

IEG

ICR Review

Independent Evaluation Group

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|----------------------------|---|------------------------------|-------------------|---------------|
| 1. Project Data: | | Date Posted : | 03/09/2006 | |
| PROJ ID: | P058070 | | Appraisal | Actual |
| Project Name: | North-east Irrigated Agriculture Project | Project Costs (US\$M) | 32.4 | 32.1 |
| Country: | Sri Lanka | Loan/Credit (US\$M) | 28.0 | 25.5 |
| Sector(s): | Board: RDV - Irrigation and drainage (48%), Roads and highways (30%), Other social services (12%), Water supply (7%), Sub-national government administration (3%) | Cofinancing (US\$M) | | |
| L/C Number: | C3301 | | | |
| | | Board Approval (FY) | | 99 |
| Partners involved : | | Closing Date | 06/30/2005 | 06/30/2005 |
| Evaluator : | Panel Reviewer : | Division Manager : | Division : | |
| George T. K. Pitman | Christopher D. Gerrard | Alain A. Barbu | EGSG | |

2. Project Objectives and Components

a. Objectives

Three objectives were included within the statement of development objective : "To help conflict affected communities in the North-East and adjoining areas to re-establish at least a subsistence level of production and community-based services through provision of assistance for jump -starting agricultural and small-scale reconstruction activities, and to build the capacity of such communities for sustainable social and economic reintegration." The project was planned to reach 24,000 families or 100,000 villages in seven focus districts in the NE.

From IEG's perspective this statement contains either 2 or 3 subobjectives. This evaluation was carried out against 3 objectives:

- **Objective 1** to re-establish at least a subsistence level of [agricultural] production
- **Objective 2** to re-establish community-based services through provision of assistance for jump -starting agricultural and small-scale reconstruction activities
- **Objective 3** to build the capacity of such communities for sustainable social and economic reintegration

b. Components (or Key Conditions in the case of Adjustment Loans):

Rehabilitation of irrigation schemes . Planned US\$13.6 million, actual US\$11.1 million or 82% of planned. Altogether about 400 tank and weir/anicut diversion schemes were to be included for essential and minimal rehabilitation only, the majority being small-scale (up to 80 hectares) and a few larger (80 to 200 ha). The project would not support restoration of abandoned schemes or improvement of schemes currently working well . Investment costs were to be limited to \$300/ha but exceptionally up to US\$700/ha would be allowed. For dysfunctional schemes passing a 12% ERR screening test maximum costs were not to exceed \$70,000 or \$1,000/ha.

- **Community capacity -building and small -scale reconstruction** . Planned US\$12.1 million, actual US\$14.7 million or 122% of planned. This covered rehabilitation of 1,200 km of rural earthen, gravel and village roads (\$7.6 million); community-level reconstruction activities (\$2.4 million); 300 wells for drinking water (\$0.6 million); training of beneficiaries and staff on participatory and technical aspects (\$0.9 million); and NGO support for social mobilization (\$0.6 million). A new subcomponent, **Livelihood Support Activities (LSA)**, was added in January 2002 and US\$2.0 million was reallocated for this from the civil works category of allowable project expenditures specified in the DCA.
- **Feasibility studies for rehabilitation of selected major and medium schemes** . Planned US\$0.3 million, actual US\$0.3 million or 100% planned.
- **Project implementation and support** . Planned US\$6.0 million, actual 4.9 million or 82% of planned. Included equipment, vehicles, office equipment, staffing and recurrent costs .The biggest subcomponents were for road construction equipment (\$2.4 million) and 27 field and 3 UNHCR vehicles (\$0.97 million). \$1.82 million was allocated for consultants and support staff . The balance was for recurrent costs and training .
- **Project technical and financial audit** . Planned US\$0.4 million, actual US\$0.6 million or 150% of planned. To

carry out quality assurance of project works and expenditures based on a 10% sample for field works.

c. Comments on Project Cost, Financing, Borrower Contribution, and Dates

Actual project costs were slightly less than expected due to the devaluation of the rupee against the US\$. The new subcomponent **LSA** accounts for redistribution of expenditures between components 1 and 2. The project was completed on schedule; US\$ 1.35 million was cancelled.

3. Relevance of Objectives & Design :

Relevance of objectives and project design is rated high . The overall goal was to demonstrate that peace brings more benefit than war; that government and donors support the peace process and equitable development; and that building of local capacity would create the initial conditions to build a base for socially sustainable development in the region. This goal and the project development objective were in accord with the CAS, the Bank's post -conflict reconstruction strategy, and government's relief, rehabilitation and reconstruction policy aimed at rejuvenating the livelihoods of the population affected by conflict .

Project design was appropriate in its focus on reconstruction and human capacity development as this was the primary and immediate need. The adding of the LSA further increased relevance .

4. Achievement of Objectives (Efficacy) :

Objective 1 to re-establish at least a subsistence level of [agricultural] production was *substantially achieved with few shortcomings* .

- An area of irrigated agricultural production at least a third larger than planned was successfully rehabilitated (21,944 ha vs the 16,000 ha planned). Overall paddy crop yield increased through switch from rainfed production (2.5 tons/ha) to irrigated paddy (3.9 tons/ha) and cropping intensity increased from 103 to 132%. In addition a small area of high-value cash crops was introduced (chilli, onions, brinjhal and tomato). Together these improvements benefited 33,250 farm families. Net financial return per ha was estimated to be Rs 14,131/ha or 60% higher than the without-project scenario.
- Water pumps, small shops and goats generated net incremental incomes ranging from Rs . 1800 to 2050 per month (2005 prices) per beneficiary family and loan pay back was 2 to 6 months.

