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Report No. 15248

PROJECT COMPLETION REPORT

SRI LANKA

**EMERGENCY RECONSTRUCTION AND REHABILITATION PROJECT
(CREDIT 1883-CE)**

December 29, 1995

**Energy and Project Finance Division
Country Department I
South Asia Region**

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CURRENCY EQUIVALENTS

Currency Unit	=	Sri Lanka Rupees (Rs)
Appraisal Year 1988	=	US\$ 1.0 = Rs 31.8
Intervening Year 1991	=	US\$ 1.0 = Rs.41.4
Completion Year 1994	=	US\$ 1.0 = Rs.49.4

FISCAL YEAR

January 1 - December 31

MEASURES AND EQUIVALENTS

1 kilometer (km)	=	0.6214 miles (mi)
1 ton	=	1000 kilograms (kg)
	=	2200 pounds (lbs)
1 kilovolt (kv)	=	1000 volts (V)
1 megawatt (MW)	=	1000 kilowatts (kW)

ACRONYMS AND ABBREVIATIONS

ADB	Asian Development Bank
BOC	Bank of Ceylon
DRCC	District Reconstruction Coordinating Committee
ERR	Economic Rate of Return
ERRP	Emergency Reconstruction and Rehabilitation Project
GA	Government Agent
GOSL	Government of Sri Lanka
HDFC	Housing Development Finance Corporation Sri Lanka Ltd.
HH	Households
IDA	International Development Association
LC	Lanka Cement Ltd.
MOF	Ministry of Finance
MHP	Million Houses Program
MIS	Management Information Systems
MOFP	Ministry of Finance and Planning
MORR	Ministry of Reconstruction and Rehabilitation
MRR&SW	Ministry of Reconstruction, Rehabilitation and Social Welfare
NEP	Northern and Eastern Provinces
NGOs	Non-Governmental Organizations
NRSC	National Reconstruction Steering Committee
PPF	Project Preparation Facility
PCR	Project Completion Report
RDA	Road Development Authority
REPPIA	Rehabilitation of Persons, Properties and Industries Authority
SMI	Small and Medium Industries
SOE	Statement of Expenditures
UNHCR	United Nations High Commissioner for Refugees
UNDP	United Nations Development Program

December 29, 1995

MEMORANDUM TO THE EXECUTIVE DIRECTORS AND THE PRESIDENT**SUBJECT: Project Completion Report on Sri Lanka
Emergency Reconstruction and Rehabilitation Project (Credit 1883-CE)**

Attached is the Project Completion Report (PCR) on the Sri Lanka: Emergency Reconstruction and Rehabilitation Project (Credit 1883-CE, approved in FY88) prepared by the South Asia Regional Office, with Part II prepared by the Borrower. The loan for US\$78 million was approved on March 15, 1988 and closed on June 30, 1994. A total of US\$45.6 million were disbursed; the balance was canceled.

The main objectives of the project were to assist the Government of Sri Lanka (i) to deliver crucial social needs to refugees returning to the North and East regions of the country, which had been ravaged by civil war; (ii) to rehabilitate and upgrade basic infrastructure damaged in the conflict; and (iii) to reestablish economic activities in these areas. Specific objectives of the project included: (i) clearing of mined residential and agricultural areas; (ii) provision of resettlement grants; (iii) assistance for housing construction and for the recovery of economic activities; and (iv) reconstruction of physical infrastructure.

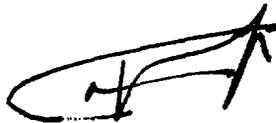
The project's implementation experience was mixed because of renewed conflict, particularly in the North. The main physical achievements of the project included the rehabilitation of roads, bridges, and a cement plant. Loans for shelter reconstruction and for small and medium-sized enterprise rehabilitation were also made. The bulk of project achievements occurred during the initial two years, when conditions in the project area were relatively peaceful. After that, however, a deteriorating security environment precluded any significant achievements and, in fact, undid much of what had been accomplished. Due to the resurgence of armed conflict, a large part of the rehabilitated population was forced to move back to refugee camps, and a portion of the restored assets and properties were damaged. The initial institutional arrangements for project implementation underwent major changes during the life of the project and progress was also jeopardized by weak implementation mechanisms.

The main lessons learned are: (i) that it is essential to have sustained peace in strife-torn areas for reconstruction benefits to be achieved; and (ii) that flexibility in project design is key to project success, particularly to make appropriate mid-course corrections.

On balance, the project outcome is rated as marginally unsatisfactory, its institutional development impact as negligible and its sustainability as unlikely, due to the resurgence of armed conflict. Bank and Borrower performance are rated as satisfactory. Commitment to project objectives was high on both sides. Organizational arrangements were judiciously designed and aid coordination was competently handled. The PCR is of good quality.

No audit is planned.

Attachment



PROJECT COMPLETION REPORT

SRI LANKA

EMERGENCY RECONSTRUCTION AND REHABILITATION PROJECT
(Credit 1883-CE)Table of Contents

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PROJECT COMPLETION REPORT

SRI LANKA

EMERGENCY RECONSTRUCTION AND REHABILITATION PROJECT (Credit 1883-CE)

Preface

This is the Project Completion Report (PCR) for the Emergency Reconstruction and Rehabilitation Project, for which Credit 1883-CE in the amount of SDR 55 million (US\$78 million) was approved on March 15, 1988 and declared effective on June 20, 1988. The credit was originally scheduled to close on December 31, 1991. It closed on June 30, 1994, after two extensions. Final disbursement took place on November 23, 1994, at which time a balance of SDR 5,278,040.59 was canceled. Earlier, an amount of SDR 16,434,604.00 was canceled on August 19, 1993. With these cancellations, the net amount of the credit was limited to SDR 33,287,355.41. The latter includes a refund of SDR 32,583.34 (US\$51,336.68) due from the Government of Sri Lanka to IDA.

The PCR was prepared by S. Vijay Iyer of the Energy and Project Finance Division. It has been reviewed by Messrs. Per Ljung, Chief, Energy and Project Finance Division and Paul Blay, Acting Project Adviser, Country Department I, South Asia Regional Office.

Preparation of this PCR began during an IDA mission in February 1994.¹ It is based on the Staff Appraisal Report, the Credit and Project Agreements, supervision reports, correspondence between IDA and the Borrower and internal IDA memoranda. The Borrower has commented on Parts I and III of this report. The Borrower's own evaluation of the project is included in Part II.

The generous assistance to the PCR mission provided by officials of the Government of Sri Lanka and its various agencies is gratefully acknowledged.

¹ The completion mission was initially undertaken in February 1994 and preparation of the PCR was started soon thereafter. However, partly because of uncertain conditions in the areas covered by the project, there were delays in obtaining the information required for completing the report.

PROJECT COMPLETION REPORT

SRI LANKA

EMERGENCY RECONSTRUCTION AND REHABILITATION PROJECT (Credit 1883-CE)

Evaluation Summary

Introduction

1. This Project Completion Report (PCR) reviews the implementation experience of an Emergency Reconstruction and Rehabilitation Project (ERRP) designed to assist the Government of Sri Lanka (GOSL) to provide for the emergency rehabilitation of the Northern and Eastern parts of the country. The ERRP was designed to deliver critical social needs for returning refugees, rehabilitate and upgrade basic infrastructure damaged in the civil conflict and reestablish economic activities.

2. Since the early eighties, ethnic conflict in Sri Lanka has raged in the Northern and Eastern provinces. The impact on the civilian population has been devastating, resulting in the displacement of nearly 12,000 families, mostly Tamils, who sought refuge in various camps within the country and fled to neighboring areas, mostly to India. The immediate context of assistance provided through this project was the peace agreement between the GOSL and the Tamil leadership, mediated by the Government of India and its army in 1987. The establishment of peace led to an international effort to channel donor funding of relief and rehabilitation in order to place the peace process on a sound socio-economic footing. The project was identified in September 1987 and following appraisal and Board approval, the credit became effective in June 1988. IDA approved a credit of US\$ 78 million, and the total project cost including GOSL's contribution of US\$ 33.4 million was US\$ 111.4 million. There was no cofinancing for this project, but a number of donor agencies, including the UNDP, were involved in supporting the GOSL's overall reconstruction and rehabilitation program. Technical assistance financed by UNDP played a key role in the project. (see paras 2.2-2.5 and 5.1 in Part I) Although significant achievements were registered in the first two years of the project (1988-89), lasting peace proved to be elusive, and hostilities resumed in mid-1990. The impact of this project since that time has been marginal, at least in the Northern province. The Eastern province, where peaceful conditions persisted for a longer duration, benefited more substantially from the project.

