

## Quality at Entry Report for

## AusAID Support for Expansion of World Bank North East Local Services Improvement Project (NELSIP)

A: AidWorks details			
Initiative Name:	AusAID Support for Expansion of World Bank North East Local Services Improvement Project		
Initiative No:	INK283	Total Amount:	\$38.552 million
Start Date:	Mid-2012	End Date:	December 2015

B: Appraisal Peer Review meeting details <i>completed by Activity Manager</i>	
Initial ratings prepared by:	Nabeel Salie/ Sally Mackay /Borhan Ahmed/ Simon Buckley
Meeting date:	1 February 2012
Chair:	Paul Nichols, ADG South Asia Branch
Peer reviewers providing formal comment & ratings:	<ul style="list-style-type: none"> <li>– Mark Barrett, Senior Transport Adviser/ITG</li> <li>– Laury McCulloch, Program Manager/ WIPS</li> </ul>
Independent Appraiser:	– World Bank-led design/appraisal processes are viewed as compliant with AusAID's requirement for independent appraisal (see compliance minute, approved by ADG, SAB)
Other peer review participants:	– See APR Meeting Outcomes Minute

C: Safeguards and Commitments (completed by Activity Manager)		
<i>Answer the following questions relevant to potential impacts of the activity.</i>		
1. Environment	<p>Have the environmental marker questions been answered and adequately addressed by the design document in line with legal requirements under the <i>Environmental Protection and Biodiversity Conservation Act</i>?</p> <p>NELSIP's overall environmental safeguards compliance is rated by the World Bank as '<i>moderately satisfactory</i>'. NELSIP activities do not create negative environmental impact in project locations.</p>	Yes
2. Child Protection	<p>Does the design meet the requirements of AusAID's Child Protection Policy?</p> <p>AusAID will largely rely on the Bank's and GoSL's safeguard protection policies, procedures and systems in the implementation of NELSIP. AusAID also expects the Bank to act in line with the principles set out in AusAID's Child Protection policies, in addition to abiding by other relevant international conventions and agreements.</p>	Yes

D: Initiative/Activity description <i>completed by Activity Manager (no more than 300 words per cell)</i>	
3. Description of the Initiative/Activity	<p>AusAID proposes to co-finance the expansion of the current 5-year, US\$86 million World Bank/GoSL 'North East Local Services Improvement Project' (NELSIP) in Sri Lanka. NELSIP commenced in December 2010, and is expected to conclude in December 2015. NELSIP will support the reconstruction and development of essential public infrastructure in the conflict-affected Northern and Eastern provinces of Sri Lanka. NELSIP is designed to accelerate economic activity through the delivery of infrastructure needed to improve the livelihoods and capacity for better public service delivery at the local level. NELSIP is targeted at improving access to local services for up to 370,000 people living in some of the poorest areas of the country. Components of the project will also enhance the capacity of Local Authorities (LAs) to design, implement and manage new and improved local infrastructure. Infrastructure may include rural roads, bridges, schools, market places, water supply and drainage systems.</p> <p>AusAID's proposed grant of A\$38.552 million over 3.5 years (mid-2012-2015) will be pooled with the US\$86 million currently committed by the GoSL (US\$34 million, local governments (US\$2 million) and World Bank loan (US\$50 million). AusAID funds will be mainly used to support (i) the rehabilitation of existing, and construction of new infrastructure, (ii) capacity building of LAs for infrastructure development, improved management by public institutions and utilities at district and provincial level, and (iii) a proposed catalytic fund that supports investment in infrastructure. NELSIP will be implemented under a partnership agreement with the World Bank who will administer AusAID's funds on AusAID's behalf. NELSIP will be executed by the GoSL's Ministry of Economic Development, ensuring coordination among the Provincial Councils of the Eastern and Northern Provinces as well as other agencies involved in NELSIP's implementation.</p>

