

**Document of  
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**Report No. 26138**

**PROJECT PERFORMANCE ASSESSMENT REPORT**

**SOCIALIST REPUBLIC OF SRI LANKA**

**THIRD ROADS PROJECT  
(CREDIT 2183-CE)**

**COLOMBO URBAN TRANSPORT PROJECT  
(CREDIT 2495-CE)**

**COLOMBO ENVIRONMENTAL IMPROVEMENT  
(CREDIT 2757-CE)**

**YEAR 2000 EMERGENCY ASSISTANCE PROJECT  
(CREDIT 3162-CE)**

**June 13, 2003**

*Sector and Thematic Evaluation Group  
Operations Evaluation Department*

## Currency Equivalents

Currency Unit = Sri Lanka Rupee (SLR)

Average for:	US\$1.00 = SLR.	Average for:	US\$1.00 = SLR.
1989	36.0	1997	59.0
1990	40.1	1998	64.5
1991	41.4	1999	70.6
1992	43.8	2000	77.0
1993	48.3	2001	92.0
1994	49.4	2002	96.0
1995	51.3	2003	
1996	55.3		

## Abbreviations and Acronyms

ADB	Asian Development Bank	LTTE	Liberation Tigers of Tamil Eelam
BOC	Bank of Ceylon	M&E	monitoring and evaluation
BOT	build, operate and transfer	MIS	management information system
CAS	Country Assistance Strategy	MOF	Ministry of Finance
CBSL	Central Bank of Sri Lanka	MOH	Ministry of Highways
CEA	Central Environmental Authority	MTH	Ministry of Transport and Highways
CMC	Colombo Municipal Council	MUPU	Ministry of Urban Public Utilities
CINTEC	Council for Information Technology	NCASL	National Construction Association of Sri Lanka
CPI	consumer price index	NTC	National Transport Commission
DCS	Department of Census and Statistics	OED	Operations Evaluation Department
DFID	Dept. for International Development	OP	(Bank) Operational Policy
ETFB	Employees Trust Fund Board	PAD	Project Appraisal Document
ERL	Emergency Recovery Loan	PC	personal computer
ERR	economic rate of return	RC&DC	Road Construction and Development (Pvt) Ltd
GIS	geographic information system	RDA	Road Development Authority
GOSL	Government of Sri Lanka	SAR	Staff Appraisal Report
ICB	international competitive bidding	SIDA	Swedish International Development Agency
ICR	Implementation Completion Report	SIPRI	Stockholm International Peace Research Institute
ID	institutional development	SWIFT	Society for Worldwide Interbank Telecommunication
IDA	International Development Association	TA	technical assistance
IMF	International Monetary Fund	UDA	Urban Development Authority
infoDev	Information for Development Program	UOC	University of Colombo
IPSSL	Institute of Policy Studies of Sri Lanka	VOC	vehicle operating costs
IT	information technology	Y2K	year 2000
JVP	Janatha Vimukthi Peramuna (Peoples Liberation Front)		

## Fiscal Year

July 1 – June 30

Director-General, Operations Evaluation	: Mr. Gregory K. Ingram
Director (Acting), Operations Evaluation Department	: Mr. Nils Fostvedt
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## Summary

Attached is the Project Performance Assessment Report (PPAR) prepared by the Operations Evaluation Department on the above projects. For the **Third Roads Project**, the World Bank approved a credit of US\$42.5 million on November 6, 1990, which was closed on December 31, 1998, six months later than planned, and US\$4.7 million was cancelled. For the **Colombo Urban Transport Project**, the Bank approved a credit of US\$20.0 million on May 18, 1993, which was closed on June 30, 1999, as planned, and US\$6.0 million was cancelled. For the **Colombo Environmental Improvement Project**, the Bank approved a credit of US\$39.0 million on May 29, 1995, which was closed on June 30, 2001, as planned, and US\$9.1 million was cancelled. For the **Year 2000 Emergency Assistance Project**, the Bank approved a credit for US\$29.0 million on January 19, 1999, which was closed on June 30, 2001, as planned, and US\$13.0 million was cancelled.

The **Third Roads Project** aimed to improve the operation of existing roadways around Colombo, and in the south and west of the country through support for road rehabilitation and improved planning and oversight. No new roads were built. The project's main objectives were achieved, albeit with shortcomings; mainly shortfalls in works delivery, weak procurement oversight and contractor performance. Road safety issues were also overlooked, and key institutional goals left unattained. Sri Lanka's ongoing conflict, that prevented government focus upon agreed reforms, undermined project performance. The project was vulnerable to security restrictions upon the use of explosives that prevented contractors from quarrying aggregate needed for road repairs, and contractors' laborers' reluctance to work in areas perceived to be unsafe. The *overall outcome* of this project is therefore rated **moderately satisfactory**. *Sustainability* is rated as **unlikely** through lack of ongoing maintenance and means to fund it. *Institutional development impact* is rated as **modest**; the project led to little improvement in road sector management or how resources are applied to it. Still, *Bank performance* is rated **satisfactory** mainly for the good quality at entry of this project. *Borrower performance* is also rated **satisfactory**, despite sometimes lethargic management of procurement.

The **Colombo Urban Transport Project** aimed to improve urban transport in Colombo by removing physical bottlenecks, and through urban transport planning and institutional strengthening. Of the four projects reviewed here, this was the most vulnerable to and most directly affected by the conflict. The bombing of the Central Bank in the heart of Colombo in 1996 led to a tight security cordon around several blocks downtown, overriding the project's objective of easing traffic flows in that area. This meant that the project abandoned altogether the major Fort junction improvement, which no longer made sense in the new security environment. A city-wide traffic light system acquired from a sole source outside the project—instead of using project funds and ICB—performed badly increasing bottlenecks. As with the Roads project, reforms did not get the attention they needed from a government preoccupied with the on-going conflict. On the other hand, the project did help prepare a comprehensive transport plan for Colombo, but resources were inadequate for its implementation. For not achieving its major objectives but still producing a few worthwhile results, the *overall outcome* of this project is rated **moderately unsatisfactory**. *Sustainability* is rated as **unlikely**; Colombo's urban transport problems are likely to get worse before they improve whether security is relaxed or remains tight. *Institutional development impact* is rated **negligible**; there is still no efficient means to apply resources to Colombo's urban transport. *Bank performance* was **unsatisfactory**; poor quality at entry with a design committed to reforms—a legacy of a larger, abandoned project—not supported by the borrower and lacking instruments to achieve them. *Borrower performance* is also rated **unsatisfactory**; procurement was protracted, sometimes featuring ad hoc acquisitions.

Similarly, the **Colombo Environmental Improvement Project** had ambitious objectives, conceived without regard for the on-going conflict. The operation sought significant reforms in environmental management by enhancing Colombo's urban environment through a sanitary solid waste

management, de-polluting the main city waterway (the Beira Lake), strengthening public sector environmental institutions and mobilizing private sector participation. None of these objectives was achieved. Local opposition prevented progress on solid waste management. While some sewerage works were completed, their impact on the Beira Lake is not evident; systematic M&E of its water quality was not undertaken. The war precluded several improvements in high security areas around the lake. Thus far, there has yet to be the surge in private sector investment in facilities around the lake as hoped; investors are unwilling to invest in what, for them, is still a volatile situation. For not achieving its main objectives, the *overall outcome* of the project is rated **unsatisfactory**. *Sustainability* is rated as **unlikely**; inadequate monitoring has already weakened the resilience of the limited benefits achieved. *Institutional development impact* is rated **negligible**, without any significant improvement in GSOL's use of resources to further environmental improvements in Colombo. *Bank performance* is rated **unsatisfactory**; poor quality came from a rigid project design that failed to effectively involve either borrower or beneficiaries. *Borrower performance* is also rated **unsatisfactory**, principally because of the failure to implement solutions for solid waste and wastewater pollution.

The **Year 2000 Emergency Assistance Project** had an apparently simple objective: helping GOSL avoid possible disruptions resulting from the Y2K problem. But it did not elaborate what the disruptions were likely to be. There was, therefore, no counterfactual against which to measure possible project benefits. The project delivered slightly more than half the expected computer equipment upgrades—principally servers and PCs—to Sri Lankan banks and to agencies of GOSL. On January 1, 2000, no major disruptions were reported in Sri Lanka. In investigating the counterfactual, OED found that some Sri Lankan banks would have lost business without internationally recognized Y2K compliance, but evidence was less discernible for the little-computerized GOSL agencies. *Overall outcome* is nevertheless rated **moderately satisfactory**, as the project apparently achieved its intended objective, but with significant shortcomings; an unclear counterfactual and public agencies receiving project support after January 1, 2000, and yet suffering no Y2K disruption. *Sustainability* is **likely**, since Sri Lanka's economy and banking sectors have already demonstrated their resilience to a Y2K-type event. The project's *institutional development impact* is rated **substantial**, given that it introduced several banks and government agencies to new ways of managing and using their IT resources. For its rapid project preparation and close supervision, *Bank performance* is rated **satisfactory**. For *borrower performance*, the rating is also **satisfactory**, given strong project ownership and efficient implementation by the GOSL authorities concerned.

