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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 LIVELIHOODS SUPPORT AND PARTNERSHIP PROGRAMME**

**INFORMATION PAPER**

At its Eighty-Fourth Session in April 2005, the Executive Board approved the loan proposal for the Post-Tsunami Livelihoods Support and Partnership Programme in Sri Lanka (document EB 2005/84/R.21/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.21/Rev.2.



**ADDITIONAL INFORMATION RESULTING FROM LOAN NEGOTIATIONS**

Further to the information provided in document EB 2005/84/R.21/Add.1, the Executive Board is invited to consider the following modifications to the report and recommendation of the President on the Post-Tsunami Livelihoods Support and Partnership Programme (document EB 2005/84/R.21/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 v, Loan Summary

COOPERATING INSTITUTION:

**International Development Association/  
United Nations Office for Project  
Services**

Page 1, Introductory paragraph

The last sentence should read as follows:

“It will be administered by the **International Development Association (IDA)** as IFAD’s cooperating institution **for as long as its structures and implementation arrangements are under the Dry Zone Livelihood Support and Partnership Programme (DZ-LiSPP).** However, once the Post-Tsunami Coastal Rehabilitation and Resource Management Programme becomes effective, the programme will be implemented under that programme’s implementation arrangements, at which point the cooperating institution functions will be transferred from IDA to the United Nations Office for Project Services (UNOPS).”

Page 5, paragraph 19

The paragraph should read:

“The programme will be implemented over a three-year period \_\_\_\_\_. **It will initially be implemented through the existing structures set up under the DZ-LiSPP. However, once the IFAD-funded PT-CRRreMP becomes effective, the structures and implementing arrangements set up under that programme will be used to implement the programme.**”

Page 6, paragraph 22

The first sentence should read:

“All **civil works** will be procured in accordance with IFAD’s procurement guidelines.”

Page 6, paragraph 24

The paragraph should read:

“All contracts for **civil works** will be awarded following local competitive bidding. \_\_\_\_\_  
Prior approval by the cooperating institution will be required for all contracts valued in excess  
of USD 100 000 (or the equivalent).”

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

(Loan negotiations concluded on 22 July 2005)

1. **Cooperating institution.** The Government agrees to appoint the International Development Association (IDA) as the cooperating institution to administer the loan and supervise the programme for as long as its structures and implementation arrangements are under the DZ-LiSPP. However, once the IFAD-funded PT-CRReMP becomes effective, the programme will be implemented under that programme's structures and implementing arrangements, at which point the Government agrees to appoint the United Nations Office of Project Services (UNOPS) as the cooperating institution to administer the loan and supervise the programme.
2. **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 (the "DPMU programme account") denominated in LKR to receive loan and other funding for programme operations with the exception of those handled by the programme coordination unit (PCU). The relevant district programme manager and the chief accountant of the district programme management unit (DPMU) will be authorized as joint signatories 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 (the "PCU programme account") denominated in LKR to receive loan and other funding for programme operations – including implementation of programme activities in the eastern and southern provinces where no DPMU exists – handled by or under the responsibility of the PCU. The programme coordinator and the chief accountant of the PCU will be authorized to carry out transactions relating to the PCU programme account.
3. **Counterpart funds.** During the programme implementation period, the Government will make available to the lead programme agencies 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 agencies 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 in all programme activities and receive appropriate benefit from the programme.
6. **Gender focus – programme staffing and management.** Equal participation of women will be sought in the policy and oversight board and the provincial programme boards. In the recruitment of programme staff, all things being equal, preference will be given to women candidates.
7. **Monitoring.** The elaborate monitoring structures under the IFAD-funded DZ-LiSPP will be expanded to cover the programme's needs. To be able 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 to the relevant DPMU and to the PCU. These reports will address technical and physical progress made during the period and will contain financial statements relating to that quarter's expenditures. In all programme districts, except those located in the eastern and southern provinces, the component DPMU will prepare quarterly district progress reports and submit them to the PCU for overall conciliation for the relevant quarter.

(b) Annual progress reports, based on the quarterly progress reports, will be prepared, processed and consolidated in the same manner as the quarterly progress reports. In addition, the DPMU will submit district annual progress reports to the provincial programme board for approval.

9. **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) any component authority has taken action for the dissolution of the National Housing Development Authority (NHDA) or the suspension of its operations, or any action or proceeding has been commenced for the distribution of any assets of the NHDA, which action, in the reasonable opinion of IFAD, may adversely affect programme implementation;
  - (ii) 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 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.

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

- (a) 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
- (b) 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.