3. Description of the Initiative/Activity	<p>AusAID proposes to co-finance the expansion of the current 5-year, US\$86 million World Bank/GoSL 'North East Local Services Improvement Project' (NELSIP) in Sri Lanka. NELSIP commenced in December 2010, and is expected to conclude in December 2015. NELSIP will support the reconstruction and development of essential public infrastructure in the conflict-affected Northern and Eastern provinces of Sri Lanka. NELSIP is designed to accelerate economic activity through the delivery of infrastructure needed to improve the livelihoods and capacity for better public service delivery at the local level. NELSIP is targeted at improving access to local services for up to 370,000 people living in some of the poorest areas of the country. Components of the project will also enhance the capacity of Local Authorities (LAs) to design, implement and manage new and improved local infrastructure. Infrastructure may include rural roads, bridges, schools, market places, water supply and drainage systems.</p> <p>AusAID's proposed grant of A\$38.552 million over 3.5 years (mid-2012-2015) will be pooled with the US\$86 million currently committed by the GoSL (US\$34 million, local governments (US\$2 million) and World Bank loan (US\$50 million). AusAID funds will be mainly used to support (i) the rehabilitation of existing, and construction of new infrastructure, (ii) capacity building of LAs for infrastructure development, improved management by public institutions and utilities at district and provincial level, and (iii) a proposed catalytic fund that supports investment in infrastructure. NELSIP will be implemented under a partnership agreement with the World Bank who will administer AusAID's funds on AusAID's behalf. NELSIP will be executed by the GoSL's Ministry of Economic Development, ensuring coordination among the Provincial Councils of the Eastern and Northern Provinces as well as other agencies involved in NELSIP's implementation.</p>
4. Objectives Summary	<p>The primary objective of NELSIP is to improve delivery of local infrastructure services by LAs in the Northern and Eastern provinces of Sri Lanka, in an accountable and responsive manner.</p> <p>NELSIP will aim to ensure the maintenance and upkeep of infrastructure by strengthening LAs to make them more accountable to their citizens; increasing investments, in line with local preferences; and strengthening incentives for local communities to improve maintenance of local assets.</p>

Criteria	Assessment	Rating (1-6) *	Required Action (if needed) †
1. Relevance	<p>Why we are doing this?</p> <p>NELSIP is highly relevant and clearly aligns with AusAID's and Government of Sri Lanka's (GoSL's) strategic objectives and policy priorities. AusAID's strategic objectives under the current draft Country Strategy for Sri Lanka (2012-2016) include (i) recovery of conflict-affected areas and provision of essential infrastructure; (ii) access to sustainable livelihoods and income generating opportunities; and (iii) social protection for excluded and vulnerable people including through better access to government services.</p> <p>AusAID's proposed support is consistent with the GoSL's long term economic goals as outlined in the 'Mahinda Chintana - Vision for the Future' document. It is also consistent with AusAID's strategic development goal for Sri Lanka, which is to support 'more inclusive development for vulnerable people in lagging regions.'</p> <p>Australia's support to NELSIP through the World Bank is also consistent with the Partnership Framework between AusAID and the World Bank Group for development cooperation in the South Asia region, particularly in fragile and post-conflict countries such as Sri Lanka.</p> <p>Lack of economic development has been both a cause of, and a consequence of the prolonged civil conflict, which ended in May 2009. Reducing the disparity in economic opportunity between the north and other regions, and the country's overall achievements is important to long-term stability and recovery in those areas. There is a clear expectation that by rehabilitating or building new priority infrastructure that the program can boost opportunities for strengthened income earning potential.</p> <p>AusAID's rationale to co-finance NELSIP's expansion is to support local economic infrastructure development, targeted at lagging regions of Sri Lanka. This will support the GoSL's short to medium term strategy for the conflict-affected Northern and Eastern Provinces, which aims to recover and restore livelihoods of the people and improve local capacity for better public service delivery by local authorities.</p> <p>NELSIP is closely aligned to the issues identified in AusAID Design Summary and Implementation Document's (DSID) needs assessment. NELSIP-supported economic infrastructure program also provides AusAID with an opportunity to deepen our engagement with multilateral partners, other donors, INGOs, other complementary AusAID programs and civil society already working in the infrastructure sector. The provision of additional grant-based funding in this sector will provide Australia with an opportunity to engage constructively with the central and local Governments around an issue of common interest. This will deepen the bilateral relationship and possibly pave the way to engage with them on other issues in the future.</p> <p>The Peer Review (PR) asked how the program fits with both government's strategic objectives and policies. The PR agreed that the program is highly relevant and clearly aligns with AusAID's and GoSL's strategic objectives and policies. The PR noted that the strategic decision to support this program is in the spirit of the Aid Effectiveness Review in terms of its recommendation to work as much as possible in South Asia in partnership with other development partners.</p>	6	No specific actions suggested.