***Experience with these projects confirms the following OED lessons:***

- Project performance is vulnerable to the impact of conflict, especially through unexpected conflict events during project implementation. Spatially separating a project from active conflict zones does not mean that an operation will be free of conflict constraints.
- Project design should not be blind to conflict, and must cautiously but explicitly address the constraints imposed. War-weary governments are unlikely to have strong ownership of reform that is unrelated to the causes of the conflict.
- It is important to focus upon a clear vision of the intended development results of a project and to remain focused on them through systematic monitoring and evaluation. In other words, the baseline should be measured, the counterfactual clearly understood, and the M&E supported and implemented.

Gregory K. Ingram  
Director-General  
Operations Evaluation

**OED Mission: Enhancing development effectiveness through excellence and independence in evaluation.**

### **About this Report**

The Operations Evaluation Department 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, OED annually assesses about 25 percent of the Bank's lending operations. 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. The projects, topics, and analytical approaches selected for assessment support larger evaluation studies.

A Project Performance Assessment Report (PPAR) is based on a review of the Implementation Completion Report (a self-evaluation by the responsible Bank department) and fieldwork conducted by OED. To prepare PPARs, OED staff examine project files and other documents, interview operational staff, and in most cases visit the borrowing country for onsite discussions with project staff and beneficiaries. The PPAR thereby seeks to validate and augment the information provided in the ICR, as well as examine issues of special interest to broader OED studies.

Each PPAR is subject to a peer review process and OED management approval. Once cleared internally, the PPAR is reviewed by the responsible Bank department and amended as necessary. The completed PPAR is then sent to the Borrower for review; 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 OED Rating System**

The time-tested evaluation methods used by OED are suited to the broad range of the World Bank's work. The methods offer both rigor and a necessary level of flexibility to adapt to lending instrument, project design, or sectoral approach. OED 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 (more information is available on the OED website: <http://worldbank.org/oed/eta-mainpage.html>).

**Relevance of Objectives:** 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). *Possible ratings:* High, Substantial, Modest, Negligible.

**Efficacy:** The extent to which the project's objectives were achieved, or expected to be achieved, taking into account their relative importance. *Possible ratings:* High, Substantial, Modest, Negligible.

**Efficiency:** 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. *Possible ratings:* High, Substantial, Modest, Negligible. This rating is not generally applied to adjustment operations.

**Sustainability:** The resilience to risk of net benefits flows over time. *Possible ratings:* Highly Likely, Likely, Unlikely, Highly Unlikely, Not Evaluable.

**Institutional Development Impact:** The extent to which a project improves the ability of a country or region to make more efficient, equitable and sustainable use of its human, financial, and natural resources through: (a) better definition, stability, transparency, enforceability, and predictability of institutional arrangements and/or (b) better alignment of the mission and capacity of an organization with its mandate, which derives from these institutional arrangements. Institutional Development Impact includes both intended and unintended effects of a project. *Possible ratings:* High, Substantial, Modest, Negligible.

**Outcome:** The extent to which the project's major relevant objectives were achieved, or are expected to be achieved, efficiently. *Possible ratings:* Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, Unsatisfactory, Highly Unsatisfactory.

**Bank Performance:** The extent to which services provided by the Bank ensured quality at entry and supported implementation through appropriate supervision (including ensuring adequate transition arrangements for regular operation of the project). *Possible ratings:* Highly Satisfactory, Satisfactory, Unsatisfactory, Highly Unsatisfactory.

**Borrower Performance:** The extent to which the Borrower assumed ownership and responsibility to ensure quality of preparation and implementation, and complied with covenants and agreements, towards the achievement of development objectives and sustainability. *Possible ratings:* Highly Satisfactory, Satisfactory, Unsatisfactory, Highly Unsatisfactory.



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This report was prepared by Roy Gilbert (Task Manager), who visited Sri Lanka in January 2003. Nilakshi de Silva joined the OED mission in Sri Lanka. William B. Hurlbut edited the report. Romayne Pereira compiled the project data tables and provided administrative support.





**THIRD ROADS PROJECT (CREDIT 2183-CE)****PRINCIPAL RATINGS**

	<b>ICR</b>	<b>ES</b>	<b>PAR</b>
Outcome	Satisfactory	Satisfactory	Moderately Satisfactory
Sustainability	Uncertain	Uncertain	Unlikely
Institutional Development	Partial	Modest	Modest
Bank Performance	Satisfactory	Satisfactory	Satisfactory
Borrower Performance	Satisfactory	Satisfactory	Satisfactory

**KEY STAFF RESPONSIBLE**

	<b>Task Manager</b>	<b>Division Chief</b>	<b>Country Director</b>
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Completion	Jaswant Channe	Frannie Humplick	Mariana Todorova

**COLOMBO URBAN TRANSPORT PROJECT (CREDIT 2495-CE)****PRINCIPAL RATINGS**

	<b>ICR</b>	<b>ES</b>	<b>PAR</b>
Outcome	Satisfactory	Satisfactory	Moderately Unsatisfactory
Sustainability	Likely	Likely	Unlikely
Institutional Development	Partial	Modest	Negligible
Bank Performance	Satisfactory	Satisfactory	Unsatisfactory
Borrower Performance	Satisfactory	Satisfactory	Unsatisfactory

**KEY STAFF RESPONSIBLE**

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**COLOMBO ENVIRONMENTAL IMPROVEMENT (CREDIT 2757-CE)****PRINCIPAL RATINGS**

	<b>ICR</b>	<b>ES</b>	<b>PAR</b>
Outcome	Highly Unsatisfactory	Unsatisfactory	Unsatisfactory
Sustainability	Unlikely	Unlikely	Unlikely
Institutional Development	Modest	Modest	Negligible
Bank Performance	Unsatisfactory	Unsatisfactory	Unsatisfactory
Borrower Performance	Unsatisfactory	Unsatisfactory	Unsatisfactory

**KEY STAFF RESPONSIBLE**

	<b>Task Manager</b>	<b>Division Chief</b>	<b>Country Director</b>
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Completion	Deepal Fernando	Vincent Gouarne	Mariana Todorova

**YEAR 2000 EMERGENCY ASSISTANCE PROJECT (CREDIT 3162-CE)****PRINCIPAL RATINGS**

	<b>ICR</b>	<b>ES</b>	<b>PAR</b>
Outcome	Satisfactory	Satisfactory	Moderately Satisfactory
Sustainability	Likely	Likely	Likely
Institutional Development	Substantial	Substantial	Substantial
Bank Performance	Satisfactory	Satisfactory	Satisfactory
Borrower Performance	Satisfactory	Satisfactory	Satisfactory

**KEY STAFF RESPONSIBLE**

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Completion	Shideh Hadian	Marilou Uy	Mariana Todorova



## Preface

Attached is the Project Performance Assessment Report (PPAR) prepared by the Operations Evaluation Department on four recently completed projects in Sri Lanka. For the Third Roads Project (**Roads-III**; Cr 2183-CE), the World Bank approved a credit of US\$42.5 million equivalent on November 6, 1990. The credit was closed on December 31, 1998, six months later than planned, and US\$4.7 million equivalent was cancelled. For the Colombo Urban Transport Project (**Urban Transport**; Cr 2495-CE) the Bank approved a credit of US\$20.0 million equivalent on May 18, 1993. The credit was closed on October 31, 1999, as planned, and US\$6.0 million equivalent was cancelled. For the Colombo Environmental Improvement Project (**Environmental Improvement**; Cr 2757-CE) the Bank approved a credit of US\$39.0 million equivalent on June 29, 1995. The credit was closed on June 30, 2001, as planned, and US\$9.1 million equivalent was cancelled. For the Year 2000 Emergency Assistance Project (**Y2K**; Cr 3162-CE) the Bank approved a credit of US\$29.0 million equivalent on January 19, 1999. The credit was closed on June 30, 2001, as planned, and US\$13.0 million equivalent was cancelled.

