PROJECT PERFORMANCE ASSESSMENT REPORT

SRI LANKA

Bridging the Divide: World Bank Assistance for Sustainable Social and Economic integration in Post-Conflict Sri Lanka

A Performance Assessment of the Northeast Emergency Irrigated Agriculture Project (P058070)

June 30, 2015

IEG Public Sector Evaluation
Independent Evaluation Group
Currency Equivalents (annual averages)

Currency Unit = Sri Lankan Rupees (Rs.)

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Abbreviations and Acronyms

CAS  Country Assistance Strategy  
CBO  Community Based Organization  
CDD  Community-Driven Development  
GDF  Gemi Diriya Foundation  
GND  Gram Niladhari Division  
GOSL  Government of Sri Lanka  
HH  Household  
IAS  End line assessment Study of 2010  
ICR  Implementation Completion Report  
ICRR  Implementation Completion Results Report  
IDA  International Development Association  
IEG  Independent Evaluation Group  
ISN  Interim Strategy Note  
IEGPS  IEG Public Sector Evaluation  
LTTE  Liberation Tigers of Tamil Eelam  
MIS  Management Information System  
MTR  Mid-term Review  
NEIAP  Northeast Emergency Irrigated Agriculture Project  
NGO  Non-Governmental Organization  
PAD  Project Appraisal Document  
PPAR  Project Performance Assessment Report  
UNHCR  United Nations High Commission for Refugees  
VO  Village Organization  
VSCO  Village Savings and Credit Organization  
VSHLI  Village Self-Help Learning Initiative

Fiscal Year

Government: January 1 - December 31

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<tr>
<th>Position</th>
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<tr>
<td>Director-General, Independent Evaluation</td>
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<td>Director, IEG Public Sector Evaluation</td>
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<td>Mr. Travis Mayo</td>
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<tr>
<td>Consultant, Field Manager/ Facilitator (Focus Groups)</td>
<td>Ms. Kathryn Steingraber</td>
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This report was prepared by Lauren Kelly, Senior Evaluation Officer and Rural Livelihoods Specialist in the Independent Evaluation Group of the World Bank in collaboration Kathryn Steingraber, Consultant IEG. The PPAR mission was conducted in June 2014. The report was peer reviewed by John R. Eriksson and Panel Reviewed by Jack W. van Holst Pellekaan. Marie Charles provided administrative support.
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Principal Ratings

Sri Lanka: North-East Irrigated Agriculture Project (P058070)

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* The Implementation Completion Report (ICR) is a self-evaluation by the responsible Bank department.
**The ICR Review is an intermediate IEGWB product that seeks to independently verify the findings of the ICR.

Key Staff Responsible

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IEG Mission: Improving World Bank Group development results through excellence in evaluation.

About this Report

The Independent Evaluation Group assesses the programs and activities of the World Bank for two purposes: first, to ensure the integrity of the Bank’s self-evaluation process and to verify that the Bank’s work is producing the expected results, and second, to help develop improved directions, policies, and procedures through the dissemination of lessons drawn from experience. As part of this work, IEG annually assesses 20-25 percent of the Bank’s lending operations through field work. In selecting operations for assessment, preference is given to those that are innovative, large, or complex; those that are relevant to upcoming studies or country evaluations; those for which Executive Directors or Bank management have requested assessments; and those that are likely to generate important lessons.

To prepare a Project Performance Assessment Report (PPAR), IEG staff examine project files and other documents, visit the borrowing country to discuss the operation with the government, and other in-country stakeholders, and interview Bank staff and other donor agency staff both at headquarters and in local offices as appropriate.

Each PPAR is subject to internal IEG peer review, Panel review, and management approval. Once cleared internally, the PPAR is commented on by the responsible Bank department. The PPAR is also sent to the borrower for review. IEG incorporates both Bank and borrower comments as appropriate, and the borrowers’ comments are attached to the document that is sent to the Bank’s Board of Executive Directors. After an assessment report has been sent to the Board, it is disclosed to the public.

About the IEG Rating System for Public Sector Evaluations

IEG’s use of multiple evaluation methods offers both rigor and a necessary level of flexibility to adapt to lending instrument, project design, or sectoral approach. IEG evaluators all apply the same basic method to arrive at their project ratings. Following is the definition and rating scale used for each evaluation criterion (additional information is available on the IEG website: http://worldbank.org/ieg).

**Outcome:** The extent to which the operation’s major relevant objectives were achieved, or are expected to be achieved, efficiently. The rating has three dimensions: relevance, efficacy, and efficiency. **Relevance** includes relevance of objectives and relevance of design. Relevance of objectives is the extent to which the project’s objectives are consistent with the country’s current development priorities and with current Bank country and sectoral assistance strategies and corporate goals (expressed in Poverty Reduction Strategy Papers, Country Assistance Strategies, Sector Strategy Papers, Operational Policies). Relevance of design is the extent to which the project’s design is consistent with the stated objectives. **Efficacy** is the extent to which the project’s objectives were achieved, or are expected to be achieved, taking into account their relative importance. **Efficiency** is the extent to which the project achieved, or is expected to achieve, a return higher than the opportunity cost of capital and benefits at least cost compared to alternatives. The efficiency dimension generally is not applied to adjustment operations. **Possible ratings for Outcome:** Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, Unsatisfactory, Highly Unsatisfactory.

**Risk to Development Outcome:** The risk, at the time of evaluation, that development outcomes (or expected outcomes) will not be maintained (or realized). **Possible ratings for Risk to Development Outcome:** High, Significant, Moderate, Negligible to Low, Not Evaluable.

**Bank Performance:** The extent to which services provided by the Bank ensured quality at entry of the operation and supported effective implementation through appropriate supervision (including ensuring adequate transition arrangements for regular operation of supported activities after loan/credit closing, toward the achievement of development outcomes. The rating has two dimensions: quality at entry and quality of supervision. **Possible ratings for Bank Performance:** Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, Unsatisfactory, Highly Unsatisfactory.

**Borrower Performance:** The extent to which the borrower (including the government and implementing agency or agencies) ensured quality of preparation and implementation, and complied with covenants and agreements, toward the achievement of development outcomes. The rating has two dimensions: government performance and implementing agency(ies) performance. **Possible ratings for Borrower Performance:** Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, Unsatisfactory, Highly Unsatisfactory.
Acknowledgements

This report was prepared by Lauren Kelly, Senior Evaluation Officer and Rural Livelihoods Specialist in the Independent Evaluation Group of the World Bank in collaboration with Travis Mayo, USAID Bureau of Policy and Planning (seconded to IEG at the time of this review) and Kathryn Steingraber, consultant. Vichitrani (Vichi) Liyana Gunawardene, Rural Livelihoods Consultant (World Bank, FAO) was instrumental in orienting the team to the country, sector issues and relevant decentralized agencies. Prachita Shetty provided superb research assistance in Washington DC. Samanmalee Kumari Sirimanne and Daphne Manjula Jebamani of the World Bank Country Office in Colombo provided in-country support. The review was overseen by Marie Gaarder, Manager, Public Sector Evaluation. It was peer reviewed by John R. Eriksson and Panel reviewed by Jack W. van Holst Pellekaan.
Preface

This is a Project Performance Assessment Report of the North-East Irrigated Agriculture Project (P058070) that became effective in March 2000 and that closed in June 2005. The estimated project cost at appraisal was US$32.4 million, including US$27 million of IDA financing, a US$4.0 million contribution from the Government, and US$1.4 million from the project affected communities. Actual project finance was $32.1 million representing 99 percent of the appraised cost.

This project closed nine years prior to the conduct of this assessment. While that posed a challenge for identifying stakeholders and validating their responses, the project lent direct support to beneficiaries living in Sri Lanka’s conflict affected areas during and in-between periods of active conflict. The PPAR was therefore chosen to provide input into IEG’s Conflict and Fragility, Phase II Evaluation, for which Sri Lanka is a case study. After project close, the World Bank supported a second phase – a project referred to as the Reawakening project – that underwent restructuring in 2007 and that was still under implementation at the time of the IEG mission. While IEG was not able to assess and rate that project, owing to its then active status, IEG worked with the Project Management Team, many of whom were also present during the first phase. The particular focus of this assessment was on the design and approach, on the way that land and water based assets were allocated and managed in the northern and eastern provinces of Sri Lanka during a conflict affected period. IEG recognizes that many of the physical results supported by the project were broken or destroyed as a consequence of the resurgence of active conflict after project close.

The assessment is based on a review of all relevant documentation, interviews of Bank staff at headquarters and in the country office, and the findings of an Independent Evaluation Group (IEG) mission which visited Sri Lanka in June 2014 to discuss performance with officials engaged with the project, representatives of UN and donor agencies (UNDP, UNHCR, IOM, WFP, FAO), implementing NGOs (SevaLanka), and other stakeholders. IEG notes that while extensive fieldwork was planned, including the conduct of focus groups in the northern and eastern areas with members of the societies supported by the project, IEG’s fieldwork was interrupted by a request by the Central Government to attend meetings in Colombo which severely limited IEG’s ability to obtain beneficiary feedback.