## E: Quality Assessment and Rating (no more than 300 words per cell)

<p><b>2. Effectiveness</b></p>	<p><b>Will it work?</b></p> <p>NELSIP has been under implementation for over a year now. A World Bank Review/Support Mission in October 2011 assessed the project's implementation status as 'satisfactory'. Progress has been slow in the execution of the baseline survey. The World Bank's current Implementation Status &amp; Results (ISR) report concludes the project has been well received in the Eastern and Northern provinces as a mechanism for enhancing the capacity of the LAs to deliver their mandated basic services. The ISR also noted that during the initial year, the implementation pace and progress had been behind schedule in the first six months, but that the pace of implementation picked up significantly in four of the five components. The assessment component was rated as only moderately satisfactory by the ISR (due to a delay in the commencement of the base line survey) but all other components were rated as satisfactory. The Provincial Government Offices and the LAs have continued to initiate and implement actions to achieve satisfactory project implementation rating overall.</p> <p>The PR was concerned about exactly where AusAID's additional funds will go and whether the LAs have adequate absorptive capacity to utilise more infrastructure funds, and whether there are contractors and construction materials available locally to do civil works. Discussions with the Bank on funding arrangements, level of engagement and the development of annual plans are well advanced. AusAID's funding will cover 79 LAs and will help to expanding LA's capacity to deliver local infrastructure services. Funding will be channelled through a 'window' under the existing World Bank-South Asia Trust Fund. There is good commitment from the GoSL to scale-up capacity at the local level. Several additional officers will be placed by GoSL's own funding that will now help manage our additional project funds. The PR stressed the need to be strategic in our partnership with the World Bank to scale up in a new sectoral area with limited resource inputs by AusAID. There are community consultation and prioritisation systems in place by the Bank and GoSL to deliver the project. There is also a need to get the balance right between infrastructure and capacity building noting that grant funds can leverage a greater focus than capacity building. The capacity building (CB) elements and safeguards are critical to sustainability of local infrastructure. There must be capacity to maintain the infrastructure assets.</p> <p>The PR noted that the key risk is on the political side. On the funding side, it is critical that GoSL funding continues after AusAID's initial funding. They stressed the need to identify the risks and reflect them in the DSID. More detail is required on the structure of the Catalytic Fund (CF). A concern was raised that the question of absorptive capacity of the market has not been explicitly stated in the DSID. How our additional contributions would be reflected in terms of results? What is the additional money going across various project components?</p> <p>The WB has systems in place to ensure accountability and transparency of the use of our funds. 77 LAs have completed all requirements to receive and implement local projects. The WB is good at monitoring 'hardware' aspects, e.g. infrastructure delivery, PFM etc.; but do not do well on social issues such as gender, conflict &amp; fragility, do no harm, benefits to different ethnic groups etc. There is not much understanding of geographic/demographic profile of the areas where programs are targeted. We need to make sure that adequate safeguard measures (with grievance redressal measures) are being put in place to ensure that our assistance will not exclude certain groups we need to target. The PR thought it would be good if we could get a good estimate of what we think, now, that our funding will buy by extrapolating based on initial WB calculations. Some fine-tuning of our contributions is needed in the DSID to see how grant funds will be spent and what things will be done within in a pooled funding mechanism. We need to monitor what results we achieve, and it will need to be defensible. We should think about how M&amp;E can contribute to undertaking political and economic analysis at the county level. The DSID was not quite specific on monitoring effectiveness and value-adding aspects. How we will do things and what we will provide to the project? This will provide a focus on where we want to add value and will help an understanding of the country level political economy. There is a need to have appropriate capacity/flexibility/adequate safeguards to monitor our funds through extra project supervision.</p>	<p>4</p> <p>It was agreed that some analysis in the DSID should talk about LA's absorptive capacity, the WB's capacity and an assessment of the implications of our additional funds to ensure we remain effective; and (ii) simple extrapolation of results will be needed in the DSID, noting that it's dependent on community consultation. In reality, this will be determined by local community, not reporting against extrapolation.</p> <p>It was also agreed that AusAID will not have any additional approving role in the Catalytic Fund (CF).</p>
--------------------------------	--	---