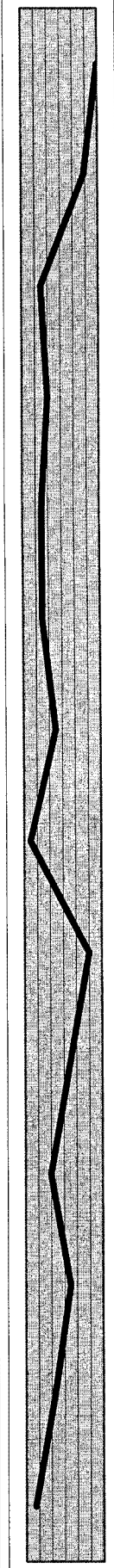
This report is based upon reviews of Implementation Completion Reports (Report No. 19375, June 21, 1999, for the Third Roads Project; Report No. 19900, December 22, 1999, for Colombo Urban Transport Project; Report No. 23719, December 31, 2001, for Colombo Environmental Improvement Project; and Report No. 22915, December 20, 2001, for the Year 2000 Emergency Assistance Project), Staff Appraisal Reports and Project Appraisal Documents (Report No. 8816-CE, October 3, 1990, for the Third Roads Project; Report No. 11375-CE, April 22, 1993, for Colombo Urban Transport Project; Report No. 12878-CE, June 2, 1995, for the Colombo Environmental Improvement Project; Report No. 18729-CE, December 28, 1998, for the Year 2000 Emergency Assistance Project), legal documents and project files, and on discussions with Bank staff involved with the projects. OED fielded a mission to Sri Lanka in January 2003 to review project results. The mission visited central and local government departments and agencies responsible for the projects in Colombo and elsewhere, and made field inspections of project sites throughout Colombo and southern and western Sri Lanka. The mission appreciates the courtesies and attention given by these interlocutors and also the logistical assistance provided by the Bank's country office in Colombo.

Following standard procedures, copies of the PPAR were sent to the relevant government officials and agencies concerned for their review. No comments were received.

### Sri Lanka: Project and Conflict Timelines

(light shading indicates preparation time until approval; dark shading indicates implementation time until closing)

Year	Month	Event	Project
1989	1.	GOSL offensive against JVP	
1989	2.	LTTE/GOSL negotiations, Withdrawal of Indian peacekeepers	
1990	1.	Peacekeepers Leave	
1990	2.	Conflict resumes	
1991	1.		
1991	2.		
1992	1.		
1992	2.		
1993	1.	President assassinated	
1993	2.		
1994	1.		
1994	2.	Peace talks	
1995	1.	Conflict resumes	
1995	2.	Jaffna falls to GOSL army	
1996	1.	Colombo bombing of Central Bank	
1996	2.	Colombo bombing of train	
1997	1.		
1997	2.	Colombo downtown bombing of Galadari Hotel	
1998	1.	Kandy bombing of Temple of the Tooth Colombo bus bombing (Urban Transport Junction)	
1998	2.	GOSL nationwide state of emergency GOSL army offensive	
1999	1.	GOSL army offensive	
1999	2.	LTTE counter-attacks Colombo bomb injures President	
2000	1.	LTTE control access to Jaffna	
2000	2.	GOSL offensive in Jaffna	
2001	1.		
2001	2.	Colombo international airport attack	
2002	1.	Ceasefire (Feb 23)	
2002	2.	Some internally displaced people return home Peace talks in Bangkok	



## 1. Introduction

1.1 Across several sectors, government and Bank departments, each project in this cluster of four was prepared and implemented in a very difficult context; Sri Lanka's civil war. The operations did not yield their full promise, reflecting the generally under par performance of all Bank lending to Sri Lanka in recent years. How the conflict may have undermined their results is an important focus of this OED assessment.

1.2 The projects were appraised and implemented as conflict was ongoing, although the preparation of all but the Y2K project took place when the intensity of combat was declining (see Timeline). The three spatially referenced projects—again excluding Y2K—avoided combat zones in the north and northeast until, that is, Colombo itself became an important theater of conflict from 1996 onward. Periods of intense conflict, such as during 1997–2000, were particularly difficult moments for these projects. Over time, there was a trend toward disbursing smaller shares of IDA credits approved for these operations.

1.3 A negative effect of Sri Lanka's 1983–2002 civil war upon project performance is to be expected. Studies estimate that, for the economy as a whole during this period, war sliced 1.5–2.0 percentage points off GDP growth, which could otherwise have reached a very strong 7 percent per annum (Arunatilake 2001). Apart from directly putting project assets in conflict zones at risk, war can negatively impact projects in other ways, even when a project is not operating within a active conflict zone. War can undermine ambitious project objectives by distracting government, its agencies, and their resources from project reform agendas. It can weaken implementation capacity, even making the private sector unwilling to invest in risky conditions. It can mute local voices as a centralized approach to conflict management prevails. It can obscure projects' development purposes, making them overlook baselines, counterfactuals, and monitoring and evaluation. The effects of each of these in turn are considered briefly in the next section, which first looks at how “conflict-blindness” prevents these effects being taken into account in project design and implementation in the first place.

## 2. Project Design and Implementation

### “CONFLICT-BLIND” PROJECT ASSISTANCE

2.1 Most of the objectives of these projects were relevant to the development priorities of Sri Lanka and the Bank, and most components were appropriate instruments for achieving them (Box 1). Neither objectives nor components, however, directly addressed the conflict conditions in which they would have to work, nor were they tailored to the constraints that the conflict would impose. There are two main reasons for the “conflict-blindness” of these operations. First, designers of projects directed at other regions felt it was safe to ignore a war confined, it seemed, to the north and northeastern parts of the country. Second, the lack of Bank policy about

assistance during conflict made project designers loath to draw attention to ongoing conflicts; Bank reconstruction policy through OP 8.50 implied that Bank assistance was only applicable *after* a conflict had ceased. None of the projects reviewed here was an Emergency Recovery Loan (ERL), the main instrument to implement OP 8.50, not even the Y2K project that had the word “emergency” in its title. The Region correctly denied the Y2K project ERL status, since the long-foreseen millennium rollover was not an unexpected emergency of the kind addressed by OP 8.50. The Y2K’s “emergency” came from the tardy start-up that required extraordinarily agile and speedy work by the preparation team. Otherwise, the business-as-normal approach to these operations during war constrained performance in a number of ways, discussed in more detail below.

### Box 1: Project Objectives and Components

<b>Objectives</b>	<b>Components</b> (final costs in US\$ million)
<b>Third Roads Project</b>	
<ul style="list-style-type: none"> <li>• To reduce road transport costs by restoring major trunk roads to better operational condition</li> <li>• To restore flood damaged road infrastructure</li> <li>• To enhance institutional capabilities for more and better road maintenance and rehabilitation</li> <li>• To upgrade RDA's capacity to supervise and execute rehabilitation works and identify actions need to develop the local contracting industry</li> </ul>	<ul style="list-style-type: none"> <li>⇒ Rehabilitation of 420 kms of primary/secondary roads and repair/reconstruction of 24 bridges (US\$56.7m)</li> <li>⇒ Repair and reconstruction of selected road sections and associated structures damaged in 1989 floods and landslides (US\$0.8m)</li> <li>⇒ Vehicles, equipment, and supplies (US\$0.1m)</li> <li>⇒ TA for design, contract mgt, monitoring, supervision of works, and studies (US\$5.8m)</li> </ul>
<b>Colombo Urban Transport Project</b>	
<ul style="list-style-type: none"> <li>• To remove traffic impediments in central Colombo</li> <li>• To develop long-term transport plans for Greater Colombo Metropolitan Area (GCMA)</li> <li>• To strengthen national and provincial transport institutions and their management</li> <li>• To enhance railway efficiency</li> <li>• To improve air quality in Colombo</li> </ul>	<ul style="list-style-type: none"> <li>⇒ Transport system management/infrastructure for three areas (US\$14.5m)</li> <li>⇒ Colombo urban transport study (inc training) (US\$1.4m)</li> <li>⇒ Institutional strengthening of National Transport Commission (US\$0.6m)</li> <li>⇒ Sri Lanka Railways Restructuring (US\$0.4m)</li> <li>⇒ Air quality improvement (US\$0.5m)</li> </ul>
<b>Colombo Environmental Improvement</b>	
<ul style="list-style-type: none"> <li>• To improve municipal solid waste management</li> <li>• To reduce wastewater pollution in the Beira Lake catchment area</li> <li>• To develop capabilities of local governments and institutions to plan and manage municipal services</li> <li>• To assist mobilizing private participation in development and operation of infrastructure services</li> </ul>	<ul style="list-style-type: none"> <li>⇒ Municipal solid waste management (US\$0.4m)</li> <li>⇒ Wastewater collection system (US\$5.2m)</li> <li>⇒ Beira Lake catchment pollution control (US\$13.8m)</li> <li>⇒ Technical assistance (US\$9.4m)</li> </ul>
<b>Year 2000 Emergency Assistance Project – Y2K</b>	
<ul style="list-style-type: none"> <li>• To assist GOSL on an urgent basis to prevent possible business disruption in the country's economic and financial sectors as a result of the Y2K problem</li> </ul>	<ul style="list-style-type: none"> <li>⇒ Financial sector component—mainly a credit line to banks (US\$17.5m)</li> <li>⇒ Government agencies component—mainly Y2K remediation sub-projects (US\$3.7m)</li> </ul>

Source: Technical and legal documentation of respective project.