The list of persons met during the mission is attached in Annex C and their cooperation and assistance in preparing the report is gratefully acknowledged. Copies of the draft PPAR have been sent to government officials and implementing agencies for their review. No comments were received.
Executive Summary

This is a Project Performance Assessment Report of the North-East Irrigated Agriculture Project that became effective in March 2000 and that closed in June 2005. The estimated project cost at appraisal was US$32.4 million, including US$27 million of IDA financing, a US$4.0 million contribution from the Government, and US$1.4 million from the project affected communities. Actual project finance was $32.1 million representing 99 percent of the appraised cost.

The project was designed during a very chaotic period of Sri Lankan history, sixteen years into a 26 year civil war that would kill between 60,000 and 100,000 people and displace an estimated 800,000 persons by the war’s end. It was developed in the absence of a Country Assistance Strategy, owing to the priority that the Government and the international community were then placing on brokering peace, and the related inability of the Government to pursue much needed macroeconomic reforms in the midst of war. Nevertheless, having tested methods for delivering critical infrastructure support in conflict affected - areas as components of prior projects- the Northeast Irrigated Agriculture Project set out to wholly support the populations living in Sri Lanka’s most conflict affected areas.

The Project Development Objective was to “help conflict affected communities in the North-East and adjoining areas reestablish 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”. Recognizing the critical role that agriculture plays in supporting food security and livelihoods throughout the country, but especially in the northern and eastern regions where irrigation and other community related infrastructure was severely dilapidated due to the protracted conflict, the project focused on the essential rehabilitation of major and minor irrigation schemes, rural road repair, and other critical service delivery needs, such as the provision of drinking water. Second, it focused on building capacity for social and economic recovery in communities.

The Relevance of the project objective is rated Substantial. Ensuring basic access to agriculture was a priority in the 1996 and the 2003 World Bank Country Assistance Strategies. The objective was also in line with the World Bank’s 2003 Country Assistance Strategy that focused on providing urgent assistance to the conflict affected populations of the northern and eastern areas. This focus on capacity building – especially of the social institutions that would be needed to support land and water allocation decisions -- is in line with the World Development Report 2011 on Conflict, Security and Development and lessons from the broader literature on social capital and participatory rural development. While responsive to the needs of Sri Lanka’s conflict affected communities, the relevance of the objective could have been strengthened by reversing the two elements of the objective statement, by placing human and social capacity at the forefront of the project objective - and by linking this empowerment aim to the articulation of local infrastructure needs.

The Relevance of Design is rated Modest. There was a tension in project design –between the aim of pursuing a participatory and demand driven approach – and the need for conflict-sensitivity in project coverage, including attention to geography and ethnicity and community perceptions. Sub-project selection lacked a transparent structure; it was designed to filter for risk (proof of land ownership was a prerequisite) rather than an evaluation of needs or capacity to manage the project distributed assets. The first and only donor project to be directly implemented by the then newly elected Northeast Provincial Council, the Bank is credited for taking a risk and assisting with the development of capacity for decentralized service delivery capacity.
The project only Modestly met its objective of helping conflict affected communities in the Northern and Eastern and adjoining areas reestablish at least a subsistence level of production and community-based services. The project financed the essential rehabilitation of 379 irrigation schemes, but by project end, only 275 schemes were handed over to Farmer Organizations. This process – of handing over a scheme - signifies that the responsibility for the local works had been effectively transferred from the dedicated agency to the community based organization that requested its repair. While the discrepancy can be in part attributed to the uncertainty of the operating environment, it can also be attributed to the limitations associated with the selection criteria. In addition to the schemes, the project financed the repair of 1,294 km of rural roads. While the roads – mainly feeder roads – provided access to paddy fields, markets, main roads, schools, health centers etc. they were too small and fragmented to have had an effect on agricultural markets. The project also supplied drinking water wells. Against an original target of 300 wells, the project supplied 775 wells, in response to village needs. Of the 775 wells constructed, only 547 wells were handed over to the rural development societies. While the wells improved the supply of drinking water and enabled time saving, especially for women, the challenges faced during the hand-over resulted in some 200 wells that were not transferred to, and therefore not owned by a community. Similarly, of the 379 village buildings constructed, only 291 centers were handed over to a community organization. The lesson that emerged during the field mission is the need to target and support human and social capital as part of the process of planning for the provision of physical capital – based on an assessment of human, social and institutional capacity needs, and to stay closely engaged during implementation.

The project Modestly achieved its second objective of building capacity of the conflict affected communities to achieve sustainable social and economic reintegration. The project re-activated Women’s Rural Development Societies and engaged male only Rural Development and Farmer Organizations for the purpose of project implementation. The project economically and socially reintegrated 307 Women’s Rural Development Societies by registering the groups and by providing them with seed finance. As a result, roughly 3000 women gained access to group savings and lending for small productive investments. The revolving loan recovery rates were highly variable: between 47 to 84 percent in the focal districts and between 13 to 54 percent in the border areas. While attributable to insufficient or uneven attention to training for financial management and accounting, IEG also found that the low repayment rates were attributable to pressure from a husband or other household members to take a loan or invest in a sub-project that was unlikely to generate a large enough return to repay the loan and earn a profit. Group interviews revealed that the revolving funds were used as a safety net during the multiple phases of displacement that took place after project close. The project also supported the reactivation, creation, or strengthening of 360 Rural Development Societies and 371 Farmer Organizations, whose members were only males. The project provided training on financial management, bookkeeping, and sustainability of funds, however none of the male rural development societies interviewed engaged in group lending, unlike the women’s societies. IEG found no evidence that the capacity of either of these groups, beyond having been reactivated, was supported by the project at more than a modest level.

Stronger results in this area, of achieving social and economic integration of the conflict affected persons in Sri Lanka, would have included support for and evidence of attention to language, culture, and behavior amongst the different groups. Economic integration was only modestly achieved, since many of the hand-overs of capital investments did not occur and there is evidence that other assets, like rural roads, did not contribute economically. With high variability of repayment of the revolving loans, there is evidence that only a fraction of the women who participated actually benefitted economically from the project.

Efficiency is rated Substantial, owing to the relatively good rate of return for the irrigation schemes (representing 30 percent of actual total costs) that, although lower than anticipated, produced an
average financial return of Rs 14,131 per ha of cropped area, estimated to be 60 percent higher than the without-project situation for those beneficiaries that received the schemes. Net return to family labor was estimated to average Rs 554 per day, which at the time of project implementation exceeded the agricultural peak period wage rates as well as average off-farm wages. An assessment of the Livelihood Support Component that included 66 case studies conducted in 41 villages found that investments in small shops, water pumps and goats had the highest rate of return ranging from 92 to 108 percent, the rate of return on highland cultivation and draft bulls was 59 percent, but investments in milking cows were not viable due to the use of local breeds with low milk yields. The analysis also found that the water pumps, small shops and goats generated net incremental income ranging from Rs1800 to 2050 per month per beneficiary family, which compared favorably to the official poverty line for Sri Lanka of Rs 1736 per month per capita (2005 prices). The project at completion estimated that the rural roads constructed could generate an economic rate of return of 12 percent, although this rate of return appears high in the light of the borrower’s comments that the roads were too small to support market connectivity.

**Outcome** Based on Substantial rating for the Relevance of Objectives and Efficiency, but a Modest rating for the achievement of the project objectives and the Relevance of Design, the overall rating for this project is **Moderately Unsatisfactory**.

**Bank Performance** is rated Moderately Unsatisfactory. The Quality of Entry is rated **Moderately Satisfactory**. The project implementation arrangements were designed flexibly to respond to emerging needs and only temporary repairs were supported, a prudent design decision in a highly unstable operating environment. The project was also designed to assess, monitor and be sensitive to the social situation. Satisfactory completion of a Social Profiling exercise was a condition of disbursement of funding for civil works. However project design was undermined by the lack of a transparent method for beneficiary and investment selection. It also lacked a Management Information System to integrate the various NGOs and UN activities. The Results Framework was not designed to adequately capture the qualitative outcomes of the project. Gender (and vulnerability) was also not well integrated into the project at the time of design. **Quality of Supervision is rated Moderately Unsatisfactory**. There was a disconnect between supervision provisions in the PAD, including the various conflict sensitive tools that were intended to be implemented, and the actual implementation of the project, including the manner by which supervision was conducted. This assessment recognizes that the Bank supervised the project under very difficult security, logistical and human resource constraints. But it also finds that the implementation focus was too heavily tilted towards the rehabilitation and construction of hardware while paying scant attention to the fractured societal dynamics that, in tandem, required support and repair. The sensitive social tools that were proposed at design were utilized as a means to manage risk rather than to implement the project objective of socially reintegrating the affected communities. This was a missed opportunity.

**Borrower Performance is rated Moderately Satisfactory.** **Government performance is rated Moderately Satisfactory.** There was strong inter-agency coordination between the National Government and the Provincial and District Level authorities. The Ministry of Defense, the Finance External Resources Department, and the Ministry of Provincial Councils and Local Government together provided an authoring environment and an agreed license to operate. The Ministry of Provincial Councils and Local Government provided policy support, timely allocation of counterpart funding, and strategic guidance from the center. The project was directly overseen by the North East Provincial Council. The project represented the first time that any donor had worked directly with the newly decentralized authority. The North East Provincial Council supported an open and transparent dialogue between the Bank, the Council and the LTTE, with regard to the implementation of operations, especially in rebel controlled areas. It also allowed for effective coordination with the District authorities. The Government’s strategy of allocating aid to irrigation schemes, rather than
targeting beneficiaries based on a transparent assessment of need, undermined the efficacy of this project however.

