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**IFAD**

**INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT**

**Executive Board – Eighty-Fifth Session**

Rome, 6-8 September 2005

**DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA**

**POST-TSUNAMI COASTAL REHABILITATION AND RESOURCE MANAGEMENT  
PROGRAMME**

**INFORMATION PAPER**

At its Eighty-Fourth Session in April 2005, the Executive Board approved the loan proposal for the Post-Tsunami Coastal Rehabilitation and Resource Management Programme in Sri Lanka (document EB 2005/84/R.20/Rev.1). Because loan negotiations had not taken place prior to the Board's consideration of the proposal, approval was on the condition that the Board be advised, at a future session, of the results of the negotiations. Accordingly, please find attached as Annex I additional information resulting from the negotiations held on 20-22 July 2005, and as Annex II the summary of important supplementary assurances included in the negotiated loan agreement. This information will also be incorporated in the revised document EB 2005/84/R.20/Rev.2.



**ADDITIONAL INFORMATION RESULTING FROM LOAN NEGOTIATIONS**

Further to the information provided in document EB 2005/84/R.20/Add.1, the Executive Board is invited to consider the following modifications to the report and recommendation of the President on the Post-Tsunami Coastal Rehabilitation and Resource Management Programme (document EB 2005/84/R.20/Rev.1). For ease of reference, the changes to the text of the Report and Recommendation of the President are in bold.

Ministry of Fisheries and Aquatic Resources should read throughout the report **Ministry of Fisheries, Aquatic Resources and Christian Affairs**.

Page 4, paragraph 12

The third sentence should read:

“It is expected that, after two years, the situation will have normalized, most assets will have been recovered and a **three**-year development phase can be initiated.”

Page 7, paragraph 34

The first sentence should read:

“Total programme costs over a **five**-year period have been estimated at USD 33.5 million, including 5% physical contingencies on selected costs and an allocation for local inflation of 12% for the first year, 8% for the second year, and 6% thereafter, and foreign inflation of 2.1% per year throughout.”

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**SUMMARY OF IMPORTANT SUPPLEMENTARY ASSURANCES  
INCLUDED IN THE NEGOTIATED LOAN AGREEMENT**

(Loan negotiations concluded on 22 July 2005)

1. **Programme accounts.** The district programme manager of each programme district will open and thereafter maintain in a commercial bank, proposed by the Government and accepted by IFAD, a current account denominated in LKR to receive loan and other funding for programme operations (the “DPMU programme account”). The relevant district programme manager and the accountant/finance manager of the district programme management unit (DPMU) will be authorized to carry out transactions relating to the DPMU programme account. The programme coordinator will open and thereafter maintain in a commercial bank proposed by the Government and accepted by IFAD, a current account denominated in LKR to receive loan and other funding for programme operations (the “PCU programme account”). The programme coordinator and the accountant/finance manager of the programme coordination unit (PCU) will be authorized to carry out transactions relating to the PCU programme account. The financing institution agreed between the Government and IFAD will open and thereafter maintain, in a bank proposed by the Government and accepted by IFAD, an account denominated in LKR to receive loan and other funding relating to the credit activities (the “credit activities programme account”). The Government will advise IFAD which financing institution personnel will be authorized to carry out transactions relating to the credit activities programme account.
2. **In-depth reviews.** The lead programme agency, IFAD and the cooperating institution will jointly carry out a first in-depth review no later than the end of the 24th month following the effective date, and the second in-depth review no later than the 48th month following the effective date, to consider the achievement of programme objectives and the constraints experienced, and recommend reorientation as may be required to achieve objectives and remove constraints. The Government will ensure that review recommendations are implemented within a reasonable time and to the satisfaction of IFAD.
3. **Counterpart funds.** During the programme implementation period, the Government will make available to the lead programme agency counterpart funds from its own resources in accordance with the annual workplans and budgets (AWPBs) and its customary national procedures for development assistance. For this purpose, the Government will take all reasonable steps to obtain budgetary allocations for each fiscal year equal to the counterpart funds called for in the AWPB for the relevant programme year and make such allocations available to the lead programme agency annually in advance as required to carry out the programme in accordance with the loan agreement.
4. **Insurance of programme personnel.** The Government will insure programme personnel against health and accident risks to the extent consistent with its customary practice in respect of its national public service.
5. **Gender focus – implementation.** The Government will ensure that implementation modalities are gender-sensitive and that women beneficiaries are equally and fully represented. It will also ensure that at least 75% of the beneficiaries under the microenterprise and financial service development component are women.
6. **Gender focus – programme staffing and management.** Equal participation of women will be sought in the national steering committee and the district coordination committees. The selection and appointment of key programme staff (the programme coordinator and district programme managers) will be conducted in a gender-sensitive manner. In the recruitment of programme staff, all things being equal, preference will be given to women candidates.