## AMBITIOUS PROJECT OBJECTIVES UNDERMINED BY WARTIME CONSTRAINTS

2.2 Some project objectives (details Box 1) implied significant reforms for which a war-weary GOSL had little appetite, especially when the reforms had little or nothing to do with the causes of the conflict. None of the reforms proposed by the projects claimed to be helping prevent a conflict, the ending of which was a top priority for both GOSL and private business. Interestingly, the most successful of the four operations reviewed here, the Y2K project, embodied no significant reform agenda.

2.3 But the others did. Roads-III, for instance, sought to raise revenues for the first time in Sri Lanka through user charges and fuel price adjustments; not an attractive reform option for a GOSL preoccupied with more pressing security requirements. Almost by the way, the Urban Transport project, sought to restructure Sri Lanka's large railway sector and clean up Colombo city's air; both enormous tasks. But in neither case had the project found a willing and able partner committed to the necessary underlying reforms. For its part, the Environmental Improvement project euphorically sought private sector participation in urban infrastructure and service delivery—a staple Bank remedy. Without an obvious champion in GOSL, nor willing takers among private businesses (which wanted higher returns given the high risks of investing during conflict), such reform did not take hold.

2.4 Aversion to reform is not just a project-level phenomenon. In its opening paragraph, the current Sri Lanka CAS laments the loss of momentum for economy-wide structural reform when domestic security is uncertain (World Bank 2003, p. i).

## INHERENTLY WEAK PROCUREMENT

2.5 None of the four projects reviewed here was fully implemented as planned. Each left a substantial share (between 11 percent and 45 percent) of its IDA commitment undisbursed at completion. All four project ICRs cite difficulties with procurement among the causes of these shortfalls. Under Roads-III and the Urban Transport project, GOSL's protracted processing of procurement was held responsible for works delays of up to one year, according to the ICRs (p. 12 in each). Under the Environmental Improvement project, poor quality bidding documents that did not address the BOT (build, operate, and transfer) sought, prevented the timely completion of key project sewage works (ICR, p. 6). For the Y2K project, cumbersome management of procurement in Sri Lanka was blamed for the delivery of equipment to two government agencies only *after* the millennium rollover (ICR, p. 2).

2.6 While interlocutors of the OED mission in Colombo were candid about poor performance on procurement in Sri Lanka in general, specific problems, their causes and possible solutions were not always apparent. For instance, GOSL agencies reported that they found it difficult to pre-qualify firms from unfamiliar countries. Yet, under Roads-III, RDA readily recognized, up front, the shortcomings of a foreign bidder for the large Galle-Matara road contract. At the insistence of the Bank and against the advice of GOSL, though, the foreign firm was awarded the contract, but failed to complete the works. On another occasion under the Urban Transport project, Bank insistence failed to prevent the cancellation of international competitive

bidding (ICB) and the pursuit of a sole-source purchase of an inadequate traffic light system for Colombo; it was not financed by the project, however.

2.7 While disparate experiences such as these point to chaotic and ad hoc procurement experiences in Sri Lanka, weakness of the private sector itself, may be an important common thread to, if not explanation of, some of the problems encountered. Local contractors, for instance, often failed to pre-qualify to bid for project contracts because they were under-capitalized; a sign of entrepreneurs as willing bidders, who were unwilling to invest in their own business in a volatile and risky conflict environment. Sometimes, however, neither local nor foreign firms bid for contracts that yielded much lower returns than the very high ones expected in such circumstances. This was the case for the solid waste landfill of the Environmental Improvement project that was not built. Of course, more handy procurement management by GOSL would ease some delays, but would not, by itself, overcome inevitable structural weaknesses affecting procurement during war.

#### **LOCAL VOICES MUTED**

2.8 Two projects supported decentralization through explicitly seeking to strengthen local governments, the Urban Transport project through strengthening provincial transport institutions and the Environmental Improvement project through developing local government service capacity. Actual results were modest, however. The Road Development Authority (RDA) remains the lead highway authority in the country and local governments remain passive observers to key project interventions, as the CMC did with respect to the solid waste management, the Colombo traffic lights, and the Beira Lake clean-up. Beneficiary participation, which might have helped prevent the impasse over solid waste management in Colombo, was not a key project feature in this operation. That component, in fact, imposed a single technical solution for technical people prepared by technical people. While decentralization and beneficiary participation themselves may pose no security risk in times of conflict, such innovations clearly did not prosper as GOSL's centralized drive toward ending the war took its course.

#### **AMBIGUOUS BASELINES AND LACK OF COUNTERFACTUALS**

2.9 Of the four effects considered thus far, this one is not exclusively tied to conflict. It can arise in peaceful contexts too. It particularly affected the Environmental Improvement and Y2K projects, which did not lay the key baselines of development beyond which the operations would try to construct improvements. The other two projects, Roads-III and Urban Transport, through careful diagnoses of existing pre-project situations, were much stronger on this score.

2.10 Under the Environmental Improvement project, the lack of baseline data on the original condition of the Beira Lake water and absence of systematic monitoring of changes to it, make it very difficult to assess the results obtained. It is difficult, if not impossible, to verify the reduction of sewage discharge into the lake—one of the project's key objectives—since most discharge was and probably remains



clandestine. Moreover, the Project Appraisal Document (PAD) does not tell us what the original pre-project level of discharge was. More meaningful monitoring and evaluation (M&E) would be obtained through monitoring water quality in the Beira Lake, an indicator of the *result* of lessening discharge. In fact, the PAD did have a target of reducing faecal coliforms in the lake water by 50 percent within five years, but the report did not indicate the absolute level at appraisal—in other words, the baseline—against which improvements would be observed. No systematic monitoring was done, however, so it is not clear exactly what was achieved (details para. 3.10).

2.11 The absence of a baseline and counterfactual was perhaps most serious in the Y2K project. Despite frequent but generic references to the Y2K problem, the Y2K project did not try to forecast Sri Lanka's likely millennium rollover disruption that the project intended to avoid. Hence, when no disruption occurred, as widely reported by different sources, we still do not know exactly *what* was avoided. Without knowing the counterfactual—or likely *without-project* situation—it is difficult to know what difference the project itself made. The Y2K project's logframe correctly identifies a key performance indicator as the “estimated amount of damages in the financial and economic activities avoided or minimized” (PAD, p. 20), but does not give baseline value estimates. No monitoring or evaluation of the damages avoided was undertaken.

2.12 Without clear baselines and a clear understanding of the counterfactual—the situation of these two projects—it is difficult to discern the development purpose and the development achievements of the operations. Neither project estimated the likely economic rates of return (ERRs). Had they prepared such analyses, which require comparisons of explicit *with-project* and *without-project* scenarios, ambiguity about what they actually achieved might have dissipated.

### **3. Results Achieved**

#### **THIRD ROADS PROJECT (CR. 2183)**

3.1 This operation met its objective of restoring major trunk roads in Sri Lanka to a better operational condition, but to a lesser extent than envisioned. Instead of the 417 kilometers intended, it repaved and improved 310 kilometers. Instead of fixing 24 bridges, it repaired or rebuilt only 13. Weak implementation capacity and procurement problems, discussed in the previous chapter, led to delays and were largely responsible for the shortfalls, as well as an average 30 percent unit cost increase for the roads over appraisal estimates. The work done nevertheless yielded a positive internal economic rate of return (ERR), although probably not as high as the 52 percent reported by the ICR. The ICR estimate's assumption of adequate maintenance throughout the 18 years of the ERR benefit stream may be unrealistic, given ever tighter road maintenance budgets in Sri Lanka. The Ministry of Highway's (MOH) budget for 2003 has been cut. In 2000, RDA's maintenance, even of a light sand-sealing treatment of pavement, was only 462 kilometers of Sri Lanka's 11,908 kilometers of trunk roads, down from 1,900 kilometers per year during the early

1990s (ICR, para. 37). The ICR's high ERR estimate also derives from higher surface pavement standards—roughness typically <2,800mm/km—than those of roads the OED mission traveled on. A lower road surface quality than planned is consistent with difficulties in quarrying aggregate reported by contractors to the OED mission and the poor quality of those materials reported by the borrower ICR (p. 8). Despite these shortcomings, the ERR would probably still exceed Sri Lanka's opportunity cost of capital, making the project road investments, overall, worthwhile.