E: Quality Assessment and Rating (no more than 300 words per cell)			
3. Efficiency	<p>How will we do it?</p> <p>AusAID's funds will be channelled through the existing World Bank /AusAID South Asia Trust Fund (WB-SA TF), with a new window created to support NELSIP activities. Tight targeting of assistance and partnering with a large development partners is considered by AusAID as the most efficient and preferred modality to deliver our infrastructure assistance in Sri Lanka. The approach proposed to support multilateral programs of activities is consistent with delivering aid effectively and efficiently detailed under 'Effective Aid'. The implementation arrangement will be harmonised with the WB, and is aligned with the GoSL systems. This was assessed as the most appropriate mechanism by the concept mission after it assessed all available options. All arrangements have been established between the World Bank and Ministry of Economic Development (MED) collectively and are now well developed. The Project Implementation Plan (PIP) and Local Authority Project Implementation Manual (LAPIM) have been developed as resource tools for LAs on how NELSIP will operate. The roles and responsibilities of various parties such as the MED, the Northern and Eastern Provincial Councils, Project Coordination Unit (PCU) and all LAs involved in activity implementation have been clearly identified and defined in the World Bank Project Appraisal Document (PAD).</p> <p>Procurement and disbursement procedures have been agreed between World Bank and GOSL/MED. Established World Bank-GoSL processes and safeguards will be applied to monitor fiduciary risks, financial and procurement management aspects. These will also help ensure visibility, gender equity, sustainability, grievances and awareness-raising and effective monitoring.</p> <p>The World Bank is well advanced in carrying out a thorough assessment of the GoSL's financial management and procurement systems, and will put in place strategies to manage these risks. AusAID will rely on this assessment and the Bank's subsequent work in strengthening public financial management (PFM). This will be supplemented by regular inputs by AusAID's new regional PFM advisor. The October 2011 Mission noted a significant improvement in financial management and procurement since the previous mission, upgrading their performance to 'satisfactory' (although the risk rating will remain as 'substantial' on procurement). AusAID's Working in Partnerships Section (WIPS) was consulted on these issues in the preparation of the DSID. NELSIP will support the GoSL to build capacity on these core operational areas for efficient and effective project implementation, especially targeting all LAs.</p> <p>The level of AusAID engagement proposed in the DSID appears appropriate. However, it is premature to gauge if the resources would be sufficient to achieve the desired project objectives and for AusAID to effectively monitor and manage activity risks.</p> <p>The PR group noted that the efficiency aspect is again tied into effectiveness. It will be happy if appropriate project supervision is added to the project. The PR noted that the World Bank is good, generally, at monitoring PFM aspects. AusAID should ensure it has a monitoring role that reassures the Agency that the program is being delivered in accordance with safeguards and is effective. It was noted that it is great that we are using the existing Umbrella WB-SA TF, which is considered efficient. The partnership side is good and is in line with the Framework between AusAID and the World Bank for cooperation in the South Asia region, particularly in fragile and post-conflict settings. The PR commented that the World Bank has been criticised for being poor on gender and disability issues in the education programs. This is an opportunity where we can add value and ensure these aspects are included in the project.</p> <p>The PR further noted that the ongoing political risk is the key, including for seeking FMA Regulation 9/10 approval. We need to spell out how exactly we are going to manage the exposure to risks from the political, government and financing sides (particularly our reputational risk rather than technical risks) in practical terms.</p>	5	<p>It was agreed that: (i) there will be a focus on the risk aspects during supervision missions; (ii) there is a need for a clear strategy on monitoring of our risks in the project, possibly by use of cables from Post; and (iii) it would be useful for getting confirmation on the Bank's funding of additional management of the project.</p>

E: Quality Assessment and Rating (*no more than 300 words per cell*)

<b>4. Monitoring &amp; Evaluation</b>	<p>How will we know?</p> <p>AusAID will rely on the project's monitoring and evaluation (M&amp;E) and reporting processes as set out in the Local Authority Project Implementation Manual (LAPIM). An M&amp;E unit is established in the Project Coordination Unit (PCU) to report against project milestones and activities. Templates are being developed to collect and capture key project baseline and performance data to be incorporated into a Management Information System (MIS). The MIS is yet to be rolled out across all LAs. The M&amp;E unit also reports on social safeguards. The project performance is independently assessed by a World Bank supervision mission every six months. PCU progress reports, project monitoring/ evaluation data and World Bank supervision mission reports will provide the necessary information for AusAID QAI reports. The LA and PCU generate monthly and quarterly progress reports on the status of the implementation of subprojects under NELSIP. The overall M&amp;E and reporting arrangements have been rated as 'satisfactory' by the World Bank. The World Bank ISR has set indicators directly in line with the project's objectives.</p> <p>A portion of AusAID's new regional PFM advisor time will be allocated for Sri Lanka with capacity to contribute to AusAID's accountability and reporting processes as needed. AusAID's engagement in review missions and mid-term review will be strengthened through technical support by its infrastructure advisers and the PFM advisor's inputs on working in partnership systems, including financial management and procurement aspects. This will ensure adequate monitoring compliance, accountability, transparency and efficient use of AusAID's funds by the partner under NELSIP. There will be a need to ensure ongoing emphasis on adequate resourcing and GoSL's M&amp;E capacity building during NELSIP's implementation cycle.</p> <p>NELSIP's social safeguard measures state that gender specific indicators will be formulated to measure the level of participation of women in the program. NELSIP includes a youth and gender strategy, and it makes provision for specialised studies associated with its implementation and performance. NELSIP will ensure that youth will represent at least 30% of the LA standing committees. However, there is no mention of how this data will be collected or aggregated.</p> <p>The PR was concerned that we need to be more involved in all M&amp;E and review missions to have good understanding of the project's ongoing progress. We should draft a clear engagement strategy, so that the future post officers can follow on these sorts of things we give priority to. The PR was quite comfortable with the M&amp;E framework used in the PAD. A good set of information is included in the PAD and the DSID. It was asked about exactly what we provide and where we provide in terms of review missions. At a minimum, we need to know what resources we need for this.</p>	5	<p>It was agreed that AusAID will have appropriate engagement in review missions. We should be clear on the level of involvement in supervision missions and M&amp;E engagement.</p>
---------------------------------------	---	---	--