**Implementing Agency performance is rated Moderately Satisfactory.** The project was administered by a Project Management Unit lodged within the Council. Overall, the PMU provided adequate project oversight. Financial Management was rated Satisfactory throughout the life of the project and all financial covenants were complied with. However, notwithstanding meeting these requirements, there were some weaknesses associated with financial management and procurement, which can be attributed to several factors: (1) the untested capacity of the newly elected Council and the PMU; (2) the fact that this was the first project directly implemented by the Council; and (3) the instability of the operating environment.

**Lessons**

**Lending for land-based assets in a protracted conflict affected situation, characterized by massive displacement, should be sequenced within a broader social development framework that balances individual needs with equity aims.** In a conflict affected situation, where war is associated with grievances of minorities, the distribution of assets and associated impacts can threaten a fragile peace. In the case of the North East Irrigated Agriculture Project, the distribution of assets (mainly repair) was highly uneven across the project area; repair was neither based on a vulnerability index nor stratified to ensure fair treatment across different groups in the project areas.

The term “post-conflict” should be used sparingly in the absence of a negotiated peace agreement and World Bank projects should accordingly exercise caution in project design in situations where conflict may re-emerge. The North Eastern Irrigated Agriculture project in Sri Lanka was developed on the basis of an optimistic country assistance strategy and a temporary ceasefire. While all signs pointed towards the need for caution, both the country assistance strategy and the project were designed to support reconstruction activities, in line with a post-conflict and reconstruction strategy. This exuberance masked the need to think more proactively about societal healing, institutional development, and good governance reforms that are needed during a country’s fragile transition from war. In the case of Sri Lanka, hindsight clearly signifies that the level of attention that was awarded to post conflict reconstruction was premature.

There is a tension between responding to the immediate needs of conflict affected populations and the use of a community driven development model to respond to these needs in fluid or highly mobile environments. While the Northeast Emergency Irrigated Agriculture project in Sri Lanka was highly responsive to the urgent needs of persons living in conflicted affected areas, it financed physical works that were not utilized due to continued displacement and movement of the physical population. Humanitarian aid, in this case, may have been a better choice for the delivery of critical services, like drinking water, than a Bank project.

**Participatory development is a process that should be nurtured and supported throughout all stages of a project cycle.** In the case of the North Eastern Irrigated Agriculture Project, participatory needs assessments and capacity building activities were conducted to reduce the risks associated with the unequal/inequitable distribution of village assets and to ensure ownership of the assets that were being repaired. The project missed an opportunity to respond to broader human and social capacity development needs that, in the case of the North East Irrigated Agriculture Project, would have been
aligned with the project aim of reintegrating the conflict affected communities, both economically and socially. This would have included attention to language, culture, and behavior and efforts to bridge societal differences through the project means.

Caroline Heider
Director-General
Evaluation
1. Background and Context

1.1 The North East Irrigated Agriculture Project (2000-2005) was developed during a period of intense uncertainty in Sri Lanka, sixteen years after a civil war that had, by that time, displaced an estimated 500,000 to 800,000 persons mainly from the northern and eastern areas of the country. It was developed in the absence of a Country Assistance Strategy, owing to the priority that the Government and the international community were then placing on brokering peace, and the related inability of the Government to pursue much needed macroeconomic reforms in the midst of war. While the project would be partially implemented alongside a negotiated peace deal – brokered by Norway in 2002 – the negotiated peace would be short lived. By April 2003, the ceasefire had broken apart but not before the new CAS (April 2003), anchored in the fragile peace, had been approved by the Bank’s Board.

1.2 Grounded in optimism, the 2003 CAS describes the Sri Lankan condition at the time as a post-conflict situation in need of urgent humanitarian assistance and emergency reconstruction. A post-conflict strategy, the CAS argued for quick wins, visibility and an equitable distribution of benefits to the conflict affected population, especially for the returning IDPs. The strategy shift was supported by a restructuring of the ongoing World Bank portfolio, namely the restructuring of seven on-going projects representing about 25 percent of existing undisbursed funds. The restructuring was designed to align Bank assistance with priorities identified in a Needs Assessment for the northern and eastern areas that was prepared by the World Bank, the Asian Development Bank and the United Nations and presented at the Kyoto Conference in June 2003.

1.3 The North East Irrigated Agriculture Project was in line with the thrust of the 2003 strategy since it was designed to assist the conflict affected populations of the northern and eastern areas of the country, including by working in both “cleared” – or Government controlled - and “uncleared” or rebel held areas. Recognizing the critical role that agriculture plays in supporting food security and livelihoods throughout the country, but especially in the northern and eastern regions, the project focused on the essential rehabilitation of major and minor irrigation schemes, rural road repair, and other critical service delivery needs, such as the provision of drinking water.

1.4 While recognizing that food security was and remains a major concern for Sri Lanka’s rural poor, several questions arise in assessing a project designed to deliver land based assets in an area characterized by massive displacement and during periods of active conflict. For example, how were beneficiaries identified, engaged, and incorporated into the development and design of the irrigation schemes and how did the project prioritize beneficiary needs? How did the project determine whether individuals, located in the project areas, would remain to operate and maintain the schemes after this project closed? How did

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1 The 1996 CAS covered the period June 1996-June 1999; the subsequent strategy would not be approved by the Board until 2003, in spite of the fact that there had been only a one year planned delay.

2 The Kyoto Conference on Reconstruction and Development of Sri Lanka was held on June 9 and 10 in Tokyo with the participation of Ministers and representatives from 51 countries and 22 international organizations, including the International Monetary Fund and the World Bank.
the project deal with anticipated contestation of land or water use and access rights? The project was implemented during the height of internal displacement. It was also implemented during periods of active conflict before and after the ceasefire.

2. Objectives, Design, and their Relevance

Project Objectives and Design

2.1 The Project Development Objective, identified by both the credit agreement and appraisal document, was to "help conflict affected communities in the North-East and adjoining areas 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." This Project Performance and Assessment Report (PPAR) assess the achievement of this objective in two parts separately:

- First objective: To help conflict affected communities in the North-East and adjoining areas 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;
- Second Objective: Build the capacity of such communities for sustainable social and economic reintegration.

Project Components

2.2 The project was designed with five components.

i. Rehabilitation of irrigation schemes. Against a planned investment of US$13.6 million, the project utilized US$11.63 million (86 percent of the appraised costs) to support essential and minimal rehabilitation of 400 major and minor irrigation schemes.

ii. Community capacity-building and small-scale reconstruction. Against a planned investment of US$12.1 million, the project spent US$14.72 million (or 122 percent of the planned costs), on rural roads, well and community building construction. Of the US$14.7 million dollars spent, US$7.6 was used to rehabilitate 1,200km of rural dirt and gravel village roads; US$2.4 million was spent on constructing community centers; and US$600,000 was spent on the construction of 300 drinking water wells. According to the PAD, concerned community members, especially women, would need to agree to the location of the wells as part of the project’s eligibility and feasibility criteria. Another US$2.1 million was spent on capacity building and training activities for the non-government and project management staff, including for training in methods such as conducting rapid rural appraisals and other participatory development techniques.
iii. The Development Credit Agreement was amended in January 2002 to permit (i) livelihood support grants to Women’s Rural Development Societies (WRDSs), and (ii) WRDSs to provide repayable loans to members for undertaking small individual household income generating activities related to: (a) agriculture and allied activities; (b) improved production and marketing of commodities; (c) promotion of various micro-enterprises; and (d) constructing common assets such as community buildings. The amendment reallocated US$ 2.1 million to a Livelihood Support Fund from the “Civil Works” category of the Credit (Component 1). The Project Development Objective was not modified nor were key associated outcome indicators or their targets changed.

iv. Feasibility studies for rehabilitation of selected major and medium schemes. (appraised US$300,000; Actual US$370,000).

v. Project implementation support and Technical and Financial Audit. Against the US$6.0 million planned, the project utilized US$5.39 million, (or 90 percent of the estimated costs), to finance the purchase of road construction equipment and to procure vehicles for UNHCR. Staff and consultant costs were roughly 30 percent of the costs. Against a planned amount of US$400,000, the project spent US$600,000 on technical and financial audits, including an exercise carried out to assess the quality of the project works and expenditures. Monitoring and Evaluation was not an explicit part of this component: it was neither costed nor were expected data collection methods, reporting or feedback mechanisms laid out as a part of the project components.

3. Implementation

3.1 The project was designed to cover seven focus districts within the then North-East Province, namely Ampara, Batticaloa, Trincomalee, Vavuniya Mannar, Mullaitivu, and Kilinochchi as well as neighboring villages of the four districts in three adjoining provinces, namely: Monaragala (Uva), Puttalam (North West), and Anuradhapura and Polonnaruwa (North Central). Jaffna was not originally included owing to restricted access during the project design period, but was later added by mutual agreement of the GOSL and the Bank. Villages were chosen based on the location of irrigation schemes that were selected for rehabilitation. The villages selected would then receive a suite of other infrastructure services, as needed including rural roads, water supply, community infrastructure. (For a discussion of the selectivity criteria, see the Relevance of Design and Efficacy sections below).