Project Objectives

3. The project aimed to deliver immediate assistance to GOSL so as to enable returnees to resettle and resume their economic and social activities. Thus, the project envisaged the clearing of mined residential and agricultural areas, provision of resettlement grants for returning families, assistance for housing

reconstruction and for revival of economic activities, and the rehabilitation of physical infrastructure, such as roads, bridges, transportation and telecommunications. The project was initially envisaged to be implemented over a three year period from 1988 to 1991 and consisted of six components: (a) clearing mines and debris from and securing housing, agricultural and commercial areas, (b) shelter reconstruction, (c) revival of local industry and other economic activities, (d) rehabilitation of physical infrastructure, (e) re-establishment of telecommunications, and (f) provision of technical assistance for implementation and monitoring. (Section III, Part I of main report.)

Implementation Experience and Results

4. The results of the project have been mixed. Project implementation progress has closely paralleled the security situation in the affected regions. Implementation experience in the first half, i.e. in the period from June 1988 to the first half of 1990, was satisfactory as a result of conducive field conditions in the project areas. Following the renewed conflict in the North and East in June 1990, there was a serious setback to implementation efforts, and the project came to a virtual standstill. Displacement of families and damage to public and private properties recurred in the conflict areas, undoing the benefits accrued from earlier efforts. Limited reconstruction work started again in early 1991 in the Eastern province as ground conditions stabilized there. These included road rehabilitation and other civil works within the urban council areas of Trincomalee and Amparai, restoration of telecommunication services in Trincomalee and execution of the housing assistance program. Due to improving conditions, the housing loan assistance program was extended in the latter half of 1991 to two more districts in the Northeast - Batticaloa and Vavuniya. However, to date it has not been possible to re-establish civil works or any other reconstruction activity in the Northern province. It would therefore, be accurate to say that the bulk of the achievements under this project were limited to the initial two years. The poor security environment since June 1990 precluded any significant achievements thereafter. (Section V of Part I.)

5. **Closing Date.** The original closing date of the project was December 31, 1991. The Government appealed to IDA and the donor community to keep the funding in place, primarily to initiate activities if and when peace became possible. Against the backdrop of possible restoration of peaceful conditions, a donors' meeting in September 1991 endorsed continued assistance. The project closing date was accordingly extended to December 31, 1992. The overall implementation progress and rate of disbursements remained poor in the extended period. In fact until the end of December 1992, only 44 percent of the SDR 55 million credit had been disbursed. However, in the interest of aiding the peace restoration effort and maintaining international donor interest, IDA as the lead agency made an exception to its normal practices and concurred with the Government's request for a second extension.² The closing date was extended to June 30, 1994, and the project finally closed on that date. Final

² IDA agreed to extend the closing date even though project implementation had been rated unsatisfactory. The exception was made only because of the special circumstances and IDA's desire to deliver rapid help in case peaceful conditions were established.

disbursements totaled SDR 33,287,355.41, against the original amount of SDR 55 million, a disbursement ratio of 60 percent.

6. **Physical Achievements.** In terms of physical achievements, 480 kilometers of roads and 2 bridges were rehabilitated or reconstructed. Two cement plants were repaired and rendered operable in the Northern province and digital switching equipment for operating 1,000 telephone lines was procured and installed. Two passenger launches were also financed to restore coastal passenger transport services. On the rehabilitation of returnees, a total of 38,620 households were granted loans for shelter reconstruction and 908 loans were made to small and medium enterprises for restart of economic activities. A variety of other activities, such as restoration and repairs to public buildings, purchase of equipment (vehicles, municipal service equipment, furniture etc.), training of staff and implementation support through consultants were carried out under the credit. (Para 5.3, Section V, Part I.)

7. **Project Expenditures.** Financial expenditures by component are detailed in table V of Part III. Total project expenditures were Rs. 2,608 million (approximately US\$63 million), of which IDA financed Rs. 1,886 million (US\$45.6 million) and GOSL Rs. 722 million (US\$17.5 million). Overall, 38 percent of expenditures were incurred on shelter programs, 6.6 percent on facilities and micro-enterprise support, 6.3 percent on industrial rehabilitation, 32 percent on infrastructure rehabilitation, 15 percent on telecommunications and the balance on project and site preparation, solid waste pilot project and technical assistance. (See Tables V A and B of Part III.)

8. **IDA Inputs.** IDA spent about 120 staff weeks on this operation, of which about 55 staff weeks were devoted to project preparation, appraisal and Board presentation and about 65 staff weeks were utilized for supervision and project completion activities. The project was prepared and appraised with exceptional speed and was delivered to the Board in less than seven months. In all, fourteen missions were undertaken for project appraisal, supervision and completion monitoring. (See tables VIII A and B of Part III.)

9. **Institutional Arrangements.** The institutional arrangements for project implementation underwent several changes during the life of the project. Initially, the National Reconstruction Steering Committee (NRSC) at the Central level under the Ministry of Finance and Planning (MOFP), the District Reconstruction Coordinating Committee (DRCC) in each of the eight districts in the Northern province, and Government Agents (GAs) in the other six districts were charged with the principal responsibility of project implementation. The NRSC was chaired by the Secretary to the MOFP and comprised of the GAs from the 14 districts, secretaries of the line ministries involved in reconstruction and rehabilitation, participating Banks, Boards and Corporations and the Ministry of Rehabilitation and Reconstruction. Since the rehabilitation effort was a top priority of the Government, the NRSC was able to marshal resources and action from most line ministries. However, some weaknesses, such as in procurement for contracts and equipment, could not be addressed effectively, leading to delays in implementing critical components. The NRSC was not handed a mandate to carry out emergency procurement by streamlined procedures to minimize such delays. (Para 4.2, Section IV, Part I.)

10. Project implementation and institutional arrangements benefited considerably from technical assistance provided by the UNDP. Its assistance was instrumental in establishing information systems, meeting expert staffing and consulting needs and training of local staff. The TA extended to providing a full-time, resident ex-patriate advisor to the MORR for implementation support on a continuing basis.

11. With the constitutional amendments carried out in April 1990, the Provincial Councils (PCs) began to participate in the implementation of the project. The newly constituted PCs were not organized to immediately undertake these tasks. The lack of adequate organization and administrative capacity in the PCs led to further delays in project implementation. The Government's inability to quickly conclude efficient administrative and fiscal arrangements with the PCs led to diffused lines of control and responsibility, and impeded smooth flow of funds for rehabilitation activities. By the time these issues were satisfactorily resolved, the ground conditions had deteriorated and the project activities ceased. (Para 4.3, Section IV, Part I.)

Sustainability

12. Though the project was reasonably successful in meeting immediate returnee-induced needs, it had only limited impact on the condition of physical infrastructure. The sustainability of project benefits has been seriously compromised by the resurgence of armed conflict and its continuance to the present day. Thus, a large part of the rehabilitated population was forced to move back into refugee camps and rehabilitated infrastructure suffered repeated damage in the ongoing war. Since no missions to the Northern part of the island have taken place since 1991, it is difficult to estimate the extent of the damage. A mission in 1994 visited the Amparai district in the Eastern province. It reported that a great deal of normalcy had been achieved in the area and there were visible signs of resurgent economic activity. However, the physical infrastructure was in poor shape and telecommunications, roads, bridges and water supply were in urgent need of attention. The findings of a subsequent "Minimum Needs Assessment," conducted as part of this project, confirmed that much of the restored assets and properties have been severely damaged in the ongoing war.³ (Para 7.1, Section VII, Part I.)

13. The likelihood of similar operations of this nature in the future is entirely dependent on the establishment of peace in the strife-torn areas. The peace initiatives launched by the newly elected government in late 1994 raised expectations about bringing an end to the conflict and the establishment of lasting peace. However, recent events have belied these expectations and the war is once again raging in the Northern and Eastern parts of the country. Although donor sentiment to provide reconstruction assistance to the country is favorable, the likelihood of such operations being launched in the near term is fairly remote. In case an operation becomes possible, the "Minimum Needs

³ Ministry of Shipping, Ports, Reconstruction and Rehabilitation, Government of Sri Lanka, "Emergency Reconstruction and Rehabilitation Programme (ERRP)- Phase II," Draft Final Report by Resources Development Consultants Ltd., March 1995.