3.2 More attention now needs to turn to road safety, something foreseeable and that should have been given more attention by the project. Sri Lanka's improved road network, with heavier and faster traffic, now has 50 percent more reported accidents than before the project. The OED mission witnessed two serious accidents during one 120-kilometer trip from Colombo to the southern city of Galle. Road safety would, no doubt, be improved by more prudent driving habits especially by bus drivers—consistent with the Urban Transport borrower ICR observation that bus driving standards remain poor in Colombo. But better highway lane markings and hard shoulders without temporary or permanent structures obstructing them would also help.

3.3 Road rehabilitation and maintenance in Sri Lanka are now issues on the national development agenda, partly thanks to the project, but also to other donors. However, they still need strengthening. There is still a need to assure budgets through guaranteed sources of funding and mechanisms of cost recovery from road users, and make (even modest) progress with private sector participation—through outsourcing maintenance to contractors, for instance. The current situation points to the less-than-full achievement of Roads-III's two institutional objectives. One would have expected a significant change from where most maintenance is still carried out by the Road Construction and Development Co (Pvt) Ltd (RC&DC), a subsidiary of RDA, either by force account or ad hoc service contracts. With regard to possible funding, more *might* be forthcoming in 2004 from Sri Lanka's new Roads Fund. Project recommendations in 1992 to implement road user charges—which typically can finance the general treasury rather than be earmarked for roads in particular—were, in any case, not adopted by GOSL, in non-compliance with project legal covenants. RDA itself still relies upon foreign aid for 57 percent of its funding, having recently established two special operating divisions to implement donor programs (ADB and Japanese aid). Internally, RDA can still make fuller use of information technology, especially for planning and controlling an eventually expanded road maintenance and rehabilitation program. Ironically, the ICR draws the lesson that RDA is still in need of reform. While valid, this is a somewhat disappointing finding; a revamped, if not fully reformed RDA had been expected as a result of *this* project.

#### **COLOMBO URBAN TRANSPORT PROJECT (CR. 2495)**

3.4 The Urban Transport project had some modest success in improving traffic circulation in central Colombo, with average speeds increasing from 16 km per hour to 20 km per hour during very heavy traffic, but no improvement over 15 km per hour during peak periods according to the ICR (p. 10). In fact, the main streets and intersections, including the Olcott Mawatha and Maradana Junction are all heavily congested traffic corridors that carry 20,000-60,000 vehicles a day; an array of private

cars and taxis, ubiquitous three-wheeler autorickshaws (known locally as “Tuk-tuks”), small and large trucks, bicycles, motorcycles, minivans and regular buses (the last mode carrying 90 per cent of passengers). But the project objective of removing impediments to traffic circulation was itself overridden by the intense security clampdown—with traffic controls and checkpoints sealing off a 10-15 block area of downtown—that followed the 1996 bomb attack on CBSL headquarters in the heart of the city. Because of this security cordon, one of the project’s largest proposed improvements to three closely placed intersections in the Fort downtown district—heavily trafficked with more than 40,000 vehicles per day and potentially yielding an ERR of 45 per cent, according to the SAR—could not be implemented. Contrary to the intent of the project, this left a serious traffic impediment to accessing what has become a blighted former commercial center of Colombo. The project still introduced improvements—repaving, drainage, street lighting, bus and passenger facilities—however, to the less central Maradana Junction and also along the Olcott Mawatha, downtown Colombo’s main street and 2.3 km bus corridor leading directly into center of the cordoned off Fort district.

3.5 There are some questions about the ERRs of 30 percent for Olcott Mawatha and 22 per cent for the Maradana junction. The ERR estimates compute time and vehicle operating cost (VOC) savings through higher speeds made possible by better road surfaces, adjusted for urban congestion. For the Olcott Wawatha especially, the estimates place great stock in time savings where they account for nearly two-thirds of all benefits from improvements in that corridor. While road surface quality may be a key determinant of traffic speed is appropriate for a main highway, for a congested urban street in Colombo its impact upon traffic speed—and hence time saving—can be overridden by the plethora of slow moving three-wheeler motor rickshaws, disorderly buses and failing traffic lights. Subtracting time savings from the benefit stream of the ERR estimate for Olcott Mawatha, reduces the ERR from 30 percent to a marginal, but still worthwhile, 11 per cent.

3.6 In central Colombo, traffic impediments may have been worsened through a malfunctioning traffic light system, procured locally over Bank objections, but installed during project implementation. Recent traffic speed data showing the effects of such disruption were not available to the OED mission which, however, saw several lights not operating and was informed that the system can even give green go signals to contrary traffic flows. Today, CMC is unwilling on cost grounds and unable on technical grounds to maintain a system that needs replacing. In hindsight, GOSL could have been more open to pursue ICB procurement of a high-tech solution that could have provided Colombo with the high-quality system that it needs and deserves.

3.7 Mixed results came from the project’s three institutional development objectives related to long-term transport planning, strengthening transport institutions and reforming the railways. As the ICR itself points out (para. 23), these were legacy objectives of a much larger transport sector loan planned earlier but aborted for lack of GOSL interest (as well as labor opposition). Thus, enhancing efficiency in Sri Lanka’s large railway sector was not achieved. The project’s provision of a single expatriate advisor to point to the need to privatize some freight services, by itself was not up to the challenge. Strengthening bus companies through training 18,000 bus

drivers and conductors achieved a bizarre result of trained drivers performing marginally worse than those who were untrained. Strengthening their management also had little success, since computerized management information systems (MIS) provided through the project were poorly designed and, in any case, delivered late. Better results came from the pursuit of project's transport planning objective, however. They included a comprehensive policy and investment program for transport in Colombo and the dissemination of its key proposals through a series of workshops held in Colombo.

3.8 Improving the air quality of Colombo—worsened through emissions from the city's fleet of 260,000 vehicles, was another ambitious legacy objective that could not be achieved through the modest investments proposed by a small project such as this. The project did at least draw more attention to the problem, however. By setting up two fixed air quality monitoring stations in the city, it showed how GOSL's later Clean Air 2000 Action Plan could put an air quality monitoring strategy into effect.

#### **COLOMBO ENVIRONMENTAL IMPROVEMENT PROJECT (CR. 2757)**

3.9 This project did not achieve its main objectives. At least during implementation, it did not succeed in improving solid waste management in metropolitan Colombo. Today, although a large-scale composting plant is beginning operation—a technical solution earlier opposed by Bank staff—Colombo and its neighbors still need a definitive solution to the disposal and treatment of all their 1,000 tonnes and more of solid waste produced per day. As mentioned earlier, the project imposed a single design. The single site chosen to the north of Colombo provoked stiff opposition, not so much from local residents, who were few, but from environmental interest groups. The solution failed to attract the interest of potential private operators too, who felt its low gate fees would not make it a going concern for them. Clearly the voices of many local stakeholders were heard too late. Local opposition prevented its implementation altogether, ensuring lasting damage to the local environment and health through uncontrolled disposal into open dumps, still widely used today.

3.10 On the other hand, the project probably went a lot further in reducing wastewater pollution in the Beira Lake catchment area, its second objective. Several local officials, residents, and business people affirmed that the conditions of this shallow and sinewy body of water that runs throughout the heart of central Colombo have improved in recent years. At various points on the lakeside the OED mission—whose visit came at the favorable post-monsoon season when pollutants are most dissolved—found no foul odors, although the water was still discolored by algae, and some illegal sewage discharge was still taking place. Nevertheless, an industrial waste collection system was completed under the project and several lakeside dwellings were connected to the city's main sewerage system. Project prevention works could not proceed in some lakeside areas near the prime minister's residence, where security restrictions did not allow access to illegal sewage outlets that continue to pollute. Overall results are difficult to judge, though, for the lack of baseline and monitoring discussed earlier (para. 2.10). Despite the five year targets for water quality improvements spelled out in the SAR, from the Bank staff side today came

the surprising view that no meaningful improvement would be measurable in less than 20 years. From the GOSL side, an opinion was that monitoring the Beira Lake water was a waste of time, since nobody paid attention to the results—a apt perception, unfortunately. The OED mission nevertheless obtained January 2001 readings by GOSL's National Water Supply and Drainage Board from 15 sample points in the lake, showing faecal coliforms in the 4–70/100 milliliters range, roughly the quality of treated sewage at the top limit. Different and not necessarily comparable—in terms of location and timing—readings taken in 1992 indicated a broader range of 0.2–180/100 milliliters allow scope within the distribution for evidence of improvement (Dissanayake 1996, p. 45). Clearly, monitoring water quality in the Beira Lake is not so difficult to do and there are qualified people to do it in Colombo. It needs to be an integral part of evaluating progress toward recovering this important asset for the city.