3.2 Project implementation was complex owing to the need to work in both Government and rebel controlled areas. While at the time of project design there was a certain level of cooperation between the rebel Liberation Tigers of Tamil Eelam (LTTE) and the Government with regard to the delivery of services to rebel held areas, wide consultation and careful collaboration between several partners was needed to gain approval and access for
project activities. The project was overseen by the North-East Provincial Council and was implemented through the District Secretaries, Government Agents in the project area, the United Nations High Commission for Refugees, commanders of the Sri Lanka Army, and the political wing of the LTTE. Project execution was carried out by several international and national NGOs who were present on the ground and able to provide critical access. These included: the International Center of the Red Cross, CARE International, Action Contre La Faim, FORUT, Sarvodaya, Sewa Lanka Foundation, and the Rural Development Foundation. The NGO community was responsible for social mobilization, which included conducting participatory village needs assessments and social profiles, for overseeing implementation (including community procurement and public works) and for monitoring and reporting results to a Project Management Unit lodged within the administration of the Northeast Provincial Council, the borrower counterpart. As confirmed in meetings with bilateral and UN representatives present at the time, the Bank’s support for this nascent institution was remarkable, given its newness and potential fragility, Donors and UN representatives confirmed that the World Bank was the only entity directly supporting the newly elected Council, but this was in part due to the technical arrangements for financing the smaller irrigation schemes since the operations and maintenance of these schemes would be managed at a sub-national level.

3.3 The project was implemented during a highly unstable period of Sri Lanka’s history and implementation proved difficult, due to mobility. The movement of construction material, for example, often faced interruption due to hostilities. While the project enjoyed support from both sides, implementing teams put themselves routinely at risk to deliver this program. While security conditions and mobility in the project area slowly improved after the signing of the ceasefire agreement in February 2002, conditions shortly thereafter deteriorated following LTTE’s withdrawal from the peace talks in April 2003, the LTTE’s internal conflicts in March 2004, and the tsunami disaster in December 2004.

PROJECT DATES AND COSTS

3.4 Actual project costs were slightly less than expected due to the devaluation of the rupee against the US$. The project was approved in November 1999, became effective in March 2000 and closed as anticipated in June 2005. US$1.35 million was cancelled.

4. Relevance of Project Objectives and Design

4.1 The relevance of the project objective is rated Substantial. While responsive to the needs of Sri Lanka’s conflict affected communities, the relevance of the objective could have been strengthened by reversing the two elements of the objective statement, by placing human and social capacity building at the forefront of the project objective.

4.2 Prior to the war, nearly two-thirds of the northern and eastern population of Sri Lanka depended on farming, livestock rearing, and deep sea fishing for their livelihood. Due to the prolonged nature of the conflict, many of the inputs needed to sustain the farm economy had been destroyed or were in a state of disrepair, including many of the irrigation schemes
located in the project areas. Most of the rural roads which link farming communities to market centers were also heavily dilapidated. According to an assessment carried out prior to the project’s appraisal, an estimated 40,000 ha of agricultural land had gone out of production, resulting in a loss of Rs1 billion for rice and Rs2 billion for cash crop production and sale. The priority placed on ensuring basic access to agriculture in Sri Lanka is stated in the World Bank’s 1996 and 2003 Country Assistance Strategies.

4.3 The project’s objective also focuses attention on the need to re-build and strengthen the human and social capacity of the war-affected populations who were residing in and returning to the Government controlled areas of the then north-eastern province.

“The long ethnic conflict ...caused severe social disruptions resulting in trauma, unemployment, breakdown of traditional values, loss of self-confidence and community spirit. While rehabilitation of the physical infrastructure and the support services system is essential for reviving the economy, it is also necessary to rebuild trust and self-reliance among the conflict-affected communities. No meaningful and sustained rehabilitation and reconstruction can take place at the village level, now and in the future, without the communities themselves being in the "driver's seat", and participating fully in the reconstruction process” (PAD p.3).

4.4 This focus on capacity building – especially of the social institutions that would be needed to support land and water allocation decisions (and to operate and maintain the schemes) – is in line with the recommendations of the subsequent World Development Report 2011 on Conflict, Security and Development and lessons from the broader literature on social capital and participatory rural development (Uphoff 1996, Khan 2000, WDR 2011). Recognizing the strong intent of this project to pivot its activities to community needs, this assessment finds that the relevance of the objective could have been strengthened by reversing the two elements of the objective statement by placing human and social capacity building at the forefront of the objective – and by linking this empowerment aim to the articulation of local infrastructure needs.

Relevance of Project Design

4.5 The Relevance of Design is rated Modest.

4.6 As pointed out by the Background Papers on CDD in Conflict Affected Environments, prepared for the World Development Report on Conflict and Security (2011), “doing development in [conflict affected] contexts is extremely hard. Even where violence has not escalated, localized conflict may provide the sparks for future fires, and development programs can become implicated in cycles of violence….Effective CDD projects can distribute resources quickly and to remote, rural areas. In devolving decision-making they can help ensure resource distribution is fair and popularly accepted and can operate in areas with security risks (Barron 2010).

4.7 The Northeast Irrigated Agriculture project included aspects of a CDD approach, but the primary good provided – irrigation repair – was supplied through a farmer application
process which lacked both transparency and an effective communication strategy. \textsuperscript{3} Mission interviews revealed that the irrigation departments also supplied lists of schemes that needed repair. It then followed that other goods and services provided by the project would be delivered to these areas, where the irrigation schemes had been chosen. Villagers could pick from a menu of options (roads, wells, and community buildings) through a CDD type process facilitated by NGOs. Data obtained by the mission from the former project management office reveals that the process resulted in a high level of geographic unevenness in the distribution of the infrastructure (See Heatmap, Figure 1). Taking into account the mobility issues faced in the border districts, the data reveals that there was significant unevenness in the distribution of completed infrastructure across the seven focus districts – or the main areas targeted by the project, with villages in or near Vavuniya having received 3-4 times the goods and services that other areas received.

**Figure 1: Mapping the Distribution of NEIAP Assistance across Districts**

<table>
<thead>
<tr>
<th>District</th>
<th>Villages (#)</th>
<th>Community Based Orgs (#)</th>
<th>Irrigation schemes (#)</th>
<th>Rural Roads (Km)</th>
<th>Wells Total (#)</th>
<th>Multi-Purpose Buildings (#)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ampara*</td>
<td>30</td>
<td>120</td>
<td>30</td>
<td>111.6</td>
<td>81</td>
<td>30</td>
</tr>
<tr>
<td>Batticaloa*</td>
<td>50</td>
<td>176</td>
<td>41</td>
<td>232.6</td>
<td>152</td>
<td>50</td>
</tr>
<tr>
<td>Trincomalee*</td>
<td>42</td>
<td>154</td>
<td>40</td>
<td>160.3</td>
<td>125</td>
<td>41</td>
</tr>
<tr>
<td>Vavuniya*</td>
<td>100</td>
<td>384</td>
<td>105</td>
<td>324</td>
<td>103</td>
<td>100</td>
</tr>
<tr>
<td>Mannar*</td>
<td>37</td>
<td>149</td>
<td>39</td>
<td>79.1</td>
<td>67</td>
<td>36</td>
</tr>
<tr>
<td>Kilinochchi*</td>
<td>30</td>
<td>110</td>
<td>26</td>
<td>123.8</td>
<td>68</td>
<td>30</td>
</tr>
<tr>
<td>Mullaitivu*</td>
<td>30</td>
<td>114</td>
<td>29</td>
<td>101</td>
<td>90</td>
<td>30</td>
</tr>
<tr>
<td>Anuradhapura**</td>
<td>20</td>
<td>72</td>
<td>20</td>
<td>67</td>
<td>19</td>
<td>20</td>
</tr>
<tr>
<td>Polannaruwa**</td>
<td>8</td>
<td>28</td>
<td>5</td>
<td>25.8</td>
<td>20</td>
<td>8</td>
</tr>
<tr>
<td>Moneragala**</td>
<td>9</td>
<td>34</td>
<td>6</td>
<td>30</td>
<td>33</td>
<td>9</td>
</tr>
<tr>
<td>Puttalam**</td>
<td>10</td>
<td>31</td>
<td>4</td>
<td>43.5</td>
<td>24</td>
<td>10</td>
</tr>
<tr>
<td>Jaffna**</td>
<td>30</td>
<td>81</td>
<td>33</td>
<td>0</td>
<td>0</td>
<td>15</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>396</strong></td>
<td><strong>1057</strong></td>
<td><strong>378</strong></td>
<td><strong>1298.7</strong></td>
<td><strong>782</strong></td>
<td><strong>379</strong></td>
</tr>
</tbody>
</table>

*Target Districts ** Border Areas

\textsuperscript{3} Scheme selection was coordinated by the seven District Secretaries who were charged with gauging farmer demand. For this purpose, it was expected that the District Secretaries would use the existing public offices such as the Grama Niladhari (village level government representative) and the Agrarian Service Centers to inform the communities of the existence of the project, its scope, and eligibility/feasibility criteria for receiving assistance. Farmer organizations who were made aware of the program and who wanted their irrigation schemes restored or rehabilitated, and who satisfied the eligibility criteria, would request assistance from the Agrarian Service Centers. On the basis of a sample questionnaire, the centers would check whether the village, scheme, and the farmer organization appeared to meet the eligibility/feasibility criteria and if so, the centers would pass the request to the respective Divisional Secretaries. [The criteria presumably included technical criteria to justify rehabilitation of an existing irrigation scheme, its condition, etc. Such criteria could of course also be skewed – intentionally or unintentionally.]
4.8 The project’s selection criteria, in addition to the selection process, contributed to the uneven distribution of goods and services in the conflict affected northern and eastern areas. The project selection criteria was mainly motivated by mitigating risk. Applicants had to show proof that the land targeted for repair was owned by one or members of the farmer applicant group. Specifically, project criteria required both proof of land ownership and an assurance that more than 80 percent of the original farm families were already residing and using the scheme for farming (or that 80 percent of the original settlers would be returning, or willing to return if the scheme was restored). The criteria also stipulated that a farmer organization or an alternative community based organization capable of operating and managing the infrastructure had to have already have been in existence, or that one could be formed immediately.