Assessment carried out under this project would provide a reasonable basis to initiate such project preparation.⁴ (Para 7.2, Section VII, Part I.)

Key Lessons Learned

14. **Institutional Arrangements.** The Government's resolve to advance the project was only partially translated into effective implementation. A key impediment was the weak mandate of the implementation committees to adopt streamlined and expeditious procurement procedures, issue directions to implementation units organized with other line ministries and establish clear lines of control and responsibility. The information flow to the NRSC, which virtually granted approval to all individual projects, was poor and subject to delays, causing implementation slippage. One of the key lessons, therefore relates to establishment of more effective institutional arrangements for project implementation and monitoring. These findings underscore a need for Sri Lanka to streamline its basic procedures for managing public investment operations, to ensure both quality and timeliness of decisionmaking. In areas where such procedures have traditionally been weak, such as in procurement, revision of existing procedures would greatly enhance project performance.

15. IDA's experience with central project coordination by a high level Government task force in the Emergency Recovery Project in Jordan has been more favorable.⁵ Streamlined procurement arrangements were ensured during project commencement and the monitoring was carried out through a Project Implementation Unit attached to the Task Force. A similar arrangement, where the Task Force has high profile leadership and is mandated to make quick procurement decisions and issue administrative directions to implementation units, would be much more effective in future emergency assistance operations. (Para 9.1 & 9.2, Section 9, Part I.)

16. **Flexibility in Project Design.** The circumstances that surround emergency rehabilitation projects necessarily call for speedy preparation and implementation. Hence there is a need to ensure that continuous monitoring and feedback influences the project attributes in order to adapt to changing ground conditions. It is desirable to keep the initial design of the project simple and build in flexibility to make appropriate mid-course corrections, as circumstances warrant. (Para 9.3, Section 9, Part I.)

17. **Institutional Capacity.** Although borrower commitment was very strong in this project, prospective implementing agencies were less associated with project preparation and appraisal than the Bank now tries to ensure in similar operations. Part of this problem was due to the limited capacity of traditional institutions to carry out this type of work. The poor ownership by the implementing agencies and non-government organizations (NGOs) ultimately manifested itself in sub-optimal project performance. An important lesson is

⁴ *ibid*

⁵ "Jordan - Emergency Recovery Project," Project Completion Report (No. 13742) dated December 1, 1994, Country Department II, Industry and Energy Division, Middle East and North Africa Region.

therefore, to build sufficient capacity in traditional institutions, early-on, so as to enable their meaningful participation in formulating and appraising the project. This approach should extend to identifying non-traditional institutions, such as NGOs and local community based organizations, for strengthening implementation through participatory approaches. However, institutional capacity building and participatory approaches during project initiation tend to conflict with the objective of delivering speedy assistance. Hence, the scope for capacity building and participation had to be moderated to accommodate the desire for speed. A flexible project design, that seeks to build capacity in an incremental fashion, would be more suited to such operations. (Para 9.4, Section 9, Part I.)

Future Operation

18. In view of the serious security situation in the project areas, it is unlikely that the present operation would deliver any further benefits. In fact, past achievements of the project have been largely eroded by the continuing conflict. The Government can continue its rehabilitation efforts in the Eastern province, where reasonably peaceful conditions prevail. However, few donor funds are forthcoming at this stage for reconstruction activities and the Government's ability to finance such activities from own resources is severely limited by large defence requirements. In the event that more lasting peace becomes a possibility, a new operation might be necessary to initiate reconstruction activities in the affected areas and to rehabilitate refugees displaced by the conflict. The *Minimum Needs Assessment*, financed by the Credit in the later stages of the project, has set the stage for such future operations by preparing a corpus of basic information on present day ground conditions in the North and East. Against the background of this prior preparation and the Government's implementation experience, there is a far greater likelihood of new projects being more successful in meeting relief and rehabilitation needs. (Para 10.1 and 10.2, Section X, Part I.)

PROJECT COMPLETION REPORT

SRI LANKA

EMERGENCY RECONSTRUCTION AND REHABILITATION PROJECT (Credit 1883-CE)

Part I - Project Review From IDA's Perspective

I. Project Identity

Project Name: Emergency Reconstruction and Rehabilitation Project
Credit No.: 1883-CE
RVP Unit: South Asia Region
Country: Sri Lanka
Sector/Sub-sector: Emergency Rehabilitation
Total Project Cost: US\$ 111.4 million
IDA Financing: US\$ 78.0 million
GOSL Financing: US\$ 33.4 million

II. Background

2.1 A peace agreement was signed on July 29, 1987 between the Government of Sri Lanka (GOSL) and Tamil separatist organizations, aimed at putting an end to the four-year ethnic conflict in the Northern and Eastern parts of the country. The conflict is estimated to have cost 7,000 lives, with thousands more wounded, and rendering nearly 500,000 people homeless. In the wake of the peace agreement, the GOSL launched a comprehensive emergency program to restore economic and social infrastructure in the affected areas, facilitate the quick return and resettlement of displaced persons and re-establish essential services.

2.2 At the request of the Government, bilateral and multi-lateral donor agencies pledged nearly US\$500 million for emergency rehabilitation and reconstruction in 1987. By the end of 1990, agreements had been signed for US\$366 million and about US\$160 million had been disbursed by donors to finance various activities. Following the withdrawal of the Indian Peace Keeping Force (IPKF), conflict between the security forces and the separatists started again, bringing reconstruction efforts to a standstill. The renewed conflict also meant that more people were displaced, killed or injured and increased the damage to infrastructure and housing. Reconstruction and rehabilitation efforts continued in some peaceful or cleared areas, mainly in the Eastern province.

2.3 The magnitude of the area and population affected by the civil war can be gauged from the statistics in Table 1 and the map at the end of this report. The affected areas constituted nearly 30 percent of the island's area and approximately 15 percent of the country's population. The war had been raging

for nearly 6 years prior to the project's initiation and preliminary field reports indicated a high degree of damage to infrastructure, housing and other productive assets. Agriculture activities were virtually at a standstill in or near areas of intense conflict as access routes had been heavily mined or breached.

Table 1: Area and Population of Affected Districts

District	Land area Sq. Kms.	Inland Waters Sq. Kms.	Total Area Sq. Kms.	Population 1981 (000's)	Population 1989 (000's)
Jaffna	984	42	1026	831	855
Mannar	1985	11	1996	106	127
Kilinochchi	1235	44	1279	na	97
Vavuniya	1967	0	1967	95	112
Mullaitivu	2517	100	2617	77	90
Batticaloa	2686	168	2854	330	401
Amparai	4318	97	4415	389	465
Trincomalee	2631	96	2726	256	307
Total	18333	558	18881	2084	2454

Source: Ministry of Shipping, Ports, Reconstruction and Rehabilitation, Government of Sri Lanka, "Emergency Reconstruction and Rehabilitation Programme (ERRP) - Phase II," Draft Final Report by Resources Development Consultants Ltd., March 1995.

2.4 IDA took the lead role in organizing other donors for the relief effort, and in this regard a special Aid Group meeting was convened on December 4, 1987 in Paris. It was decided at this meeting that IDA and the Asian Development Bank (ADB), would intervene in major components, such as restoration of infrastructure, restart of industrial activity and housing. Thus the project was undertaken in conjunction with other aid efforts involving bilateral agencies, non-governmental organizations, UNDP and the United Nations High Commissioner for Refugees (UNHCR).

2.5 The project is remarkable for its speed of preparation and appraisal. Work was initiated in September 1987, and the project was ready for Board approval in February 1988. Project appraisal took place during November 1987 and Board approval was granted in March 1988. The credit became effective in June 1988. IDA approved a credit of US\$ 78 million against a total project cost

of US\$ 111.4 million and a US\$ 33.4 million contribution by GOSL. There was no cofinancing for this project, but a number of donor agencies, including the UNDP, were involved in supporting the GOSL's overall reconstruction and rehabilitation program. Financial aid pledged by donors in 1987 is summarized in Annexure 1.

III. Project Objectives and Description

3.1 The project aimed to deliver immediate assistance to GOSL over a three year period (1988-91) to enable returnees to resettle and resume their economic and social activities. Thus, the project envisaged the clearing of mined residential and agricultural areas, provision of resettlement grants for returning families, assistance for housing reconstruction and for revival of economic activities, and the rehabilitation of physical infrastructure, such as roads, bridges, transportation and telecommunications.