E: Quality Assessment and Rating (no more than 300 words per cell)			
5. Sustainability	<p>Will benefits last?</p> <p>The emphasis of NELSIP is on creating and supporting sustainable local institutions that can effectively coordinate local development and manage service delivery. Therefore, country ownership and commitment for the NELSIP activities are strong. By making LAs more accountable to their citizens and investments more in line with local preferences, NELSIP strengthens incentives for LA's to improve the maintenance of local physical infrastructure assets in a way that builds local confidence. NELSIP will aim to provide long-term institutional development support to enhance the capability of LAs in areas such as local level planning, budgeting, revenue collection, financial management, and procurement, project and office management for maintenance of physical assets. NELSIP will also aim to ensure long-term sustainability through strengthening local governments to attract increasing and continuing levels of future capital grant flows beyond its completion. This will be achieved in three ways: (i) Capital grants would be disbursed in full parallel with existing government grants for LAs, thereby building expectation and precedence for their payment; (ii) gradual increase in the Government's share of the average transfer is scheduled to increase from 29% in the first year to 67% in the last year, thereby reducing the impact on average transfers of the eventual ending of the World Bank contribution, and establishing a new "baseline" for the governments budgetary allocations for LA grants; and (iii) NELSIP's capacity building efforts to institutionalize accountability, improve transparency and enhancing monitoring and evaluation would also help to sustain grants to LA's in the future at a higher level than today.</p> <p>The World Bank's ISR and the October 2011 Supervision Mission reports gave an overall 'satisfactory' ranking to NELSIP, including for GoSL's counterpart funding commitments. The disbursement of loan funds was reported at 59%<sup>1</sup> in the first year, which was considered satisfactory. An Environmental and Social Management Framework (ESMF) has been developed for NELSIP, which is compliant with the Bank's environmental and social safeguard policies, the GoSL's National Environmental Act (NEA) and other associated regulations, and with the relevant AusAID environmental policies and guidelines. Independent environmental audits will be conducted every 2 years of NELSIP to ensure environmental safeguards compliance reporting. ESMF has been translated into Tamil and Sinhala for local use. Procedures have been developed to monitor and report on environmental and social safeguards compliance. However, the October mission noted that the identification of site-specific environmental issues and mitigation measures have been poor.</p> <p>The PR asked how sustainability of the project will be ensured. It was noted that sustainability is related to sustainability of actual infrastructure built. There was a concern about the capacity of LAs to handle our additional funds, and the ongoing fund flows throughout NELSIP's life. Also, how our significant increase in funding will be managed remains a key issue of sustainability. We need to flesh out exactly how sustainability will work, and we can show how NELSIP is already working towards this issue through (i) the proposed CF; (ii) the accounts being established by LAs to collect revenue for maintenance; and (iii) the capacity building element of NELSIP.</p> <p>It was noted that our additional funds will increase risks for sustainability as the original PAD said the GoSL would take over funding over the 5 years. Our additional funds will increase the need for GoSL funding for maintenance. There must be capacity to maintain the infrastructure assets. It is critical that GoSL funding continues after AusAID's initial funding.</p> <p>The PR group thought what we need to focus on how our financing influences the sustainability issue. Some gaps remain in the operational and management side and hence it was asked about how far the PCU is progressing with the training plan for 2012 based on the list of programs submitted by the Eastern and Northern provinces. The Bank is now reviewing the training plan. The PR emphasised that the capacity development of LAs is very important, particularly connected to the broader capacity building program. We need to ensure that capacity building is taking place in a sustainable manner and we monitor it closely.</p>	4	<p>It was agreed that:</p> <p>the issues of sustainability to be adequately reflected in the DSID. In particular, the capacity building (CB) of LAs to handle AusAID's additional funds, the ongoing fund flows during NELSIP's life, and safeguards issues need to be addressed in the DSID.</p>

