 and no discrepancies were observed. All assets are coded and inventoried. Assets issued to the other project implementing agencies such as provincial Irrigation office etc. are issued with formal acknowledgment and they are also subject to annual asset verification. A separate set of books are maintained for fixed assets and consumable stores. All issues of consumable stores are made on requisitions and records are up-to-date. The Mission reviewed some of the procurement of fixed assets with accounting records and the inventory to satisfy that correct procedure being followed. A test check was conducted to ensure the physical existence of the assets and the Mission satisfied that the system of fixed asset management in operation is satisfactory.

#### **Counterpart funds**

57. **Counterpart funds** rated as *satisfactory* (5). There is smooth flow of counterpart funds to the Project on request. The GoSL has provided LKR 153.4 million for the current year and the Project has so far withdrawn LKR 25 M only. Out of LKR 25 million withdrawn, Project has been able to spend only LKR 11.7 million during the current year. Cumulative expenditure up to the end of June 2015 is sum of LKR 102.36 million.

#### **Compliance with loan covenants**

58. This is rated as moderately *satisfactory* (4). All covenants except the requirement of submission of AWPB sixty days prior to the commencement of the relevant year and audit report within six months after the end of the year, have been complied with. AWPB was submitted to IFAD on 31.01.2015, delayed by three months. Details are at Appendix 6.

#### **Compliance with procurement**

59. This is rated as *satisfactory* (5). The project's procurement is consistent with the approved procurement plan and no significant delays have been identified. A list of major procurement undertaken during the review period and the mission assessment of these procurement has been referenced in working paper 2 on Procurement of the mid-term review Report. The mission is satisfied that IIDP has ensured compliance with the National Procurement Guidelines and in accordance with the principles of procurement as envisaged by IFAD Procurement Guidelines and its Procurement Handbook consistent with the laws and regulation governing public procurement in Sri Lanka. The Project has also ensured compliance with IFAD's prior review requirements in accordance with the provisions of the Letter to Borrower. The list of agreed actions on procurement referenced below is major actions while others issues and its actions are identified in working paper 2 on procurement.

#### **Quality and timeliness of audits**

60. **Quality and timeliness of audits** is rated as *moderately unsatisfactory* (3). Although, the PMO has submitted PFS for the year 2014 on 21.04.2015 to the Ministry, to be forwarded to the Auditor General (AG), the Ministry has forwarded the same only on 24.05.2015, causing a delay of almost a month. Late submission of the PFS by the ministry has contributed to the delay in completion of audit by the AG to a certain extent. The Mission met with the Assistant Auditor General in the province to highlight the need of timely submission of audit reports as per the FA. He admitted that there had been some delay in submission the audit reports in previous years due to shortage of staff but assured that no more delays anticipated as the adequate staff now been provided. He assured that the audit report would be ready before 15 August 2015. The mission also mentioned the requirement of issuance of a Management Letter and inclusion of his opinion on remedial action taken by the project authorities on issues highlighted in previous audit reports. Audit log is attached as Annex 1.

61. **Status of 2013 mission recommendations:** All recommendations except the availability of services of Project Accountant on full time basis have been implemented. Since the Project Accountant works on two full week days and on weekends, the work efficiency has been maintained.

Agreed action	Responsibility	Agreed date
13. Complete Installation of the accounting software	PMO	Oct 2015
14. Settle outstanding audit issues early	PMO	Oct 2015
15. Internal auditor should submit his future reports in the format issued by the General Treasury and conduct audit on quarterly basis	PMO	In future audits
16. Revision of the Procurement Plan	PMO	30 Aug 2015
17. Documentation on procurement undertaken by associated departments and agencies of the government should be reviewed and filed by IIDP	PMO/Line Agency	Continuous
18. Maintain a consolidated contract register for all contracts (goods, civil works, services and consultancies)	PMO	Continuous
19. Timely extension of contracts in case deliverables are not completed within the contract period	PMO	Continuous
20. Finalise the amendment to the contract and sub-activity plan	PMO/NBA	15 Aug 2015
21. Training of Procurement Specialist and another staff (to be nominated by the Project)	PMO/MLGPC	31 Dec 2015

## F. Sustainability

### Institution building

62. This is rated as *moderately unsatisfactory* (3). The Project with the involvement of the NGO was expected to provide capacity building contributing to institutional strengthening. This was delayed because of not having the NGO recruited till June 2015. Constant dialogs between the project team and the farmer community has proved farmers are slowly but steadily moving to crop diversification without relying on paddy alone. Farmers are enthusiastic on new ventures with new technology and request project assistance and facilitation. The social mobilisation and capacity building activities have now being commenced, it was observed that women in small groups have exposed with savings and credit habits and are interested in doing business. Women express their views freely and progressively.

63. From the institutional front, the 21 FOs of the scheme have a long institutional history. The leaders are disproportionately patriarchal and hardly take collective and democratic decisions in functioning and coordinating with government and other institutions. As such the IIDP role in institutional building has to be strengthening of membership and their relationship with the leadership. In this context, the following needs to be addressed to sustain the project activities beyond the project period. These needs include training on leadership and conflict management; designing the records needed for proper record keeping and supply to each FOs; training on record keeping, financial management and maintenance; awareness creation about Agrarian Development Act: 2000/5 and draft constitution from Assistance Commissioner of Agrarian Development(ACAD); and regular monitoring by Project and departmental staff. In addition there are hardware needs namely renovation of an existing office building for FOs Federation and providing office stationery. In addition to above list, following needs should also be addressed in relation to Operation & Maintenance of the irrigation infrastructures: training on BWA both in class rooms and field; training of FOs on maintaining O&M funds; capacity building on farm water distribution.

### Empowerment

64. This is rated as *moderately unsatisfactory* (3), due to the same reason as presented in para 61. As practiced now, once the first date of water issue for a particular cultivation season is decided during seasonal cultivation meetings, the Irrigation Department decides the water issue schedules for each FOs for the season. Presently ID manages the Main Canal adapting rigid schedules. That approach lack the opportunities to be flexible or supplying water from the Main Canal “on demand” basis to suit actual field conditions guaranteeing the availability of water at farms in right quantity at right time in right frequency. When there is large number of farms spread over large area like Iranamadu, it would be an impossible task to achieve that flexibility on individual farm basis. However, it is possible farmers as groups are empowered in making decisions related to water withdrawal from the Main Canal “on demand” basis. Therefore, BWA is a concept which empowers farmers in relation to making decisions on water availability at their farm gates. In this approach the role to be played by the ID in managing Main Canal flexibly and strategies introduced to communicate with FOs play very important role. However it was observed that the priority given for implementing BWA concept is not sufficient. Presently, there is no systematic communication strategy between FOs and ID as such to implement BWA concept required for empowerment.

65. There is no agreed action for such empowerment as such except training for strengthening the role of the FOs to face future challenges to be faced by FOs once BWA system is practiced in the field. It also important to note that the availability of water within the remaining project period is limited to practice BWA on ground because of ADB funded Headwork Rehabilitation Project. Therefore, there is a need to reschedule the implementation program. Proposed program is in Working Paper on Irrigation Water Management.

#### **Quality of beneficiary participation**

66. This is rated as *moderately satisfactory* (4). There are 21 FOs under Iranamadu Tank. Each of them have separate water supply from the Main Canal. Once BWA concept is practiced their performance as an entity is very vital. According to summary of a report prepared by the hired NGO on current performance of 21 FOs, 4 of them are functioning below average, 10 FOs between 50-60% and rest seven are above 60%. Accordingly, the FOs have different institutional capacities then the capacity of FOs could be assessed again by the end of the Project to find out project impact in terms of beneficiary participation. PMO has followed all the necessary consultation with beneficiaries prior to identifying rehabilitation needs. This has mainly focused on irrigation infrastructure and community needs. However rural roads rehabilitation have been overlooked. At the construction phase, 29 contract packages have been awarded to FOs and completed successfully. All those contracts were to rehabilitate Drainage Canals which need only unskilled labour.