4.9 There are several inconsistencies between the process and criteria for distributing aid in this project, and the thrust of the project aim. The process ran the risk of exacerbating grievances with regard to the unclear or unfair distribution of assets in the project areas. It is noteworthy that the project did not include a grievance redress mechanism, or if attempted, this mechanism was not reported by the project. The selection criteria would have resulted in the more resilient and affluent groups receiving the major assets.

4.10 It is also unclear whether there were any contestations over land in relation to the official claims that were provided to the project to request repair. The project implementation period was one of the most chaotic periods of Sri Lankan history with regard to the movement of internally displaced persons. With the cessation of military activities in early 2002, the government began focusing on the return and resettlement of the estimated 800,000 persons internally displaced by the conflict. It was envisaged that 200,000 IDPs would be returned or resettled by the end of 2002 and the remaining 600,000 by end 2004. In reality, much of the movement of persons during this time was spontaneous and uncoordinated, as displaced persons and refugee communities reentered the north and east - at least temporarily - to assess the state of their property and the security situation. By November 2004, the UNHCR reported that some 379,000 displaced had returned, with more than half moving to the Jaffna district (181,000). Other districts to which large numbers of people returned include Kilinochchi (85,800), Mullaitivu (37,900) and Vavuniya (25,600) (MRRR & UNHCR, 2004). Most of the returnees were subsistence farmers, fishermen, agricultural laborers or unskilled workers who would need strong support to restart their livelihoods.

4.11 Project design did not include a gender informed approach. Irrigation repair was requested by farmer organizations (male). The project enhanced its relevance by integrating a Livelihood Support Activities component in January 2002 through an amendment to the Development Credit Agreement that included support women and vulnerable (landless) populations. However women’s voices were not integrated into the core design elements of the project. The project design lacked some of the social inclusion tools that were concurrently being implemented in other World Bank supported projects in Sri Lanka, such as the quota system in the Gemi Diriya, or Raising the Village, project (IEG, 2014).
5. Efficacy

**Reestablish a Subsistence Level of Production and Community-Based Services**

5.1 The project *Modestly* met its objective of helping conflict affected communities in the Northern and Eastern and adjoining areas reestablish at least a subsistence level of production and community-based services. The project financed the essential rehabilitation of 379 irrigation schemes, against a target of 400 schemes, in 396 focal villages. Of the 379 schemes rehabilitated by project end, 275 schemes were handed-over by the Government agencies to respective Farmer Organizations. The process – of handing over a scheme - signified that the responsibility for the local works had been effectively transferred from the dedicated agency responsible for rehabilitation/repair to the community based organization that requested its repair – in effect – signifying that the scheme will be utilized, managed and operated. Although there was an intention to continue to hand over the schemes during a second phase, the resurgence of major conflict between 2006-2009 prevented this assessment from validating those potential post-project achievements.

5.2 The 275 schemes that were handed over helped to restore irrigation services to a command area larger than anticipated – the schemes covered 21,944 ha versus 16,000 ha without the project. Within the project area, paddy crop yield increased through a switch from rain-fed production (2.5 tons/ha) to irrigated production (3.9 tons/ha) and cropping intensity increased from 103 to 132 percent. (In addition, a small area of high-value cash crops was introduced, which included chili, onions, brinjal and tomato). While the outcomes of these services are positive, the less than anticipated hand-over ratio implies that some 104 schemes were built rehabilitated with project funds that could have been directed towards other purposes. While the discrepancy between the planned versus actual schemes handed over can be in part attributed to the uncertainty of the operating environment, it can also be attributed to the limitations associated with the selection criteria. Qualitative data on the status of communities and the strength of their community based organizations was collected after the schemes had been selected. There is no evidence, for example, that the proposed social impact monitoring was used to identify or reinforce capacity in villages that proposed irrigation repair but that, by project end, were not able to operate or maintain them.

5.3 The relevant lesson that emerged during the field mission is the need to target and support human capital – prior to – and then alongside the provision of physical capital – based on an assessment of human, social and institutional capacity needs, and to stay closely engaged during implementation. Evidence regarding the need to think more meaningfully about the link between capacity development and welfare is derived in part from the way that the project utilized its social assessment instrument. Rather than an iterative engagement tool, the project refers to its social assessment as a “social safeguards-cum-risk management manual” that was prepared to “address proactively, potential reputational risks related to the unauthorized occupation of irrigated land of the displaced people” (ICR. P.7). District Social Profiles were not completed until the Mid-Term Review and, even then, these were used mainly as a risk screening tool.

5.4 Villages that were targeted for essential irrigation repair also received an integrated package of support. In addition to the schemes, the project financed the repair or
reconstruction of 1,294 km of rural roads (as compared to the target of 1,200 km), mostly 3-4 km each. The roads – mainly feeder roads – have provided rural residents with greater access to their paddy fields, market places, main roads and other service institutions such as schools, Health Centers Cooperatives and postal services etc. However, the roads that were built were too small and fragmented to have had an effect on agricultural markets.

5.5 The project also supplied drinking water wells. Against, an original target of 300 wells, the project remained supplied a total of 775 wells, in response to village needs. Like the irrigation schemes however, of the 775 wells constructed, only 547 wells were handed over to farmer organizations or women’s rural development societies. While the construction of wells improved the supply of drinking water and enabled time saving, especially for women, the challenges faced during the hand-over resulted in some 200 wells that were not “owned” by a community. Similarly, of the 379 village level buildings and multi-purpose community centers constructed, 291 centers had been handed over to the Rural Development and Women’s Rural Development Societies by project end. The centers that were handed over were used as community meeting places, shelters for kindergarten classes, mobile health clinics, agro-service centers, WRDS’s secretariat, and sometimes as a place for wedding functions. Interviews with the NGOs that implemented this part of the project indicated that the high level of movement of persons contributed to this effect.

**Gender Related Impacts**

5.6 The installation of functioning water wells reduced carry time for women by 1 to 2 hours per day, provided safer water for an estimated 95,500 people, including women, and were reported by the ICR to have improved public health. The installation of water pumps, small shops and the procurement of small livestock (goats) is reported to have generated net incremental incomes ranging from Rs.1800 to 2050 per month (2005 prices) that would have benefited women.

**Capacity Strengthening**

5.7 The project *Modestly* achieved its second objective of building capacity of the conflict affected communities for sustainable social and economic reintegration.

*Reactivation, Creation and Strengthening of Community Based Groups*

5.8 The project design viewed capacity building as a method to secure participatory identification and choice of the physical assets on offer by the project. The aim was mainly associated with the social mobilization process implemented by the NGOs that was utilized to assess needs at the beginning of the project cycle. This is a limited way of thinking about and engaging in capacity building activities, especially since the overall project aim is associated with the social and economic reintegration of the conflict affected communities.

5.9 A broader framework that involved transparent and representative participation in the asset allocation process, and one that actively engaged women, would have been more appropriate in a conflict affected region, where the distribution of assets risks aggravating conflict sensitivities. Such a framework was not well articulated in the project design. The
Results Framework included the following limited indicators associated with the capacity building aim (PAD, M&E Framework p. 23):

- “Strong CBOs, including farmer organizations, established for all project schemes.
- Active participation of farmer organizations and community based organizations communities in the planning and implementation of rehabilitation activities.
- Effective partnerships established among CBOs, government and non-government service providers.”

5.10 Owing both to the lack of measurable indicators and socially relevant data collected during implementation, there are several evaluation questions that remain unanswered in the implementation completion report that could not be fully validated by the IEG PPAR mission, owing to its short duration. Through a desk review and field mission, the mission sought to understand how the NGO community had established community based organizations: were these indigenous organizations that the Bank helped to reconstitute with facilitation and financing, or were these groups assembled for the purpose of smooth implementation of the physical works, and in the case of the women’s groups, effective transfer of the revolving funds?

**Women’s Rural Development Societies**

5.11 The project Implementation Completion and Result Report noted that the “most notable achievement of the project - related to community capacity building -- was the establishment of Women’s Rural Development Societies and the resultant empowerment of women” (pg. 6). The project reported establishing 307 Women Rural Development Societies in project focal villages. Prior to the field mission, IEG commissioned a desk based Gender Review that was designed to feed gender related questions into the evaluative frame and the assessment instruments. The review assessed project design, activities, and implementation with the aim of understanding how women were integrated into or were considered by the program, and how these considerations contributed to the achievement of results.