3.11 Achieving the project's two other—institutional—objectives, strengthening local governments' planning capacities and mobilizing private sector participation in infrastructure service provision, met with less success. While updating the Colombo Master Plan benefited from the project's provision of a geographical information system (GIS) for GOSL's Urban Development Authority (UDA), little benefit went to the CMC, which as the local authority for the city would be responsible for plan implementation and cadastral and land-use planning applications for the GIS. As far as private sector service provision was concerned, the results were disappointing. Private firms did not go for what, to them, were the unprofitable solid waste services the project offered. A build, operate, and transfer (BOT) contract for a major wastewater treatment plant failed, owing to lack of private sector interest. Thus far, private capital has also not invested in services, such as restaurants and shops, around the Beira Lake. The lack of interest cannot be laid at the project's door only. After all, the attempted improvement took place in an investment climate clouded by uncertainties over official enforcement of higher environmental standards and downgraded by conflict and associated ad hoc security measures.

#### **YEAR 2000 EMERGENCY ASSISTANCE PROJECT (CR. 3162)**

3.12 Midnight December 31, 1999, the Y2K rollover passed without major disruption in Sri Lanka, as the Y2K project had hoped. Y2K-vulnerable sectors—such as telecom, air transport, and health—also got by without Y2K rollover problems and without specific project assistance. Only minor incidents—a shutdown of one supermarket's credit point of sale and failure of some monitoring equipment in two hospitals—were reported for the country (US Senate 2000). But can we be sure that this was a satisfactory result and one that is attributable to the project? An answer to this question requires two key clarifications. First, about the counterfactual, in other words, the likely disruption that would have occurred without the project. Second, about whether any disruption avoided can be attributed to project interventions.

3.13 On the counterfactual, the PAD provides little information on what might have happened to Sri Lanka at the Y2K turnover if the project had not been implemented. As mentioned earlier (para. 2.11) the project design correctly mentioned the concept of damage to financial and economic activities avoided or minimized as a key

performance indicator, but did not describe what this damage was likely to be, or how it should be measured. With the benefit of hindsight, the OED mission sought some evidence for the elusive counterfactual in Colombo. One of the project beneficiaries, the Bank of Ceylon (BOC) reported, for instance, that it would have lost considerable foreign exchange business if it had not become Y2K compliant. The bank would have had to close its profitable London branch if it had not met Bank of England requirements of Y2K compliance—a clearly negative counterfactual from BOC’s perspective. Other international clients—Visa International, Chase, and Barclays—similarly put Sri Lankan banks under considerable pressure over Y2K compliance, especially out of fears of possible disruption to settlements made through globalized payments systems during the millennium rollover. External pressure was important, since Sri Lankans had extraordinary experience of how resilient some computer systems could be. They saw, for instance, CBSL restore operations via the SWIFT interbank payment system within 48 hours of the bomb attack in 1996 that completely destroyed CBSL’s central computer.

3.14 To examine the issue of attribution, one should note that only 55 percent of the project was completed, in terms of the share of commitments actually disbursed. Assistance took the form of system upgrades—particularly of PCs and servers—for 15 banks and 20 public agencies. But demand for eligible loans by the banks was weaker than expected and public agencies did not see the need for the volume of equipment support available through the project. By completion, less than half the project commitment to public agencies had actually been spent. Despite all these shortfalls, the ICR claims that project objectives were still fully achieved. Normally, achieving project objectives at much lower cost would indicate a considerable gain in efficiency. But for this project, where the case for attributing the absence of Y2K disruption to the project has been poorly made, some ask if this objective might have been achieved with lower project disbursement still, or even none at all? Further doubts about attributing the lack of Y2K disruption to the project arise from two important facts. First, two of the largest public agency project beneficiaries—the Census and Statistics Department (CSDSL) and the Employees Trust Fund Board (ETFB) received project support late, after January 1, 2000, and yet suffered no Y2K disruption. Low levels of computerization, manual backups (of both data and systems), and system shutdowns had protected them. Second, fully disbursing all Y2K project funds as planned would have made no difference to the project result since, according to the ICR, the objective had been fully achieved with just half the planned disbursement, as just mentioned.

3.15 Overall, the experience of the Y2K project in Sri Lanka was a positive one in what was a thin and difficult project field for the Bank worldwide. Beyond Sri Lanka, there were only two other Y2K operations supported by the Bank, one in Argentina (Ln. 4423) the other in Malaysia (Ln. 4450), both of which were barely implemented. On the other hand, 100 countries worldwide—including Sri Lanka—have received small Y2K planning grants from infoDev. The Sri Lanka Y2K project could build upon this and had a useful side-effect of giving greater attention and priority to IT solutions in the country’s banking and government sectors that had previously languished. In hindsight, the project would have done even better if it had openly incorporated an explicit objective along these lines in the project design.

## 4. Conflict's Constraints

### UPON DESIGN

4.1 From the experience of the four Sri Lankan projects assessed here, two constraints were identified, as well as, unexpectedly, one opportunity. First, when they have the choice—as they did with Roads-III and the two operations in Colombo—project designers can avoid the delivery of project assets to conflict zones, where those assets risk being lost or damaged, and where providers and users are themselves at risk. Wisely, Roads-III avoided investments in contested areas in the north. Security is a necessary condition for a successful development project, and focusing upon secure areas within a conflict country makes sense. In choosing Colombo, both the Urban Transport and the Environmental Improvement projects focused not only upon the capital city, but also on what, since 1985, had been an area relatively safe from the war. While avoiding conflict zones makes operational sense, it is obviously not a strategy to bring benefits to those populations trapped in these zones, especially the poor among them. But such assistance may only be feasible after strife-torn areas have sustained peace. This was a conclusion of the 1995 ICR of the Sri Lanka Emergency Reconstruction and Rehabilitation Project (Cr. 1883), implemented in the north of the country after the ill-fated peace accords of 1987.

4.2 Second, project designers are right to continue to pursue institutional development even in conflict situations, but may find that borrowers have little appetite for substantial reform, as we saw from the experience of the Urban Transport and Environmental Improvement projects. In these cases, a GSOL overseeing a war situation are likely to be distracted from regular reform programs, such as privatization and decentralization. The presence or risk of conflict do not imply that change is impossible, but they can take the edge off project-driven reform.

4.3 Third—and this is the opportunity—project designers may find that an operation can play a constructive indirect and non-military role in a conflict. This was the case of the Y2K project, an operation that was strongly championed by the CBSL Governor. The upbeat international dissemination of the project gained Sri Lanka the reputation of being one of the world's four or five most proactive Y2K reformers in the world, significantly enhancing an otherwise war-battered image of the country's financial sector in particular.

### DURING IMPLEMENTATION

4.4 Four constraints were identified through the assessment of these projects. First, implementation can be disrupted by an unexpected shift of the conflict into project areas. This happened to the two operations in Colombo, the Urban Transport project and the Environmental Improvement project after the 1996 bomb attack on CBSL. As mentioned earlier, security cordons with checkpoints subsequently thrown around downtown Colombo overrode the project objective of easing vehicular access, and made some project investments infeasible. Security concerns also prevented some of the Beira Lake clean-up works and restricted after-dark truck movements needed

for the solid waste program. When conflict unexpectedly erupts or shifts to a previously secure area, a mid-term review can examine the relocation of key project components such as these to safer zones, where possible.

4.5 Second, road rehabilitation was constrained by contractors being unable to use explosives to quarry the necessary aggregate material under Roads-III. Known or foreseeable constraints, such as these, need to be factored into project design. It is important for project designers to talk to such stakeholders and factor the constraints they face in such circumstances.

4.6 Third, the contractors reported further conflict-related difficulties; this time of hiring labor in some areas perceived by workers to be insecure and dangerous. In such areas, contractors also found that insurance to cover of their equipment was prohibitively expensive. Since this constraint is more space-specific, it was more readily factored into the design of Roads-III, for example.