1. \_\_\_\_\_  
<sup>1</sup> Aide Memoire of WB Supervision Mission October 2011

6. Gender Equality	<p>How will we achieve gender equality? While NELSIP has taken a range of measures to promote gender equality issues, and that the targets for women participation are good, the PR thought that it does not have gender monitoring completely put in place.</p> <p>NELSIP aims to empower women through 50% representation in all project committees towards greater participation and decision-making vis-à-vis local government and accountability in order to ensure women's access to services in an equitable manner.</p> <p>Gender-specific indicators will be formulated that will measure women's level of participation in the program – inclusion of women in the decision making processes (e.g. as community leaders), as well as the extent to which they receive economic benefits from the project. NELSIP will aim to ensure that 30% of those in decision making roles and at least 50% of participants at village assemblies will be women.</p> <p>NELSIP will track whether at least 50% of the project benefits will accrue to women. It will support vulnerable women groups, such as elderly women without resources, women affected by armed conflict, including war widows and other female heads of households.</p> <p>Following significant consultations (including the commissioning of a 'women's audit' of infrastructure). NELSIP has now completed a gender strategy as part of its operation ensuring support for the equal participation of women in project planning, implementation, and monitoring of LA development plans and programs.</p> <p>NELSIP's LAPIM will be reviewed to identify where revisions are required to ensure a strengthened outreach to women. It has commenced the implementation of a trust-funded activity to enhance women's involvement in its activities, particularly through training of local officials to improve their awareness of general gender issues, and to educate them on the importance of gender mainstreaming in future project activities.</p> <p>The PR noted that women's involvement in the project has started to improve from the World Bank's initial Review Mission report. The bank is working with an NGO on broader gender issues.</p>	4	<p>It was agreed that (i) it is critical that AusAID monitors gender and safeguard issues during review missions and project meetings; and (ii) the gender strategy is reviewed by AusAID.</p>
7. Analysis and Learning	<p>How well have we thought this through?</p> <p>Relevant World Bank documents (eg PAD and October 2011 Mission and ISR reports), and AusAID's Concept Document and DSID on NELSIP reflect considerable analyses of the infrastructure sector needs and key issues, especially related to the conflict-affected Northern and Eastern Provinces. The analyses are built on lessons learned from the World Bank's previous operations in Sri Lanka, and also AusAID's programs. The due diligence in selecting NELSIP for Australian support has been thorough. A concept mission comprising of a desk based infrastructure specialist, planning consultant and senior officer, with the assistance of staff members at post, undertook field and desk research to identify the most effective and efficient ways of utilising Australian aid funds, keeping in mind strategic policies of the Australian aid program, country, partner priorities and potential risks. The mission recommended that NELSIP aligned closest to the Australian government's and GoSL priorities and posed the lowest risk from among the available options on economic infrastructure related projects in Sri Lanka. The findings of the mission have been provided in the Concept Document and DSID.</p> <p>The PR reinforced that the capacity building (CD) elements of NELSIP are not fragmented, and that AusAID monitors progress on these to ensure these stay on track. Some of the CD aspects appear to be short-term fixes only, without building longer-term capacity for the GOSL. The PR noted that if we are in a position to assess the usage of a number of CD advisers being used in NELSIP. Disability is not mentioned in the PAD and DSID. Hence there is a good opportunity to incorporate universal design guidelines into NELSIP, which the Bank has developed and AusAID is about to finalise. On M&amp;E, the baseline survey was considered very important, but this hasn't been finalised yet and needs to be done soon. We need to think whether we have a role in CD and how we can contribute to the CD elements. The PR noted that this along with general social issues such as disability, minority ethnic groups etc are the areas we should monitor closely.</p> <p>The World Bank has commenced an assessment of LAs and the data will be available by June 2012. The World Bank has engaged a part-time consultant to track safeguard issues. It is now bringing in the Sri Lanka IPS to do an independent assessment on NELSIP.</p>	4	<p>It was agreed that the issue of disability to be reflected in the DSID, including AusAID's monitoring role.</p>

## \* Definitions of the Rating Scale:

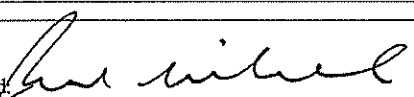
Satisfactory (4, 5 and 6)	Less than satisfactory (1, 2 and 3)
6 Very high quality; needs ongoing management & monitoring only	3 Less than adequate quality; needs to be improved in core areas
5 Good quality; needs minor work to improve in some areas	2 Poor quality; needs major work to improve
4 Adequate quality; needs some work to improve	1 Very poor quality; needs major overhaul

<sup>‡</sup> Required actions (if needed): These boxes should be used wherever the rating is less than 5, to identify actions needed to raise the rating to the next level, and to fully satisfactory (5). The text can note recommended or ongoing actions.



F: Next Steps <i>completed by Activity Manager after agreement at the Appraisal Peer Review meeting</i>		
Provide information on all steps required to finalise the design based on <i>Required Actions</i> in "C" above, and additional actions identified in the peer review meeting	Who is responsible	Date to be done
1. The AusAID team (Infrastructure Adviser, Post and Desk officers) to further revise the DSID in accordance with the PR group decisions outlined in the APR outcomes minute	Infrastructure Adviser, Post and Desk officers	ASAP
2. The SL program will proceed implementation of AusAID support to NELSIP	Sri Lanka Program	By May/June 2012