5.12 The IEG NEIAP project gender review found that while the project supported the legal codification of Women’s Rural Development Societies (registration) and, through project finance, helped to jump start livelihood activities, these groups had nevertheless been established during the prior decade by non-governmental organizations. Therefore, rather than establishing these societies, the field mission learned that the project had played a significant role in both reactivating them and strengthening them by providing access to savings and lending and connecting them other forms of donor-led assistance after the project closed (i.e. ADB investments in the project area).

5.13 The Women’s Rural Development Societies received financing from the Livelihood Support Activities component – a line of financing that was added to the project two years after effectiveness to enhance social inclusion. The financing was made available through a

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4 As noted already the Field mission in the north was truncated owing to scheduling conflicts in the capital, which limited the number of field visits that could be undertaken during the mission.
revolving fund. It was designed to make financing available to constituencies that otherwise would not benefit from the tank rehabilitation (landless poor, vulnerable families and women). According to the ICR, this component provided 19,987 small loans to participating women.

5.14 The economic analysis conducted for the Livelihood Support activities implemented by the Women’s Rural Development Societies (see Efficiency) found that participating households enjoyed net incremental incomes of Rs 1800 to 2050 per month as a result of utilizing the revolving funds to make investments in water pumps, small shops and goats. Other activities, such as milk cows, did not yield favorable results.

5.15 For those families that invested in these type of activities, this net incremental income would have compared favorably to the official poverty line for Sri Lanka of Rs 1736 per month per capita at the time (2005 prices). As noted in the ICR, while some of the revolving fund recipients were likely to prosper and re-invest other endeavors would fail. The ICR points to the limited technical support available for small enterprise development and the limited access to affordable credit. At the time of project close, loan recovery rates were reportedly highly variable – between 47 to 84 percent in the north and eastern districts and 13 to 54 percent in the border areas. The ICR attributes this to insufficient or uneven attention to training for financial management and accounting.

5.16 Group interviews conducted by IEG confirmed the importance of the funds to women’s’ livelihoods. The funds were allocated at a critical time, just prior to the resurgence of conflict and to several waves of mass displacement. Members of the Women’s Rural Development Societies interviewed reported that they had held on to their banking account information throughout the duration of the war and during the multiple phases of displacement, including while they were interred in the camps. They reported that holding onto the account information with the hope that the small amount of funding would help them jump start their own livelihood activities after the war’s end.

5.17 The project documentation is silent on (and the IEG mission could not ascertain) the role of women in decision-making and choice over the type of assets that would be procured with the revolving funds. Interviews with women’s groups conducted in the project areas revealed that decisions were taken jointly at the household level, including decisions about the use of the small loans provided to the women participating in the women’s societies. In some cases it became apparent that the low loan recovery rates may have been partly attributable to the inability of women to influence the use of the loan.

Rural Development Societies and Farmer Organizations

5.18 The project also supported the reactivation, creation, or strengthening of 360 Rural Development Societies and 371 Farmer Organizations, both of which include only males. IEG learned that the Rural Development Societies in the northern and eastern villages visited had been created prior to the 1970s. The Rural Development societies collect a membership fee that allows members to receive government contracts to perform small works, including road maintenance, small construction activities and village cleaning. The Rural Development Societies retain small savings account, however their main function is to
implement Division level works contracts, on which they have historically and continue to be fully reliant.

5.19 The World Bank financed project provided training on financial management, bookkeeping, and sustainability of funds, however none of the male rural development societies interviewed engaged in group lending, unlike the women’s societies. Lack of access to finance (from revolving funds that are targeted towards women, micro-finance, or formal banking systems) was repeatedly cited as a constraint by the rural development societies.

5.20 The effects of this project, implemented between 2000-2006, cannot be untangled from other interventions that have occurred since then through multiple humanitarian actors, including the follow-on Reawakening Project implemented by the World Bank in the same project areas. Community members remembered the “NEIAP” project however, since for these communities it was implemented just prior to the resurgence of major violent activity, and just before many of them were displaced from their villages.

5.21 The IEG mission found that the continuation of activities through the Reawakening project helped to facilitate more informed decision-making at the village level, while the NEIAP helped to set the stage. The follow-on project helped to support village development planning through Village Development Organizations that include all three type of village societies: farmers, rural development societies, and women’s development societies. In a meeting with members of one Village Development Organization, IEG learned that participation in a Village Development Organization enhances the visibility of a village in the eyes of the Division and District level district decision-makers. It provides a platform to articulate needs. The Village Development Societies pick up where the NIEAP project left off: they offer revolving funds to all members of all types of societies.

5.22 The promotion of social reintegration would have required tools that supported and assessed the integration of persons within Sri Lanka’s trilingual society, where rights are more fully recognized and respected as a result of the project intervention. Similar tools would have been needed to promote mutual appreciation of culture and behavior amongst the different ethnic groups. The evidence gathered by the project suggests that there was support for temporary cohesive behavior in groups that formed for the purpose of accessing assets, but that Bank assistance did not go beyond that.

5.23 On economic reintegration, the evidence described above indicates that the project directly supported conflict affected communities to jump start their agricultural production by providing grant financing for the emergency repair of irrigation schemes, the reactivation of rural development societies in an effort to connect them to Government works contracts, and the supply of a small amount of finance to women through revolving funds that supported livelihood activities. However, the evidence also points to many limitations as discussed in the preceding section. Adequate capacity was not built within many of the traditional farmer organizations to properly acquire, operate and maintain the schemes. Although rural development societies were reactivated, their dependence on government works contracts remained the same. The reintegration of women into social and economic spheres through the reintegration of the women’s rural development societies is noteworthy,
but while there is information on types of activities supported, there is no evidence of their economic impacts.

6. Monitoring and Evaluation

**Monitoring and Evaluation Design and Implementation**

6.1 M&E performance is rated **negligible-to-low**, in line with the ICR’s assessment that M&E was unsatisfactory. The ICR provided a frank assessment of the expectations of the project’s M&E system, its achievements and its shortfalls. According to the PAD, the project management unit would systematically monitor and evaluate project inputs, outputs, effects, and impacts. The DCA included a covenant stipulating that the Borrower was to prepare, subject to the satisfaction of the Bank, reports integrating the results of the M&E activities before the first and second Mid-term Reviews. Agreements were reached between the Bank and Borrower early in the implementation that an M&E-led learning system would be indispensable for effective management.

6.2 According to the ICR, the Bank Task Team helped the PMU to develop a framework for implementation monitoring. The PMU succeeded in operationalizing the framework in the initial years enabling adequate recording of: (i) physical progress; (ii) financial progress; and (iii) output performance. Overall M&E was thus satisfactory in input-output monitoring, procurement administration and financial management monitoring, and quarterly progress reporting to the Bank during the project implementation. However, much more attention should have been given to monitoring the community mobilization processes, as well as sustainability assessments and in assessing project impacts.

6.3 Towards the Credit closure, the M&E system, in particular at the PMU level, did not work well rendering output/outcome assessment difficult. This situation is due to: (i) the absence of NGOs after the completion of their contracts which impeded data generation from the communities over the final 24 months of project implementation; (ii) a greater focus on the second project preparation and inadequate attention given to the first project; (iii) part-time involvement of the Project Director resulted in less than expected levels of leadership, guidance and supervision; and (iv) lack of attention to the impact assessment of project interventions.

6.4 In the absence of a robust M&E system, data utilized to assess the outcomes and efficiency of this project was generated by agricultural surveys conducted by the Department of Agriculture and case studies conducted for the economic rate of return analysis of the livelihood support activities. IEG utilized additional data, including data provided by the PMU on the placement of the assets awarded as well as qualitative data collected from the individual and group interviews conducted during the mission.
7. Efficiency

7.1 Economic Rate of Return Analysis. The Project Appraisal conducted an economic analysis of the irrigation schemes, with a focus on the incremental irrigated paddy production that was expected in the Maha (or main) season of rice production. The PAD anticipated an economic rate of return of 14 percent, for irrigation rehabilitation alone.

7.2 The recalculated economic rate of return – conducted at project end estimated that for irrigation rehabilitation there was likely to be a lower rate of return than had been anticipated - 10.5 percent - rather than the 14 percent expected. While the project achieved a greater command area and higher productivity than anticipated, the lower than estimated rate of return was calculated on the basis of declining forecasted world paddy prices, an increasing economic price of farm labor as surplus labor had declined, and unexpected delays in completing irrigation rehabilitation work that resulted in increased costs during the project. Although not calculated at appraisal, the project at completion estimated that the rural roads constructed could generate an economic rate of return of 12 percent, although this rate of return appears high acknowledging the borrower’s comments that the roads were too small to support market connectivity. Drinking water wells were estimated to generate a 19 percent rate of return. For all investments, the rate of return should only be considered for those assets that were effectively handed-over to communities.

7.3 Financial Rate of Return. In terms of irrigation rehabilitation, average financial net return with the project was estimated at Rs 14,131 per ha of cropped, which was estimated to be 60 percent higher than the without project situation. Net return to family labor was estimated to average Rs 554 per day, which at the time exceeded the agricultural peak period wage rates as well as off-farm wages.