#### **Responsiveness of service providers**

67. The responsiveness is rated as *moderately satisfactory* (4). The concerned government line agencies have shown a keen interest to actively participate in the implementation of project activities during the initial two years. The mission observed that this interest is currently limited to the Department of Agriculture to establish adaptability trials in a very limited scale, and the Department of Irrigation which is fully involved in the whole process of canal rehabilitation starting from the designing to the construction supervision. The involvement of the latter would naturally be on board since the Project Director comes from the same institution. The 2014 SIS observed a keen interest of the private sector. IIDP has not captured that interest by having built up market exposures and producer-private sector linkage. The NGO has just started operation and the mission's initial assessment indicates that the technical skill of the NGO needs strengthening with outsourcing to adequately respond to the needs of the Project. At present the responsiveness is less than what is required in certain field as listed above.

#### **Exit strategy**

68. This is rated as *moderately unsatisfactory* (3). There has not been any emphasis on this requirement as yet. As repeatedly mentioned by previous SIS missions, the existing Project Management Committee and Farmer Organizations are still to be re-organized and strengthen to take over management and operation responsibilities of the completed and nearly completed structures. It is proposed that the IIDP will have to prepare a draft strategy by mid 2016 so that the required arrangements could be made with the associated institutions and farmer organizations. There was a strong demand from the farmers that such a committee is essential for coordination and guidance.

69. There are two external interventions which positively affect the performance of the project, namely North Central Province (NCP) Canal receiving water from Mahaweli Project and ADB funded rehabilitation project to increase the capacity of Iranamadu tank. According to NCP canal Feasibility Studies cropping intensity of the Iranamadu tank would be increased from 1.2 to 1.6. Capacity to store water in the Iranamadu tank, will also be increased by 20%. Therefore those interventions provide ideal exit strategy provided that the BWA system is established properly, because those interventions further guarantee the feasibility of IFAD interventions.

70. In BWA, every farmer would know the volume of water available for the coming year, for his farm in addition to local rain falls. That facility thus stimulates farmers' planning to search for a best cropping combination in the future. Some farmers may select only paddy while others who are profit maximizes search for advice in both agriculture and marketing to select better remunerative crops. IIDP thus introduce and firm-up linkages with technical institutions and the private sector.

71. If above scenario takes place with the facilitation of the Project to a group of farmers under a particular D Canal, it will provide a congenial situation for Agriculture or Marketing Experts from the

state and private sector institutions to deliver their services. As a result, their services would be made available “on demand” basis rather than just a training exercise “on supply” basis. Normally, in this type of rehabilitation programs, authorities “hand over” the responsibility of O&M to FOs after the project completion. However, to ensure sustainability, the FOs should rather “take over” this responsibility. Therefore as an indicator for exit scenario, a note on “Taking Over” by each D Canal farmer groups can be used rather than “Hand Over” note as conventionally adapted. This needs emphatic capacity building. Main objective of the NGO is to achieve this type of paradigm shift.

### **Potential for scaling-up and replication**

72. This is rated as *moderately unsatisfactory* (3), one rate below that of the 2014 SIS mission. IIDP had the opportunity and also the potential to demonstrate effective means of rehabilitating canal structures in larger command areas without significantly disturbing the livelihood patterns of farmers who are living in the areas. The labour contribution of the farmers through farmer organization could also be demonstrated. Also it could have demonstrated effective crop diversification to meet market demands, which is also pending. Further the core concept of bulk water management is a practice that could be both horizontally and vertically scaled up. While the Project is having potential for this, at present the practice is immature in terms of both irrigation structural requirement and the farmers’ capacity. The Project now has the opportunity to use the NGO to support to implement both requirements.

## **G. Other**

### **Physical assets**

73. This is rated as *moderately satisfactory* (4). IIDP has built-up an array of physical assets such as canal structures, road crossings and drainage crossings of Left Bank Main Canal, Paranthan Main Canal, Right Bank Main Canal, PMO and Project Management Committee buildings. Life time of these assets are more than 20 years. Canal structures have been newly created and the repairs to PMO and PMC buildings have been done. Road crossings include newly constructed culverts and bridges as well as repairs to the existing culverts and bridges. These culverts and bridges have helped to interconnect internal road network in the project area and used not only by the project beneficiaries but also the general public in the province.

### **Food security**

74. This is rated as *moderately unsatisfactory* (3). It is expected that the combined effect of infrastructure development and various activities under the production and marketing sub component would have a notable impact on food security. The canal rehabilitation, particularly field canal development which will contribute to paddy and even non-paddy crop production is not complete to observe food security improvement. Further the non-paddy crop production has been very limited its impact on food security can be seen only if there is a notable number of farmers adopt it.

### **Quality of natural asset improvement and climate resilience**

75. This is rated as *moderately satisfactory* (4). A tree plantation program has been launched and about 4000 trees have been established mainly in reservation areas along the Main Canal. About 90% of selected tree varieties are not very appropriate in terms on ecological improvements in riparian environments in Stream and Canal reservations. Those trees however contribute to the climatic resilience. Thus the mission recommends introducing indigenous varieties for any future tree planting along canals. In addition drainage Canals are being improved to reduce water logging in some areas as a parallel activity with Irrigation Canal Rehabilitation thereby improving the quality natural assets.

76. PMO has also earmarked few village tanks located at the periphery of the project area focusing reuse of runoff water receiving from upstream areas, for irrigating more lands. Benefits of introducing such village tanks could be diversified further focusing natural asset improvements also. For an example, Kanchipuram Tank receiving run-off water from area under irrigation from D 5 of RB 1 can be rehabilitated for irrigation purpose as well as a water body functioning as a wetland to clean agriculture effluents receiving from the farms located up stream. Reuse of runoff water that is drained out of farming areas increase the efficiency of water usage for irrigation. To reuse surface runoff from farms, anicuts also can be introduced along drainages. Anicuts are structures which could be used to trap water in natural streams to divert into downstream areas for reuse. While doing the PRAs with

farmers to identify irrigation issues, effort can be made to identify location where farmers have already put up such temporary anicuts. After careful evaluation of the location in relation to social and environmental issues specific to the location, permanent structures can be introduced with the consensus of all the farmers.

77. Agro wells are also another strategy to reuse waste water from irrigated areas. Water seeps below the root zones of crops after surface irrigation, reduces irrigation usage efficiency. Full recovery of such losses cannot be achieved. However this water eventually replenishes the groundwater table. Therefore Agro wells which collect this water for reuse should be treated as a strategy in increasing irrigation usage efficiency contributing to asset improvement.

Agreed action	Responsibility	Agreed date
22. Formulate a Contract Package to plant indigenous trees suitable for riparian environment along the reservations of main drainage canals already rehabilitated by FOs and award to the same groups as Contract	PMO	Before 2015 maha
23. Construction of a village tanks at Kanchakuda to serve both as a wetland cleaning agriculture effluents and for irrigation	PMO	Apr 2016
24. Rehabilitation of Drainage Canals in areas prone to Salinity development	PMO	Aug 2015
25. Construction of village tanks similar to Kanchipuram to serve both as a wetland cleaning agriculture effluents and for irrigation	PMO	Apr 2016

## H. Conclusions

78. IIDP has established the essential administrative and financial systems. The PMO has recruited Nation Builders Association, an NGO in June 2015, after two years of IFAD recommendation to assist the Project in undertaking social mobilization, implementing gender action plan, and strengthening the capacity of the farmer organizations for water management, production and marketing. IIDP is now fully on track to deliver all its outputs and facilitate achieving its outcomes. The disbursement of the IFAD loan was 29% which was inadequate at 50% laps of project period.