3.2 The project aimed to support the following activities:

- (a) Site Preparation (US\$1.0 million). Defusing of explosives and clearance of rubble from public and private areas and restoration of survey markers.
- (b) Shelter Reconstruction (US\$29 million). Partial funding of GOSL's reconstruction program under two ongoing assistance schemes; a US\$22 million rehabilitation scheme managed by the *Rehabilitation of Persons, Properties and Industries Authority (REPPIA)* and a US\$7 million program under the *Million Houses Program (MHP)*.
- (c) Assistance to Industry (US\$17 million). Funding to provide credit facilities for restarting industries using REPPIA loans (US\$4.8 million), Small and Medium industry (SMI) loans (US\$4.8 million), credit through NGOs to low income groups (US\$1.8 million) and rehabilitation of two cement plants in Jaffna (US\$5.6 million).
- (d) Infrastructure Rehabilitation (US\$48 million). This component included US\$33 million for rehabilitation of about 825 Kms. Of roads and bridges, US\$8 million for urban infrastructure, such as drainage, water supply and power distribution systems, US\$3.5 million for public buildings, US\$2 million for equipment and municipal services and US\$1.5 million for purchase of vehicles for Government departments.
- (e) Telecommunications (US\$13 million). Partial financing of a larger requirement of US\$44.1 million to set up about 9,600 lines with digital switching equipment for Jaffna, Trincomalee and five other towns, basic telephone services and repair and replacement of damaged equipment. The US\$13 million under IDA credit was envisaged to finance a priority program to provide minimal service to Jaffna and Trincomalee and replace stores used for immediate repairs. The funding for the balance of the program was anticipated from other bilateral donors.
- (f) Technical Assistance (US\$4 million). This component was to provide additionality to UNDP's Technical Assistance, feasibility studies,

institutional support, consulting services for planning, implementation and supervision and training.

IV. Project Design and Organization

4.1 The project was prepared over a period of seven months (from initiation to board presentation) to implement the Government's emergency rehabilitation program. The institutional arrangements developed for the program and project implementation attempted to provide a means for the ultimate beneficiaries to have a voice in project management, and proposed workable arrangements, given the multi-sectoral nature of the program and the three levels of Government involvement: Federal, Provincial and District.

4.2 The institutional design of the project revolved around the creation of two key committees; the National Reconstruction Steering Committee (NRSC) at the Federal level under the Ministry of Finance and Planning (MOFP) and the District Reconstruction Coordinating Committee (DRCC), one in each of the eight districts in the Northern Province and the Government Agents (GAs) in the remaining six districts. The NRSC, chaired by the Secretary, MOFP, comprised of the GAs from the other districts, secretaries of the main line ministries involved in Reconstruction and Rehabilitation, participating banks, boards and corporations and the Ministries of Rehabilitation and Reconstruction and the MOFP. The functions of the NRSC included providing administrative and financial approval for project proposals, authorize fund transfers to the line agencies, monitor implementation and resolve conflicts. The DRCCs were headed by the respective GAs and consisted of district representatives of various line agencies, citizen committee representatives and NGOs.

4.3 In 1988, the GOSL elevated the Ministry of Rehabilitation to the Cabinet level and renamed it as the Ministry of Rehabilitation and Reconstruction (MORR). The NRSC was also accordingly moved to the MORR from the MOFP in May 1988. However, the Secretary of the MOFP continued to be the Chairman of the NRSC. The funds for the project were to be channeled through the MORR. However, the project administration arrangements were changed more than once by GOSL, partly to ensure more efficient management and partly to accommodate changes in the structure of Government, such as the formation of Provincial Councils in the NEPs.

V. Project Implementation and Results

5.1 Final disbursements under the project were nearly US\$45 million, or 60 percent of the approved credit of US\$78 million. In the first two years (1988 and 1989) of the project, the ground conditions were favorable and the initial components of the project related to site clearing, removal of debris and rubble, procurement of basic equipment and restart of essential services proceeded without any major problems. However, the security conditions gradually worsened, and in 1990 with the pullout of the IPKF, ground conditions degenerated considerably as armed conflict resumed between the separatists and the Sri Lankan army. Project implementation, which peaked during 1989-90, worsened in tandem with the deteriorating security environment and came to a virtual standstill. Limited reconstruction activities were restored in the Eastern province as more peaceable conditions returned to those areas in 1991.

5.2 As a result of the circumstances outlined in the earlier paragraph, the implementation experience and development impact of the project have been mixed. Implementation progress was rated good to satisfactory until May 1990, but was rated poor thereafter. As a result, the achievement of project objectives fell far short of expectations. For several components under the project, such as purchase of government vehicles, repairs to public buildings and purchase of municipal services equipment, final and reliable physical progress figures are not available. One has to assume that implementation performance against these components is poor. The 'softer' components of the projects, namely resettlement grants, housing loans and micro-enterprise credits are more well documented. The achievements of specific components of the project are summarized in the following paragraphs.

- (a) Site Preparation. Initial site preparation activities and rubble clearance were accomplished early to pave the way for resettlement of returnees and construction of housing and other infrastructure. A total cost of US\$0.24 million was incurred, of which nearly US\$0.18 million was financed from the IDA credit.
- (b) Shelter Reconstruction. Under this component, 7,286 loans for shelter reconstruction were granted to families with monthly incomes under Rs. 1,500, against an appraisal target of 8,293 loans. For families with incomes between Rs. 701 to Rs. 1,500 per month, 10,327 loans were made against an appraisal target of 40,000. In addition, the IDA credit part financed 20,000 loans under the MHP. Total expenditure under this component was US\$24 million, IDA contributing US\$15.5 million and the Government, US\$8.4 million.
- (c) Assistance to Industry. SMI and micro-enterprise loans for restart of economic activities were granted under this component. In all, 793 loans were made against an appraisal target of 908 loans, for a total cost of US\$4.1 million (IDA US\$2.7 million and GOSL US\$1.4 million) These numbers include the loans made through REPPIA, commercial banks and NGOs. The appraisal estimates envisaged an expenditure of nearly US\$17 million under this component. However, due to the fragile nature of the peace conditions, there was little likelihood of substantial achievements under this component.
- (d) Infrastructure Rehabilitation. Against an appraisal target of rehabilitating 825 kilometers of roads and 32 bridges, final achievements were far below expectations. Only 480 kilometers of road length and 2 bridges were reconstructed. Total expenditure was US\$11.3 millions, with an IDA contribution of nearly US\$8 million. Rehabilitation of public buildings and purchase of equipment accounted for US\$8.3 million, with an IDA share of US\$5.0 million. Details of equipment purchased under the credit could not be compiled (as details were not provided by the Government). A further expenditure of US\$0.87 million was incurred on rehabilitation of infrastructure in Jaffna town. Under this component, two passenger launches were also financed to restore coastal passenger transport services. The total expenditure under this component was nearly US\$20.6 million (IDA US\$13.8 million) against an appraisal estimate of US\$48 million.

- (e) Telecommunications. Procurement delays and installation problems hampered satisfactory implementation of this component, leading to an overall achievement of 1,000 lines, against the appraisal estimate of 9,600 lines. The total cost of equipment purchased and installation amounted to US\$9.2 million, US\$8.5 million of which was met from IDA credit. Telephone services in Trincomalee were partially restored in 1991, with the installation of 1,000 line capacity, digital equipment. However, owing to unsettled conditions, the Jaffna installation could not be carried out. The equipment procured for Jaffna was finally installed in the southern town of Hikkaduwa after obtaining a no-objection from IDA.
- (f) Technical Assistance. The principal TA for implementation supervision and capacity building was provided by UNDP. However, IDA provided additionality to UNDP's TA by supporting the hiring of consultants for setting up returnee registration and management information systems (MIS) systems for the NRSC and consulting services for planning, implementation and supervision and training. Total disbursements under this component were approximately US\$8.0 million, including a pilot solid waste project and project preparation expenses.

VI. Major Factors Affecting the Project

6.1 Factors Not Subject to Governmental Control. The principal problem beyond the implementing agencies' control was the uncertain security environment. The project was seriously compromised by the resurgence of armed conflict and its attendant consequences. The recurrence of war caused additional damage to economic assets and properties, particularly in the Jaffna peninsula. It also led to displacement of resettled population, forcing the Government to revive the welfare centers and other relief measures. Lesser contributory factors were the difficulties associated with movement of materials and personnel in the affected areas owing to the economic and security embargoes imposed as a result of the war.