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7. **Monitoring.** To evaluate programme implementation properly, the programme will establish its own monitoring system by or before 12 months after the programme's effective date. The Government will ensure that the indicators to be monitored by the programme are specified in each service provider agreement, and that they include, as far as feasible, data on the impact of the activities of each contracted service provider.

8. **Progress reports.** (a) Quarterly progress reports will be submitted by each programme party. They will address technical and physical progress made during the period and contain financial statements relating to that quarter's expenditures.

(b) Annual progress reports will be based on the quarterly progress reports. They will be prepared, processed and consolidated in the same manner as the quarterly progress reports.

9. **Business advisory services.** The provision of basic business advisory services and skills training under the microenterprise and financial services development component will be provided under the loan on a matching grant basis, with the beneficiaries contributing 20% of the relevant costs.

10. **Creation of an autonomous coastal zone development institute.** The programme anticipates the establishment of an autonomous institute or body for coastal zone development. This matter will be critically reviewed during the second in-depth review to ascertain what the conditions and legal requirements for its establishment are. A decision will then be taken and the Government will take the necessary steps to create this institution or body before the programme completion date.

11. **Suspension.** In addition to the events specified in section 12.01 of the General Conditions for Agricultural Development Financing, IFAD:

- (a) May suspend, in whole or in part, the right of the Government to request withdrawals from the loan account upon the occurrence of any of the events set forth therein or any of the following events:
- (i) the credit by-laws, or any provision thereof, have been waived, suspended, terminated, amended or otherwise modified without the prior consent of IFAD, and IFAD has determined that such waiver, suspension, termination, amendment or modification has had, or is likely to have, a material adverse effect on the programme's credit activities;
  - (ii) the programme implementation manual, or any provision thereof, has been waived, suspended, terminated, amended or modified without the prior consent of IFAD, and IFAD has determined that such waiver, suspension, termination, amendment or modification has had, or is likely to have, a material adverse effect on the programme;
  - (iii) any competent authority has taken any action for the dissolution of the financial institution or the suspension of its operations, or any action or proceeding has been commenced for the distribution of any assets of the financial institution, which action, in the reasonable opinion of IFAD, may adversely affect programme implementation;
  - (iv) IFAD has given notice to the Government that credible allegations of corrupt or fraudulent practices in connection with the programme have come to the attention of IFAD, and the Government has failed to investigate the matter fully and promptly to the Fund's satisfaction; or thereafter, based on the conclusions of the

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aforesaid investigation and any other information available to it, IFAD, in consultation with the Government, determines that such practices have occurred, and the Government has failed to take timely and appropriate action to remedy the matter to the Fund's satisfaction.

- (b) IFAD will suspend, in whole or in part, the right of the Government to request withdrawals from the loan account if the audit report required by the loan agreement has not been satisfactorily completed within 12 months after the financial reporting period set forth therein.

12. **Conditions of effectiveness.** The following are specified as conditions precedent to the effectiveness of the loan agreement:

- (a) the programme coordinator will have been duly appointed by the lead programme agency and approved by IFAD;
- (b) the Government will have duly opened the special account and the programme coordinator will have opened the PCU programme account;
- (c) the Government will have duly established the programme steering committee and the seven district coordination committees and the PCU;
- (d) the programme coordinator and the PCU accountant/finance manager will have been given any necessary authority and powers to operate the special account and the PCU programme account;
- (e) the loan agreement will have been duly signed, and the signature and performance thereof by the Government will have been duly authorized and ratified by all necessary administrative and governmental action; and
- (f) a favourable legal opinion, issued by the attorney general or other legal counsel acceptable to IFAD in form and substance acceptable to IFAD, will have been delivered by the Government to IFAD.

