

**MANAGEMENT RESPONSE ON THE PROJECT PERFORMANCE AUDIT REPORT
ON THE NORTH WESTERN PROVINCE WATER RESOURCES DEVELOPMENT
IN SRI LANKA (Loan 1166-SRI[SF])**

On 2 March 2005, the Director General, Operations Evaluation Department, received the following response from the Managing Director General on behalf of Management:

1. Management understands that staff of OED and SARD consulted on the draft PPAR and basically agreed to the conclusions of the draft PPAR and appreciates OED mission's proactive consultation with the government agencies on key report contents. Management also understands that the downgrading of the overall rating from successful in the Project Completion Report to partly successful in PPAR was mainly due to the underachieved crop diversification target and uncertain sustainability of project impacts both physically and institutionally, as compared to the assessment made at the time of the Project Completion Review. Some specific comments are as follows.

2. With regard to the key issues, lessons, and follow-up actions in Chapter VI of the PPAR, Management in principle supports most of points and issues raised in the PPAR. It is essential that issues such as lack of a clearly defined policy framework, lack of farmer ownership of the irrigation systems, and insufficient resources of local governments to maintain rural roads, be addressed in future interventions in the sector. The follow-up actions recommended in para. 69 are also relevant to address the issues that are specifically related to the Project, and ADB will consider them in promoting further achievement of project benefits and their sustainability.

3. There are some concerns over certain actions recommended by the PPAR. For example, the action to "assess the agronomic problems in project and other schemes; provide soil testing and extension to assist in mitigation (Action i)" would require additional work for the national and provincial departments of agriculture. The PPAR also proposes that the JFPR project (JFPR 9025-SRI: Infrastructure Maintenance to Reduce Rural Poverty) should take responsibility for this action. However, this would be subject to the availability of the funds and the scope of the JFPR project. Overall, the commitment and capacity of the responsible government agencies will be essential in following up or monitoring the PPAR recommendations.