6.2 Factors Subject to Governmental Control. There were several factors within the Government's control that affected project performance, positively or negatively. The Government's commitment to the reconstruction effort, even in the face of extremely adverse political circumstances, was unwavering. This commitment translated into availability of adequate counterpart funding, priority attention to matters concerning the project and good coordination among various donor agencies involved with the overall reconstruction effort. The financial and institutional support from UNDP to the MORR was instrumental in sustaining a consistent Government response to implementation needs.

6.3 Procurement. Delays in procurement decisions caused significant slippage in project implementation. IDA had recommended the creation of a permanent Tender Board to expedite procurement decisions. The tender boards did not become functional until July 1989. However, the tender boards were abolished soon after and decision making reverted to departments and ministries. This led to the loss of any advantage that the NRSC had enjoyed in expeditious decision making. IDA also repeatedly articulated the need to increase the threshold

limits for approvals on procurement issues vested with various officers, departments and ministries. Any decision beyond five million rupees was required to be made by the Cabinet, which led to serious delays. It was quite common for procurement decisions to be delayed until beyond the expiry of the bid validity period (120 days). Prospective suppliers and contractors, therefore, factored these delays into bid prices, raising costs.

6.4 Coordination. In view of the multiplicity of agencies involved, coordination was extremely important. The NRSC, with UNDP support, did a commendable job generally. However, with respect to certain agencies, such as the Road Development Authority (RDA), NRSC had limited impact on project implementation. Hence, the progress in some components lagged appreciably, adversely affecting project performance. Organizationally, the MORR was on par with other major line ministries, which tended to reduce its ability to enforce its mandate with agencies like the RDA. In view of the experience, it would have been better to establish a separate body, either as a dedicated ministry or an executive task force with an appropriate legislative mandate to oversee reconstruction and rehabilitation. In fact, this is also the recommendation of the UNDP in the light of its experience with the project (for UNDP's findings see box).

ERRP - The UNDP Assessment

The UNDP carried out an independent assessment of the performance of the umbrella Emergency Reconstruction and Rehabilitation program (ERRP). The UNDP played a significant role in assisting project preparation, building institutional capacity and providing technical assistance for project implementation and monitoring. The principal benefit emanating from the UNDP's involvement has been capacity creation in the Government for mobilizing donor funds, coordinating all aspects of donor assistance, establishing management information systems in the relevant agencies and formulating strategies for design and implementation of such projects in the future. This directly complements IDA's work in helping Government identify future physical needs for reconstruction and rehabilitation of the affected areas as a part of the ERRP.

According to the UNDP assessment, implementation weaknesses have primarily resulted from viewing emergency assistance and rehabilitation efforts as an extension of traditional administrative tasks. The UNDP recommends that project management for rehabilitation and reconstruction operations has to be vested in a self-contained, dedicated ministry or executive body, with a clear legislative mandate, for optimal results. New projects in this area must take account of participation by affected communities and incorporate elements designed to ensure a progression from emergency reconstruction towards interim development planning. A practical manifestation of this approach would be to strengthen the Divisional Secretary and Provincial Council levels of administration, so that they are able to prepare interim development plans, rather than merely manage emergency or short-term responses.

Source: UNDP: Sri Lanka Emergency Reconstruction and Rehabilitation Program; Report of the Evaluation Mission, July 1994

6.5 Audits. The project frequently suffered from inordinate delays in accounting and audit compliance. The audit reports were submitted to IDA, although usually well beyond the period stipulated in the Credit Agreement. In this context, the Government's response to the concerns expressed by IDA was not satisfactory, a fact which is expressed repeatedly in supervision reports.

VII. Sustainability

7.1 The project was reasonably successful in meeting immediate returnee-induced needs over a limited duration and catalyzing the restart of economic activity in the affected areas. However, because of the renewed fighting, it failed to have a lasting impact on the condition of physical infrastructure. The sustainability of project benefits has to be viewed in the context of the overall security environment in these areas. As pointed out earlier, the resurgence of armed conflict and its continuance to the present day has seriously undermined the limited benefits created by the project. Thus, a large part of the rehabilitated population was forced to move back into refugee camps and rehabilitated infrastructure suffered repeated damage in the ongoing war. Because no missions to the Northern part of the island have taken place since 1991, it is difficult to estimate the extent of the damage. A mission in 1994 visited the Amparai district in the Eastern province. It reported that a great deal of normalcy had been achieved in the area and there were visible signs of resurgent economic activity. However, the physical infrastructure was in poor shape and telecommunications, roads, bridges and water supply were in urgent need of attention. This reinforces the impression that household and economic assistance was delivered in a sustainable manner, but the results on the infrastructure side are weak. Unless peaceful conditions persist for a reasonable length of time, it would be difficult to sustain even the limited benefits accruing from the project.

7.2 As the security situation in the North continued to worsen during the latter half of the project, it became apparent that future reconstruction initiatives in that area might have to be fashioned in the form of new projects. In order to have a basis for preparing a future reconstruction project, IDA and GOSL agreed to use credit funds to finance the preparation of a minimum needs assessment. An assessment was accordingly carried out during 1993-94. The assessment provides data on the nature and extent of economic and infrastructure related rehabilitation needs in the strife-torn areas, with a view to pave the way for future reconstruction efforts, as and when peace is restored. The report has been finalized in draft form and would serve as the principal basis for future project preparation.

VIII. IDA and Borrower Performance

8.1 IDA and the Government collaborated well in quickly identifying returnee needs, designing the operation and rapidly mobilizing donor support. IDA played a lead role in orchestrating the donor response to the rehabilitation project and was instrumental in quickly organizing the joint conference in Paris. This facilitated Government efforts to fashion the umbrella program on relief and rehabilitation, involving nearly 20 donors. IDA's participation was instrumental in effectively coordinating the necessary institutional arrangements. Project implementation in the first two years of the project was relatively smooth, except for procurement delays alluded to earlier.

8.2 The project was characterized by a high degree of commitment, both on the borrower's side and on behalf of the donor agencies. Hence, it received priority attention from the Government in the matter of counterpart funding and administrative resources. The institutional arrangements, such as the set-up of the NRSC and upgrading the Rehabilitation Department to the status of a full ministry, were competently handled. Areas in which the Government's field agencies had a major role, such as in registration of returnees, distribution of settling in allowance, site clearance and mobilization of construction materials, proceeded satisfactorily, though with minor hurdles.

8.3 The NRSC, first under the Ministry of Planning, and later under the MORR was reasonably well organized. In this respect, UNDP assistance in identifying staffing needs, installing management information systems and providing international expertise for supervision and control was critical. The quality of most NRSC staff was exceptionally high and it quickly established fairly efficient working arrangements with the various line and field agencies. The NRSC could have been made more effective by vesting a stronger mandate to encourage compliance by some line agencies and by quicker decisions on procurement issues at the level of the Cabinet.

8.4 IDA supervision was adequate, timely and effective. Supervision missions were thoughtfully staffed, and within IDA, the project received high priority and attention from the senior management levels. IDA-Borrower dialogue was maintained at a high level throughout the attempted implementation of the project. There were on average three annual missions in the first three years of the project. Following the security setbacks in 1990, missions became less frequent. After 1992, supervision missions for this project were generally carried out in conjunction with other project missions.

IX. Key Lessons Learned

9.1 *Institutional Arrangements.* Although the Government assigned high priority to the project, the implementation suffered from several drawbacks. The key impediment was the weakness of the coordinating committees constituted to oversee implementation. The committees lacked the mandate to adopt streamlined and expeditious procurement procedures, issue directions to implementation units organized with other line ministries and establish clear lines of control and responsibility. The information flow to the national level committees was also subject to bureaucratic delays, which in turn, impeded effective feedback and monitoring. One of the key lessons, therefore relates to establishment of more effective institutional arrangements for project implementation and monitoring, as a recommendation which is relevant to the whole government machinery for managing public investment projects.

9.2 IDA's experience with central project coordination by a high level Government task force in the Emergency Recovery Project in Jordan has been more

favorable.⁶ Streamlined procurement arrangements were ensured during project commencement and the monitoring was carried out through a Project Implementation Unit attached to the Task Force. A similar arrangement, where the Task Force has high profile leadership and is mandated to issue administrative directions to implementation units, would be much more effective in future emergency assistance operations.