79. The achievements of the first component have been encouraging. About 85% of the total canal rehabilitation activities have been either completed or on-going at the mid-term. While leaders of all the farmer organizations were appreciating the progress, they raised concerns about not having the field canal systems, which is needed for effective water delivery. Full participation of the farmers in identifying and designing structures would have brought better results in farmers' acceptance of the same. There is also room for further improvements in the irrigation structures to achieve better water management. The second sub-component progressed only in constructing the PMO and Project management Committee buildings. There is a strong community demand for drying floors, small agro-wells and access farmer roads and the Project would provide them during the next two years.

80. The project management office has to pay attention to balance the overall performance of IIDP by improving the progress of the second component. Although IFAD loan allocation is about 11% in this component, its importance in supporting livelihood improvements is paramount. The current progress in livelihood improvement through social mobilization and training; and production, extension and marketing however has not adequately been maintained. The delay in recruiting the NGO was the main reason.

81. On the basis of these observations and with a view to help achieving the development objective of IIDP, the mission made the following recommendations: recruit a Consultant Irrigation Design Engineer to revisit some of the structures and all the designs that are to be implemented for improvements; establish a Variation Committee to assess and approve structural variations of the civil work for improvements; establish a Committee for the review and approval of canal structures and drawings; complete the rest of the rehabilitation of all the D Canal with better technical supervision; request the NGO to strengthen its team with necessary resource persons to support project input delivery and help achieving outcomes; enhance social mobilization and capacity building process to expedite bulk water management and non-paddy crop production; and develop business plans including dairy with matching grants facility with the private sector.

82. With such interventions implemented on urgent basis, the Project will be able to contribute to achieving the development objectives during the project period.





## Appendix 1: Summary of project status and ratings

### Basic Facts

Country	Sri Lanka	Project ID	1600	Loan/DSF Grant No.	857
Project	Iranamadu Irrigation Development Project			Top-up Loan/DSF Grant	
Date of Update	18 August 2015				
Supervising Inst.	IFAD				
No. of Supervisions	2	No. of Implementation Support/Follow-up missions	5		
Last Supervision	July/Aug 2015	Last Implementation Support/Follow-up mission	Jan 2014		

USD million Disb. rate %

Approval	13-Dec-2011			Total financing	29.33	9.36
Agreement	30-Jan-2012	Effectiveness lag	1.6	IFAD Total	22.23	28.89
Entry into force	30-Jan-2012	PAR value	-----	IFAD loan	22.23	28.89
First disbursement	April 2013			DSF grant		
MTR		Last amendment		IFAD grant		
Original completion	31-Mar-2017	Last audit		Domestic Total	7.09	
Current completion	31-Mar-2017			Beneficiaries	2.71	
Original closing	30-Sep-2017			Government (National)	3.16	11.37
Current closing	30-Sep-2017			Private Sector Local	1.23	
No. of extensions	0			External Co-financing Total		

### Project Performance Ratings

B.1 Fiduciary Aspects	Last	Current	B.2 Project implementation progress	Last	Current
1. Quality of financial management	4	4	1. Quality of project management	4	4
2. Acceptable disbursement rate	3	3	2. Performance of M&E	5	5
3. Counterpart funds	5	5	3. Coherence between AWPB & implementation	4	4
4. Compliance with financing covenants	4	4	4. Gender focus	4	3
5. Compliance with procurement	5	5	5. Poverty focus	4	4
6. Quality and timeliness of audits	3	3	6. Effectiveness of targeting approach	4	4
			7. Innovation and learning	4	4
			8. Climate and environment focus	4	4

B.3 Outputs and outcomes	Last	Current	B.4 Sustainability	Last	Current
1. Infrastructure development	5	4	1. Institution building (organizations, etc.)	3	3
2. Production and Marketing	4	3	2. Empowerment	3	3
			3. Quality of beneficiary participation	3	4
			4. Responsiveness of service providers	4	4
			5. Exit strategy (readiness and quality)	4	3
			6. Potential for scaling up and replication	4	3

### B.5 Justification of ratings

The project overall progress improved significantly since last SIS and has made considerable progress in the 1<sup>st</sup> component which reflects the ownership and commitment of all stakeholders. Progress of component 2 is generally slow and implementation of key subcomponent of social mobilisation and capacity building has not commenced in an effective and systematic manner mainly due to delay in engagement of NGO. Progress has been made in materialising partnership between private sector and project beneficiaries under Production and Marketing sub component. However, in view of interest and potential, there is scope for linkages with additional private sector players. **PMO is fully staffed and all the administrative, financial, procurement, M&E systems, and project steering committees functioning well.** The project team continue to be highly

motivated and committed.

## Overall Assessment and Risk Profile

	Last	Current
C.1 Physical/financial assets	4	4
C.2 Food security	4	3
C.3 Quality of natural asset improvement and climate resilience	4	4
C.4 Overall <b>implementation progress</b> (Sections B1 and B2)	4	4

Rationale for implementation progress rating

C.5 Likelihood of achieving the development objectives (section B3 and B4)	4	4
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Rationale for development objectives rating: The implementation of social mobilisation and capacity building of the farmer organizations and women societies which will be the anchor point for improving livelihood thereby achieving the development objective. The progress of the 1<sup>st</sup> component has put the structures in place to commence the productive activities with capacity building. With the NGO appointed the Project is now in a position to undertake capacity building systematically with the existing well-functioning Farmers Organisations. There is a willingness of the FO to apply bulk water management system for water management and production. As such there is a reasonable likelihood of achievement of development objectives.

## C.6 Risks *Short description of major risks for each section and their impact on achievement of development objectives and sustainability*

Fiduciary aspects	These risks are minimal. The payment management is under control. The late auditing and addressing one remaining audit issue which is recovery delay of overpayment of staff salaries is one which has raised concerns with the mission. This was noted by the Ministry and agreed to sort it out soon.
Project implementation progress	Slow progress in non-irrigation infrastructure development and the second component in which the capacity building is supported had delayed the implementation progress. Leaders of all the farmer organizations appreciated the progress of irrigation rehabilitation. They however raised concerns about lack of progress in developing the field canal systems. The second sub-component has not progressed well. The main reason has been not having the NGO recruited. Now that the NGO is on board the implementation risk will be minimum.
Outputs and outcomes	In view of the increased workload and to maintain the quality of civil works, additional staff requirements would need to be met urgently. Contract management for civil works/canal rehabilitation also has a risk to a certain extent since more than one contract has been awarded to the same contractor at the same time.
Sustainability	Since almost all the main irrigation structures except field level canals are usually owned and maintained by the provincial irrigation department, its sustainability can be expected to a reasonable level. Some of the completed structures have been well maintained. However, since the FOs are expected to play a dominant role in the planning and implementation of downstream development like involvement with rehabilitation and post rehabilitation O&M for D & F canals, management of Bulk Water Allocation system, meaningful participation of women etc. there is an immediate need of building their managerial and technical capacities through the process of social mobilisation. This is lagging behind still. The project is hopeful that these activities will start soon with the mobilization of the NGO.