4.7 Fourth, project executing agencies and supervising consultants reported difficulties in obtaining detailed maps, ostensibly of high security areas, whose dissemination was restricted for strategic reasons. Such restrictions can severely curtail the planning and supervisory capacities of those responsible for project implementation. Keeping the borrower informed when such problems arise is an important first step to finding solutions.

4.8 Of all the projects reviewed here, the Y2K operation was probably the least constrained by the conflict. Sri Lanka's was not a high-tech war. But, globally, as IT moves to the heart of conflict, this kind of operation may prove to be more vulnerable in the future.

## 5. Conclusions and Lessons

### RATINGS

5.1 *Roads-III (Cr. 2183)*: Project objectives are still **substantially relevant** to current GOSL policy of improving infrastructure services, supported by the 2003 CAS. While the new CAS focuses upon private sector infrastructure provision in general, it does see a potential public sector role in the highway sub-sector through a viable Road Fund (World Bank 2003, p. 17). *Efficacy* in achieving those objectives was only **modest**, since a significant volume of planned works were not completed. *Efficiency* too was **modest**; ERRs probably exceeded the opportunity cost of capital, but were likely to be lower than reported in the ICR. The *overall outcome* of this project is therefore rated **moderately satisfactory**; it did achieve its relevant objectives, albeit with significant shortcomings; delivery shortfalls and limited policy and institutional gains. *Sustainability* is rated as **unlikely**, principally because of the lack of ongoing maintenance of the road network and the absence of financing mechanisms to help pay for it. *Institutional development impact* is rated as **modest**, since the project led to very little improvement in the way Sri Lanka went about the



management of its road network, the organizational arrangements in place, and the use of resources applied to the sector. Still, *Bank performance* is rated **satisfactory** mainly because of the good quality at entry of this project. *Borrower performance* is also rated **satisfactory**, despite sometimes lethargic management of procurement.

5.2 *Urban Transport (Cr. 2495)*: Similarly, with current GOSL and Bank priorities for infrastructure provision, especially through the private sector, this project's objectives are **substantially relevant** today. The project's *efficacy* in achieving its objectives was only **modest**, however; it lacked instruments to achieve two of its five objectives, major junction works were abandoned for security reasons and the poor performance of the traffic light system undermined the aim of easing traffic flows. Project *efficiency* was modest too, in view of the significant costs incurred and the limited results obtained. Since it did not achieve its major objectives but nevertheless did produce a few worthwhile results, the *overall outcome* of this project is rated **moderately unsatisfactory**. *Sustainability* is rated as **unlikely**; Colombo's urban transport problems are likely to get worse before they improve whatever the evolution of the security scenario, and the modest project benefits are unlikely to be resilient to the uncertainties ahead. *Institutional development impact* is rated **negligible**; the project failed to leave in place an efficient means to apply resources to Colombo's urban transport, even through components that were specifically designed to do so. *Bank performance* was **unsatisfactory**, principally because the project design overstated the borrower's commitment to the implied reforms, retained ambitious objectives of a larger project planned earlier, but failed to provide adequate instruments to achieve them; an issue of project quality at entry. *Borrower performance* is also rated **unsatisfactory**, especially for protracted procurement procedures and sometimes ad hoc acquisitions, such as the sole source purchase—against the spirit of the project—of an inadequate traffic light system whose poor performance undermined the project outcome.

5.3 *Environmental Improvement (Cr. 2757)*: In this case, project objectives are **substantially relevant** to GOSL's and the Bank's current priorities for environmental improvement and management of environmental safeguards, as reported in the latest CAS (World Bank 2003, pp. 16 and 27). But *efficacy* in achieving those objectives is rated only **modest**, given the failure to achieve three out of the four objectives. Project *efficiency* is also rated **modest**, since the operation incurred considerable expenses for a very modest result. Since it did not achieve most of its main objectives, the *overall outcome* of the project is rated **unsatisfactory**. *Sustainability* is rated as **unlikely**; lack of priority for and attention to monitoring has already weakened the resilience of the limited benefits achieved. *Institutional development impact* is rated **negligible**, since there has been no demonstrably significant improvement in GSOL's use of resources to further improve environment in Colombo. *Bank performance* is rated **unsatisfactory**, principally for the poor quality at entry that came from an unnecessarily rigid project design that failed to effectively involve either borrower or beneficiaries. *Borrower performance* is also rated **unsatisfactory**, principally because of its failure to implement solutions for solid waste and wastewater pollution. Poor procurement management was a factor too.

5.4 **Y2K (Cr. 3162)**: This project's objective is only **modestly relevant** since it did not specify the downside for Bank and Sri Lanka's development policies if nothing were done about the Y2K problem. Project *efficacy* and project *efficiency* are both rated **modest**, especially since some equipment was delivered after December 31, 1999, too late to help avoid millennium rollover disruption. **Overall outcome** is rated **moderately satisfactory**, as the project apparently achieved its intended objective, but with significant shortcomings, partly due to doubts about the counterfactual and attribution. **Sustainability** is **likely**, given the already demonstrated resilience of Sri Lanka's economy and banking sector to a Y2K-type event. The project's **institutional development impact** is rated **substantial**, given that it introduced several banks and government agencies to new ways of managing and using their IT resources. For its rapid project preparation close supervision, **Bank performance** is rated **satisfactory**, despite the incomplete development objective statement and the cost overestimate at appraisal. For **borrower performance**, the rating is also **satisfactory**, given the strong ownership of the project and efficient implementation by the GOSL authorities concerned.

## LESSONS

- The performance of a wide range of projects—not only those in conflict zones—is vulnerable to the impact of war, especially through unexpected conflict events during project implementation. Projects will not do so well during conflict as in a peaceful situation. Spatial separation of a project from active conflict zones does not guarantee that an operation will be free of conflict constraints.
- Project design should not be blind to conflict, and must cautiously but explicitly address the constraints imposed. War-weary governments are unlikely to have strong ownership of reform unrelated to the causes of the conflict. Decentralization may go against centralized conduct of war. Conflict generates a poor business climate that private firms themselves are unwilling to invest in.
- It is important to focus upon a clear vision of the intended development results of a project, and to remain focused on them through systematic monitoring and evaluation. In other words, the baseline should be measured, the counterfactual clearly understood, and M&E supported and implemented.

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## Annex A. Basic Data Sheets

### THIRD ROADS PROJECT (CREDIT 2183-CE)

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

	<i>Appraisal estimate</i>	<i>Actual or current estimate</i>
Total project costs	70.5	63.6
Loan amount	42.5	37.8
Co-financing	14.5	17.1
Date physical components completed	06/30/1998	12/31/1998
Economic rate of return	33%	52% (see para. 3.1)

#### Staff Inputs

<i>Stage of project cycle</i>	<i>Actual/Latest Estimate</i>	
	<i>Weeks</i>	<i>US\$</i>
Identification/Preparation	43.5	114.0
Appraisal-Board	27.0	82.8
Negotiations through Board Approval	8.7	26.1
Supervision	147.9	447.7
Completion	5.7	18.3
<b>Total</b>	<b>232.8</b>	<b>688.9</b>

#### Mission Data

Stage of project cycle	Month/year	No. of persons	Days in Field	Specialized staff skills represented a/	Performance rating	
					Implement-ation Status	Development Objectives
Through Appraisal	Oct-88	2	16	ENG, HE	-	-
	Mar-89	2	16	ENG, HE	-	-
	May-89	1	2	ENG	-	-
	Nov-89	3	11	ENG, HE, unknown	-	-
	Jan-90	2	17	ENG, HE	-	-
Appraisal through Board Approval	Apr-90	3	3	ENG, HE, DISB		
	Mar-91	2	3	ENG, HE	2	2
	Oct-91	2	12	ENG, TS	2	2
Supervision	Jun-92	3	14	ENG, ECON	1	1
	Nov-92	2	16	ECON, HE	1	1
	Apr-93	3	14	ECON-, ENG	1	1
	Jun-93	2	11	ECON, HE	1	1
	Dec-93	2	9	ECON, HE	2	1
	Jun-94	3	11	ECON, ENG, HE	HS	S
Mid-Term Review	Nov-94	3	16	ECON, HE (2)	S	S
	Mar-95	3	19	TS, HE (2)	S	S
	Sep-95	1	18	HE	S	S
	Jul-96	2	14	TS, HE	S	S
	Feb-97	3	13	TS, HE (2)	S	S
	Jul-97	2	11	HE, PROC	S	S
	Oct-97	3	11	TS, HE, PROC	S	S
Completion	Mar-98	2	7	HE, PROC	S	S
	Nov-98	3	9	HE, TE, PROC	S	S
Workshop	May-99	3	5	ENG, HE, TE		