G: Other comments or issues <i>completed by Activity Manager after agreement at the APR meeting</i>														
<p><b>Agreed Outcome at the APR:</b></p> <p>The Peer Review (PR) Group considered the DSID to be a strong and well thought-out document. AusAID's proposed support for NELSIP was endorsed by the formal peer reviewers through their Quality at Entry (QAE) assessments and other peer review participants. The PR group gave 'authorisation' to proceed to implementation under a co-financing arrangement with the World Bank for NELSIP.</p> <p>It was agreed that a number of refinements will need to be made to the DSID based on the Peer Review discussions.</p> <p><b>Final agreed QAE ratings:</b></p> <p>Based on the discussions, the PR group agreed to the following final ratings against the quality criteria in the QAE reports:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <tbody> <tr> <td>Relevance:</td> <td>6</td> </tr> <tr> <td>Effectiveness:</td> <td>4</td> </tr> <tr> <td>Efficiency:</td> <td>5</td> </tr> <tr> <td>Monitoring &amp; Evaluation:</td> <td>5</td> </tr> <tr> <td>Sustainability:</td> <td>4</td> </tr> <tr> <td>Gender Equality:</td> <td>4</td> </tr> <tr> <td>Analysis &amp; Learning:</td> <td>4</td> </tr> </tbody> </table> <p>The Chair emphasised that the important 'focus' should be on what critical (quality) improvements can be made before and during management and implementation of NELSIP. He also noted that there must be some level of confidence by all present how AusAID will manage the project ultimately.</p>	Relevance:	6	Effectiveness:	4	Efficiency:	5	Monitoring & Evaluation:	5	Sustainability:	4	Gender Equality:	4	Analysis & Learning:	4
Relevance:	6													
Effectiveness:	4													
Efficiency:	5													
Monitoring & Evaluation:	5													
Sustainability:	4													
Gender Equality:	4													
Analysis & Learning:	4													

H: Approval <i>completed by ADG or Minister-Counsellor who chaired the peer review meeting</i>		
On the basis of the final agreed Quality Rating assessment (C) and Next Steps (D) above:		
<input checked="" type="checkbox"/> <b>QAE REPORT IS APPROVED</b> , and authorization given to proceed to: <div style="margin-left: 20px;"> <input checked="" type="radio"/> FINALISE the design incorporating actions above, and proceed to implementation            or: <input type="radio"/> REDESIGN and resubmit for appraisal peer review         </div>		
<input type="checkbox"/> <b>NOT APPROVED</b> for the following reason(s): <hr/> <hr/> <hr/>		
Paul Nichols ADG SAB	signed: 	20/3/12

**When complete:**

- Copy and paste the approved ratings, narrative assessment and required actions into AidWorks and attach the report.
- The original signed report must be placed on a registered file.



## Quality Criteria - Consider these questions when assessing:

## Relevance – “Why are we doing this?”

- Is the specific role of Australian aid (aid objectives) in contributing to a Partner's priority development outcomes clearly articulated?
- Does the activity contribute to higher level objectives of the Australian aid program as outlined in a Partnership for Development, and/or relevant country, regional and thematic strategy?
- Does the activity target priority needs not addressed by other development partners, and/or how is Australia otherwise seeking to harmonise its assistance?
- If working with/through another partner (e.g. UN, WB, PIFS), consider *both* the clarity and relevance of Australian *objectives for the partnership*, (why we chose to work this way) and the partner's aid objective(s) *vis a vis* the development context, partner priorities and beneficiaries' needs.
- Is the design relevant to the context specific analysis and lessons? i.e. does contextual analysis clearly inform:
  - the proposed approach to addressing the identified development issues?
  - the modality and financing arrangements selected?

## Effectiveness – “Will it work?”

- Are the objectives for this activity (aid objectives), clear, measurable and achievable within the stated timeframe?
- Is it clear how we think change will occur (theory of change) i.e.:
  - are the relationships linking analysis, objectives and our approach clear and plausible?
  - are the underlying assumptions clearly outlined?
- Are main risks and plans to prevent or mitigate them identified?
- Does the design identify key partnerships which may contribute to achieving objectives?

## Efficiency – “How will we do it?”

- Are proposed technical solutions and associated implementation arrangements high quality, appropriate to the context and good value for money?
- Where appropriate, are implementation arrangements harmonised with other donors and aligned with partner government systems?
- Are roles and responsibilities of all development partners and all actors involved in activity implementation clearly identified?
- Is the activity adequately and appropriately resourced to achieve the desired objectives?

## Monitoring and Evaluation – “How will we know?”

- Will proposed monitoring and evaluation help us to know how it is all working? Do proposed arrangements clearly support management, accountability and lessons-learning needs (including ongoing quality and performance reporting)?
  - is it focused on priority information needs and not overly complex?
  - is it clear what will be assessed, by whom, when and how (including baselines where appropriate)?
  - can this also inform analysis and judgement of contribution to/achievement against higher level objectives of the program?
- Will data be gender-disaggregated to measure impact on men and women, boys and girls?
- Will monitoring and evaluation arrangements use or contribute to strengthening local monitoring and evaluation systems and/or capacity? If strengthening the capacity of partner performance management is an *objective of the activity*, will this be tracked and managed accordingly? (Note this would then need to be identified in the Objectives summary and assessed against “Effectiveness”.)
- Is monitoring and evaluation adequately resourced?
- Where we are jointly implementing with other partners and/or funders, are there *AusAID specific objectives* for engagement in the activity/partnership, and do monitoring and evaluation arrangements address this?