7.4 The project also estimated the economic rate of return of the livelihood support activities that were added to the project, that were mainly directed towards women beneficiaries. The analysis included six main activities (small shops, water pumps, goats, milk cows, draft bulls and highland cultivation) that in sum had received 70 percent of the revolving loan disbursements in the first cycle. The assessment included 66 case studies conducted in 41 villages in seven districts. The analysis found that small shops, water pumps and goats were likely to have the highest rate of return, ranging from 92 – 108 percent, and that these investments also had the shortest payback periods (2-6 months). The rate of return on highland cultivation and draft bulls was estimated to be 59 percent each with short payback periods (of 5-9 months). Investments in milking cows however were found to be not viable due to the use of local breeds with low milk yields.

7.5 The analysis also found that the water pumps, small shops and goats generated net incremental incomes ranging from Rs 1800 to 2050 per month per beneficiary family, which compared favorably to the official poverty line for Sri Lanka of Rs 1736 per month per capita (2005 prices).

7.6 Overall, Efficiency is rated Substantial.
8. Outcome

8.1 Based on Substantial rating for the Relevance of Objectives and Efficiency, but a Modest rating for the achievement of the project objectives and the Relevance of Design, the overall rating for this project is Moderately Unsatisfactory.

9. Risk to Development Outcomes

9.1 Risk to Development Outcomes is rated Non-Evaluable for the physical assets constructed between 2000-2005, owing to the massive damage caused by the Tsunami of December 2004 and the resurgence of violent conflict in the project areas between 2006-2009.

9.2 Other concerns, expressed at the time of project close about the risk to the operations and maintenance of the works remain valid today. As noted in the ICR, the maintenance of rural (class D and E) roads remains a grey area nationally. National policy states that locally elected governments, the “Pradeshiya Sabhas”, are responsible for the maintenance of these roads, but this policy is not implemented due to fiscal and technical constraints of the Pradeshiya Sabhas. This risk resonates with the operations and maintenance issues highlighted in IEG’s 2014 project performance assessment of the Gemi Diriya project, a community driven development project implemented in Sri Lanka during the same period as the NEIAP.

9.3 There is insufficient data available to evaluate the risks to the development outcomes of the livelihood activities supported by the revolving funds. At the time of project close, over 300 women’s rural development societies had accessed at least a first round of savings and lending, but repayment rates were highly variable, threatening to undermine the viability of the revolving system established with project funds.

10. The World Bank’s Safeguards Policies: Environmental and Social Sustainability

10.1 Environmental Effects. The project was classified as a Category B project. Since all of the project investments were anticipated to be small in size and localized, no major or irreversible impacts were envisioned. According to the ICR, the Project Management Unit adopted and implemented the agreed environmental checklists for screening subprojects. Compliance with environmental safeguards was reported by the project to be satisfactory.

10.2 Land/Involuntary Resettlement. No land acquisition or involuntary resettlement was envisaged, as the project would focus only on the rehabilitation of the existing infrastructure of roads and irrigation. The project did recognize that in some villages, displaced persons were involved in cultivating the beds of dysfunctional irrigation tanks. In
these cases, the project committed to identify these persons and compensate them for the loss of livelihood (this was to be managed through the village development plans). This issue – of the potential negative effects on displaced persons that were utilizing tank areas for cultivation – does not appear in the ICR. The ICR should have included a reference to the risk and how the risk either failed to materialize or how the risks were managed and the project affected persons compensated.

### 11. Bank and Borrower Performance

**Bank Performance**

11.1 The Quality of Entry is rated *Moderately Satisfactory*. While the project should have been staged to first target and strengthen social capital prior to engaging in asset rehabilitation, the project implementation arrangements were designed flexibly to respond to urgent village level needs. Only emergency or temporary repairs were supported, a prudent design decision in the midst of a highly unstable operating environment. While simple – the project was oriented around the physical reconstruction of village assets – the project was also designed to assess, monitor and be sensitive to the social situation. Satisfactory completion of a Social Profiling exercise, for example, was a condition of disbursement of funding for civil works. It was also designed to be participatory. Based on lessons learned from other conflict affected situations, the project engaged local NGOs who were in tune with the local context and the conflict affected populations and who had access to otherwise inaccessible areas. It also based its implementation arrangements on lessons learned from implementing a previous project in Sri Lanka’s rebel held areas which was effective in repairing 106 small irrigation schemes (in both 'cleared' and 'uncleared' areas.).

11.2 The project also integrated lessons from the Bank’s work in Haiti that showed that building effective partnerships with beneficiaries and local authorities is an essential component of post-project sustainability. The project design included several such features, including a community capacity building component that supported the training of CBO members to participate in participatory reconstruction activities. It supported a participatory rural assessment in the villages selected for irrigation repairs. However the project design was undermined by the lack of a transparent method for how project areas were selected.

11.3 The Project lacked a Management Information System to collate and integrate the multiple activities being implemented by various NGOs and UN agencies and the Results Framework was not designed to adequately capture the qualitative outcomes of the project. Gender (and vulnerability) was also not well integrated into the project at the time of design.

**Quality of Supervision**

11.4 The Quality of Supervision is rated *Moderately Unsatisfactory*. There was a disconnect between supervision provisions in the PAD, including the various conflict sensitive tools that were intended to be implemented, and the actual implementation of the project, including the manner by which supervision was conducted.
11.5 The project was designed to be participatory. It financed a social mobilization component that was executed by seven international and national NGOs (ICRC, CARE International, Action Contre La Faim, FORUT, Sarvodaya, Sewa Lanka Foundation, and Rural Development Foundation). These NGOs were in charge of conducting village level needs assessments, village development plans and social profiles to ensure sensitivity in future emergency programming. Project design indicated that the project’s distributional impacts would be monitored during supervision. Specifically, the Social Profiles were designed to identify socioeconomic conditions of the participating areas and to gauge the impact of the project on the target groups.

11.6 A needs assessment would also be systemically carried out to identify the gaps between the existing and desirable conditions that would enable the affected people to reintegrate with the socioeconomic mainstream, as early as possible. The needs assessments would focus on technical, institutional, and organizational capacities of the governmental and non-governmental stakeholders, and the socioeconomic development and physical infrastructure reconstruction of the region. Social and needs assessments, and social impact monitoring of the project, were to be done through a variety of ways, including: rapid surveys; structured consultations with the affected people; stakeholder workshops; and case studies on specifically focused groups and sectors.

11.7 By project close, there is no evidence that the integrity of the social dynamics associated with project design were maintained. Rather, the ICR refers to the project’s social assessment (needs assessment, social profiles etc.) As a “social safeguards-cum-risk management manual” that was prepared to “address proactively, potential reputational risks related to the unauthorized occupation of irrigated land of the displaced people” (ICR. P.7). District Social Profiles were not completed until the Mid-Term Review and, even then, these were used mainly as a risk screening tool.

11.8 The PAD also noted that care would be taken to ensure that the allocation of resources under the project would not contribute to altering the pre-conflict population distribution and ethnic mix. The project would make arrangements during preparation and implementation, to accommodate the concerns and needs of minority groups through consultation and inclusive institutional arrangements. The PAD’s attention to ethnic issues in Sri Lanka – including the concerns of Muslims who represent 8 percent of the population as well as the Christian and Hindu minorities - was highly sensitive and contextually appropriate.

11.9 There is no evidence, in the ICR, nor retrieved through the mission, that arrangements were made during implementation to accommodate the concerns and needs of minority groups through consultation and inclusive institutional arrangements. If there were, none of these activities were recorded or preserved in the operational portal.

11.10 This assessment recognizes that the Bank supervised the project under very difficult security, logistical and human resource constraints. It also recognizes that positioning the Task Team Leader in the field did provide consistent and useful implementation support to project management, with regard to infrastructure rehabilitation under the project. As noted in the ICR, disbursement issues were effectively managed. But this assessment finds that the
implementation focus was too heavily tilted towards the rehabilitation and construction of hardware and paid scant attention to the fractured societal dynamics that, in tandem, required support and repair. The sensitive social tools that were proposed at design appear to have been utilized as a means to manage risk rather than to implement the project objective of socially reintegrating the affected communities. This was a missed opportunity.

11.11 Efforts were undertaken to build the capacity of the North East Provincial Council are recognized, especially with regard to the working relationships that were forged between the national government and the conflict affected provinces, specifically with the welfare of the affected communities in mind. But supervision did not adequately capture positive project impacts, nor did it accurately report on the inability to hand over a substantial number of assets that the project repaired. However, NGO contracts expired during implementation. It is not clear why these NGOs were not retained to continue to measure progress by employing the initial participatory appraisal methods. The addition of a more inclusive component to support gender based activities was relevant, but a lack of implementation support resulted in highly uneven outcomes (including very low repayment in the border areas).

11.12 Quality at entry is rated Moderately Satisfactory. Supervision is rated Moderately Unsatisfactory. Overall, Bank Performance is rated Moderately Unsatisfactory.

**Borrower Performance**

**Government Performance**

Government performance is rated Moderately Satisfactory. This project required heavy coordination between the Bank, the National Government and the Provincial and District Level authorities representing the project area. The Ministry of Defense; the Ministry of Finance External Resources Department and Treasury; and the Ministry of Provincial Councils and Local Government all provided an authoring environment for this project, and an agreed license to operate. The Ministry of Provincial Councils and Local Government provided policy support, timely allocation of counterpart funding, and strategic guidance from the center. The Government’s strategy of allocating aid to irrigation schemes, rather than targeting beneficiaries based on a transparent assessment of need, undermined the efficacy of this project however.