## Proposed Follow-up

Issue / Problem	Recommended Action	Timing	Status
Several improvements for both sub-components of the 1 <sup>st</sup> component are required to improve the efficiency and effectiveness of implementation	In view of accelerated progress of component 1, some of the design and works improvement, and the plan to undertake implementation of additional packages during the next two years, the PMO proposes to hire two consultant engineers on contract basis. They will help the project to design and supervise construction work, O&M training, awareness campaign for communities about the Bulk Water Allocation system, and technical training for technical staff of PID. The two consultants need to be immediately recruited. With that recruitment and the NGO support construction work and concomitant social capacity building work should enhance the implementation progress to a considerable level.	Sept 2015	PMU has already identified the consultants
Social mobilization and capacity improvement of FO is an essential prerequisite for both components but the recruited NGO is still working on the implementation plan to support IIDP and a delay in it will affect the	IIDP should help the NGO to prepare the implementation plan as to how they will support social mobilization, and capacity building immediately. In order to enhance gender focus and improve women participation in project activities, the mission recommends that the Gender Specialist of IIDP should work with the NGO and coordinate them to commence working on mobilization and capacity development.	Aug 2015	Gender Specialist has already started working with the NGO

implementation progress			
Improvements in the structures, conduct and performance of FOs and other existing CBOs are needed to improve their roles in management	Selected NGO for Social Mobilisation shall complete the institutional assessment including the structure, by-laws etc. of FOs and other existing community organizations like WRDS, that the NGO has just started in July and recommend modifications to suite the project needs. Improve and finalise the action plan for groups formation and capacity building/trainings and implement at least 50% of it by December 2015.	Sept 2015	
Consolidation of plan for agricultural development/ extension, crop diversification, machinery demos etc.	Although the 2014 mission strongly proposed that the plans prepared for various activities by DOA and DAPH shall be consolidates with the assistance of a qualified consultant to be in line with the project scope and implementation feasibility. Due to not having one of that nature, the overall component will be facilitated by the NGO with the overall coordination from the PMU. The NGO will source-in required consultants to undertake the activities such as training etc which will appear in their implementation plan.	Aug 2015	Planning has already started
Criteria to select farmers, for crop diversification activity	The project should apply a simplified criteria consisting of the following to select farmers, both men and women, as beneficiaries of crop diversification activity: at least ¼ ac of land ownership, priority for being a women-headed family, tail end farmer, and a member of the registered farmer organization.	Sept 2015	Commuted to the NGO for support and implementation
Data collection for M&E systems needs to be improved	Provide additional staff support from staff of NGO, mainly 12 SMs for M&E data gathering and data entry.	Sept 2015	
Women are currently not in the forefront except in very few saving groups	Encourage women to take decisions making positions in small groups and eventually FOs executive committee. Gender Specialist in the project should take lead action on this and mobilise the NGO.	Immediate	
Enhance private sector involvement for improved marketing and marketing margins in the product prices	The private sector has shown keen interest in creating partnership with IIDP farmers. Support farmer groups in additional contract/agreement formation with the private sector and supervise fulfilment of terms of contract. The NGO will assist the project in getting the private sector linked up and have agreement between the farmers and the private sector.	Sept 2015	Pvt sector has been already introduced
Delay in submission of Audit Reports	Draft audit report for the year 2013 is still pending and within a month the report will be ready.	Sept 2015	Dept Auditor General, North has already been informed.



## Appendix 2: Updated logical framework: Progress against objectives, outcomes and outputs

Narrative Summary	Key Performance Indicators	Means of Verification	Assumptions (A) / Risks (R)
<b>Goal:</b>			
Contribution to overall poverty reduction, increases in household incomes	<ul style="list-style-type: none"> <li>increased HHs assets</li> <li>increased HHs incomes</li> <li>Reduced malnutrition of children below 5 years – weight &amp; height</li> </ul>	<ul style="list-style-type: none"> <li>Provincial statistics</li> <li>Household surveys</li> </ul>	
<b>Project Development Objective:</b>			
The irrigation infrastructure of the Iranamadu scheme has been rehabilitated, farm productivity improved and women's participation in water and land management and marketing enhanced	<ul style="list-style-type: none"> <li>Secured access to water support for 4000 HHs (direct farmers 7000)</li> <li>Reaching an average paddy productivity above national level 10%(NL=1400Kg/Ac)</li> <li>Yala land extent diversified by 20%</li> </ul>	<ul style="list-style-type: none"> <li>M&amp;E reports (based on key expert data)*</li> </ul>	Individual and group incentives as well as farmer institutional development will sustain infrastructure, cropping, marketing arrangements, and women participation in the medium term
<b>Outcome 1:</b>  a. Irrigation infrastructure is rehabilitated, water is distributed and field canals is farmer managed, extent of underutilized land is reduced with irrigation and women effectively participate in water and land management	<ul style="list-style-type: none"> <li>10% increase in paddy production per unit volume of water in maha/yala seasons (water productivity)</li> <li>15 % Reduction in irrigation water requirement per (average duty)</li> <li>70% Increase in overall irrigation intensity (cultivated extent out of total command area per year)</li> </ul>	<ul style="list-style-type: none"> <li>M&amp;E reports (based on key expert data)*</li> <li>Reports of the Prov. Irrigation Department (PID)/Agriculture extension/Dept of agrarian services/FOs</li> </ul>	Severe weather events do not substantially damage rehabilitated infrastructure  Continued policy support for irrigation development
<b>Outputs:</b> 1.1 Irrigation Development	<ul style="list-style-type: none"> <li>237 Km canals rehabilitated (main canals, distributor and drainage channels)</li> </ul>	<ul style="list-style-type: none"> <li>Reports of the PID</li> <li>Progress reports</li> <li>M&amp;E reports</li> </ul>	System H experience in demand led water management successfully transferred to project farmers
<b>Outcome 2:</b>  Women and youth groups (existing and/ or new), FOs strengthen and sustained through social mobilization and training. Sustainable FOs delivering irrigation services to farmers	<ul style="list-style-type: none"> <li>93 women and youth groups involving forward sales agreements</li> </ul>	<ul style="list-style-type: none"> <li>SMs reports</li> <li>Progress reports</li> <li>M&amp;E reports</li> </ul>	
<b>Outputs:</b> 2.1 Formation of women and youth groups 2.2 Appointing SMs	<ul style="list-style-type: none"> <li>Formation of 93 women and youth groups</li> <li>12 SMs appointed</li> </ul>	<ul style="list-style-type: none"> <li>SMs reports</li> <li>Progress reports</li> <li>M&amp;E reports</li> </ul>	

Narrative Summary	Key Performance Indicators	Means of Verification	Assumptions (A) / Risks (R)
<b>Outcome 3:</b> Sustainable agricultural productivity through diversified crops is enhanced and strong linkages with private corporate buyers ensuring remunerative markets are established	<ul style="list-style-type: none"> <li>Diversified crops productivity increased by 20%. (yield per Ha by crops)</li> <li>Proportion of total land cultivated under 3 most popular other field crops covered 310ha</li> <li>Volume of different crops marketed by 334MT</li> </ul>	<ul style="list-style-type: none"> <li>Reports of the Prov. Agriculture Department</li> <li>M&amp;E reports</li> </ul>	Agricultural and other agencies supporting adoption of sustainable cropping techniques.
<b>Outputs:</b> 3.1 Irrigation water supply for OFC by crops 3.2 Volumes and proportion of crops sold under forward sales agreements (FSA) 3.3 HHs covering by extension and marketing services provided by the private and public sectors	<ul style="list-style-type: none"> <li>400 Ha extent irrigated by crop per season (non paddy crops)</li> <li>2118 HHs covered by extension and marketing services provided by the PVT companies (maize 2014/2015 maha 527, non- paddy other crops 1592)</li> </ul>	<ul style="list-style-type: none"> <li>Reports of the Prov. Agriculture Department</li> <li>M&amp;E reports</li> <li>Progress reports</li> </ul>	