**Staff Skills:**

ECON=Economist  
ENG=Engineer  
DISB=Disbursement Specialist  
TE=Transport Economist

HE=Highway Engineer  
PROC=Procurement Specialist  
TS=Transport Specialist

**Performance Rating Key:**

HS=Highly Satisfactory  
S=Satisfactory  
U=Unsatisfactory  
HU=Highly Unsatisfactory

## COLOMBO URBAN TRANSPORT PROJECT (CREDIT 2495-CE)

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

	Appraisal Estimate	Actual or current estimate
Total project costs	25.3	18.2
Loan amount	20.0	14.0
Co-financing	1.0	0.5
Date physical components completed	06/30/1999	06/30/1999
Economic rate of return	26%	27% (see: para. 3.4)

### Staff Inputs

Stage of project cycle	Planned Weeks	Actual Weeks	US\$
Preparation to Appraisal	2.0	20.7	70.7
Appraisal-Board	2.0	16.9	53.4
Negotiations through Board Approval	6.0	1.8	6.0
Supervision	62.0	114.5	378.4
Completion	8.0	0.8	10.2
<b>Total</b>	<b>80.0</b>	<b>154.7</b>	<b>518.7</b>

Note: \*includes estimated 30 staff weeks.

### Mission Data

Stage of project cycle	Month/ year	No. of persons	Days in Field	Specialized staff skills represented a/	Performance rating	
					Implementat ion Status	Development Objectives
Through Appraisal	Aug-88	1	10	SE	-	-
	May-89	2	13	SE, RS	-	-
	Nov-90	3	8	(2)RE, SE	-	-
	March 91	4	7	ML, RS, C, ENG	-	-
Appraisal through Board Approval	July-91	4	24	ML, RE, ENG, RCS	-	-
	June-82	1	12	SE	-	-
	Aug-92				-	-
Supervision	Sep-92	1	13	ES	-	-
	June-93	3	20	SE, TS, PROC	1	1
	Dec-93	2	15	SE, C	1	1
	Dec-94	2	10	TE, Traff. S	S	S
	March-95	2	11	TE, EE	S	S
Mid-Term Review	March-97	4	12	TE, TEng, ML, ES	S	S
	Oct-97	3	10	TE, ML, C	S	S
	March-98	2	8	TE, ES	S	S
	Oct-98	2	8	TE, TEng	S	S
Completion	May-99	2	10	TE, C	S	S
	June-99	1	4	TE	-	-

#### Staff Skills:

SE = Senior Economist  
 ENG = Engineer  
 C = Consultant  
 ES = Environmental Specialist  
 PROC = Procurement Specialist  
 Teng = Traffic Engineer

RS = Railway Specialist  
 ML = Mission Leader  
 TS = Transport Specialist  
 Traff S = Traffic Specialist  
 EE = Environment Engineer  
 M = Managerial

#### Performance Rating Key:

H = Highly Satisfactory  
 U = Unsatisfactory

S = Satisfactory  
 HU = Highly Unsatisfactory

## COLOMBO ENVIRONMENTAL IMPROVEMENT PROJECT (CR. 2757-CE)

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

	<i>Appraisal Estimate</i>	<i>Actual or current estimate</i>
Total project costs	49.1	28.8
Loan amount	39.0	29.9
Co-financing	-	-
Date physical components completed	06/30/2001	06/30/2001
Economic rate of return	N/A	N/A

### Staff Inputs

<i>Stage of project cycle</i>	<i>Actual/Latest Estimate</i>	
	<i>Weeks</i>	<i>US\$</i>
Identification/Preparation	49	-
Appraisal/Negotiation	20	-
Supervision	95*	1212
ICR	-	-
<b>Total</b>	<b>164</b>	

Note: \*includes estimated 30 staff weeks.

### Mission Data

Stage of project cycle	Month/year	No. of persons	Days in Field	Specialized staff skills represented a/	Performance rating	
					Implementation Status	Development Objectives
Identification/Preparation	May/1991	4		1 Engineer, 1 Municipal Engineer, 1 Financial Analyst		
	May/1993	5	-	1 Engineer, 1 Environmental Engineer, 1 W&S Engineer, Institutional Development Specialist, 1 Legal		
	July/1993	8	-	1 Engineer, 1 Sanitation Engineer, 1 Water & Sanitation Specialist, 1 Legal, 1 GIS Spec, 1 Environmental Spec, 1 Op. Assistant		
	Dec/1993	9	-	1 Engineer, 1 Institutional Development Specialist, 1 W&S Engineer, 1 Environmental Specialist, 1 Op. Assistant, 1 Solid Waste Spec, 1 Legal		
Appraisal/Negotiation	Sept/1994	7	-	1 Engineer, 1 Economist, W&S Engineer, 1 Solid Waste Spec		
	Mar/1995	4	-	1 Unit Chief, 1 Sr. Financial Analyst, 1 Principal Port Engineer, 1 Environment Specialist		
Supervision	Nov/1995	2	-	1 Sr. Financial Analyst, 1 Sr. Environmental Engineer	S	S
			-	1 Sr. Financial Analyst	S	S
	PSR Update					
	May/1997-PSR update	1	-	1 Sr. Financial Analyst	S	S
	Nov/1997	4	-	1 Sr. Financial Analyst, 1 Sr. Environmental Engineer, 1 Sanitary Engineer, 1 Procurement Specialist	S	S

Stage of project cycle	Month/year	No. of persons	Days in Field	Specialized staff skills represented a/	Performance rating	
					Implementation Status	Development Objectives
	June/1998-PSR	1		1 Sr. Financial Analyst	S	S
	Mar/1999	5		1 Sr. Environmental Engineer, 1 Sanitary Engineer, 1 Procurement Specialist, 1 Principal Operations Specialist, 1 Operations Assistant	U	S
	Aug/1999	4		1 Sr. Environmental Engineer, 1 Sanitary Engineer, 1 Procurement Specialist, 1 Operations Assistant	U	S
	Dec/1999-PSR update	1		1 Sr. Environmental Engineer	U	U
	May/2000	6		1 Sr. Environmental Engineer, 1 Sanitary Engineer, 2 Procurement Specialists, 1 Financial Analyst, 1 Operations Assistant	U	U
	Jan/2001	4		1 Procurement Specialist, 1 Sanitary Engineer, 1 Sr. Environmental Engineer, 1 Financial Analyst	U	U
	June/2001 - PSR update	1		1 Procurement Specialist	U	U
ICR		4		1 Implementation Specialist, 1 Sr. Sanitation & Environmental Engineer, 1 Sanitary Engineer, 1 Financial Analyst	U	U



## YEAR 2000 EMERGENCY ASSISTANCE PROJECT – CR.3162-CE)

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

	<i>Appraisal Estimate</i>	<i>Actual or current estimate</i>
Total project costs	38.0	21.2
Loan amount	29.0	14.7
Co-financing	8.0	6.5
Date physical components completed	06/30/2001	06/30/2001
Economic rate of return	N/A	N/A

### Staff Inputs

<i>Stage of project cycle</i>	<i>Actual/Latest Estimate</i>	
	<i>Weeks</i>	<i>US\$</i>
Appraisal/Negotiation	11	64.13
Supervision	41	191.11
ICR	8	25.70
<b>Total</b>	<b>60</b>	<b>280.94</b>

Costs include travel and labor

### Mission Data

Stage of project cycle	Month/year	No. of persons	Days in Field	Specialized staff skills represented a/	Performance rating	
					Implementation Status	Development Objectives
<b>Appraisal/ Negotiation</b>						
11/1998 appraisal	-	Two	-	Information Technology/Informatics	S	S
12/1998 negotiation	-	Two	-	Economist/Operations Officer		
		One	-	Financial Management Specialist		
		One	-	Procurement Specialist		
<b>Supervision</b>						
2/1999		One	-	Information Technology/Informatics	S	S
6/1999	-	One	-	Economist/Operations Officer		
12/1999	-	One	-	Industrial Economist/ Financial Sector		
2/2000	-	One	-	Financial Management Specialist		
		One	-	Procurement Specialist		
<b>ICR</b>						
6/2001	-	One	-	Information Technology/Informatics	S	S
		One	-	Economist/Operations Officer		
		One	-	Industrial Economist/ Financial Sector		
		one	-	Financial Management Specialist		