9.3 *Flexibility in Project Design.* The circumstances that surround emergency rehabilitation projects necessarily call for speedy preparation and implementation. Hence there is a need to ensure that continuous monitoring and feedback influences the project attributes in order to adapt to changing ground conditions. It is desirable to keep the initial design of the project simple and build in flexibility to make appropriate mid-course corrections, as circumstances warrant. This would require a higher degree of supervision and development of borrower capacity.

9.4 *Institutional Capacity Building.* The focus of IDA operations is increasingly shifting towards borrower ownership. Traditional institutions in developing countries have limited capacity and resources to implement complex rehabilitation projects in a speedy fashion. Ideally, initial project preparation should focus on building sufficient capacity in traditional institutions, so that they are enabled to participate in formulating and appraising a project. This approach should extend to identifying non-traditional institutions, such as NGOs and local community based organizations, for strengthening implementation through participatory approaches. However, in formulating emergency operations, time constraints and the desire to deliver quick results militate against capacity building approaches. To the extent possible, both during project preparation and the initial stages of project implementation, capacity building and establishing streamlined institutional arrangements should be accorded priority. In the ERRP, although NGOs were involved in a limited way in implementation, there was no input during the preparation and appraisal stages. This in turn led to weak ownership and commitment during implementation.

X. Future Operation

10.1 Through the operation of this project and other donor funded activities of a similar nature, the Government has built up capacity and expertise to launch a renewed rehabilitation project in the event that peace is restored. However, in view of the serious security situation in the project areas, it is unlikely that the present operation would deliver any further benefits. In fact, the achievements of the project have been largely eroded by the continuing conflict. The Government can continue its rehabilitation efforts in the Eastern province, where reasonably peaceful conditions prevail. However, few donor funds are forthcoming at this stage for reconstruction activities and the Government's ability to finance such activities from own resources is severely limited by large defence requirements.

⁶ "Jordan - Emergency Recovery Project," Project Completion Report (No. 13742) dated December 1, 1994, Country Department II, Industry and Energy Division, Middle East and North Africa Region.

10.2 In the event that more lasting peace becomes a possibility, a new operation might be necessary to initiate reconstruction activities in the affected areas and to rehabilitate refugees displaced by the conflict. The *Minimum Needs Assessment* has set the stage for such future operations by preparing a corpus of basic information on present day ground conditions in the North and East. Against the background of this prior preparation and the Government's implementation experience, there is a far greater likelihood of new projects being more successful in meeting relief and rehabilitation needs. At the recent Sri Lanka Aid Consortium meeting in Paris on April 28, 1995, IDA and other donors reaffirmed their commitment to assist the country in its peace efforts and its desire to establish favorable living conditions for the affected population.

PROJECT COMPLETION REPORT**SRI LANKA****EMERGENCY RECONSTRUCTION AND REHABILITATION PROJECT
(Credit 1883-CE)****Part II - Project Review From Borrower's Perspective**

The following evaluation was prepared by the Ministry of Shipping, Ports, Rehabilitation and Reconstruction, in a letter to IDA dated June, 15, 1995. This part of the PCR represents the Borrower's own unedited evaluation. The original letter is filed in the Asia Information Center.

Acknowledgment

The Ministry of Shipping, Ports, Rehabilitation and Reconstruction would like to extend its deepest appreciation and gratitude to the World Bank for the support granted to rehabilitate and reconstruct the affected persons and property in affected areas especially in the Northern and Eastern provinces of Sri Lanka during difficult times and abnormal circumstances.

The World Bank played an effective role as an umbrella organization in organizing the donor funding and formulation and implementation of the rehabilitation and reconstruction programme.

Comments on the performance of the World Bank

The bank personnel who associated with the project throughout were recognized as professionals in all respects. The Mission members were always highly qualified in their respective fields. They were prompt and co-operative and demonstrated commendable efficiency and dedication in all stages of the project in designing, appraising, preparing, implementation and follow-up.

The supervision mission visited Sri Lanka regularly and worked hard with the National Reconstruction Steering Committee and the Ministry of Reconstruction, Rehabilitation and Social Welfare and its successor, Ministry of Shipping, Ports, Rehabilitation and Reconstruction to achieve the maximum possible benefits under difficult conditions in which the project was implemented. Considering the ever changing field situation and field realities during the project period the Bank was co-operative and flexible in revising the project targets and granting two extensions for the execution of the project.

Comments on the performance of the borrower

The National Reconstruction Steering Committee Secretariat was established under the Ministry of Finance at the central level and the District Co-ordinating Committee in each of the eight districts and the Governments Agents in other six districts were charged with the principal responsibility of project implementation. The NRSC functioned under the chief executive officer

who was assisted by consultants provided by the UNDP and executive officers of the government. In 1991 the National Reconstruction Steering Committee was wound up and responsibility for implementation and co-ordination of the program transferred to the Ministry of Reconstruction, Rehabilitation and Social Welfare during the middle of the year. The NRSC Secretariat continued to meet regularly under the Chairmanship of the Secretary, Ministry of Finance and attended to program co-ordination and monitoring.

The NRSC and the Ministry of Reconstruction, Rehabilitation and Social Welfare helped the implementing agencies in solving their problems to enhance their efficiency.

The performance of the participating institutions in overall project planning was commendable. The implementation was satisfactory until June, 1990. Unfortunately this progress could not be sustained due to the escalation of violence and the execution of projects was badly affected. Due to the ever changing environment and the additional damage and destruction caused to persons and property consequent to the continued armed conflict during the project period particularly in the Northern Province, the attainment of project targets was either delayed or denied. The implementing agencies were handicapped due to the disruption caused to transportation, communication and accessibility to project areas in the field.

The necessary documentation in regard to project progress accounting and auditing were prepared and forwarded to the World Bank.

The performance of all concerned, the World Bank, Ministry of Reconstruction, Rehabilitation and Social Welfare, Ministry of Shipping, Ports, Rehabilitation & Reconstruction, the NRSC and the implementing agencies under the conditions of continued armed conflict was exceptional.

Major lessons learnt

- (1) Newly established provincial councils should have been made responsible for the planning and implementation of the projects which fell under the purview.
- (2) The emergency assistance and rehabilitation efforts should not be viewed as extension of traditional administrative tasks.
- (3) Self-contained dedicated ministry or executive body with clear legislative mandate for optimal results should be created for the project management for rehabilitation and reconstruction.
- (4) The institutional capacity at the central, provincial, district and divisional levels should be enhanced in order to make them effective bodies in planning, implementation and monitoring.

PROJECT COMPLETION REPORT

SRI LANKA

EMERGENCY RECONSTRUCTION AND REHABILITATION PROJECT
(Credit 1883-CE)Part III - Statistical Tables

I. RELATED LOANS AND CREDITS

No other related loans or credits

II. PROJECT TIMETABLE

Item	Date Planned	Date Completed
Identification	September 1987	September 1987
Preparation	October 1987	October 1987
Appraisal mission	November 1987	November 1987
Loan Negotiations	January 1988	January 1988
Board Approval	February 1988	March 15, 1988
Signing of Agreement	April 20, 1988
Loan Effectiveness	June 1, 1988	June 17, 1988
Loan Closing	December 31, 1991	June 30, 1994

III. CREDIT DISBURSEMENTS

Bank Fiscal Year	Disbursements in US\$ millions		
	Estimated Cumulative (appraisal)	Actual (Cumulative)	Actual (as % of estimated)
1988	7.0	0.35	5.0
1989	33.6	9.62	28.6
1990	62.6	24.35	38.9
1991	75.9	31.65	41.7
1992	78.0	33.78	43.3
1993	--	38.04	--
1994	--	43.16	--
1995	--	45.40	--

Note: SDR converted to US\$ at 1.37 US\$ = 1 SDR, which is the average rate over the life of the project (Computed on the basis of annual average exchange rates published in *International Financial Statistics*, published by the International Monetary Fund)

IV. PROJECT IMPLEMENTATION

PROJECT COMPONENTS	DATE OF PLANNED COMPLETION	DATE OF ACTUAL COMPLETION	MONTHS OF DELAY
I. Shelter Reconstruction			
(1) 7,286 loans for HH with monthly incomes less than Rs.1,500	Dec. 1991	June 1994	30 months
(2) 40,000 loans for HH with monthly incomes between Rs. 701 and 1,500	Dec. 1991	June 1994	30 months
(3) 20,000 loans for HH eligible under Million Houses Program	Dec. 1991	June 1994	30 months
II. Infrastructure Reconstruction			
Transport Sector			
(1) 825 Kms. of roads	Dec. 1991	June 1994	30 months
(2) 32 bridges	Dec. 1991	June 1994	30 months
(3) 2 passenger launches	Jan. 1990	April 1990	3 months
Purchase of equipment for Municipal services	Dec. 1991	June 1994	30 months
Vehicles for Government Departments	Dec. 1991	June 1994	30 months
III. Telecommunications			
1,000 ⁷ lines of digital switching equipment	Aug. 1990	Dec. 1992	28 months
IV. Industry			
(1) Repair of two cement plants			
(2) Assistance to Small/medium industries	Nov. 1989	May 1990	6 months

⁷ The appraisal estimate was 9,600 lines.