**\*\* Project plans to conduct a HHs sample survey for data verification**

### Appendix 3: Summary of key actions to be taken within agreed timeframes

Action Area	Action Agreed	Date	Whom	Progress
Project Implementation	In case of additional work and approval of supplementary allocation, a revised AWPB duly approved by the steering committee shall be submitted to IFAD for approval	July/Aug 2014. Subject to approval of supplementary allocation	PMO	Completed
	Undertake engagement of NGO for social mobilisation on priority basis after No Objection from IFAD. In this regard, recommendation of last SIS Mission shall be followed, particularly the partnership between selected NGO and Kilinochchi District Women Development Federation	Complete the process of engagement by 15 July 2014	PMO CPO/CMP to expedite No Objection	Completed
Outputs	Purchase the required numbers of testing equipment and testers utilizing provisional sums of awarded contracts	End June 2014	PD	Completed
	Recruit one Senior Engineer, 2 Junior Engineers, 6 Technical Officers and 10 Work Supervisors	End June 2014	PD	Most staff recruited on part-time basis
	If the Project awards 6 more contract packages in August 2014, recruit 2 more Technical Officers and 4 more Work Supervisors	End August 2014	PD	Most staff recruited on part-time basis
	Purchase the required types and numbers of current meters for calibration of water management structures	End September 2014	PD	Not completed – this is expected to implement with a consultant hired by NGO
	Carry out institutional assessment including the structure, by-laws etc. of FOs and other existing community organizations like WRDS and recommend modifications to suite the project needs. Prepare action plan for groups formation and capacity building/trainings	September 2014	NGO under supervision of PMO	Partly completed as the recruitment of NGO got delayed until May 2015
Sustainability	Simplify the selection criteria of farmers for the crop diversification programme. The minimum criteria have been listed above	July 2014	PMO	Completed and selection has been done per new criteria
	Using the NGO that will recruited in June, create mass awareness about crop diversification and non-paddy farmer group should be strengthen	Start in July 2014	PMO	Partly done as the recruitment of NGO delayed till May 2015
	Disseminate the soil suitability study result so that individual farmer will know the list of suitable non-paddy crops for her/his land. Services of social mobilisation NGO	Start in July 2014	PMO with the PDOA	Partly done as the recruitment of NGO delayed till May 2015

	could also be utilised			
	Provide facilities to cultivate 100 ha of maize in Thiruvaiyaru area in the <i>maha</i> season of 2014. At least 50% of the farmers should be women. Make appropriate market linkages	Start in July 2014	PMO	Failed to arrange a market linkage
	Complete the consolidated plan for agriculture development with the participation of all institutions including AP&H with an external review	Complete in August 2014	PMO	Consolidated plan was compiled
	Recruitment of Gender Specialist under Gender and Social Mobilisation section for sharing work load and enhanced gender focus	Immediate	PMO	Not done. Once social mobilization and training taken over by the NGO, this doesn't require
	Provide additional staff support for M&E data gathering and data entry	3rd quarter 2014	PD	Not done
	Develop KM products – small infrastructure outcome video clip, photo gallery and upgraded IIDP newsletter – and IIDP website in 2014	During 2014	M&E Specialist with support of sector specialists/PD	Completed except for the IIDP website
	Identify appropriate KM training for M&E Specialist	2nd half of 2014	PD	Not done
	Introduce Climate Change Adaptation awareness raising	Immediate	PMO/Social Mobilisation and Gender Specialist	Not done – delay in the recruitment of NGO
Fiduciary Aspects	Ensure availability of services of Project Accountant on full time basis	PMO	By end of 2014	Not done, still on part-time basis
	Procure and install an accounting package	PMO	Immediate	Installed partially
	PMO to make a formal request to IFAD to increase initial deposit up to USD 2 Million	Project Accountant	Immediate	Request made to IFAD but the process being delayed
	Appoint different TECs based on expertise needed for each procurement	PMO	When future procurements are initiated	Completed



## Appendix 4: Physical progress measured against AWP&B, including RIMS indicators

		2014				Up to 2014.December		
Component/ Sub-component or Output	Indicator	Unit	AWP&B	Actual	%	Cumulative Actual	Appraisal Target	%
Component 1-Infrastructure Development								
Sub-component- 1.1- Irrigation development								
	Length of main cannel rehabilitation	Km	6.43	6.08	95	26.24	26.24	100
	Length of branch cannel rehabilitation	Km	8.67	5.38	62	7.02	8.67	81
	Length of distributor cannel rehabilitation	Km	94	74.25	79	190.25	135	141
	Length of main drainage channel rehabilitation	Km	40	36.5	91	65.1	70	93
	Length of field drainage channel rehabilitation	Km	80	86	108	100	100	100
	People trained in infrastructure management (1.1.1)	No	1080	805	75	805	1500	54
	Groups managing infrastructure formed and/or strengthened (1.1.2.)	Group	50	33	66	33	275	12
	People in groups managing infrastructure (1.1.3.)	No	1135	198	17	198	1650	12
	Groups managing infrastructure with women in leadership positions (1.1.4.)	Group	110	10	9	10	83	12
	Land under irrigation schemes constructed or rehabilitated (1.1.5)	Ha	4000	4250	106	8455	8455	100
Sub-component-1.2- Other infrastructure development								
Component 2- Production and marketing								
Sub-component-2.1- Social mobilization and training								
	No. of groups for Mobilization of women and youth non paddy crop groups for OFC/vegetable production	Groups	50	63		93	423	22
	No. of Social mobilizes appointed	No	21			12	21	57
	No. of GAPs prepared	Plan	4	4	100	4	4	100

**Sub-component-2.2-  
Production and  
marketing**

No. of NPC demonstration plots establishment	Plots	170	100	59	1114	1672	67
No. of VAT demonstration established	Demo	10	10	100	10	30	33
No. of Good agricultural practices plots established for Maize	Plots	572	572	100	572	500	114
People trained in post-production, processing and marketing (1.4.1)	No	1300	1034	80	1034	2115	49
People trained in crop production practices and technologies 1.2.2	No	1975	1034	52	1034	3690	28

## Appendix 5: Financial: Actual financial performance by financier; by component and disbursements by category.

**Table 5A: Financial performance by financier as at 30.06.2015**

Financier	Approval (USD' 000)	Disbursements (USD' 000)	Per cent disbursed
IFAD loan	22,231.00	6,421.46	28.89
Government	3,158.00	781.38	24.74
Private Sector	1,231.00	4.43	0.36
Beneficiary	2,706.00	110.78	4.10
<b>Total</b>	<b>29,326.00</b>	<b>7,318.06</b>	<b>24.96</b>

Note: USD 1 = LKR 131 is actual average exchange rate of IFAD Loan disbursement, this rate is taken to convert equivalent USD of other financing sources. **SDR 1 = 1.54919860**

**Table 5B: Financial performance by financier by component (USD '000) as at 30.04.2014**

Component	IFAD loan			Government			Private Sector			Beneficiaries			Total		
	Approval	Actual	%	Approval	Actual	%	Approval	Actual	%	Approval	Actual	%	Approval	Actual	%
1. Infrastructure	18,487.00	6,019.42	32.56	2,882.00	696.25	24.16	-	-	-	234.00	14.23	6.08	21,603.00	6,729.91	31.15
2. Production and Marketing	2,453.00	131.73	5.37	21.00	1.69	8.07	1,231.00	4.43	0.36	2,472.00	96.55	3.91	6,177.00	234.40	3.80
3. Programme Management	1,291.00	270.32	20.94	255.00	83.43	32.72	-	-	-	-	-	-	1,546.00	353.75	22.88
<b>Total</b>	<b>22,231.00</b>	<b>6,421.46</b>	<b>28.89</b>	<b>3,158.00</b>	<b>781.38</b>	<b>24.74</b>	<b>1,231.00</b>	<b>4.43</b>	<b>0.36</b>	<b>2,706.00</b>	<b>110.78</b>	<b>4.10</b>	<b>29,326.00</b>	<b>7,318.06</b>	<b>24.96</b>

Note: USD 1 = LKR 131 is actual average exchange rate of IFAD Loan disbursement, this rate is taken to convert equivalent USD of other financing sources.