11.13 The project was directly overseen by the North East Provincial Council. The project represented the first time that any donor had worked directly with the newly decentralized authority. The North East Provincial Council supported an open and transparent dialogue between the Bank, the Council and the LTTE, with regard to the implementation of operations, especially in rebel controlled areas. It also allowed for effective coordination with the District authorities. Given that the North East Provincial Council was newly constituted and lacking financing, the project de facto supported its daily operating costs. Throughout the life of the project, the Council gained new skills in project planning and management, financial management and accounting, oversight, as well as opportunities to develop new donor relations. It gained these skills, in part, by having been given full financial and functional autonomy for the project. This devolution of authority was needed to
ensure ownership, critical communications, and smooth passage of Bank and project staff and the implementing agencies.

**IMPLEMENTING AGENCY PERFORMANCE**

11.14 **Implementing agency performance is rated Moderately Satisfactory.** The project was administered by a Project Management Unit lodged within the Council. Overall, the PMU provided adequate project oversight. Financial Management was rated Satisfactory throughout the life of the project. All financial covenants were complied with and there were no overdue audit reports. However, notwithstanding meeting these requirements, there were some weaknesses associated with financial management and procurement, which can be attributed to several factors: (1) the untested capacity of the newly elected Council and the PMU; (2) the fact that this was the first project directly implemented by the Council; and (3) the instability of the operating environment.

11.15 **Financial Management.** Supervision missions noted that financial management could have benefited from better coordination between the Department of Finance of the North East Provincial Council and the Monitoring and Evaluation Unit within the Project Management Unit. This coordination would have provided more comprehensive and timely information for project management, closer integration with the technical and financial audits, and more timely compliance with observations and recommendations of the technical auditors and financial management auditors throughout the life cycle of the project.

11.16 **Procurement.** While rated satisfactory, efforts to promote community procurement faced several obstacles during implementation. The project pioneered the promotion of community contracting, which accounted for 85 percent of the works contracted as compared to 50 percent of the works as planned. While intended to enhance capacity and promote transparency through greater contract accountability, the project management unit resorted to slicing the sub-projects into small contractual parts – including pieces of irrigation and road works – and awarding these pieces to community based organizations without enforcing competitive bidding procedures and without assessing the construction management capacity of those communities. This resulted in implementation delays and poor construction quality in some areas. The procurement of some of the equipment such as road construction equipment, vehicles, motor cycles, vibratory plate compactors and concrete mixers were also delayed. These delays had a negative effect on work progress and the quality of the compaction of earth fill on the tank bunds.

11.17 **In sum,** Government performance is rated Satisfactory. Implementing Agency performance is rated Moderately Satisfactory. Overall, Borrower performance is rated Moderately Satisfactory.

**12. Lessons**

12.1 **Lending for land-based assets in a protracted conflict affected situation, characterized by massive displacement, should be sequenced within a broader social**
development framework that balances individual needs with equity aims. In a conflict affected situation, where war is associated with minority grievances, the distribution of assets and associated impacts can either improve or threaten fragile peace. In the case of the North Eastern Irrigated Agriculture Project, the distribution of assets (mainly repair) was highly uneven across the project area; repair was neither based on a vulnerability index nor stratified to ensure fair treatment across the project areas.

12.2 The term “post-conflict” should be used sparingly in the absence of a negotiated peace agreement and World Bank projects should accordingly exercise caution in project design. The North Eastern Irrigated Agriculture project in Sri Lanka was developed on the back of an optimistic country assistance strategy and a temporary cease-fire. While all signs pointed towards the need for caution, both the country assistance strategy and the project were designed to support reconstruction activities, in line with a post-conflict and reconstruction strategy. This exuberance masks the need to think more proactively about societal healing, institutional development, and good governance reforms that are needed during a country’s fragile transition from war. In the case of Sri Lanka, hindsight clearly signifies that the level of attention that was awarded to reconstruction was premature.

12.3 There is a tension between responding to the immediate needs of conflict affected populations and the use of a community driven development model to respond to these needs in fluid or highly mobile environments. While the Northeast Emergency Irrigated Agriculture project in Sri Lanka was highly responsive to the urgent needs of persons living in conflicted affected areas, it financed physical works that were not utilized due to continued displacement and movement of the physical population. Humanitarian aid, in this case, may have been a better choice for the delivery of critical services, like drinking water, than a Bank project.

12.4 Participatory development is a process that should be nurtured and supported throughout all stages of a project cycle. In the case of the North Eastern Irrigated Agriculture Project, participatory needs assessments and capacity building activities were conducted to reduce the risks associated with the unequal/inequitable distribution of village assets and to ensure ownership of the assets that were being repaired. The project missed an opportunity to respond to broader human and social capacity development needs that, in the case of the North East Irrigated Agriculture Project, would have been aligned with the project aim of reintegrating the conflict affected communities, both economically and socially. This would have included attention to language, culture, and behavior and efforts to bridge societal differences through the project means.
References


Annex A. Basic Data Sheet

SRI LANKA - A Performance Assessment of the Northeast Emergency Irrigated Agriculture Project (Cr. No. 3301) (P058070)

### Key Project Data (amounts in US$ million)

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Date of final disbursement: March 2006

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# Annex B. List of People met

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<thead>
<tr>
<th>Name</th>
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<tr>
<td><strong>Government of Sri Lanka (National) and the Project Management Unit(s)</strong></td>
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<tr>
<td>Dr. P.B. Jayasundera</td>
<td>Secretary to the Treasury</td>
<td>Ministry of Finance &amp; Planning</td>
</tr>
<tr>
<td>Nihal Somaweera</td>
<td>Additional Secretary</td>
<td>Ministry of Economic Development</td>
</tr>
<tr>
<td>Mr. Priyantha Ratnayake</td>
<td>Director General, Head of the Department of External Resources</td>
<td>Department of External Resources, Ministry of Finance &amp; Planning</td>
</tr>
<tr>
<td>Mrs. Darshana Senanayake</td>
<td>Director General</td>
<td>Department of Project Management and Monitoring, Ministry of Finance &amp; Planning</td>
</tr>
<tr>
<td>Ms. Ayanthi de Silva</td>
<td>Additional Director General</td>
<td>Department of Project Management and Monitoring, Ministry of Finance &amp; Planning</td>
</tr>
<tr>
<td>Mr. Ajith Abeysekara</td>
<td>Addl Director General</td>
<td>Department of External Resources, Ministry of Finance &amp; Planning</td>
</tr>
<tr>
<td>Ms. Arunasalam Kavitha</td>
<td>Assistant Director</td>
<td>Department of External Resources, Ministry of Finance &amp; Planning</td>
</tr>
<tr>
<td>Udayangani Kumarihami</td>
<td>Development Officer (WB Division)</td>
<td>Department of External Resources, Ministry of Finance &amp; Planning</td>
</tr>
<tr>
<td>Mr. S. K. Liyanage</td>
<td>Project Director</td>
<td>Ministry of Economic Development</td>
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<tr>
<td>Eng. A. Robert V. Peries</td>
<td>Additional Project Director, Reawakening Project and the Emergency Northern Recovery Project</td>
<td>Provincial Project Management Unit, Ministry of Economic Development, Kachcheri, Vavuniya</td>
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<td>PMU Staff</td>
<td>Reawakening Project and the Emergency Northern Recovery Project</td>
<td>Kachcheri, Vavuniya</td>
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<td><strong>World Bank</strong></td>
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<tr>
<td>Doina Petrescu</td>
<td>Program Leader</td>
<td>Africa Country Director Groups, WB Office: Yaoundé - Central Africa, World Bank</td>
</tr>
<tr>
<td>Meena Munshi</td>
<td>Senior Economist</td>
<td>Agriculture Department- Global Practice, World Bank</td>
</tr>
<tr>
<td>Name</td>
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<tr>
<td>Seenithamby Manoharan</td>
<td>Senior Rural Development Specialist, TTL for the NEIAP</td>
<td>Agriculture Department- Global Practice, World Bank</td>
</tr>
<tr>
<td>Mr. Anura Herath</td>
<td>Country Program Office</td>
<td>IFAD</td>
</tr>
<tr>
<td>Ms. Beth Crawford</td>
<td>Representative</td>
<td>FAO</td>
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<tr>
<td>Golom Abbas</td>
<td>Representative</td>
<td>UNHCR</td>
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<tr>
<td>Mr. Guiseppe Crocetti</td>
<td>Chief of Mission</td>
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<tr>
<td>Sri Widowati</td>
<td>Country Director</td>
<td>ADB</td>
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<tr>
<td>Ahsan Tayyab</td>
<td>Unit Head, Portfolio Management</td>
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<tr>
<td>Nelun Gunasekera</td>
<td>Social Development and Gender Specialist</td>
<td>ADB</td>
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<tr>
<td>Mr. Subinay Nandy</td>
<td>Resident Representative</td>
<td>United Nations (One UN)</td>
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<tr>
<td>Ms. Lovita Ramguttee</td>
<td>Deputy Country Director</td>
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<tr>
<td>Dr. Herath Manthrithilake</td>
<td>Head</td>
<td>Sri Lanka Development Initiative International Water Management Institute</td>
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