V. PROJECT COSTS AND FINANCING

A. PROJECT COSTS

in US\$ millions

Item	Appraisal Estimate			Actual		
	Local Cost	Foreign Exchange Cost	Total	Local Cost	Foreign Exchange Cost	Total
1. Site Preparation						
Civil Works	0.510	0.410	0.920	0.218	0.000	0.218
2. Shelter						
Loans	15.830	12.950	28.780	23.880	0.00	23.880
3. Industry						
Civil Works	0.090	0.170	0.260	0.232	0.000	0.232
Equipment & Materials	1.750	3.250	5.000	0.557	3.252	3.809
Loans	4.030	7.480	11.510	4.173	0.000	4.173
4. Telecommunication						
Equipment & Materials	2.790	8.360	11.150	1.620	7.648	9.268
5. Infrastructure						
Civil Works	13.470	11.020	24.490	14.185	0.000	14.185
Equipment & Materials	3.310	6.140	9.450	0.374	5.256	5.630
Oper & Maintenance	0.150	0.120	0.270	0.000	0.000	0.000
Solid waste pilot	0.000	0.000	0.000	0.078	0.027	0.105
6. Technical Assistance	2.530	0.840	3.370	0.810	0.666	1.476
7. Project Administration	2.280	1.830	4.110	0.000	0.108	0.108
Total Base Costs	46.740	52.570	99.310	46.127	16.957	63.084
Physical Contingencies	2.020	1.630	3.650	--	--	--
Price Contingencies	4.700	3.780	8.480	--	--	--
TOTAL PROJECT COST	53.460	57.980	111.440	46.127	16.957	63.084

*1

Notes:

1. Includes the IDA Project Preparation Facility (PPF) advance of US\$750,000 *2.
2. Where applicable, total physical contingencies are about 4% of base costs; design, supervision and management about 4%; and price contingencies (foreign and local) about 9%.
3. Identifiable taxes and duties are US\$13.7M, and the total project cost, net of taxes and duties is US\$97.8 equivalent.

Comments:

- *1. Expenditure on project preparation facility of US\$0.108.
- *2. US\$375820.23 disbursed under project preparation facility through IDA Credit PPF-P-457-CE.

B. PROJECT FINANCING

Source	Planned (Credit) Agreement (US\$'000)	Final (US\$'000)	Percent Disbursed
IDA Expenditure Categories	78.000	45.613	58%
GOSL	33.440	17.471	52%
TOTAL	111.440	63.084	56%

VI. PROJECT RESULTS**A. DIRECT BENEFITS**

The Direct Benefits table provides an overview of physical achievements, such as housing loans granted and kilometers of road rehabilitated. For components, such as site clearance, rehabilitation of small industries and purchase of equipment, vehicles etc. no quantitative targets were specified at the time of appraisal, hence direct benefits in respect of such components have not been shown. Benefits accruing from the project were compromised to a large extent by the resumption of hostilities in the Northern and North-Eastern parts of the country in 1989-90. Due to the continuing disturbed civil situation, neither the Bank, nor the Government is able to reliably state the current status of various project indicators.

PROJECT COMPONENTS	ESTIMATED AT		
	APPRAISAL	CLOSING DATE	FULL DEVELOPMENT
Shelter Reconstruction			
(1) Loans for HH with monthly incomes < Rs.1,500	8,293	8,293	Could not be completed due to security situation
(2) Loans for HH with monthly incomes between Rs. 701 & 1,500	40,000	10,327	"
(3) Loans for HH eligible under Million Houses Program	20,000	20,000	"
Road Sector Reconstruction			
(1) Road Rehabilitation	825 kms	480 kms	Other roadworks and bridges could not be undertaken due to the security situation
(2) Bridge Reconstruction	32 bridges	2 bridges	
(3) Passenger launches	2 launches	2 launches	
Telecommunications			
Digital switching equipment	9,600 lines	1,000 lines	Fully completed
Industry			
(1) Repair of two cement plants	2 Plants	2 Plants	Fully completed
(2) Loans to small/medium industries	908 loans	793 loans	Could not be completed due to security situation

B. ECONOMIC IMPACT

(No economic rate of return analyses were carried out at the time of appraisal)

C. FINANCIAL IMPACT

(No financial analysis was carried out at the time of appraisal)

D. STUDIES

STUDY	PURPOSE AS DEFINED	IMPACT OF STUDY
Emergency Reconstruction and Rehabilitation- Phase II study	Prepare an assessment of rehabilitation needs in the Northern and Eastern provinces with a view to facilitate the formulation of a follow-on reconstruction project on establishment of peace.	Inception report has been prepared by the Consultants and reviewed. Draft Final report submitted to IDA in April 95. Findings are being used for the preparation of the Phase II Rehabilitation and Reconstruction Project.

VII. STATUS OF COVENANTS

BRIEF DESCRIPTION OF COVENANTS	SECTION APPLICABLE	COMPLIANCE	REMARKS
Preparation of Project Completion Report by the Borrower	General Conditions 9.04 (c)	Yes	Borrower has prepared Part II and relevant sections of Part III of the PCR.
Audit of records and Accounts, including the special account for each fiscal year, and certified copies of the audit report to be provided to IDA, not later than 9 months after close of fiscal year	Credit Agreement Section 4.01 (b) (i) (ii)	Partial	Audits have been regularly carried out by the Auditor General, but provision of audit reports has been subject to considerable delays.
Records and accounts for Statement of Expenditures (SOEs) shall be audited and included in the annual audit report with a separate opinion attesting to the reliability of SOEs and supporting records and accounts	Credit Agreement Section 4.01 (c)	Yes	Submission of SOE Reports and audits of SOEs were inordinately delayed, sometimes one year beyond the agreed date.

VIII. Staff Inputs

A. Staff Inputs

Activity in Project Cycle	Staff Weeks
Preparation	16.8
Appraisal	28.3
Negotiations	10.1
Supervision	
FY 88	14.6
FY 89	17.0
FY 90	8.7
FY 91	5.1
FY 92	2.7
FY 93	10.3
FY 94	3.6
Completion	3.5
Total	120.7

B. Field Missions

Missions	Month/Year	No. of Persons	Weeks in Field	Project Status Rating (overall)
Appraisal (1)	Nov.1987	5	3.0	...
Supervision (1)	May 1988	3(a)	3.0	1
Supervision (2)	Oct.1988	6(b)	3.0	2
Supervision (3)	Mar.1989	2(c)	2.0	2
Supervision (4)	Jun.1989	5(d)	2.5	3
Supervision (5)	Oct.1989	2(c)	2.5	2
Supervision (6)	Apr.1990	2(c)	1.5	2
Supervision (7)	Sep.1990	2(c)	3.0	3
Supervision (8)	Jan.1991	2(c)	2.5	3
Supervision (9)	May 1991	3(e)	2.5	3
Supervision (10)	Feb.1992	2(c)	2.0	3
Supervision (11)	Mar.1993	2(f)	1.5	3
Supervision (12)	Feb.1994	1(g)	1.5	3
Completion (1)	Dec.1994	2(h)	1.0	3

Notes:

- (a) Task Manager (Fin. Analyst), Engineer, Town Planner
- (b) Task Manager (Fin. Analyst), Engineer, Disaster Management Expert, Solid Waste Expert, Lawyer, Operations Assistant
- (c) Task Manager (Fin. Analyst), Engineer
- (d) Task Manager (Fin. Analyst), Engineer, Infrastructure Specialist, Solid Waste Expert, Operations Assistant
- (e) Task Manager (Fin. Analyst), Municipal Engineer, Sanitary Engineer
- (f) Task Manager (Economist), Civil Engineer
- (g) Task Manager (Economist)
- (h) Task Manager, Infrastructure Consultant