**SDR 1 = USD 1.54919860**

**Table 5C: IFAD loan disbursements (SDR, as at 30-06-2015)**

Category	Category description	Original Allocation	Revised Allocation	Disbursement as at 30-06-2015	Available Balance (3-4)	% Disbursed	Outstanding WA Claim of 2015	Total pending disbursement of 2015	projected expenditure of 2015(Balance 06 months of AWPB)	Projected disbursement as at 31.12.2015 (4+7+8+9)	Projected Balance as at 31.12.2015 (3-10)	Projected Percent disbursement as at 31.12.2015
	1	2	3	4	5	6	7	8	9	10	11	12
I	Civil Works	10,110,000.00	10,110,000.00	3,885,504.46	6,224,495.54	38.432		194,164.94	3,242,897.09	7,322,566.49	2,787,433.51	72.43%
II	Vehicles, Equip. Materials	310,000.00	310,000.00	28,133.95	281,866.05	9.075		386.86	62,034.78	90,555.59	219,444.41	29.21%
III	Advisory services and studies	870,000.00	870,000.00	45,513.05	824,486.95	5.231		699.01	273,384.26	319,596.32	550,403.68	<b>36.74%</b>
IV	Training groups in operation and Management	660,000.00	660,000.00	529.11	659,470.89	0.080		-	24,637.21	25,166.32	634,833.68	3.81%
V	Training Inputs and Marketing	220,000.00	220,000.00	38,986.42	181,013.58	17.721		4176.05	16,642.04	59,804.51	160,195.49	27.18%
VI	Salaries and Allowances	415,000.00	415,000.00	146,354.50	268,645.50	35.266		7,948.29	69,774.32	224,077.11	190,922.89	<b>53.99%</b>
	Unallocated	1,765,000.00	1,765,000.00		1,765,000.00			-			1,765,000.00	-
	<b>Sub Total</b>	<b>14,350,000.00</b>	<b>14,350,000.00</b>	<b>4,145,021.49</b>	<b>10,204,978.51</b>	<b>28.885</b>		<b>207,375.15</b>	<b>3,689,369.70</b>	<b>8,041,766.34</b>	<b>6,308,244.66</b>	<b>56.04%</b>
	Initial deposit				(645,577.79)							
	<b>Total</b>	<b>14,350,000.00</b>	<b>14,350,000.00</b>	<b>4,145,021.49</b>		<b>28.885</b>		<b>207,375.15</b>	<b>3,689,369.70</b>	<b>8,041,766.34</b>	<b>6,308,244.66</b>	<b>56.04%</b>

**Note:** Exchange rate for 2014: 1 SDR=LKR 201.82 is applied for conversion of projected expenditures. **SDR. 1UDS= 1.549198606** USD1 = LKR 131.

## Appendix 6: Compliance with legal covenants: Status of implementation

Article/ Section	Covenant	Status
4.01	<b>Loan Account and withdrawal.</b> The Fund shall open a Loan Account in the name of the Borrower and credit the principal amount of the Loan thereto.	Complied
4.02	(a) Between the date of entry into force of a Financing Agreement, and the financing closing date, the Borrower may request withdrawals from the Loan Account of amounts paid or to be paid for eligible expenditures. The Fund shall notify the borrower of the minimum amount for withdrawals. (b) No withdrawal shall be made from loan account until the first AWPB has been approved by the fund and the fund has determined that all other conditions specified in the Financing Agreement as additional general conditions precedent to withdrawal have been fulfilled. The Financing Agreement may also establish additional specific conditions precedent to withdrawal applicable to particular categories or activities. Withdrawals to meet the cost of starting up the Project may be made from the date of entry into force of the Agreement, subject to any limits established in the Financing Agreement.	Complied
4.03	<b>Special Commitments.</b> Upon the Borrower request, the fund may agree to make an irrevocable commitment to pay amounts necessary to guarantee a Letter of credit used to finance eligible expenditures (a special commitment) on such terms and conditions as the borrower and the Fund may agree.	Being complied
4.04	<b>Applications for withdrawal, or Special Commitment.</b> (a) When the Borrower wishes to request a withdrawal from the Loan Account or a special commitment, Borrower shall deliver to the Fund, an application in the form specified therefor by the Fund, together with such documents and other evidence in support of such application as the Fund shall reasonable request. (b) The Borrower shall furnish to the Fund satisfactory evidence of the authority of the person or persons authorised to sign such applications and authenticated specimen signature of each person. (c) Each such application, and the accompanying documents and other evidence, must be sufficient to satisfy the Fund that the Borrower is entitled to such withdrawal or special commitment. (d) If the Borrower requests a withdrawal from the loan account for amount to be paid thereafter for eligible expenditures, the fund may, before transferring such amounts to the Borrower, require that the Borrower provide evidence satisfactory to the fund showing that previous withdrawals have been properly spent for eligible expenditures. The Fund may place reasonable limits on the amount that the Borrower may withdraw in advance or the overall balance of such advance withdrawals, and may require that such amounts be held in freely convertible currency and / or be held in an account designated for that purpose in a bank acceptable to the Fund.	Being complied
4.08	<b>Eligible expenditures.</b> (a) The financing shall be used exclusively to finance expenditures meeting each of the following eligibility requirements: (i) The expenditure shall meet the reasonable cost of goods, works and services required for the Project and covered by the relevant AWPB and procured in conformity with the Fund's Procurement Guidelines. (ii) The expenditure shall be incurred during the project implementation period, except that expenditure to meet the costs of winding up the project may be incurred after the project completion date and before the financing closing date. (iii) The expenditure shall be incurred by a project party. (iv) If the Agreement allocates the amount of the financing categories of eligible expenditures and specifies the percentage of such eligible expenditures to be financed by the financing, the expenditure must relate to a category whose allocation has not been depleted and shall be eligible only up to the percentage applicable to such category. (v) The expenditure shall be otherwise eligible in accordance with the terms of the Financing Agreement. (b) The Fund may from time to time exclude certain types of expenditure from eligibility. (c) Any payment prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations, shall not be eligible for financing by the Financing. (d) Any payments to a person or and entity, or for any goods, works or services, if making or receiving such payments constitutes a coercive, collusive, corrupt or fraudulent practice by any representative of the Borrower or any project party, shall not be eligible for financing by the Financing.	Being complied
4.09	<b>Refund of withdrawals.</b> If the Fund determines that any amount withdrawn from the loan and was not used for the purposes indicated or will not be needed thereafter to finance eligible expenditures, the borrower shall promptly refund such amount to the Fund upon instruction by the Fund. Except as the Fund shall otherwise agree, such refunds shall be made in the currency used by the fund to disburse such withdrawal. The Fund shall credit the loan by the SDR equivalent of the amount so refunded.	Being complied
7.01	<b>Project Implementation.</b> (a) The Borrower and each of the project parties shall carryout the project: (i) with due diligence and efficiency; (ii) in conformity with appropriate administrative, engineering, financial, economic, operational, environmental and agricultural development practices (including	Being complied