Objective 2 to re-establish community-based services through provision of assistance for jump -starting agricultural and small-scale reconstruction activities *was substantially achieved with some shortcomings* .

- The project achieved double the target number of beneficiaries reaching an estimated 275,000 people in 378 small-scale irrigation schemes.
- More than twice the number of drinking water wells (775 vs the 300 planned) were constructed and produced significant benefits - reduced carry time for women by 1 to 2 hours per day, provided safer water for an estimated 95,500 people and safeguarded (and possibly improved) public health. Seventy percent of these wells are managed by farmer organizations (FOs) and women's rural development societies (WRDS).
- 379 multi-purpose community buildings were either renovated or newly built . These now provide foci for community activities (kindergartens, health clinics, agro-service centers and WRDS's secretariat . Most of these benefits accrued from the LSA component implemented through WRDSs .
- Although the roads component achieved slightly more than planned (1,294 km vs 1,200km), this has not yet stimulated development of agricultural input and output markets in key villages despite directly benefiting an estimated 341,000 people. In addition local government (Pradeshiya Sabas) has no funds to maintain roads. While the North East Provincial Council are putting in place procedures to guide O&M of roads, this is being done in the short to medium term by voluntary local work forces -the sustainability of this arrangement is unclear .

Objective 3 to build the capacity of such communities for sustainable social and economic reintegration *was substantially achieved but with some shortcomings* .

- The sense of ownership in village infrastructure, people's self-reliance, transparency and accountability at community level have increased . The project effectively created linkages and facilitated better communication between community based organizations (CBOs) and relevant government agencies . These institutional developments, and linkages and information flows between communities and government agencies, will benefit planning and implementation of government's own programs in the future.
- The most notable achievement was the establishment of 307 WRDSs and the resultant empowerment of women. Prior to the project interventions, institutionalized groups of women did not exist in most focal villages. WRDSs formed by the project have included the majority of women in the project focal villages and their representatives have demonstrated strong leadership . The WRDSs are seen by many as the most robust village-level CBOs, effectively catering to the needs of women, as well as the poor and the vulnerable.
- All 19,987 LSA loan recipients were women and the activities undertaken were in most cases geared toward women's own economic empowerment and household food security . The majority of activities were related to animal husbandry (cattle, goats and poultry) with the remainder being agriculture

related and self-employed business activities . LSA enabled the project to reach the poor households without paddy lands who would not have directly benefited from tank rehabilitation, and consequently significantly boosted the overall positive impacts of the project .

- Existing FOs and Rural Development Societies were reactivated and strengthened during project implementation. In some instances FOs expanded their membership to include previously excluded tenant farmers.
- The major shortcoming was insufficient attention by the PMU to training in management and accounting for CBOs. As a result, the ability of WRDSs to successfully management LSA and related financial accounting and record keeping at village level is somewhat uneven, particularly in the border areas. Loan recovery rates are 47 to 84% in the NE districts but fall to 13 to 54% in the border areas with an overall average of 68%. Localized areas of low cost-recovery could jeopardize the viability of the revolving funds managed by WRDSs.

5. Efficiency :

- Overall project efficiency was substantial and estimated to be about 15%.
 - The LSA component produced an ERR of 40% and a NPV of Rs554 million.
 - The ERR for the irrigation component was estimated at 11% vs the 14% predicted at appraisal because of delayed rehabilitation, increases in labor costs and an 11% decline in world paddy prices.
 - The ERR from highland cultivation and draft bulls was 59% with a payback period of 5 to 9 months.

6. M&E Design, Implementation, & Utilization:

Generally unsatisfactory . M&E was given a high priority at appraisal and was a covenant in the DCA . However, the security situation in the project area precluded early baseline surveys . During implementation much attention was given to monitoring process indicators (disbursement, financial and outputs) but less to attention to monitoring and evaluating social mobilization and financial/economic outcome indicators . No analysis of income-generating activities was undertaken. Part of this was due to local capacity constraints exacerbated by the absence of NGOs once their contracts had been completed . Time constraints limited the effectiveness of the final impact assessment and recourse was made to a variety of sample surveys supplemented by data provided by the Department of Agriculture . In addition, other donor agencies were assisting the beneficiary population and attribution of benefits to the project using the M&E system designed was difficult .

7. Other (Safeguards, Fiduciary, Unintended Impacts--Positive & Negative):

None noted.

| 8. Ratings : | ICR | ICR Review | Reason for Disagreement /Comments |
|-----------------------------|--------------|--------------|-----------------------------------|
| Outcome : | Satisfactory | Satisfactory | |
| Institutional Dev .: | Substantial | Substantial | |
| Sustainability : | Likely | Likely | |
| Bank Performance : | Satisfactory | Satisfactory | |
| Borrower Perf .: | Satisfactory | Satisfactory | |
| Quality of ICR : | | Satisfactory | |

NOTES:

- When insufficient information is provided by the Bank for IEG to arrive at a clear rating, IEG will downgrade the relevant ratings as warranted beginning July 1, 2006.
- ICR rating values flagged with ' * ' don't comply with OP/BP 13.55, but are listed for completeness.

9. Lessons:

- **Transparency in project design and execution is essential in recovery from post -conflict situations** . This was helped by appointing the NE Provincial Council as lead implementing agency (instead of the relevant central government agencies in Colombo), actively involving CBOs and NGOs in implementation and the appointment of independent technical and financial auditors who provided impartial and transparent quality control .
- **Early attention to build local technical capacity is essential for project sustainability** . In this case it was too little and too late which adversely affected the performance of CBOs .

10. Assessment Recommended? Yes No

11. Comments on Quality of ICR:

Very comprehensive and candid . Good description of the project and its problems including a good account of M&E . Some data given in the annexes does not agree with the main text .