Explanation of Project Status Rating Codes:

- 1 No significant problems
- 2 Moderate problems
- 3 Major Problems

Sri Lanka
Emergency Reconstruction and Rehabilitation Program

Assistance Pledged by Donors - 1987-88

Donors	Amount/Terms	Project/Program Components
1. ADB	US\$60.76 million Loan, 1%, 40 years	a) Road Reconstruction b) Ferry vessels c) Schools rehabilitation d) Agrarian support e) Agriculture credit, infrastructure
2. Australia	US\$ 2.23 million Grant	a) Commodity aid b) Emergency Food
3. Canada	US \$ 14.87 (in two tranches)	a) Food assistance b) Railway rehabilitation c) Resettlement d) School rehabilitation e) Support for UNHCR f) Emergency relief, books etc.
4. Denmark	US \$... (Dkr 275 million)	a) Telecom rehabilitation b) Water supply
5. EEC	US \$ 12.5 million	a) Multisector support for Trincomalee rehabilitation
6. Finland	US \$ 0.45 million	a) Support to UNHCR
7. Germany	US \$ 18.75 million	a) TA; water supply and drainage, animal health, CEB b) Railway for bridges and equipment c) Financial assistance; health, NPC d) Road transport equipment
8. IDA	US \$ 78.1 million Loan, 0.75%, 40 years	a) Road repairs and rehabilitation b) Equipment/vehicles for telecom, RDA and local authorities c) Housing reconstruction loans d) Industrial and commercial rehab. e) TA and training
9. India	US \$ 20 million	a) Irrigation and agriculture b) Highways and housing repairs c) Fisheries d) Vocational training e) Rehabilitation of widows

10. Italy	US \$ 20 million \$3 million assistance Loan \$ 17 million 1.5% 20 years	a) Health sector emergency Grant b) Building materials c) Reconstruction of hospitals
11. Japan	US \$ 55 million Grant \$ 23 million Loan \$ 32 million 2.75% 30 years	a) Road maintenance program b) Procurement of buses c) Housing assistance grants
12. Netherlands	US \$ 16.3 million	a) Housing and health sectors b) Economic activities
13. Norway	US \$ 11.18 million	a) Integrated reconstruction of Batticaloa district b) Skill development/Vocational training c) Vehicles and equipment d) Support for UNHCR e) Importation of timber
14. Sweden	US \$ 5.74 million	a) Support for UNHCR b) Resettlement c) Unallocated
15. Switzerland	US \$ 5.49 million	a) Health sector b) Technical Cooperation c) Fisheries sector
16. UNDP	US \$ 3.22 million	TA to NRSC/DRCC and selected line ministries
17. UNHCR	US \$ 12 million	Resettlement of refugees
18. UNICEF	US \$ 0.25 million	Health, education and child care
19. U.K.	US \$ 36 million	a) Vehicles and equipment b) Railroad tracks and fishplates c) Buses d) School furniture e) Nutrition program, clothing through NGOs f) Equipment for Jaffna University and Hospital g) Purchase of dredger
20. U.S.A.	US \$ 75 million Grant and loans (unspecified)	a) Housing grants and loans b) Agriculture and irrigation c) Private sector/microenterprise d) Unallocated
21. World Food Program	US \$ 2.75 million	Food assistance

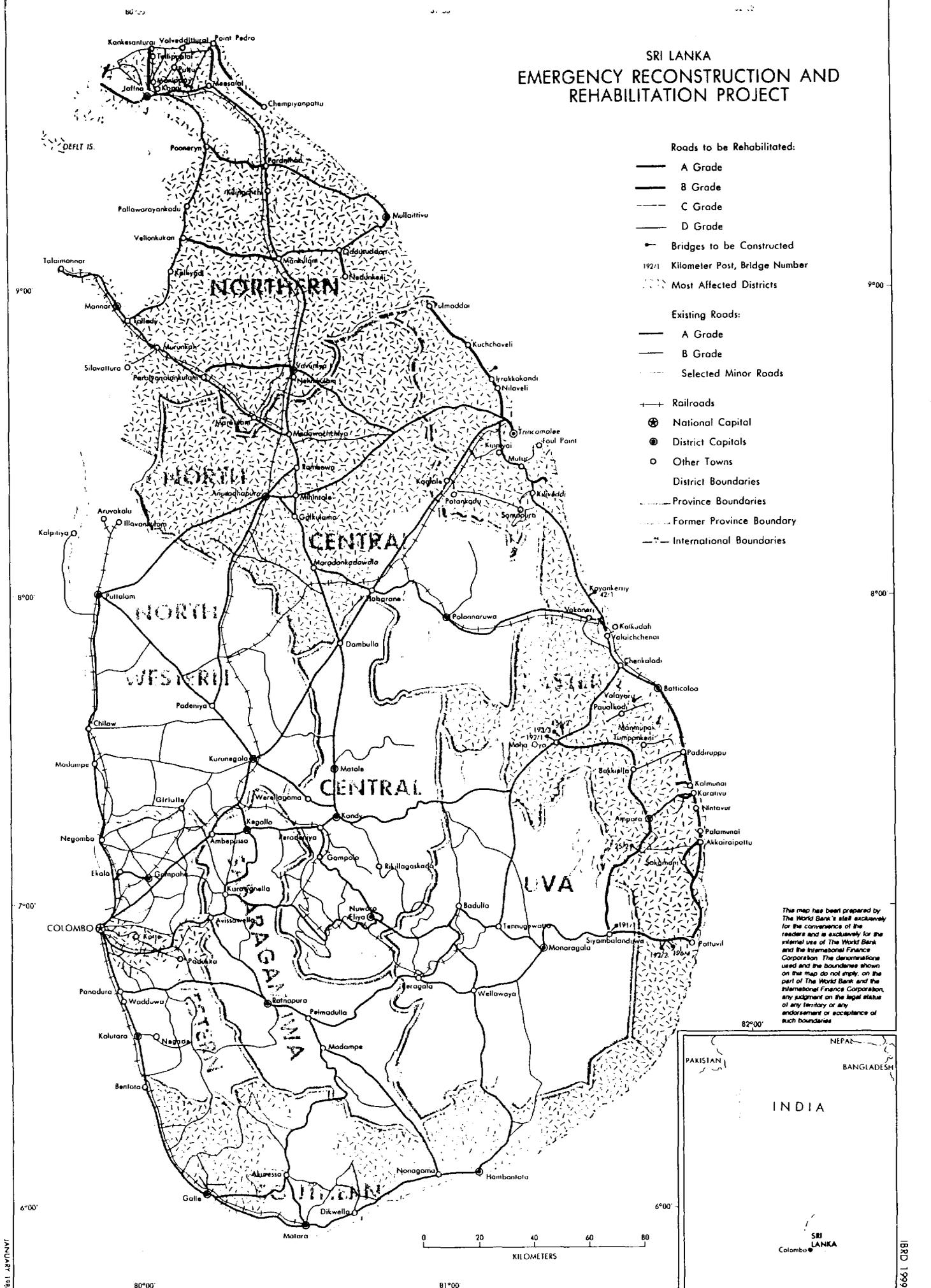
SRI LANKA EMERGENCY RECONSTRUCTION AND REHABILITATION PROJECT

Roads to be Rehabilitated:

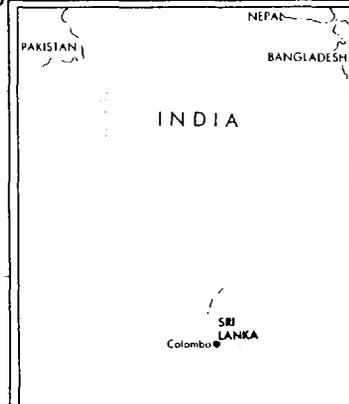
- A Grade
- B Grade
- C Grade
- D Grade
- Bridges to be Constructed
- 1971 Kilometer Post, Bridge Number
- Most Affected Districts

Existing Roads:

- A Grade
- B Grade
- Selected Minor Roads
- Railroads
- ⊕ National Capital
- ⊙ District Capitals
- Other Towns
- District Boundaries
- Province Boundaries
- Former Province Boundary
- International Boundaries



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