	<p>rural development practices) and good governance;  (iii) in accordance with the plans, design standards, specifications, procurement and work schedules and construction methods agreed by the borrower and the Fund;  (iv) In accordance with the provisions of the relevant Agreement, AWPBs, and the Procurement Plan;  (v) in accordance with the policies, criteria and regulations relating to agriculture development financing laid down from time to time by the Governing Council and Executive Board of the Fund; and  (vi) so far as to ensure the sustainability of its achievement over time.  (b) (i) Project shall be implemented on the basis of an Annual Work Plan and Budget (AWPB). The Lead project agency shall prepare a draft project AWPB for each project based, to the extent appropriate, on the draft AWPBs prepared by the various project parties. Each draft project AWPB shall include, among other things, a detailed description of planned project activities during the coming project year, Procurement Plan, and the sources and uses of Funds.  (ii) Before each project year, the Lead project agency shall, if required, submit the draft project AWPB to the oversight body designated by the borrower for its review. When so reviewed, the Lead Project Agency shall submit the draft project AWPB to the fund for comments no later than sixty (60) days before the beginning of the relevant project year. If the Fund does not comment on the draft project AWPB within thirty (30) days of receipt, the AWPB shall be deemed acceptable to the Fund.  (iii) The Lead Project Agency shall adopt the project AWPB in the form accepted by the Fund.  (iv) The Lead Project Agency may propose adjustments in the project AWPB during the relevant project year, which shall become effective after acceptance by the Fund.</p>	<p>Current AWPB was submitted to IFAD on 13.01.2014 and approval received on 24.02.2014. A delay of two and a half month observed.</p>
7.02	<p><b>Availability of financing proceeds.</b>  (a) The Borrower/Recipient shall make the proceeds of the Financing available to the Project Parties upon terms and conditions specified in the Financing Agreement or otherwise approved by the Fund for the purpose of carrying out the Project.  (b) The Financing Agreement may provide that the Borrower/Recipient open and maintain one or more Project Accounts for Project operations in a bank acceptable to the Fund, and shall identify the Project Party responsible for operating such account or accounts. The operation of such accounts, unless otherwise specified in the Financing Agreement, shall be performed in accordance with the applicable rules and regulations of the Project Party responsible therefor</p>	<p>Being complied. A Project Account has been opened. A/C No. 048-1-001-1-9026029</p>
7.03	<p><b>Availability of Additional Resources.</b>  (a) In addition to the proceeds of the Financing, the Borrower/Recipient shall make available to the Project Parties such funds, facilities, services and other resources as may be required to carry out the Project in accordance with Section 7.01.  (b) In addition to the proceeds of the Financing, the Financing Agreement may provide that the Borrower/Recipient shall make available to the Project Parties during the Project Implementation Period counterpart funds from its own resources in accordance with its customary national procedures for development assistance.</p>	<p>Being complied   Separate Bank Account has been opened for Counterpart funds (GoSL) Funds. A/C No. 048-1-001-3-9026028</p>
7.05	<p><b>Procurement.</b>  (a) Procurement of goods, works and services financed by the Financing shall be carried out in accordance with the provisions of the Borrower/Recipient's procurement regulations, to the extent such are consistent with the IFAD Procurement Guidelines. Each Procurement Plan shall identify procedures which must be implemented by the Borrower/Recipient in order to ensure consistency with the IFAD Procurement Guidelines.  (b) By notice to the Borrower/ Recipient, the Fund may require that all bidding documents and contracts for procurement of goods, works and services financed by the Financing include provisions requiring bidders, suppliers, contractors, sub-contractors and consultants to:  (i) allow full inspection by the Fund of all bid documentation and related records;   (ii) maintain all documents and records related to the bid or contract for three years after completion of the bid or contract; and   (iii) cooperate with agents or representatives of the Fund carrying out an audit or investigation</p>	<p>Being complied</p>
7.06	<p><b>Use of goods and services.</b>  All goods, services and buildings financed by the Financing shall be used exclusively for the purposes of the Project.</p>	<p>Being complied</p>
7.07	<p><b>Maintenance.</b>  The Borrower/Recipient shall ensure that all facilities and civil works used in connection with the Project shall at all times be properly operated and maintained and that all necessary repairs of such facilities shall be made promptly as needed</p>	<p>Being complied</p>
7.08	<p><b>Insurance.</b>  (a) The Borrower/Recipient or the Lead Project Agency shall insure all goods and buildings used in the Project against such risks and in such amounts as shall be consistent with sound commercial practice.  (b) The Borrower/Recipient or the Lead Project Agency shall insure the goods imported for the Project which are financed by the Financing against hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation in accordance with sound commercial practice.</p>	<p>N/A. No vehicles have been procured for the Project.</p>
7.09	<p><b>Subsidiary Agreements.</b>  (a) The Borrower/Recipient shall ensure that no Project Party shall enter into any Subsidiary Agreement, or consent to any modification thereof, inconsistent with the Financing Agreement or the Project Agreement.  (b) The Borrower/Recipient and each Project Party shall exercise its rights under any Subsidiary Agreement to which it is party to ensure that the interests of the Borrower/Recipient and the Fund are fully protected and the Project is carried out in accordance with Section 7.01.</p>	<p>Being complied</p>

	(c) No provision of any Subsidiary Agreement to which the Borrower/Recipient is a party shall be assigned, waived, suspended, abrogated, amended or otherwise modified without the prior consent of the Fund. (d) The Borrower/Recipient shall bear any foreign exchange risk under any Subsidiary Agreement to which it is party, unless otherwise agreed by the Fund.	
7.11	<b>Key Project personnel.</b> The Borrower/Recipient or the Lead Project Agency shall appoint the Project Director and all other key Project personnel in the manner specified in the Agreement or otherwise approved by the Fund. All key Project personnel shall have qualifications and experience specified in the Agreement or otherwise approved by the Fund. The Borrower/Recipient shall exercise best efforts to ensure continuity in key Project personnel throughout the Project Implementation Period. The Borrower/Recipient or the Lead Project Agency shall insure key Project personnel against health and accident risks to the extent consistent with sound commercial practice or its customary practice in respect of its national civil service, whichever is appropriate	Being complied. Project Manager has resigned and his position has been filled with a new Project Manager. Health Insurance is not practised in civil service in Sri Lanka.
7.12	<b>Project parties.</b> Each Project Party shall, as required to carry out the Project in accordance with Section 7.01: (a) promptly take all necessary or appropriate action to maintain its corporate existence and to acquire, maintain and renew its rights, properties, powers, privileges and franchises; (b) employ competent and experienced management and personnel; (c) operate, maintain and replace its plant, equipment and other properties; and (d) not sell, lease or otherwise dispose of any of the Project's assets, except in the normal course of business or as agreed by the Fund.	Being complied
7.13	<b>Allocation of Project Resources.</b> The Borrower/Recipient and the Project Parties shall ensure that the resources and benefits of the Project, to the fullest extent practicable, are allocated among the Target Population using gender disaggregated methods	Being complied
8.02	<b>Monitoring of Project Implementation.</b> The Lead Project Agency shall: (a) establish and thereafter maintain an appropriate information management system in accordance with the Fund's <i>Guide for Project Monitoring and Evaluation</i> with which it shall continuously monitor the Project; (b) during the Project Implementation Period, gather all data and other relevant information (including any and all information requested by the Fund) necessary to monitor the progress of the implementation of the Project and the achievement of its objectives; and (c) during the Project Implementation Period and for at least ten (10) years thereafter, adequately store such information, and, promptly upon request, make such information available to the Fund and its representatives and agents.	Being complied
8.03	<b>Monitoring and Project Implementation.</b> (a) The Lead Project Agency, or other party so designated in the relevant Agreement, shall furnish to the Fund periodic progress reports on the Project, in such form and substance as the Fund shall reasonably request. At a minimum, such reports shall address (i) quantitative and qualitative progress made in implementing the Project and achieving its objectives, (ii) problems encountered during the reporting period, (iii) steps taken or proposed to be taken to remedy these problems, and (iv) the proposed programme of activities and the progress expected during the following reporting period. (b) A Mid-Term Review (MTR) to be carried out jointly by the Borrower and IFAD (c) The Borrower/Recipient shall ensure that the recommendations resulting from the Mid-Term Review are implemented within the specified time therefor and to the satisfaction of the Fund. Such recommendations may result in modifications to the Agreement or cancellation of the Financing.	Being complied. Regular progress reporting is being done.
9.01	<b>Financial Records.</b> The Project Parties shall maintain separate accounts and records in accordance with consistently maintained appropriate accounting practices adequate to reflect the operations, resources and expenditures related to the Project until the Financing Closing Date, and shall retain such accounts and records for at least ten (10) years thereafter	Being complied
9.02	<b>Financial statements.</b> The Borrower/Recipient shall deliver to the Fund detailed financial statements of the operations, resources and expenditures related to the Project for each Fiscal Year prepared in accordance with standards and procedures acceptable to the Fund and deliver such financial statements to the Fund within four (4) months of the end of each Fiscal Year.	2013 Financial statement was sent to LPA by PMO on 25.03.2014 and LPA has forwarded it to Audit on 30.04.2014. PMO was requested to send a copy to IFAD immediately.
9.03	<b>Audit of Accounts.</b> The Borrower/Recipient shall: (a) each Fiscal Year, have the accounts relating to the Project audited in accordance with auditing standards acceptable to the Fund and the Fund's <i>Guidelines on Project Audits (for Borrowers' Use)</i> by independent auditors acceptable to the Fund; (b) within six (6) months of the end of each Fiscal Year, furnish to the Fund a certified copy of the audit report. The Borrower/Recipient shall submit to the Fund the reply to the management letter of the auditors within one month of receipt thereof; (c) if the Borrower/Recipient does not timely furnish any required audit report in satisfactory form and the Fund determines that the Borrower/Recipient is unlikely to do so within a reasonable period, the Fund may engage independent auditors of its choice to audit the accounts relating to the Project. The Fund may finance the cost of such audit by withdrawal from the Loan and/or Grant Accounts.	Audit of accounts is entrusted to the Auditor General of Sri Lanka.  There is a delay in receiving Audit Report from the Audit Department. Even though no IFAD funds was utilised during the year 2012 the Audit Report for the year has not yet been received by the PMO. It is still in the draft form and responses