## Sustainability – “Have we planned for benefits to last?”

- Is it clear what sustainable benefits/change the activity aims to generate? Is sustainability in fact an aim of, or reasonably achievable by, the activity? Benefits may be assessed in terms of either or both:
  - objectives/outcomes – what the activity itself is aiming to achieve (Australian aid objectives), and what would result for that in terms of immediate or longer-term shared development outcomes; and

**Monitoring and Evaluation – “How will we know?”**

- processes – how the activity will operate.
- Have specific constraints to sustainability, in the context of the proposed activity, been identified and addressed?
  - this should include consideration of financial, human resource and political constraints
- Are the strategies for achieving sustainability explicit?
  - are they integral to the activity objectives, approaches and monitoring and evaluation?
- How likely are beneficiaries and/or partner country stakeholders to have sufficient ownership, capacity and resources to maintain desired activity outcomes after Australian Government funding has ceased?
- How well are any emerging environmental, climate and disaster challenges (e.g. extreme weather events, resource degradation, pollution, disasters and climate change related impacts) or opportunities (e.g. for Disaster Risk Reduction or adaptation) being addressed in activity design?
- Does the activity aim to build resilience to cope with changing conditions and future uncertainties?
- How is the design ensuring no significant negative environmental impacts are likely (including complying with the Environment Protection and Biodiversity Conservation Act) and does it pursue opportunities to enhance the environment?

How will monitoring and evaluation be used to assess and report on environmental sustainability of the activity?

**Gender equality – “How are we going to achieve it?”**

- How will the activity contribute to advancing gender equality or support women’s and men’s equal engagement in, and benefit from, the activity?
- How well does the design integrate gender equality into objectives and the consideration of risks and sustainability?
- Does the design identify how the activity will work to develop capacity on gender equality objectives of program staff, counterparts, development partners, and/or the broader community?
- Is the monitoring and evaluation framework able to assess and report on progress towards gender equality results?
- Does the design propose gender expertise be accessed during implementation?
- Does the design provide for gender equality considerations and impacts at the policy level and with counterparts at the program level?
- Will the monitoring and evaluation assess and report on progress towards desired gender equality objectives, outcomes and impact?

**Analysis and Learning – “How well have we thought this through?”**

- Does analysis takes into account (as appropriate) political, institutional, economic, financial, organisational and human resource issues?
- Are lessons from previous experience in the sector and/or country taken into account?
- Does sufficient analysis underpin the theory of change?
- Does the analysis appropriately address and integrate other agency commitments and safeguards including gender equality, disability, environment, anti-corruption and child protection?
- Does the analysis take into account which partnerships are going to be critical in achieving the objectives and why?

**Safeguards and Commitments**

As part of activity design and implementation, attention is typically given to the risk posed to the success or effectiveness of an activity, and less often on the risk of potential harm caused by an activity. Policies and procedures that address the potential risk of harm that can result from an aid activity are known as safeguards. Cross-cutting policies and procedures aim to improve aid quality and effectiveness, while safeguards policies and procedures aim to “do no harm”. Cross-cutting issues often have “safeguard” implications, but not all safeguard issues will be cross-cutting issues. In AusAID, the following areas have both cross-cutting and safeguard implications. This section will be progressively added to as further guidance on safeguards issues is developed along with corresponding questions that must be addressed before commencing and initiative in AidWorks.

**Environment (see the Guideline, *Integrating Environment into Activity Design*)**

If there are environmental impacts that need to be considered, appropriate action needs to be taken from the very beginning in the design. Assess whether the design has answered and addressed the following questions:

1. Is the activity in an environmentally sensitive location or sector?
2. Is there potential for the activity to have an impact on the environment?
3. Is the explicit, or implicit, aim of the activity to have a positive environmental impact?
4. Is the activity relevant to multilateral environmental agreements?
5. Could the activity have significant negative environmental impacts?

Consider both the impact of the design and implementation phases, and of the ongoing activity, and what, if any, action is required to comply with the EPBC Act.

For additional information see *AusAID's Environmental Management Guide for Australia's Aid Program* or contact the Sustainable Development Group on +61 2 6206 4174.

**Child Protection** – AusAID's Child Protection Policy provides a clear framework for managing and reducing risks of child abuse by persons engaged in delivering Australian aid program activities. This policy applies to all AusAID staff, including those based overseas, and to all contractors and non-government organisations funded by AusAID. See guidance, *Child Protection Procedure Manual* (page 4), and the *Child Protection Policy*.

Choose N/A if the activity does not involve working with children or if the activity is to be implemented by one of the following:

1. Partner Government
2. An Australian Whole of Government Partner
3. Multilateral organisations
4. Donor governments

For additional information contact the Child Protection Officer on +61 2 6206 4184 or email [CPO@ausaid.gov.au](mailto:CPO@ausaid.gov.au)