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		sought from the PMO has been sent without any delay.
Section B para 6	There shall be a Project Account managed by the Project Management Office ("PMO") in a commercial bank acceptable to the Fund.	Complied
Para 7	There shall be an account designated to receive funds in advance ("Designated Account") in USD for the exclusive use of the Project in the Central Bank of Sri Lanka.	Complied
Para 8	The Borrower shall provide counterpart financing for the Project in the amount of USD 3 158 000 to finance part of the civil works, salaries and operating costs and all taxes and duties.	Being complied
Section E	1 (a) The Project Coordinator and Project Manager have been appointed in accordance with Schedule 1 paragraph 8 of this Agreement; and (b) A Project Implementation Manual ("PIM"), acceptable to the Fund and Borrower, has been finalized.	Complied. PIM finalised and to be sent to IFAD for concurrence.
Schedule 1 section II	A National Steering Committee ("NSC") shall be established for the Project under the chairmanship of the Secretary of the MLGPC.	Complied
	Provincial Steering Committee ("PSC") shall be established for the Project under the chairmanship of Chief Secretary, Northern Provincial Council and responsible for provincial level coordination and Project implementation oversight over performance of functions.	Complied
	A District Coordinating Committee ("DCC") and District Agriculture Committee ("DAC") shall facilitate the Project coordination at the district level.	Complied
	A Project Management Office ("PMO") shall be established in the Office of Deputy Director of Irrigation at Kilinochchi. It shall be the executive authority of the Project and shall be headed by the Project Coordinator. The Project Coordinator shall be appointed from among high level qualified permanent government officials, on a secondment basis and on a part-time basis. The appointment shall be acceptable to IFAD. A Project Manager shall be recruited from the open market with qualifications and experience acceptable to the Borrower and to IFAD, and shall be in charge of daily management of the Project	Complied
<b>LTB para</b>		
6	The proceeds of the financing may not be used to pay taxes	Complied
7	PMO to open and maintain an Account designated to receive loan resources in advance at the Central Bank of Sri Lanka (in US\$); to make an initial deposit equivalent to USD 1 Million	Complied
10 (a)	Project coordinator and Project Manager have been appointed in accordance with Schedule 1 paragraph 8 of the Financing Agreement	Complied
10 (b)	A Project Implementation Manual (PIM) , acceptable to the Fund and Borrower , has been finalized	PIM has been finalised
13	SOE threshold : USD 50,000 equivalent for expenditures under all categories	Being complied
16	Procurement of goods, works and services carried out in accordance with the procedures laid down in IFAD procurement guidelines, as amended from time to time, and the IFAD Procurement Hand Book.	Local guidelines that are mostly in line with IFAD guidelines are followed.
19	International competitive Bidding (ICB) shall be the mandatory method of procurement for contracts above the following values: (i) Goods: above USD 200,000 equivalent ; (ii) Civil works : above USD 1,000,000 equivalent; and (iii) Services: above USD 100,000 equivalent.	Being complied
20	Award of any contract for Goods, Consultancy Services and other services estimated to cost above USD 100,000 equivalent and Civil works estimated to cost above USD 500,000 equivalent shall be subject prior Review by IFAD.	Being complied
22	All contracts with or without prior approval, should be listed in the Register of Contracts with the dates of approval and submitted to the IFAD Country Programme Manager on a monthly basis.	Contract log is being maintained and examined by supervision missions.
25	The Financial Statements relating to the Project will be audited by the auditor General of Sri Lanka	Being complied
26	Log of Audit Observations (Audit Log) should be maintained and updated regularly.	No audit report so far received but when received Audit log would be updated according the PMO.



## **Appendix 7: Knowledge management: Learning and Innovation**

### **Learning**

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The project initiatives which will help KM include; a) photo and video gallery - good collection of photos to portray results of project interventions across the board and a few video clips, b) use of effective communication tools such as power point and concise progress reports to disseminate and share the information, c) development of several success stories and case studies; and d) outcome measurement of some of the project interventions, and e) knowledge sharing with component heads and other staff. At the M&E and KM workshop it was agreed among M&E officers in the country programme to jointly develop a newsletter which is still to happen. However, IIDP has initiated a project newsletter which needs to be refined and developed further and share it with stakeholders and the beneficiaries.

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### **Innovation: Describe any interesting innovation noted during supervision**

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IIDP had the opportunity and also the potential to demonstrate effective means of rehabilitating canal structures in larger command areas without significantly disturbing the livelihood patterns of farmers who are living in the areas. The labour contribution of the farmers through farmer organization could also be demonstrated. Also it could have demonstrated effective crop diversification to meet market demands, which is also pending. Further the core concept of bulk water management is a practice that could be both horizontally and vertically scaled up. While the Project is having potential for this, at present the practice is immature in terms of both irrigation structural requirement and the farmers' capacity. The Project now has the opportunity to use the NGO to support to implement both requirements.

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## Appendix 8: Audit Log

### 1. Summary Audit Table

#### 1. Audit as at end of the year 2014

Financial Year	Audit Observations as per Audit Report		Audit Observations Settled		Audit Observations Outstanding	
	Numbers	Value (LKR)	Numbers	Value (LKR)	Numbers	Value (LKR)
2012	3	179.03 M	3	179.03M	NIL	NIL
2013	10	184.24 M	9	184.05 M	1	182,000
2014						
2015						
Total :	13	363.27	12	363.08	1	182,000

Details of outstanding Audit observations are included in the WP – Fiduciary and Procurement aspects

## Detailed Audit Log

SL No	Financial year	Class/ Serious General	Audit Reference	Audit observation	Total amount per observation LKR	Action taken by the Project	Present status	Total amount not settled LKR	Remarks
1	2012	General	5.1	Lack of evidence for Audit – Cash flow was not with the PFS		Cash flow was subsequently provided	Settled		
2			5.2	Underutilization of funds	179,000,000	Responded	Settled		Explanation acceptable
3			6	Systems and control		Responded	Settled		Explanation acceptable
4	2013		5.1	Accounting Deficiency	942,204	Responded	Settled		Explanation acceptable
5			5.2	Non-compliance with Laws, Rules and Regulations	846,000	LKR 664,000 recovered	Not fully settled	182,000	Balance amount should be recovered.
6			6.1	Underutilization of funds	140,000,000	Responded	Settled		Explanation acceptable
7			6.2 (a)	Value of executive chairs – over valuation	242,834	Extra amount would be deducted from retention	settled		Explanation acceptable
8				Payment for extra work	3,251,904	This is within the contracted amount	Settled		Explanation acceptable
9				Payment for extra work	8,595,595	Responded	Settled		Explanation acceptable
10				Value of turf work	830,380	Responded	Settled		-do-
11				Supervision was unsatisfactory	28,990,661	Responded	Settled		-do-
12			6.2	Payment for electricity charges of DDI office	651,481	Responded	Settled		
13				Advertisement charges for hiring a NGO for social mobilization	72,912	Responded	Settled		Explanation acceptable